

ARTICLES OF INCORPORATION PENOBSCOT SHORES ASSOCIATION

1. Purposes. The Corporation has been formed to acquire, develop, own, use, operate and maintain a retirement community known as **Penobscot Shores** in Belfast, Maine to be owned and operated by its shareholders.

The Corporation shall have any and all powers now or hereafter vested in or conferred upon Maine corporations by the common and statutory laws of the State of Maine, as from time to time amended.

2. Issuance of Shares. The directors of the Corporation shall issue one share of the Corporation's authorized by issued stock for each completed residential unit developed by, or conveyed to, the Corporation from time to time. It shall be a condition of the issuance of such share that the Corporation shall enter into a Residency Agreement with the owner of such shares, pursuant to which Agreement the owner or the owner's permitted subtenants shall be entitled to exclusive occupancy of a specific residential unit at **Penobscot Shores**. All stock must be issued to persons or entities who satisfy the eligibility criteria established under the Corporation's bylaws.

3. Restrictions on Transfers. All of the Corporation's shares are subject to restrictions on ownership and transfer as provided in the Corporation's bylaws and the Residency Agreements. The Manager shall act as the exclusive sales agent for the Corporation's stock and shall receive from each selling stockholder a stock transfer fee as provided in the bylaws and Residency Agreements.

4. Amendments. The power to amend the bylaws and Articles of Incorporation of the corporation is vested exclusively with the stockholders, who may do so by majority vote, except that the following actions shall require the approval of the manager and the vote of the owners of at least seventy-five percent (75%) of the outstanding shares of the Corporation's stock:

- (a) Cessation of, substantial change in, the operation of Penobscot Shores as a retirement community, or termination of all, or substantial portion, of the core services described in the Residency Agreements.
- (b) Amendment to the stockholder eligibility criteria set forth in the bylaws.
- (c) Termination of **Waldo County Healthcare Management Company** as the manager.

- (d) Amendment of the method of electing Directors or the removal of any Director nominated by the Manager.
- (e) Termination of the Manager's rights to act as exclusive sales agent for the sale of Corporation stock or any reduction in the stock transfer fee payable to the Manager for such services.
- (f) Any encumbrance, pledge, hypothecation, sale, transfer or other disposition of all or substantially all the assets of the Corporation, except in connection with the construction or renovation of the facilities which comprise **Penobscot Shores**, where the mortgage holder has entered into a non disturbance agreement protecting the occupancy rights of non defaulting stockholders of **Penobscot Shores**.
- (g) Amendment to the Articles of Incorporation.
- (h) Approval of a consolidation or merger involving the Corporation.
- (i) Amendment to any Section of the bylaws requiring a vote of the owners of at least seventy-five percent (75%) of the outstanding shares of the Corporation's stock.

5. Directors. Until thirty (30) shares of the Corporation's stock have been sold to persons unrelated to the manager, the Board of Directors shall be selected from a slate proposed by the Manager. Thereafter, at least a majority of the Board of Directors shall be nominated from a slate proposed by the Manager.

6. Distributions. No holder of any shares of the Corporation's capital stock, shall, as such holder, be entitled to receive any distribution out of earnings and profits of the Corporation, except on a complete or partial liquidation of the Corporation. In the event of the Corporation's complete or partial liquidation, after paying all debts and obligations of the Corporation or making adequate provision for such payment, the remaining assets of the Corporation shall be distributed to the share holders in proportion to the respective maximum resale prices of their shares of stock as most recently determined by the Board of Directors. For purposes of the foregoing, each share of stock shall be deemed a separate series under Section 502 of the Maine Business Corporation Act. Nothing contained herein shall prohibit the Corporation from rebating to its stockholders monthly fees and assessments, which exceed the amount reasonably needed by the Corporation to fund its operational and capital needs.

7. Definitions - Documents. Terms used herein shall have the meanings provided in the Corporation's bylaws, Residency Agreement, Ground Lease and Management Agreement. Copies of all documents referred to herein shall be made available to all stockholders upon request at any time.