

LAS PALMAS

**Project
Documents**

**ACKNOWLEDGMENT OF RECEIPT
OF PROJECT DOCUMENTS**

I hereby acknowledge receipt of the Las Palmas Project Documents including, Covenants, Conditions, and Restrictions, Bylaws, Design Guidelines, and Association Rules.

Signature

Date

LAS PALMAS

Covenants, Conditions and Restrictions

**DECLARATION OF COVENANTS, CONDITIONS
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LAS PALMAS**

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

LAS PALMAS

This Declaration of Covenants, Conditions and Restrictions for LAS PALMAS (the "Declaration") is made this _____ day of July 2002 by Villas Bonitas de Penasco, S. de R.L. de C.V. (hereafter "Villas Bonitas" or Declarant")

The Residential Mixed Condominium Project is located in _____ Number _____, lot _____, Section _____ in the Master Condominium Project Las Palmas in Puerto Penasco, Sonora. The Residential Mixed Condominium Project is subject to the State of Sonora Condominium Laws.

LEGAL FOUNDATION

These Covenants, Conditions, and Restrictions are issued based on the provisions set forth by Law (293), regarding the Property Condominium Regime for the State of Sonora, published in the Official Bulletin of the Government of the State of Sonora, on July 12, 1993.

ARTICLE 1

DEFINITIONS

Unless otherwise defined, the following words and phrases when used in this Declaration shall have the meanings set forth in this Article.

- 1.1 **"Additional Property"** means any property, together with all the improvements that will take place within the development as well as those situated within the vicinity of the Project.
- 1.2 **"Annual Assessment"** means the assessments made to each Lot/Unit pursuant to Section 6.2 of this Declaration.
- 1.3 **"Committee"** means the Architectural Review Committee that the Association shall create pursuant to Section 5.11 of this Declaration.
- 1.4 **"Areas of Association Responsibility"** means:

- (I) All Common Areas;
 - (II) All property, and the improvements made thereon, located within the boundaries of a Lot/Unit which the Association is obligated to maintain, repair and replace pursuant to the terms of this Declaration or the terms of another Recorded document agreed to by the Association;
 - (III) All property and improvements made thereon, regarding rights-of-way and that are located within the project;
 - (IV) All property, and the Improvements made thereon, designated on a plat signed or ratified by the Association as an Area to be maintained, repaired or replaced by the Association; and
 - (V) All property, and Improvements made thereon, within the Project that the Association has agreed in a Recorded document signed by the Association to maintain, repair or replace.
- 1.5 **"Articles"** means the Articles of Incorporation of the Association, as well as those agreed to subsequently.
- 1.6 **"Assessable Property"** means any Lot/Unit, except the part or parts thereof as may time to time be Exempt Property.
- 1.7 **"Assessment"** means Annual Assessment, Special Assessment or Subdivision Assessment.
- 1.8 **"Assessment Lien"** means the lien created and imposed by Article 6 of this Declaration.
- 1.9 **"Assessment Period"** means the period set forth in Section 6.7 of this Declaration.
- 1.10 **"Association"** means Las Palmas Condominiums Association, a Nonprofit Corporation, or such other nonprofit corporation to be organized by Declarant to administer and enforce the Project Documents and to exercise the rights, powers and duties set forth therein, and its successors and assigns.
- 1.11 **"Association Rules"** means the rules adopted by the Board pursuant to Section 5.3 of this Declaration, as well as the amendments or revisions that may be made.
- 1.12 **"Board"** means the Board of Directors of the Association.
- 1.13 **"Bylaws"** means the Association bylaws, as amended from time to time.

- 1.14 **“Common Area”** means the Property, together with all Improvements situated thereon, which the Association at any time owns in fee or in which the Association has a leasehold interest.
- 1.15 **“Common Expenses”** means the actual or estimated expenses incurred, or anticipated to be incurred, by the Association, together with any allocations to reserves.
- 1.16 **“Declarant”** means Villas Bonitas de Peñasco, a Mexican LLC, its successors and any Person that may expressly assign any or all of its rights under this Declaration by a Recorded instrument.
- 1.17 **“Declaration”** means this Declaration of Covenants, Conditions, and Restrictions, as well as the amendments it may have.
- 1.18 **“Design Guidelines”** means the rules and guidelines adopted by the Architectural Review Committee regarding Section 5.12 of this Declaration, as amended or supplemented.
- 1.19 **“Development Plan”** means the master plan for the Project attached hereof as **Exhibit, "A"** which originally establishes the density for the Project, such density is subject to change only pursuant to Section 2.6 herein.
- 1.20 **“Exempt Property”** means:
- (i) All real property owned by or dedicated to and accepted by the State of Sonora, or any political subdivision, as long as such political subdivision thereof is the Trust Owner/Shareholder or until said dedication remains effective;
 - (ii) All Common Areas; and
 - (iii) All Lots/Units or other properties within the Project owned by the Declarant, except for property owned by Declarant that is subject to a contract for the property conveyance subject to the requirements.
- 1.21 **“First Mortgage”** means any mortgage or lien on a Unit, which has priority over all other mortgages and deeds of trust on the same Unit.
- 1.22 **“First Mortgagee”** means the holder or beneficiary of any First Mortgage.
- 1.23 **“Improvement”** means any building, fence, wall or other structure or improvement above or below ground (including, without limitation, any sheds, basketball poles/hoops, patio covers and balconies) or any swimming pool, road, driveway, parking area (paved or unpaved) or any trees, plants, shrubs, grass or other landscaping improvements of every type and kind.

- 1.24 **“Lessee/Tenant”** means a person occupying a unit under a written lease by the Owner/Shareholder of any Lot/Unit, including an assignee of a sublease.
- 1.25 **“Lot/Unit”** means a portion of the Project designed for the Owners/Shareholders of the Trust independent of use and designed as a Lot/Unit in the plat and where the context points out or requires, it will include any building, structure or any other improvements located in the property.
- 1.26 **“Maintenance Standard”** means the standard of maintenance of Improvement established from time to time by the Board or, in the absence of this any standard established by the Board, the standard of maintenance of Improvements generally prevailing throughout the Project.
- 1.27 **“Member”** means any Person that is a member of the Association that keeps a “Membership” created according to Article 5 of these declarations.
- 1.28 **“Owner/Trust Shareholder”** means the registered Owner/Shareholder of the Trust whether one or more Persons, of a beneficial or equitable title (and legal title if the same has merged with the beneficial or equitable title) to the fee simple interest of a Lot/Unit.
The Owner/Shareholder of the Trust shall not include persons having an interest in a Lot/Unit merely as security for the performance of an obligation or a Lessee/Tenant.
The Owner/Shareholder of the Trust shall include a purchaser under a contract for the conveyance of real property pursuant to the requirements the Owner/Shareholder of the Trust shall not include a purchaser under a purchase contract and receipt, escrow instructions or similar executory contracts which are intended to control the rights and obligations of the parties to the executory contracts pending the closing of a sale or purchase transaction.
In the case of Lots/Units held by a Bank Trust, registered according to the Public Registry of Property and Commerce from the city of Puerto Peñasco, Sonora, Mexico the Trustor shall be considered as the Owner/Shareholder of the Trust.
In the case of Lots/Units, fee simple title which is recorded under the name of a trustee according to a trust subdivision agreement or a similar agreement, the beneficiary of any trust that has a right of possession of the property’s trust shall be considered as the Owner/Shareholder of the Trust.
- 1.29 **“Owner/Shareholder of the Trust Access Easement Area”** means that area identified on a plat as “Owner/Shareholder of the Trust Access Easement Area” which provides pedestrian ingress and egress across certain Units.

- 1.30 **"Person"** means an individual, corporation, business trust, estate trust, partnership, limited liability company, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.
- 1.31 **"Plat"** means any subdivision plat Recorded against all or any part of the project, and all amendments, supplements and corrections thereto.
- 1.32 **"Property's Project"** means the property described in the Articles of Incorporation of the Trust attached to the Declaration together with all Improvements located thereon, pursuant to Section 2.3 of this Declaration.
- 1.33 **"Project Documents"** means this Declaration, the Articles, the Bylaws, the Association Rules and the Design Guidelines.
- 1.34 **"Purchaser"** means any Person, other than the Declarant, who by means of a voluntary transfer becomes the Owner/Shareholder of the Trust of any Lot/Unit, except for:
- (i) A person who purchases a Lot/Unit and then leases it to the Declarant for use as a model in connection with the sale or lease of other Lots/Units; or
 - (ii) A Person who in addition to purchasing a Lot/Unit, is assigned any or all of the Declarant's rights under this Declaration.
- 1.35 **"Recording and Recorded"** means recording a deed in the office of the Public Registry in Puerto Peñasco, Sonora.
- 1.36 **"Resident"** means each individual occupying or residing in a Residential Unit. (Including Lessees/Tenants.)
- 1.37 **"Residential Unit"** means any building, portion of a condominium unit or building located in a Lot/Unit and assigned for the Owner/Shareholder of the Trust for independent use as a single family residence
- 1.38 **"Special Assessment"** means any assessment taking place pursuant to Section 6.5 of this Declaration.
- 1.39 **"Special Use Fee"** means a special fee authorized by this Declaration which an Owner/Shareholder of the Trust, Resident or any other Person is obligated to pay to the Association over any Annual Assessment, Subdivision Assessment or Special Assessment imposed or payable in each case. The amount of any Special Use Fee shall be determined by the Board's sole discretion, provided that all fees shall be fair and reasonable.
- 1.40 **"Subdivision Assessment"** means an assessment taking place in all the Lots/Units in the Project pursuant to Section 6.6 of this Declaration.

- 1.41 **“Subdivision Assessment Area”** means a portion of the project designated in a Supplemental Declaration as an area in which the Association will provide Subdivision Services.
- 1.42 **“Subdivision Expenses”** means the actual estimated expenses, including allocations to reserves, carried out by the Association to provide subdivision Services to the Owner/Shareholder of the Trust, Lessee/Tenant and Residents in a Subdivision Assessment Area.
- 1.43 **“Subdivision Services”** means services designated in a Supplemental Declaration as being for the sole or primary benefit of the Owner/Shareholder of the Trust, Lessee/Tenant and Residents of a particular part of the Project. Subdivision Services may include, without limitation, landscape maintenance services for landscaping situated on Units.
- 1.44 **“Trust”** the legal instrument contained in public instrument 00,000 of the XX of month _____ year 2003 attested by Notary Public 5 of the city of Hermosillo, Sonora and recorded in the Public Registry of Property in Puerto Penasco, Sonora under Number 00,000, Section 0, Volume 0 to date.
- 1.45 **“Transition Date”** means the first to occur of:
- (i) the day on which title to the last Lot/Unit in the Project, including, without limitation, any Lot/Unit within Additional Property, owned by Declarant is conveyed to a third party for value, other than a security for the performance of an obligation, or
 - (ii) the expiration of any five (5) year period during which title to no Lot/Unit in the Project is conveyed by Declarant to a third party for value, other than as security for the performance of an obligation or
 - (iii) the date fifteen (15) years after the date this Declaration is Recorded or
 - (iv) such earlier date as Declarant declares to be the Transition Date in a Recorded instrument.
- 1.46 **“Visible From Neighboring Property”** means with respect to any given object, that such object is or would be visible to a person six feet tall, standing at ground level on any part of an adjoining Lot/Unit or Common Area, or anything on the roof tops of any lot/unit that may be visible from another lot/unit.

ARTICLE 2

PLAN OF DEVELOPMENT

2.1 Property Initially Subject to the Declaration. Declarant intends hereof to impose upon the Property mutually beneficial restrictions under a general plan of improvement and desires to provide flexible and reasonable procedures for the overall development of the Property and to establish a method for the administration, maintenance, preservation, use and enjoyment of the Property.

Declarant hereby declares that all the Property shall be held, sold, used and conveyed subject to the easements, restrictions, conditions, and covenants set forth in this Declaration, which are for the purpose of protecting the value and desirability of the Property, and which shall run with the property.

Declarant also states that this hereof shall be binding upon all persons having any right, title or interest in the Property or any part thereof, their successors, successors in title and assigns and shall inure to the benefit of each Owner/Shareholder of the Trust to this Declaration, each Person, for himself or through his personal representatives, successors, transferees and assigns, binds himself, his heirs, personal representatives, successors, transferees and assigns, to all of the provisions, restrictions, covenants, conditions, rules, and regulations imposed by this Declaration and any amendments thereof.

In addition, each such Person by so doing thereby acknowledges that this Declaration sets forth a general scheme for the development, sale, lease and use of the Property and hereby evidences his interest that all the restrictions, conditions, covenants, rules and regulations contained in this Declaration shall run with the land and be binding all Owners/Shareholders from the Trust, grantees, purchasers, assignees, Lessees/Tenants and transferees thereof.

Furthermore, each Person accepts and fully understands and acknowledges that this Declaration shall be mutually beneficial, prohibitive and enforceable by the Association and all Owners/Shareholders of the Trust.

Declarant, its successors, assigns and grantees, covenant and agree that the Lot/Unit and Condominiums and Membership in the Association and other rights created by this Declaration shall now be separated or separately conveyed for each owner, and each shall be deemed to be conveyed or encumbered with its respective Lot/Unit and Condominium even though the description in the instrument of conveyance or encumbrance may refer only to the Lot/Unit and Condominiums.

2.2 Supplemental Declarations. Declarant reserves the right, but not the obligation, to record one or more Supplemental Declarations against portions of the Property. A Supplemental Declaration may:

- (i) designate Subdivision Services for Subdivision Assessment Areas,
- (ii) impose such additional covenants, conditions and restrictions as the Declarant determines to be appropriate for the Subdivision Service Area,
- (iii) establish a Subdivision Assessment pursuant to Section 6.6 of this Declaration for a Subdivision Service Area, and
- (iv) impose any additional covenants, conditions and restrictions as Declarant deems reasonably necessary and appropriate, whether or not a Subdivision Service Area is established.

A Supplemental Declaration may only be amended by the written approval or the affirmative vote, or any combination thereof, of (i) the Owner/Shareholder of the Trust representing more than seventy-five percent (75%) of the votes in the Association held by the Owner/Shareholder of the Trust of all of the Lots/Units subject to the Supplemental Declaration, (ii) the Association, and (iii) the Declarant as long as the Declarant owns any Lot/Unit or other property in the Project.

Such amendment shall certify that it has been approved as required by this Section, shall be signed by the President or Vice President of the Association, and the Declarant, so long as the Declarant owns a Lot/Unit or other property in the Project, and shall be Recorded.

The Association shall have the right to record a Supplemental Declaration for any Additional Property, which is annexed and subjected to this Declaration by the Association pursuant to Subsection 2.3.3 of this Declaration.

2.3 Acquisition of Additional Property.

2.3.1 At any time on or before the date which is ten (10) years after the Recording date of this Declaration, the Declarant shall have the right to acquire and subject to this Declaration Additional Property without the consent of any other Owner/Shareholder of the Trust, Person, or the Association.

The acquisition of Additional Property shall be effected by the Declarant Recording a Declaration of Acquisition setting forth the legal description of the Additional Property being annexed, stating that such Additional Property is annexed and subject to the Declaration and describing any portion of the Additional Property being annexed which will be Common Area.

2.3.2 Additional Property may be annexed in separate parcels and at different times, or Additional Property may never be annexed, without any limitations.

Additional Property annexed by the Declarant pursuant to this section 2.3 need not be contiguous with other properties in the Project, and the exercise or the right of annexation as to any Additional Property shall not exclude the exercise of the right of annexation as to any other Additional Property. The Declarant makes no assurances that Additional Property will or will not be annexed.

2.3.3 After the Declarant no longer owns any part of the Property subject to this Declaration, the Association may annex and subject Additional Property to this Declaration by executing and recording a Declaration of Annexation containing the information required for a Declaration of Annexation Recorded by the Declarant pursuant to Subsection 2.3.1 of this Declaration.

2.3.4 Unless a later effective date is set forth in the Declaration of Annexation, this shall become effective upon Recording of the Declaration of Annexation.

According to the provisions of Section 5.9, the voting rights of the Owner/Shareholder of the Trust of Lots/Units annexed pursuant to this Section shall be effective as of the date the Declaration of Annexation as well as when such property is Recorded.

2.4 Withdrawal of Property. At any time on or before the date which is fifteen (15) years after the date this Declaration is recorded, the Declarant shall have the right to withdraw property owned by the Declarant from the Project without the consent of any other Owner/Shareholder of the Trust or Person.

The Withdrawal of all or any portion of the Project shall be effected by the Declarant Recording a Declaration of Withdrawal setting forth the legal description of the property being withdrawn. Upon the withdrawal of any property from the Project pursuant to this Section, such property shall no longer be subject to any of the covenants, conditions and restrictions set forth in this Declaration.

2.5 Disclaimer of Implied Covenants. Nothing contained in this Declaration and nothing which may be represented to a Purchaser by real estate brokers or sales agents representing the Declarant shall be deemed to create any implied covenants, servitudes or restrictions with respect to the use of any property subject to this Declaration or Additional Property owned by Declarant.

2.6 Development Plan. Notwithstanding any other provision contrary to this Declaration, the Declarant, without obtaining the consent of any other Owner/Shareholder of the Trust or Person, shall have the right to make changes or modifications to the Development Plan with respect to any Property owned by the Declarant in any way which the Declarant desires to include, but not limited to, changing the density of all or any portion of the Property owned by the Declarant

or changing the nature or extent of the uses to which the Property may be devoted.

2.7 Disclaimer of Representations. Declarant makes no warranties whatsoever that: (i) the Project will be completed in accordance with the plans of the Project as they exist on the date this Declaration is Recorded; (ii) any Property subject to this Declaration will be committed to or developed for a particular use; or (iii) the use of any property subject to this Declaration will not be changed in the future.

2.8 Restriction on Liability of the Association and the Declarant.

2.8.1 The Declarant has the intention to construct a gated entrance in order to limit access and to provide some privacy for the Owners and Residents; however, there are no guarantees that gated entrances will provide security and safety to Owner/Shareholder of the Trust, Lessee/Tenants, Residents and their families, and guests. Furthermore, each Owner/Shareholder of the Trust, Lessee/Tenant, and Resident, for themselves and their families and guests, acknowledge that gated entrances may restrict or delay entry into the Project from the police, fire department, ambulances and other emergency vehicles or personnel.

Each Owner/Shareholder of a Trust, Lessee/Tenant, and Resident, for themselves and their families and guests agree to assume the risk that the gated entrances will restrict or delay entry to the Project by emergency vehicles and personnel. Neither the Declarant, the Association nor any director, officer, agent or employee of the Declarant or the Association shall be liable to any Owner/Shareholder of the Trust or Resident or their families or guests for any claims or damages resulting, directly or indirectly, from the construction, existence or maintenance of the gated entrances.

ARTICLE 3

USE RESTRICTIONS

3.1 Architectural Control.

3.1.1 No excavation or grading work shall be performed on any Lot/Unit without the prior written approval of the Architectural Review Committee.

3.1.2 All patio walls shall remain free of alterations including, but not limited to, holes and paint. Decorations on patio walls shall not exceed a 24 inches by 24 inches space. If a complaint is made by an Owner/Shareholder of a Trust, Resident,

Guest or Lessee/Tenant about the decoration, the decoration stated in that complaint must be removed.

3.1.3 No Improvement which would be Visible From Neighboring Property shall be constructed or installed on any Lot/Unit without the prior written approval of the Architectural Review Committee.

No additions, alterations, repairs, changes or other work which in any way alters the exterior appearance, including, but without limitation, the exterior color scheme, of any part of a Lot/Unit or any Improvements located thereon, which are Visible From Neighboring Property, from their appearance on the date this Declaration is Recorded shall be made or done without the prior written approval of the Architectural Review Committee.

Any Owner/Shareholder of the Trust desiring approval of the Architectural Review Committee for the construction, installation, addition, alteration, repair, change or replacement of any Improvement which is or would be Visible From Neighboring Property shall submit to the Architectural Review Committee a written request for approval specifying in detail the nature and extent of the addition, alteration, repair, change or other work which the Owner/Shareholder of the Trust desires to perform. Any Owner/Shareholder of the Trust requesting the approval of the Architectural Review Committee shall also submit to the Architectural Review Committee any additional information, plans and specifications which the Architectural Review Committee may request.

In the event that the Architectural Review Committee fails to approve or disapprove an approval application within seventy-five (75) days after the applications, together with any fee payable pursuant to Subsection 3.1.6 of this Declaration and all supporting information, plans and specifications requested by the Committee have been submitted to the same, this Section will be deemed to have been complied with by the Owner who had requested approval of such plans.

The approval by the Committee of any construction, installation, addition, alteration, repair, change or other work shall not be deemed a waiver of the Architectural Review Committee's right to withhold approval of any similar construction, installation, addition, alteration, repair, change or other work subsequently submitted for approval.

3.1.4 In reviewing plans and specifications for any construction, installation, addition, alteration, repair, change or other work which must be approved by the Committee, this among other things, may consider the quality of workmanship and design, harmony of external design with existing structures and location in relation to surrounding structures, topography and finish grade elevation.

The Committee may disapprove plans and specifications for any construction, installation, addition, alteration, repair, change or other work which must be approved by the Committee pursuant to this Section 3.1 if the Committee determines, in its sole and absolute discretion, that:

- (i) the proposed construction, installation, addition, alteration, repair, change or other work would violate any provision of this Declaration;
- (ii) the proposed construction, installation, addition, alteration, repair, change or other work does not comply with any Design Guideline;
- (iii) the proposed construction, installation, addition, alteration, repair, change or other work is not in harmony with existing Improvements in the Project or with Improvements previously approved by the Committee but not yet constructed;
- (iv) the proposed construction, installation, addition, alteration, repair, change or other work is not aesthetically acceptable;
- (v) the proposed construction, installation, addition, alteration, repair, change or other work would be detrimental to or adversely affect the appearance of the Project;
- (vi) the proposed construction, installation, addition, alteration, repair, change or other work is otherwise not in accord with the general plan of development of the Project.

3.1.5 Upon receipt of approval from the Committee for any construction, installation, addition, alteration, repair, change or other work, the Owner/Shareholder of the Trust who had requested such approval shall proceed to perform, construct or make the addition, alteration, repair, change or other work approved by the Committee as soon as possible and shall diligently pursue such work so that it is finished as soon as reasonably practicable and within the time as may be prescribed by the Architectural Review Committee.

3.1.6 Any Change, deletion or addition to the plans and specifications approved by the Committee must be approved in writing by this.

3.1.7 The Committee shall have the right to charge a fee for reviewing requests for approval of any construction, installation, alteration, addition, repair, change or other work pursuant to this Section 3.1, such fee shall be payable at the time the application for approval is submitted to such Committee.

3.1.8 All improvements constructed on Lots/Units shall be of new construction, and no buildings or other structures shall be removed from other locations onto any Lot/Unit.

3.1.9 The provisions of this section and approval from the Committee do not apply and the approval of the Committee shall not be required for the construction, erection, installation, addition, alteration, repair, change or replacement of any Improvements made by, or on behalf of, the Declarant.

3.1.10 The approval required by the Committee pursuant to this Section 3.1 shall be in addition to, and not in lieu of, any approval or permits which may be

required under any federal, state or local law, statute, ordinance, rule or regulation.

3.1.11 The approval by the Committee of any construction, installation, addition, alteration, repair, change or other work pursuant to this Section 3.1 shall not be deemed a warranty or representation by the Committee as to the quality of such construction, installation, addition, alteration, repair, change or other work or that such construction, installation, addition, alteration, repair, change or other work conforms to any applicable building codes or other federal, state or local law, statute, ordinance, rule or regulation.

3.1.12 The Committee may condition its approval of plans and specifications presented by the Owner/Shareholder submitting such plans and specifications (other than Declarant who shall not be subject to the provisions of this Subsection) to furnish to the Association a bond or other security acceptable to the Architectural Review Committee in an amount determined by the Committee to be reasonably sufficient to:

- (i) assure the completion of the proposed Improvements or the availability of funds adequate to remedy any nuisance or unsightly conditions occurring as a result of the partial completions of such Improvements, and
- (ii) to repair any damage which might be caused to any Area of the Association Responsibility as a result of such work. Any such bond shall be released or security shall be fully refundable to the Owner/Shareholder upon:
- (iii) the completion of the Improvements in accordance with the plans and specifications approved by the proposed construction, installation, addition, alteration, repair, change or other work with respect to the Improvement on the agreement of the Owner/Shareholder to reimburse the Association for the future cost of the repair, maintenance or replacement of such Improvement.

3.1.13 The Architectural Review Committee shall inspect completed construction, installation, addition, alteration, repair, change or other work. In the event that the construction, installation, addition, alteration, repair, change or other work does not meet the requirements set forth in this Document the Owner shall be required pursuant to what is set forth in the Civil Code from the State of Sonora without eliminating the possibility of abiding to the law subject to this situation in the United States, meeting its residence place.

3.1 Temporary Occupancy and Temporary Buildings. No trailer, basement of any incomplete building, tent, shack, garage or barn, and no temporary buildings or structures of any kind, shall be used at any time for a residence, either temporary or permanent. No construction buildings or trailers may be installed or kept on any Lot/Unit without the prior written approval of the Architectural Review

Committee. Any such temporary buildings or trailers approved by the Architectural Review Committee shall be removed immediately after the completion of construction.

- 3.2 Nuisances: Construction Activities.** No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot/Unit, and no Odors or Loud noises shall be permitted to arise or emit there from, so as to render any such property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to the occupants of such property. No other nuisance shall be permitted to exist or operate upon any Lot/Unit so as to be offensive or detrimental to any other property in the vicinity thereof or to its occupants. Normal construction activities and parking in connection with the building of Improvements on a Lot/Unit shall not be considered a nuisance or otherwise prohibited by this Declaration but Lots/Units shall be kept in a neat and tidy condition during construction periods, trash and debris shall not be permitted to accumulate, and supplies of brick, block, lumber and other building material shall be piled only in such areas as may be approved in writing by the Architectural Review Committee. In addition, any construction equipment and building materials stored or kept on any Lot/Unit during the construction of Improvements may be kept only in areas approved in writing by the Architectural Review Committee, which may also require screening of the storage areas. The Architectural Review Committee in its sole discretion shall have the right to determine the existence of any such nuisance. The provisions of this Section shall not apply to construction activities of the Declarant.
- 3.3 Diseases and Insects.** No Person shall permit any condition to exist upon any Lot/Unit, which shall induce, breed or harbor infectious plant diseases or noxious insects.
- 3.4 Antennas.** Except as permitted under the Design Guidelines, no antenna, cable, satellite television dish or other device for the transmission or reception of television or radio signals or any other form of electromagnetic radiation proposed to be erected, used or maintained outdoors on any portion of the Project, whether attached to a Residential Unit or structure or otherwise, shall be erected or installed without the prior written consent of the Architectural Review Committee. Size of dish or transmission device shall not exceed 18".
- 3.5 Grill Use and Storage.** Personal grills are permitted as long as a charcoal filtered hood or equivalent is always used during operation of the grill. If any particular Unit has multiple complaints from others, that particular unit can lose their rights to use a grill on their patio. This would be at the discretion of the association manager. This element use will be reconsidered by a vote of the members every two years and will require a 20% disapproval rate of the members

to cause the discontinuance of allowing the use of grills on condo unit patios. If there is not 20 % disapproval then they will be allowed, they shall not be used or stored in the condominiums patios. The Declarant initially and the Association thereafter shall provide grills for use in the Common Area.

- 3.6 Mineral Exploration.** No Lot/Unit shall be used in any manner to explore or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, dirt or any dirt substance of any kind.
- 3.7 Trash Containers and Collection.** No garbage or trash shall be placed or kept on any Lot/Unit, except in covered containers of any type, size and style which are approved by the Architectural Review Committee. In no event shall such containers be maintained so as to be Visible From Neighboring Property. All rubbish, trash, or garbage shall be removed from Lots/Units and other properties and shall be placed inside designated disposal bins. All rubbish, trash, or garbage shall not be allowed to accumulate on Lots/Units and other properties.. No outdoor incinerators shall be kept or maintained on any Lot/Unit.
- 3.8 Clothes Lines/ Drying Facilities.** No outside clothes lines or other outside facilities for drying or airing clothes/towels shall be erected, placed or maintained on any Lot/Unit so as to be Visible From Neighboring Property. Balcony railings shall not be used as drying facilities.
- 3.9 Utility Service.** No lines, wires, or other devices for the communication or transmission of electric current or power, including telephone, television, and radio signals, shall be erected, placed or maintained anywhere in or upon any Lot/Unit unless the same shall be contained in conduits or cables installed and maintained underground or concealed in, under or on buildings or other structures approved by the Architectural Review Committee. No Provision of this Declaration shall be deemed to forbid the erection of temporary power or telephone structures incident to the construction of buildings or structures approved by the Architectural Review Committee.
- 3.10 Overhead Encroachments.** No tree, shrub, or planting of any kind on any Lot shall be allowed to overhang or otherwise to encroach upon any sidewalk, street, pedestrian way or other area from ground level to a height of eight (8) feet.
- 3.11 Residential Use.** All Residential Units shall be used, improved and devoted exclusively to residential use. No trade or business may be conducted on any Lot/Unit or in or from any Residential Unit, except that an Owner/Shareholder of the Trust, Lessee/Tenant, or other Resident of a Residential Unit may conduct a business activity within a Residential unit as long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell form outside the Residential Unit; (ii) the business activity conforms to all applicable

zoning ordinances or requirements for the Project; (iii) the business activity does not involve persons coming on to a Lot/Unit or door-to-door solicitation to the Owner/Shareholder of the Trust or other Residents in the Project; and (iv) the business activity is consistent with the residential character of the Project and does not constitute a nuisance or hazardous or offensive use or threaten security or safety of other Residents in the Project, as may be determined from time to time in the sole discretion of the Board. The terms "business" and "trade" as used in this Section shall be construed to have ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the Residents of a Residential Unit and for which the provider receives a fee, compensation or other form of consideration, regardless of whether:

- (i) such activity is engaged in full or part time;
- (ii) such activity is intended or does generate a profit; or
- (iii) a license is required for such activity.

The leasing of one or more Residential Units by the Owner/Shareholder of the Trust thereof shall not be considered a trade or business within the meaning of this Section. However, any such leasing must comply with the provisions of Section 3.25 herein.

3.12 Animals. No animal, bird, fowl, poultry, reptile or livestock may be kept on any Lot/Unit, except dogs, cats, and household birds. The number of pets of all types in any Lot/Unit shall not exceed two (2).

Permitted Pets.- May be kept in a Lot/Unit if they are kept or raised thereon solely as domestic pets and not for commercial purposes. All Permitted Pets shall be confined to an Owner/Shareholder Lot/Unit except that a dog may be permitted to leave a Lot/Unit of the Owner/Shareholder of the Trust if such dog is at all times kept on a leash not to exceed six feet (6') in length and is not permitted to enter upon any other Lot/Unit. Animals are not permitted to be tethered outside on a rope, chain, leash or other tethering device.

No structure for the care, housing or confinement of any Permitted Pet shall be maintained so as to be visible from any Neighboring Property. Upon the written request of any Owner/Shareholder of the Trust, Lessee/Tenant, or Resident, the Architectural Review Committee shall conclusively determine, in its sole and absolute discretion, whether, for the purposes of this Section:

- (i) A particular permitted pet is a nuisance or makes an unreasonable amount of noise.

Any decision rendered by the Architectural Review Committee shall be enforceable in the same manner as other restrictions set forth in this Declaration. Any Owner/Shareholder of the Trust,, Resident or other Person who brings or permits

his pet to be on the Common Area or any Lot/Unit shall be responsible for immediately removing any solid waste deposited by said pet.

3.13 Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to a Lot/Unit, except such machinery or equipment as is usual and customary in connection with the use, maintenance or construction of a building, appurtenant structures, or other improvements or such machinery or equipment which Declarant or the Association may require for the operation and maintenance of the Project.

3.14 Signs. Except signs required by legal proceedings, no signs whatsoever (including, but not limited to commercial, political, "for sale", "for rent" and similar signs) shall be erected or maintained on any Unit without the prior written approval of the Architectural Review Committee.

3.15 Restriction on Further Subdivision, Property Restrictions and Reorganization. No Lot/Unit shall be further subdivided or separated into smaller Lots/Units or parcels by any Owner/Shareholder of the Trust other than the Declarant, and no portion less than all of any such Lot/Unit shall be conveyed or transferred by any Owner/Shareholder of the Trust other than the Declarant. No further covenants, conditions, restrictions or easements other than a Declaration of Annexation or Supplemental Declaration shall be recorded by any Owner/Shareholder of the Trust, Lessee/Tenant, or other Person other than the Declarant. No application for reorganization, variances or use permits pertaining to any Lot/Unit shall be filed with governmental authority by any Person other than the Declarant.

3.16 Vehicles and Parking.

3.17.1 As used in this Section 3.167 the term "Motor Vehicle" means a car, van, truck, recreational vehicle, motor home, motorcycle, all terrain vehicle, utility vehicle, pickup truck or other motorized vehicle, and the term Recreational Vehicle means a recreational vehicle, motor home, travel trailer or tent trailer exceeding seven (7) feet in height and nineteen (19) feet in length.

3.17.2 No mobile home, recreational vehicle, travel trailer, tent trailer, trailer, camper shell, boat trailer, boat or other similar equipment shall be parked, kept or stored on any Unit or Common Area for over 4 days unless stored in a garage.

3.17.3 All terrain vehicles, motorcycles, golf carts or other motor vehicles that are conveyed on a trailer must be parked on the trailer when not in use for over 2 hours.

- 3.17.4** Except as permitted by Subsection 3.17.4 and 3.17.5, no Motor Vehicle may be parked, kept or stored on any Lot/Unit or Common Area (except for designated parking areas within Common Area).
- 3.17.5** Motor vehicles shall only be parked in designated parking areas. Where garages are present, motor vehicles shall be parked in the garage of the Residential Unit unless the length of the vehicle exceeds the interior dimensions of the garage.
- 3.17.6** Recreational Vehicles shall be parked in designated areas and cannot be parked in the driveway except for the purpose of cleaning, loading or unloading, but in no event shall such Recreational Vehicle be parked in the driveway or on the street for more than two (2) hours. Any Recreational Vehicles so parked shall not block driveways or impede pedestrian or vehicular traffic.
- 3.17.7** The Board shall have the right and power to adopt rules and regulations governing the parking of Motor Vehicles on Units of Common Area and implementing the provisions of this Section 3.167. In the event of any conflict or inconsistency between the provisions of this Section 3.167 and the rules and regulations adopted by the Board, the provisions of this Section 3.167 shall control.
- 3.17.8** No Motor Vehicles shall be constructed, reconstructed or repaired on any Lot/Unit or Common Area. No inoperable vehicle may be stored or parked on any Unit or Common Area in such a manner as to be Visible From Neighboring Property.
- 3.18 Towing of Vehicles.** The Board shall have the right to have any Motor Vehicle, Recreational Vehicle, mobile home, travel trailer, tent trailer, trailer, camper shell automobile, truck, motorcycle, motor bike, or other Motor Vehicle which is parked, kept, maintained, constructed, reconstructed or repaired in violation of the Project Documents towed away at the sole cost and expense of the Owner/Shareholder of the vehicle or equipment. Any expenses incurred by the Association in connection with the towing of any vehicle or equipment shall be paid to the Association upon demand by the Owner/Shareholder of the vehicle or equipment. If an Owner owns the vehicle or equipment, any amounts payable to the Association shall be secured by the Assessment Lien, and the Association may enforce collection of said amounts in the same manner provided for in this Declaration for the collection of Assessments.
- 3.19 Drainage.** No structure, building, landscaping, fence, wall or other Improvement shall be constructed installed, placed or maintained in any manner that would obstruct, interfere with or change the direction or flow of water in accordance

with the drainage plans for the Project, or any part thereof, or for any Lot/Unit as shown on the drainage plans on file with the county or municipality in which the Project is located. No Person shall alter the grading of a Lot/Unit or alter the natural flow of water over and across a Lot/Unit without the prior written approval of the Architectural Review Committee and any applicable governmental authority.

3.20 Garages. Garages situated on Lots/Units shall be used only for the parking of vehicles and shall not be used or converted for living or recreational activities without the prior written approval of the Architectural Review Committee. Garages may be used for the storage of material so long as the storage of material does not restrict the use of the garage for the parking of Motor Vehicles.

3.21 Rooftops. Shall not be used for storage materials including but not limited to boxes, ladders, hoses, barbeque grills, toys, bicycles or other supplies.

3.22 Basketball Goals and Backboards. No basketball hoop, goal or backboard shall be constructed or installed on any Lot/Unit without the prior written approval of the Architectural Review Committee.

3.23 Playground Equipment. No jungle gyms, swing sets or similar playground equipment which would be Visible from Neighboring Property shall be erected or installed on any Lot/Unit without the prior written approval of the Architectural Review Committee.

3.24 Veranda Use. The verandas which include the tables, wet bar, and barbeques by each condominium building shall be a reserved area and may be reserved through the front desk. Residents, Guests and Lessees/Tenants may reserve the veranda for a period not to exceed 2 hours. Reservations will guarantee the use of one grill and one table. Residents, Guests, and Lessees/Tenants using the veranda without a reservation shall be asked to leave if the veranda has been reserved for that time period.

3.25 Leasing of Residential Units.

3.25.1 Subject to the terms of ~~this~~ Section 3.25, an entire Residential Unit may be leased to a Lessee/Tenants from time to time by an Owner/Shareholder of the Trust provided that each of the following conditions is satisfied:

- (i) The lease or rental agreement must be in writing;
- (ii) The lease or rental agreement must contain a provision that such agreements subject to this Declaration and other Project Documents as well as it should have the regulations set forth in the Civil code for the

State of Sonora and a violation of any of the foregoing shall be a default under the lease or rental agreements;

- (iii) Before commencement of the lease term or rental agreement, the Owner/Shareholder shall provide the Association with the names of the Lessees/Tenants and each person who will reside in the Residential Unit and the address and telephone number of the Owner/Shareholder of the Trust.
- (iv) Any Owner/Shareholder that leases or rents such Residential Unit shall keep the Association informed at all times of the Owner's address and telephone number. Any lease or rental agreements shall be subject to the Project Documents, and any breach of the Project Documents shall constitute a default of such lease or rental agreement, regardless of whether it so provides in the lease or rental agreement.
If any Lessee/Tenant breaches any restriction contained in the Project Documents, the Owner/Shareholder, upon demand by the Association, immediately shall take such actions as may be necessary to correct the breach, including, if necessary, eviction of the Lessee/Tenant. Notwithstanding the foregoing, the Association shall have all rights and remedies provided for under this Declaration and under the Project Documents.

SALE OF PRIVATE PROPERTIES

(I).- Each **CONDOMINIUM** may sell or lien its PRIVATE PROPERTY, (condominium), invariably in such sale or lien the joint ownership rights of the PUBLIC PROPERTY of the CONDOMINIUM will be included.

(II).- In case of sale of any PRIVATE PROPERTY, the new CONDOMINIUM (MEMBER) or the people that subsequently acquire the Property by means of a title, will be subject to the requirements set forth in the in the Covenants Declaration, Conditions and Restrictions, the Bylaws of the Society of Las Palmas Community, Association Rules, Guideline Designs and all the resolutions that derive from the CONDOMINIUMS ASSEMBLY (MEMBERS), and they will also be solidarily subject in regards to the obligations of all kinds from the previous CONDOMINIUM in regards to the use of its PRIVATE PROPERTY and PUBLIC PROPERTY.

(III).- Any type of sale from any CONDOMINIUM is subject to the rules of JOINT OWNERSHIP provided in article 1143 from the Civil Code for the State of Sonora, therefore the rules set forth in the article previously mentioned shall be followed.

(IV).- Whoever wishes to execute its RIGHT OF FIRST REFUSAL and pretends to acquire such property shall do it in writing to the Executive Board before the end of the 30 days term, those that will start upon delivery from the Condominium-Seller in writing to the Board.

ARTICLE 4

EASEMENTS

4.1 Easement for Use of Common Area.

4.1.1 Every Owner/Shareholder of the Trust, Lessee/Tenant and Resident shall have a non-exclusive right and easement of use and enjoyment in and to the Common Area (including, but not limited to, the right to use any streets which may be part of the Common Area for ingress and egress of the Lot/Unit of the Owner/Shareholder Trust) such right shall be appurtenant to and shall pass with the title to every Lot/Unit, subject to the following:

- (i)** The right of the Association to dedicate, convey, transfer or encumber the Common Area as provided in Section 5.13 of this Declaration.
- (ii)** The right of the Board to change the use of a Common Area as provided in Section 5.14
- (iii)** The rights and easements granted to the Declarant in this Declaration, including, without limitation, the rights and easements granted to the Declarant in Sections 4.3 and 4.4, of this Declaration.
- (iv)** The right of the Board to organize and operate events which utilize the recreational and clubhouse facilities for the purpose of generating funds for the Association, and the right of the Board to exclude Members from using such facilities during special events.
- (v)** The right of the Association to regulate the use of the Common Area through the Association Rules and to prohibit access to such portions of the Common Area, such as landscaped areas, not intended for use by the Owner/Shareholder, Lessee/Tenant or Residents.
- (vi)** The right of the Board to impose reasonable Membership requirements and charge reasonable Special Use Fees for the use of any facility situated on the Common Area.
- (vii)** The right of the Association to suspend the right of an Owner/Shareholder of the Trust to use the Common Area (other than the right of an Owner/Shareholder and its family, tenants and guests to use any streets which are part of the Common Area for ingress or egress to the Lot/Unit of the Owner/Shareholder) if such Owner/Shareholder is more than thirty (30) days delinquent in the payment of Assessments or other amounts due to the Association or if the Owner/Shareholder has violated any other provisions of the Project Documents and has failed to cure such violation within thirty (30) days after the Association notifies the Owner/Shareholder of the violation. Any suspension of an Owner/Shareholder's right to use the Common Area shall also extend to the Lessee/Tenants and Residents of the Owner's Unit and their guests.

4.1.2 If a Lot/Unit is rented by the Owner/Shareholder of its Trust, the Lessee/Tenant and his family members residing with him shall have the right to use the Common Area during the term of the lease, and the Owner/Shareholder of Lot/such Unit shall have no right to use the Common Area (other than the right of an Owner/Shareholder to use any streets which are part of the Common Area for ingress or egress to the Lot/Unit of the Owner/Shareholder of the Trust) until the termination or expiration of such lease.

4.2 Utility Easement. There is hereby created an easement upon, across, over and under the Common Area for the benefit of the Declarant and its contractors and the utility companies providing utility service to the Project for reasonable ingress, egress, installation, replacing, repairing or maintaining of all utilities, including, but not limited to, gas, water, sewer, telephone, cable television and electricity. By virtue of this easement, it shall be expressly permissible for the providing utility company to erect and maintain the necessary equipment on the Common Area but no sewers, electrical lines, water lines, or other utility or service lines shall be installed or located on the Common Area except as designed, approved or modified and constructed by the Declarant or as otherwise approved by the Board.

4.3 Declarant's Use for Sales and Leasing Purposes. Declarant shall have the right and an easement to maintain sales or leasing office, management office, a design center, model homes and parking areas, for the purpose of accommodating Persons visiting such model homes and sales offices, throughout the Project and to maintain one or more advertising, identification or directional signs on the Common Area or on the Lots/Units owned or leased by Declarant while the Declarant is selling Lots/Units. Declarant reserves the right to place model homes, management offices, sales and leasing offices and parking areas on any Units owned or leased by Declarant and on any portion of the Common Area in such number, of such size and in such locations as Declarant deems appropriate. In the event of any conflict or inconsistency between this Section and any other provision of this Declaration, this Section shall control.

4.4 Declarant's Easements. Declarant shall have the right and an easement on and over the Areas of Association Responsibility to construct all Improvements the Declarant may deem necessary and to use the Areas of Association Responsibility and any Lots/Units or other property within the Project owned by Declarant for construction or renovation relate purposes including the storage of tools, machinery, equipment, building materials, appliances, supplies and fixtures, and the performance of work respecting the Project. The Declarant shall have the right and an easement upon, over and through the Areas of Association Responsibility as may be reasonably necessary for the purpose of discharging its obligations or exercising the rights granted to or reserved by the Declarant by this Declaration. In the event

of any conflict or inconsistency between this Section and any other provision of this Declaration, this Section shall control.

4.5 Easement in Favor of Association. The Units (except for the interior of a Residential Unit of other buildings) are hereby made subject to the following easements in favor of the Association and its directors, officers, agents, employees and independent contractors:

4.5.1 For inspection of the Lots/Units in order to verify the performance by Owners/Shareholders of the Trust of all items of maintenance and repair for which they are responsible;

4.5.2 For inspection, maintenance, repair and replacement of the Areas of Association Responsibility accessible only from such Lots/Units;

4.5.3 For the purpose of enabling the Association, the Board, the Architectural Review Committee or any other committees appointed by the Board to exercise and discharge their respective rights, powers and duties under the Project Documents;

4.5.4 Easement in Favor of Association for Emergency Situations: All units are hereby subject to an easement in favor the association and its directors, officers, agents, employees and independent contractors for correction of emergency conditions in, beneath, above or adjacent to one or more units.

4.5.5 For inspection of the Lots/Units in order to verify that the provision of the Project Documents are being complied with by the Owner/Shareholder, their guests, tenants, and the other occupants of a Lot/Unit.

4.6 Owner Access Easement Area. The Owner/Shareholder of the Trust Access Easement over the Owner/Shareholder Access Easement Area (to the extent any such Owner/Shareholder Access Easement is identified on a plat) is granted for the purpose of providing ingress and egress for the benefit of the Owner/Shareholder of the Trust, their families, guests, Lessee/Tenants and Residents to enable them to gain access to their respective Lots/Units across portions of other Units and as a recreational trail. The sidewalk portion of the Owner/Shareholder of the Trust Access Easement Areas (i.e., the hardscape surface) shall be repaired and replaced, when necessary, by the Association. Such sidewalk portion of each Unit shall be kept free of dirt and debris by the Owner/Shareholder thereof.

ARTICLE 5

THE ASSOCIATION; ORGANIZATION; MEMBERSHIP AND VOTING RIGHTS

5.1 Formation of Association. The Association shall be a nonprofit corporation charged with the duties and invested with the powers prescribed by law and set forth in the Articles, and Bylaws of this Declaration.

5.2 Board of Directors and Officers. The affairs of the Association shall be conducted by the Board and such officers as the Board may elect or appoint in accordance with the Articles and Bylaws.

Until the Transition Date, the directors of the Association shall be appointed by and may be removed by the Declarant. After the Transition Date, directors shall be elected by the Members in accordance with the Articles and Bylaws. Unless the Project Documents specifically require the vote or written consent of the Members, approvals or actions to be given or taken by the Association shall be valid if given or taken by the Board. The Board shall have the power to levy reasonable fine against an Owner/Shareholder for a violation of the Project Documents by the Owner/Shareholder, a Lessee/Tenant of the Owner/Shareholder or by any Resident of the Owner's Unit, provided the Owner/Shareholder of the Trust is given notice and an opportunity to be heard. In addition, the Board may impose late charges of payment of such fines if such payment obligation remains unpaid fifteen (15) or more days after the due date, provided that the late charge shall not exceed the greater of fifteen dollars (\$15.00), ten percent (10%) of the amount of the unpaid fine, or such greater amount as permitted under applicable law. Notwithstanding the foregoing, to the extent applicable law from time to time (i) provides for any shorter period of time after which fines may or shall become delinquent, such shorter period of time may be established by the Board to apply in lieu of the time period set forth in this Section, and (ii) provides for a greater amount which may be charged as a late charge for fines, such greater amount may be imposed by the Board to apply in lieu of the late charge provided in this Section 5.2.

5.3 The Association Rules. The Board may, from time to time, adopt, amend and repeal rules and regulations pertaining to:

- (i) the management, operation, and use of the Areas of Association Responsibility including, but not limited to, any recreational facilities situated upon the Areas of Association Responsibility;
- (ii) minimum standards for any maintenance of Units;
- (iii) the health, safety or welfare of the Owners, Lessee and Residents, or
- (iv) restrictions on the use of Lots/Units.

In the event of any conflict the provisions of this Declaration shall prevail. The Association Rules shall be enforceable in the same manner and to the same extent as the covenants, conditions and restrictions set forth in this Declaration.

5.4 Personal Liability. No member of the Board or of any committee of the Association, no officer of the Association, and no manager or other employee of the Association shall be personally liable to any Member, or to any other Person, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error, or negligence of the Association, the Board, the manager, any representative or employee of the Association, or any committee member or officer of the association; provided, however, the limitations set forth in this Section shall not apply to any Person who has failed to act in good faith or has engaged in willful or intentional misconduct.

5.5 Implied Rights. The Association may exercise any right or privilege given to the Association expressly by the Project Documents and every other right or privilege reasonably to be implied from the existence of any right or privilege given to the Association by the Project Documents or reasonably necessary to effectuate any such right or privilege.

5.6 Identity of Members. Membership in the Association shall be limited to the Declarant and the Owner/Shareholder of the Trust of Units, which are Assessable Property. An Owner/Shareholder of a Lot/Unit which is Assessable Property shall automatically, upon becoming the Owner/Shareholder thereof, be a Member of the Association and shall remain a Member of the Association until such time as his Ownership ceases for any reason, at which time his Membership in the Association shall automatically cease. Membership in the Association shall be appurtenant to each Lot/Unit owned by the Declarant and each Unit which is Assessable Property, subject to the provisions of Subsection 5.7.2 herein, and may not be separately assigned, transferred or conveyed.

5.7 Allocation of Memberships.

5.7.1 Each Member shall have one Membership for each Unit owned by the Member.

5.7.2 In addition to the Memberships allocated to the Declarant pursuant to Subsection 5.7.1 of this Declaration, the Declarant shall have one (1) Membership for each unit of density available for residential development allowed by the Development Plan as shown thereon, which unit of density is not yet shown as a Unit on a Recorded Plat.

5.8 Voting. No Members other than the Declarant shall have any voting rights until the Transition Date. After the Transition Date, the association shall have the following two classes of voting Memberships:

Class A. Class A Memberships shall be all Memberships except for the Class B Memberships held by the Declarant and each Owner/Shareholder of the trust shall be entitled to one vote for each Class A Membership held by such Owner.

Class B. Class B Memberships shall be all Memberships held by the Declarant. The Declarant shall be entitled to three (3) votes for each Membership held by the Declarant. The class B Memberships shall expire when the Declarant no longer owns any property within the Project.

5.9 Voting Procedures. No change in the Ownership of a Unit shall be effective for voting purposes unless and until the Board is given actual written notice of such change and is provided satisfactory proof thereof. The vote or votes for each such Unit must be cast as a unit, and fractional votes shall not be allowed. In the event that a Unit is owned by more than one Person or entity and such Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Member casts a vote or votes representing a certain Unit, it will thereafter be conclusively presumed for all purposes that he was acting with the authority and consent of all other Owners of the same Unit unless objection thereto is made at the time the vote is cast.

5.10 Transfer of Membership. The rights and obligations of any Member other than the Declarant shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon transfer of Properties/shares of the Trust and the Lot/Unit of the Owner/Shareholder of the Trust, and then only to the transferee of Ownership to the Unit. A transfer of Ownership to a Unit may be effected by such other legal process as now in effect or as may hereafter be established under or pursuant to the laws of Mexico. Any attempt to make a prohibited transfer shall be void. Any transfer of Ownership to a Lot/Unit shall operate to transfer the Membership appurtenant to said Lot/Unit to the new Owner/Shareholder thereof. Each purchaser of a Lot/Unit shall notify the Association of his purchase within ten (10) days after he becomes the Owner/Shareholder of a Unit.

5.11 Architectural Review Committee. The Association shall have an Architectural Review Committee to perform the functions of the Architectural Review Committee set forth in this Declaration. The Architectural Review Committee shall consist of such number of regular members and alternate members as may be provided for in the Bylaws. So long as the Declarant is a Member of the Association, the Declarant shall have the sole right to appoint and remove all members of the Architectural Review committee. At such time as the Declarant no longer is a member of the Association, the members of the Architectural Review

Committee shall be appointed by the Board. The Declarant may at any time voluntarily surrender its right to appoint and remove the members of the Architectural Review committee, and in the event the Declarant may require, for so long as the Declarant is a Member of the Association, the specified actions of the Architectural Review committee, as described in a Recorded instrument, be approved by and executed by the Declarant before they become effective.

5.12 Conveyance or Encumbrance of Common Area. The Common Area shall not be mortgaged, transferred, dedicated or encumbered after the Transition Date without the prior written consent or affirmative vote of the Owner/Shareholder of the Trust representing at least two-thirds (2/3) of the votes entitled to be cast by Members of the Association. The board shall have the right to change the size, shape or location of the Common Area upon (a) adoption of a resolution by the Board stating that in the Board's opinion the change proposed shall be for the benefit of the Members and Residents and shall not substantially adversely affect them, and (b) the approval of such resolution by Declarant as long as the Declarant owns any property within the Project.

5.13 Procedure for Change of Use of Common Area. Upon (a) adoption of a resolution by the Board stating that in the Board's opinion the then present use of a designated part of the common Area is no longer in the best interests of the Members and Residents, and (b) the approval of such resolution by Declarant as long as the Declarant owns any property within the Project, the Board shall have the power and right to change the use of such property (and in connection therewith, construct, reconstruct, alter or change the buildings, structures and Improvements thereon in any manner deemed necessary by the Board to accommodate the new use), provided such new use (i) shall be for the benefit of the Members and Residents, as determined by the Board, and (ii) shall be consistent with any deed restrictions, zoning and other municipal regulations restricting or limiting the use of the land.

5.14 Contracts with Others for Performance of Association's Duties. Subject to the restrictions and limitations contained herein, the Association may enter into contracts and transactions with others.

5.15 Suspension of Voting Rights. If any Owner/Shareholder fails to pay any Assessments or other amounts due to the Association under the Project Documents within thirty (30) days after such payment is due or if any Owner/Shareholder violates any other provision of the Project Documents and such violation is not cured within thirty (30) days after the Association notifies the Owner/Shareholder of the violation, the Board of Directors shall have the right to suspend such Owner/Shareholder's right to vote until such time as all payments, including interest and attorney's fees, are brought current, and until any other infractions or violations of the Project Documents are corrected.

ARTICLE 6

COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

6.1 Creation of Lien and Personal Obligation of Assessments. Each Owner/Shareholder, other than the Declarant, by becoming the Owner/Shareholder of a Lot/Unit, is deemed to covenant and agree to pay Assessments to the Association in accordance with this Declaration. All Assessments shall be established and collected as provided in this Declaration. The Assessments, together with interest, late charges and all costs, including but not limited to reasonable attorneys' fees, incurred by the Association in collecting or attempting to collect delinquent Assessments, whether or not suit is filed, shall be a charge on the Lot/Unit and shall be a continuing lien upon the Lot/Unit against which each such Assessment is made. Each Assessment, together with interest and all costs, including but not limited to reasonable attorneys' fees, incurred by the Association in collecting or attempting to collect delinquent Assessments, whether or not suit is filed, shall also be the personal obligation the Person who was the Owner/Shareholder of the Lot/Unit at the time when the Assessment became due. The personal obligation for delinquent Assessments shall not pass to the successors in title of the Owner/Shareholder unless expressly assumed by them.

6.2 Annual Assessments.

6.2.1 In order to provide for the operation and management of the Association and to provide funds for the Association to pay all Common Expenses and to perform its duties and obligations under the Project Documents, including the establishment of replacement and maintenance reserves the Board, for each Assessment Period, shall assess against each Lot/Unit which is Assessable Property and Annual Assessment, which shall be allocated to each Lot/Unit in accordance with Section 6.3 below. The total amount to be assessed against the Lots/Units as an Annual Assessment shall be the amount which is reasonably estimated by the board to produce income to the Association equal to the total budgeted Common Expenses taking into account other sources of funds available to the Association.

6.2.2 The Board shall give notice of the Annual Assessment to each Owner/Shareholder of the Trust at least (30) days prior to the beginning of each Assessment Period, but the failure to give such notice shall not affect the validity of the Annual Assessment established by the Board nor relieve any Owner/Shareholder from its obligation to pay the Annual Assessment. If the

Board determines during any Assessment Period that the funds budgeted for that Assessment Period are, or will, become inadequate to meet all common Expenses for any reason, including, without limitation, non payment of Assessments by Members, it may increase the Annual Assessment, to the extent permitted by law, for that Assessment Period and the revised Annual assessment shall commence on the date designated by the Board. Notwithstanding any provision in the Declaration, Bylaws or Association Rules, the board shall not impose an Annual Assessment in any Assessment Period in excess of that amount permitted by law; however, to the extent that the law shall permit an increase in the Annual Assessment which requires the approval of the majority of Members, such increase shall be implemented only upon approval of the majority of Members.

6.3 Determination of Annual Assessment. The amount of the annual Assessment for each Lot/Unit other than Lots/Units owned by the Declarant shall be the amount obtained by dividing the total budget of the Association of the Assessment Period for which the Annual Assessment is being levied by the total number of Units contemplated for the Project by the Development Plan. If the Development is amended during any Assessment Period, then the Annual Assessment levied for such Assessment Period may be adjusted accordingly at the discretion of the Board.

6.4 Obligation of Declarant for Deficiencies. Until the Transition Date, Declarant shall pay and contribute to the Association, within thirty (30) days after the end of each fiscal year of the Association, or at such other times as may be requested by the Board, such funds as may be necessary, when added to the Annual Assessments collected by the Association, to pay all common Expenses of the Association as they become due.

6.5 Special Assessments. The Association may levy against each Lot/Unit which is Assessable Property a Special Assessment for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of an Improvement upon an Area of Association Responsibility, including fixtures and personal property related thereto, provided that any Special Assessment is approved by Class A Members having more than two-thirds (2/3) of the votes entitled to be cast by class A Members present in person or by proxy at a meeting duly classed for such purpose and the consent of the Declarant so long as the Declarant owns any Lot/Unit or property within the project. Special Assessments shall be levied at a uniform rate per Membership.

6.6 Subdivision Assessments.

6.6.1 All Subdivision Expenses shall be shown separately in the budget adopted by the Board. The common Expenses pertaining to providing Subdivision Services shall be assessed solely against the Lots/Units within the subdivision Assessment Area as established by the supplemental Declaration designating the Subdivision Assessment Area. No Subdivision Expenses shall be used in computing the Annual Assessments to be levied pursuant to Section 6.2 of this Declaration. Unless otherwise provided for in the applicable Supplemental Declaration, Subdivision Assessments shall be levied against the Lots/Units within the Subdivision Assessment Area at a uniform rate per Membership. If the Board determines during any Assessment Period that any Subdivision Assessment is, or will, become inadequate to pay all Subdivision Expenses for any reason, including, without limitation, nonpayment of Subdivision Assessments by Owners/Shareholder within the Subdivision Assessment Area, the Board may increase the Subdivision assessment for that Assessment Period and the revised Subdivision Assessment shall commence on the date designated by the Board.

6.6.2 In addition to a Subdivision Assessment assessed pursuant to Subsection 6.6.1, the Association may assess against each Lot/Unit within a Subdivision Assessment Area a special Subdivision Assessment for the purpose of paying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of an Improvement situated within the Subdivision Assessment Area. Any such special Subdivision Assessment shall be assessed against all Units within the applicable Subdivision Assessment Area at a uniform rate per Membership.

6.7 Assessment Period. The period for which the Annual Assessment is to be levied (the Assessment Period) shall be the calendar year, except that the first Assessment Period, and the obligation of the Owners/Shareholders to pay Assessments, shall commence upon the conveyance of the first Lot/Unit to a Purchaser and terminate on December 31 of such year. The Board in its sole discretion from time to time may change the Assessment period.

6.8 Commencement Date of Assessment Obligation. Each Lot/Unit described in Exhibit "A" to this Declaration and each Unit annexed pursuant to Section 2.3 of this Declaration shall be subject to assessment upon the conveyance of each such Lot/Unit to a Purchaser.

6.9 Rules Regarding Billing and Collection Procedures. Annual Assessments shall be collected on a monthly, quarterly or semi-annual basis or such other basis as may be selected by the Board. Special Assessments may be collected as specified by the Board. The Board shall have the right to adopt rules and regulation setting forth procedures for the purpose of making Assessments and for

the billing and collection of the Assessments provided that the procedures are not inconsistent with the provisions of this Declaration. The failure of the Association to send a bill to a Member shall not relieve any Member of his liability for any Assessment of charge under this Declaration, but the Assessment Lien therefore shall not be foreclosed until the Member has been given no less than thirty (30) days written notice prior to such foreclosure that the Assessment or any installation thereof is or will be due and of the amount owing. Such notice may be given at any time prior to or after delinquency of such payment. The Association shall be under no duty to refund any payments received by it even though the Ownership of a Lot/Unit changes during an Assessment Period but successor Owners/Shareholders of a Trust of Lots/Units shall be given credit for repayments, on a prorated basis made by prior Owners/Shareholders.

6.10 Effect of Nonpayment of Assessments; Remedies of the Association.

6.10.1 Any Assessment or any installment of any Assessment not paid within fifteen (15) days after the Assessment or the installment of the Assessment first became due (or such longer period of time as required by applicable law) shall be deemed delinquent and shall bear interest from the due date on which such Assessment or installment of the assessment became due at the rate of eighteen percent (18%) per annum. In addition, the Board may establish a late fee, not to exceed the greater of twenty-five dollars USD (\$25.00 USD) or then percent (10%) of the amount of the unpaid Assessment or installment thereof (but in no event an amount greater than permitted under applicable law), to be charged to any Owner/Shareholder of the Trust who has not paid any Assessment, or any installment of an Assessment, within fifteen (15) days AFTER SUCH PAYMENT WAS DUE. Notwithstanding the foregoing, to the extent applicable law from time to time provides for any shorter period of time after which Assessments or any other amounts payable hereunder may or shall become delinquent, such shorter period of time may established set by the Board to apply in lieu of the time period set forth in this Subsection, and to the extent applicable law for any greater amount of late fee or other amount which may be charged to any Owner/Shareholder deemed delinquent in the payment of any Assessment, or any installment of an Assessment, such greater amount may be established by the Board to apply in lieu of the late fee set forth in this Subsection 6.10.1.

6.10.2 The Association shall have a lien on each Unit for: (i) all Assessments levied against the Unit; (ii) all interest, lien fees, late charges and other fees and charges assessed against the Lot/Unit or payable by the Owner/Shareholder of the Lot/Unit; (iii) all monetary penalties levied against the Owner/Shareholder of the Lot/Unit; (iv) all attorneys' fees, court costs, title report fees, costs and fees charged by any collection agency either to the Association in attempting to collect Assessments or other amounts due to the Association by the Owner/Shareholder of a Lot/Unit; (v) any amounts payable to the Association

pursuant to Section 7.3 or 7.4 of this Declaration; and (vi) any other amounts payable to the Association pursuant to the project Documents. The Recording of this Declaration constitutes record notice and perfection of the Assessments Lien. The Association may, at its option, record a Notice of Lien setting forth the name of the delinquent Owner as shown in the records of the Association, the legal description or street address of the Lot/Unit against which the Notice of Lien is Recorded and the amount claimed to be past due as of the date of the Recording of the Notice, including interest, lien recording fees and reasonable attorney's fees. Before recording any Notice of Lien against a Unit, the Association shall make a written demand to the defaulting Owner for payment. The demand shall state the date and amount of the delinquency. Each default shall constitute a separate basis for a demand, but any number of defaults may be included within the single demand. If the delinquency is not paid within ten (10) days after delivery of the demand, the Association may proceed with recording a Notice of Lien against the Lot/Unit. If the Association records a Notice of Lien, the Association may charge the Owner of the Unit against which the Notice of Lien is recorded a lien fee in the amount of \$250 USD, or an amount determined by the Board prior to the occurrence of the delinquency.

6.10.3 Unless otherwise provided under law, the Assessment Lien shall have priority over all liens or claims except for: (i) liens and encumbrances Recorded before the Recordation of this Declaration; (ii) tax liens for real property taxes; (iii) assessments in favor of any municipal or other governmental body; and (iv) the lien of any First Mortgage. Any First Mortgagee or any other Person acquiring title or coming into possession of a Unit through foreclosure of the First Mortgage, purchase at a foreclosure sale or trustee sale, or through any equivalent proceedings, such as, but not limited to, the taking of a deed in lieu of foreclosure shall acquire title free and clear of any claims of unpaid Assessments and charges against the Unit which became payable prior to the acquisition of such Unit by the First Mortgagee or other Person. Any Assessments and charges against the Unit which accrue prior to such sale or transfer shall remain the obligation of the defaulting Owner/Shareholder of the Unit.

6.10.4 The Association shall not be obligated to release the Assessment Lien until all delinquent Assessments, interest, lien fees, monetary penalties, reasonable attorneys' fees, court costs, title report fees, collection costs and all other sums payable to the Association by the Owner of the Unit have been paid in full.

6.10.5 The Association shall have the right, at its option, to enforce collection of any delinquent Assessments together with interest, lien fees, reasonable attorneys' fees and any other sums due to the Association in any manner allowed by law including, but not limited to: (i) bringing any action at law against the Owner/Shareholder personally obligated to pay the delinquent Assessments and such action may be brought without waiving the Assessment Lien securing the

delinquent Assessments and (ii) bringing an action to foreclosure of a realty mortgage, provided, however, that an Assessment Lien is extinguished unless proceedings to enforce the Assessment Lien are instituted within one year after the full amount of the Assessment becomes due or as amended from time to time. The Association shall have the power to bid in at any foreclosure sale and to purchase, acquire, hold, lease, mortgage and convey any and all Units purchased at such sale.

6.11 Evidence of Payment of Assessments. Upon receipt of a written request from a lien holder, Member or Person designated by a Member, to the extent required by law, the Association shall issue, or cause to be issued, within the time period required by applicable law, a statement setting forth the amount of any unpaid Assessment or other fee or charge against the Unit. The Association may impose a reasonable charge for the issuance of such statements, which charge shall be payable at the time the request for any such statement is made. Any such statement, when duly issued as herein provided, shall be conclusive and binding on the Association with respect to any matters therein stated as against any bona fide Purchaser of, or lender on, the Lot/Unit in question.

6.12 Purposes for which Association's Funds May Be Used. The Association shall use all funds and property collected and received by it (including the Assessments, fees, loan proceeds, surplus funds and all funds and property received by it from any other source) solely for the purpose of (i) discharging and performing the Association's duties and the obligations under the Project Documents; (ii) exercising the rights and powers granted to the Association by the Project Documents, and (iii) the common good and benefit of the Project and the Owners, Lessee and Residents, by devoting said funds and property, among other things, to the acquisition, construction, alteration, maintenance, provision and operation, by any manner or method whatsoever, of any and all land, properties, improvements, facilities, services, projects, programs, studies and systems, within or without the Project, which may be necessary, desirable or beneficial to the general common interests of the Project, the Owners, Lessee and Residents. Notwithstanding any other provision of this Declaration to the contrary, until the Transition Date, funds of the Association may not be used for the initial construction of Improvements on the Common Area.

6.13 Surplus Funds. The Association shall not be obligated to spend in any year all the Assessments and other sums received by it in such year, and may carry forward as surplus any balances remaining. The Association shall not be obligated to reduce the amount of the Annual Assessment in the succeeding year if a surplus exists from a prior year, and the Association may carry forward from year to year such surplus as the Board in its discretion may determine to be desirable for the greater financial security of the Association and the accomplishment of its purposes.

6.14 Reserve Fund. To ensure that the Association shall have adequate funds reserved for repair and replacement of the improvements within the Common Areas, each Purchaser of a Lot/Unit from the Declarant shall pay to the Association immediately upon becoming the Owner/Shareholder of the Unit a sum of \$600.00. Until the Transition Date, funds paid to the Association pursuant to this Section shall be deposited into a separate reserve account and may be used by the Association only for the repair and replacement of Improvements within the Common Areas. Payments made pursuant to this Section shall be nonrefundable and shall not be considered as an advance payment of any Assessments levied by the Association pursuant to this Declaration.

6.15 Transfer Fee. Each Purchaser of a Lot/Unit shall pay to the Association or to its managing agent, if directed to do so by the Board, immediately upon becoming the Owner of the Lot/Unit, a transfer fee in the amount of \$200.00.

ARTICLE 7

MAINTENANCE

7.1 Areas of Association Responsibility. The Association, or its duly delegated representative, shall manage, maintain, repair and replace the Areas of Association Responsibility, and all Improvements located thereon, except for any part of the Areas of Association Responsibility which any governmental entity is maintaining or is obligated to maintain. The Board shall be the sole judge as to the appropriate maintenance, repair and replacement of all Areas of Association Responsibility, but all Areas of Association Responsibility, and the Improvements located thereon, shall be maintained in good condition and repair at all times. No Owner, Resident or other Person shall construct or install any Improvements on the Common Area or alter, modify or remove any Improvements situated on the Common Area without the approval of the Board. No Owner, Resident or other Person shall remove, add to or modify any plants, trees or other landscaping Improvement in the part of their Unit which constitutes an Area of Association Responsibility without the prior written approval of the Board. No Owner/Shareholder, Resident or other Person shall obstruct or interfere with the Association in the Performance of the Association's maintenance, repair and replacement of the Areas of Association Responsibility, and the Improvements located thereon. The Association shall be responsible for the control, maintenance and payment of ad valorem taxes and liability insurance on the Common Area.

7.2 Lot/Unit. The Association will be Responsible for landscaping any portion of a Lot/Unit situated in an Area of Association Responsibility. No yard equipment or storage areas may be maintained so as to be Visible From Neighboring Property or streets. All Units upon which no Residential Units, buildings or other structures, landscaping or Improvements have been constructed shall be maintained in an attractive manner by the Association.

7.3 Assessment of Certain Costs of Maintenance and Repair. In the event that the need for maintenance or repair of an Area of Association Responsibility, or any Improvement situated thereon, is caused through the willful or negligent act of any Owner/Shareholder, his family, tenants, guests, or animals, the cost of such maintenance or repairs shall be paid by such Owner to the Association upon demand any payment of such amounts shall be secured by the Assessment lien.

7.4 Improper Maintenance and Use of Lots/Units. In the event any portion of any Lot/Unit is so maintained as to present a public or private nuisance, or as to substantially detract from the appearance or quality of the surrounding Units or other areas of the Project which are substantially affected thereby or related thereto, or in the event any portion of a Lot/Unit is being used in a manner which violates this Declaration; or in the event the Owner/Shareholder of any Lot/Unit is failing to perform any of his obligations under the Project Documents, the Board may make a finding to such effect, specifying the particular condition or conditions which exist, and pursuant thereto give notice thereof to the offending Owner/Shareholder that unless corrective action is taken within fourteen (14) days, the Board may cause such action to be taken at said Owner's cost. If at the expiration of said fourteen-day period of time the requisite corrective action has not been taken, the Board shall be authorized and empowered to cause such action to be take and the cost thereof shall be paid by such Owner/Shareholder to the Association upon demand and payment of such amounts shall be secured by the Assessment Lien.

7.5 Boundary Walls.

7.5.1 Each wall or fence which is located between two Units or a unit and a common area shall constitute a boundary wall and, to the extent not inconsistent with this Section 7.5, the general rules of law regarding boundary walls shall apply.

7.6 Maintenance of Walls other than Boundary Walls.

7.6.1 The Association shall be responsible for the repair and maintenance of all boundary walls within the Project.

ARTICLE 8

INSURANCE

8.1 Scope of Coverage. Commencing no later than the time of the first conveyance of the Lot/Unit Purchase, the Association shall maintain, to the extent reasonably available, the following insurance coverage:

8.1.1 Commercial general liability insurance to the extent necessary to meet the requirements of the laws of Mexico.

8.1.2 Property insurance on all Areas of Association Responsibility insuring against all risk of direct physical loss, insured against in an amount equal to the maximum insurable replacement value of the Areas of Association Responsibility, as determined by the Board; provided, however, that the total amount of insurance after application of any deductibles shall not be less than forty percent (40%) of the current replacement cost of the insured property, exclusive of land, excavations, foundations and other items normally excluded from a property policy.

8.1.3 Worker's compensation insurance to the extent necessary to meet the requirements of the laws of Mexico.

8.1.4 Such other insurance as the Association shall determine from time to time to be appropriate to protect the Association or the Owner/Shareholder of the Trust;

8.1.5 The insurance policies purchased by the Association shall, to the extent reasonably available, contain the following provisions: (i) that there shall be no subrogation with respect to the Association, its agents, servants, and employees, with respect to Owner/Shareholders and members of their household; (ii) no act or omission by any Owner/Shareholder, unless acting within the scope of his authority on behalf of the Association, will void the policy or be a condition of recovery on the policy; (iii) that the coverage afforded by such policy shall not be brought into contribution or prorating with any insurance which may be purchased by Owner/Shareholder or their mortgagees or beneficiaries under deeds of trust; (iv) a "severability interest" endorsements which shall preclude the insurer from denying the claim of an Owner/Shareholder because of the negligent acts of the Association or other Owners/Shareholders; (v) statement of the name of the insured as the Association; and (vi) for policies of hazard insurance, a standard of mortgagee clause provided that the insurance carrier shall notify the Association and the first mortgagee named in the policy at least ten (10) days in advance of the effective date of any substantial modification, reduction or cancellation of the policy;

8.2 Certificates of Insurance. An insurer that has issued an insurance policy under this Article shall issue a certificate or a memorandum of insurance to the Association and, upon request, to an Owner/Shareholder, mortgagee or beneficiary under a deed of trust. Any insurance obtained pursuant to this Article may not be cancelled until thirty (30) days after notice of the proposed cancellation has been mailed to the Association, each Owner/Shareholder and each mortgagee or beneficiary under a deed of trust to whom certificates of insurance have been issued.

8.3 Payment of Premiums. The premiums for any insurance obtained by the Association pursuant to Section 8.1 of this Declaration shall be included in the budget of the Association and shall be paid by the Association.

8.4 Payment of Insurance Proceeds. With respect to any loss to any Area of Common Responsibility covered by property insurance obtained by the Association in accordance with this Article, the loss shall be adjusted with the Association, and the insurance proceeds shall be payable to the Association and not to any mortgagee or beneficiary under a deed of trust. Subject to the provisions of Section 8.5 of this Declaration, the proceeds shall be disbursed for the repair or restoration of the damage to the Area of Association Responsibility.

8.5 Repair and Replacement of Damaged or Destroyed Property. Any portion of the Areas of Association Responsibility which is damaged or destroyed shall be repaired or replaced promptly by the Association unless (i) repair or replacement would be illegal under any state or local health or safety statute or ordinance, or (ii) Owners/Shareholders of the Trust representing at least eighty percent (80%) of the total authorized votes in the Association vote not to rebuild. The cost of repair or replacement in excess of insurance proceeds and reserves shall be paid by the Association. If all the Areas of Association Responsibility are not repaired or replaced, insurance proceeds attributable to the damaged Areas of Association Responsibility shall be used to restore the damaged area to a condition which is not in violation of any state or local health or safety statute or ordinance and the remainder of the proceeds shall either (i) be retained by the Association as an additional capital reserve, or (ii) be used for payment of operating expenses of the Association if such action is approved by the affirmative vote or written consent, or any combination thereof, of Members representing more than fifty percent (50%) of the votes in the Association.

ARTICLE 9

GENERAL PROVISIONS

9.1 Enforcement. The Association or any Owner/Shareholder of the Trust shall have the right to enforce the Project documents in any manner provided for in the Project Documents or by law or in equity, including, but not limited to, an action to obtain an injunction to compel the removal of any Improvements constructed in violation of this Declaration or to otherwise compel compliance with the Project Documents. The failure of the Association or an Owner/Shareholder to take enforcement action with respect to a violation of the Project Documents shall not constitute or be deemed a waiver of the right of the Association any Owner/Shareholder to enforce the Project Documents in the future. If any lawsuit is filed by the Association or any Owner/Shareholder to enforce the provisions of the Project Documents or in any other manner arising out of the Project Documents or the operations of the Association, the prevailing party in such action shall be entitled to recover from the other party all attorney fees incurred by the prevailing party in the action. In addition to any other rights or remedies available to the Association pursuant to the Project Documents or at law or in equity, the Board shall have the power to levy reasonable monetary penalties against an Owner/Shareholder for a violation of the Project Documents by the Owner/Shareholder, a Lessee/Renter of the Owner or by any Resident of the Owner/Shareholder's Lot/Unit, provided the Owner/Shareholder is given notice and an opportunity to be heard.

9.2 Method of Termination. This Declaration may be terminated at any time if such termination is approved by the affirmative vote or written consent, or any combination thereof, of Owners/Shareholders of the Trust representing ninety percent (90%) of more of the votes in each class of Membership and by the holders of First Mortgages on Units the Owners/Shareholders of which have seventy-five percent (75%) or more of the votes in the Association. If the necessary votes and consents are obtained, the Board shall cause to be Recorded a Certificate of Termination, duly signed by the President or Vice President and attested by the Secretary or Assistant Secretary of the Association, with their signatures acknowledged. Thereupon this Declaration shall have no further force and effect, and the Association shall be dissolved pursuant to the terms set forth in its Articles.

9.3 Amendments.

9.3.1 Except for amendments made pursuant to Subsection 9.3.2 or 9.3.4 of this Declaration, the Declaration may only be amended by the written approval or the affirmative vote, or any combination thereof, of Owners/Shareholders of the Trust representing no less than seventy-five percent (75%) of the total votes in the Association.

- 9.3.2** The Declarant, so long as the Declarant owns any Lot/Unit, and thereafter, the Board, may amend this Declaration, without obtaining the approval or consent of an Owner/Shareholder of the Trust or First Mortgagee.
- 9.3.3** So long as the Declarant owns any Lot/Unit or any other property within the Project, any amendment to this Declaration must be approved in writing by the Declarant.
- 9.3.4** The Declarant, so long as the Declarant owns any Lot/Unit or any other property within the Project, and thereafter, the Board, may amend this Declaration without the consent of any other Member to correct any error or inconsistency in the Declaration.
- 9.3.5** At any time after the Transition Date, any amendment approved pursuant to Subsection 9.3.1 of this Declaration or by the board pursuant to Subsection 9.3.2 or 9.3.4 of this Declaration shall be signed by the President or Vice President of the Association and shall be Recorded, and any such amendment shall certify that the amendment has been approved as required by this Section. Any amendment made by the Declaration shall be signed by the Declarant and Recorded. Unless a later effective date is provided for in the amendment, any amendment to this Declaration shall be effective upon the Recording of the amendment.

9.4 Rights of First Mortgagees.

- 9.4.1** Any First Mortgagee will, upon written request, be entitled to: (i) inspect the books and records of the Association during normal business hours; (ii) receive within ninety (90) days following the end of any fiscal year of the Association, a financial statement of the Association for the immediately preceding fiscal year of the Association, free of charge to the requesting party; and (iii) receive written notice of all meetings of the Members of the Association and be permitted to designate a representative to attend all such meetings.
- 9.4.2** At least two-thirds (2/3) of the First Mortgagees (based upon a voter for each First Mortgage owned (or) Owner/Shareholder (other than the sponsor, developer or builder) of at least two-thirds (2/3) of the Lots/Units have given their prior written approval, the Association shall not (i) seek to abandon, partition, subdivide, sell or transfer the Common Area owned, directly or indirectly, by the Association for the benefit of the Lot/Units. The granting of easements for public utilities for other public purposes consistent with the intended use of such Common Area shall not be deemed a transfer within the meaning of this Subsection; (ii) change the method of determining the obligations assessments, dues or other charges which may be levied against an Owner; (iii) Fail to maintain fire and extended coverage insurance on Common

Area on current replacement cost basis in an amount of at least 100 percent (100%) of insurable value; (iv) Use hazard insurance proceeds for losses to any Common Area, for other than the repair, replacement or reconstruction of such Common Area

9.4.3 No provision of this Declaration gives or shall be construed as giving any Owner/Shareholder or other Person priority over any rights of a First Mortgagee of a Lot/Unit in the case of the distribution to such action if the Association has not received a negative response from such First Mortgagee within thirty (30) days of the date of the Association's request.

9.4.4 In the event of any conflict or inconsistency between the provisions of this Section and any other provision of the project Documents, the provisions of this Section shall prevail; provided, however, that in the event of any conflict or inconsistency between the provisions of this Section and any other provisions of the Project Documents with respect to the number or percentage of Owners or First Mortgagees that must consent to (i) an amendment of the Declaration, Articles or Bylaws, (ii) a termination of the Project, or (iii) certain actions of the Association as specified in Subsection 9.4.3 of this Declaration, the provision requiring the consent of the greatest number or percentage of Owners or First Mortgagees shall prevail; provided, however, that the Declarant, so long as the Declarant owns any Lot/Unit, and thereafter, the Board, without the consent of any Owner or first Mortgagee being required, shall have the right to amend this Declaration, the Articles or the Bylaws in order to conform this Declaration, the Articles or the Bylaws to the requirements or guidelines of the law.

9.5 Interpretation. Except for judicial construction, the Association shall have the exclusive right to construe and interpret the provisions of this Declaration. In the absence of any adjudication to the contrary by a court of competent jurisdiction, the Association's construction or interpretation of the provision hereof shall be final, conclusive and binding as to all Persons and property benefited or bound by this Declaration. In the event of any conflict between this Declaration and the Articles, Bylaws, Association Rules or Design Guidelines, this Declaration shall control. In the event of any conflict between the Articles and Bylaws, the Articles shall control. In the event of any conflict between the Bylaws and the Association Rules or Design Guidelines, the Bylaws shall control.

9.6 Severability. Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable shall not affect the validity or enforceability of any of the other provisions hereof.

9.7 Change of Circumstances. Except as otherwise expressly provided in this Declaration, no change of conditions or circumstances shall operate to extinguish, terminate or modify any of the provisions of his Declaration.

9.8 Notice of Violation. The Association shall have the right to record against a Lot/Unit a written notice of a violation with respect to any violation of the project Documents by the Owner, Lessee/Renter or Resident of the Lot/Unit. The notice shall be executed by an officer of the Association and shall contain substantially the following information; (i) the name of the Owner/Shareholder, Lessee or Resident violating, or responsible for the violation of, the Project Documents; (ii) the legal description of the Lot/Unit against which the notice is being Recorded; (iii) a brief description of the nature of the violation; (iv) a statement that the notice is being Recorded by the Association pursuant to this Declaration; and (v) a statement of the specific steps which must be taken by the Owner/Shareholder, Lessee/Renter or Resident to cure the violation. Recordation of a notice of violation shall serve as notice to the Owner/Shareholder, Lessee/Renter and Resident, and any subsequent purchaser of the Lot/Unit, that there is such a violation. If, after the recordation of such notice, it is determined by the Association that the violation referred to in the notice does not exist or that the violation referred to in the notice has been cured, the Association shall Record a notice of compliance which shall state the legal description of the Unit against which the notice of violation was recorded, and the recording data of the notice of violation, and shall state that the violation referred to in the notice of violation has been cured or that the violation did not exist. Failure by the Association to Record a notice of violation shall not constitute a waiver of any such violation, constitute any evidence that no violation exists with respect to a particular Unit or constitute a waiver of any right of the Association to enforce the Project Documents.

9.9 Laws, Ordinances and Regulations.

9.9.1 The covenants, conditions and restrictions set forth in this Declaration and the provisions requiring Owner/Shareholder of the Trust and other Persons to obtain the approval of the Board or the Architectural Review Committee with respect to certain actions are independent of the obligations of the Owner/Shareholder and other Persons to comply with all applicable laws, ordinances and regulations, and compliance with this Declaration shall not relieve an Owner/Shareholder or another Person from the obligation to also comply with all applicable laws, ordinances and regulations.

9.9.2 Any violation of any state, municipal, or local law, ordinance or regulation pertaining to the Ownership, occupation or use of any property within the Property is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures set forth herein.

- 9.10 References to this Declaration in Deeds.** Deeds to and instruments affecting any Lot/Unit or any other part of the Project may contain the covenants, conditions and restrictions herein set forth by reference to this Declaration' but regardless of whether any such reference is made in any Deed or instrument, each an all of the provisions of this Declaration shall be binding upon the grantee-Owner/Shareholder of the Trust or other Person claiming through any instrument and his heirs, executors, administrators, successors and assignees.
- 9.11 Gender and Number.** Wherever the context of this Declaration so requires, words used in the masculine gender shall include the feminine and neuter genders; words used in the neuter gender shall include the masculine and feminine genders; words in the singular shall include the plural; and words in the plural shall include the singular
- 9.12 Captions and Titles.** All captions, titles or headings of the Articles and Sections in this Declaration are for the purpose of reference and convenience only and are not to be deemed to limit, modify or otherwise affect any of the provisions hereof or to be used in determining the intent of context thereof.
- 9.13 No Absolute Liability.** No provision of the Project Documents shall be interpreted or construed as imposing on Owners/Shareholders absolute liability for damage to the Common Area. Owners/Shareholders of the Trust shall only be responsible for damage to the Common Area caused by the Owners' negligence or intentional acts.
- 9.14 Limitation on Declarant's Liability.** Notwithstanding anything to the contrary in this Declaration, each Owner, by accepting any interest in any portion of the Property and becoming an Owner, acknowledges and agrees that neither Declarant (including, without limitation, any assignee of the interest of Declarant hereunder) nor any partner officer, director or shareholder of Declarant (or any partner or shareholder in any such assignee) shall have any personal liability to the Association, or any Owner/Shareholder of the Trust, Member or any other Person, arising under, in connection with, or resulting from (including without limitation, resulting from action or failure to act with respect to) this Declaration or the Association except, in the case of Declarant (or its assignee), to the extent of its interest in the Property and, in the event of a judgment, no execution of other action shall be sought or brought hereon against any other assets or be a lien upon such other assets of the judgment debtor.
- 9.15 Transfer of Title to Common Area.** Declarant shall transfer title to the Common Area to the Association on or before the Transition Date, or shall transfer all or any part of the Common Area to the Association sooner at Declarant's sole discretion. The condition of the facilities at the time of transfer shall be reasonable subject to normal wear and tear. The Common Area may, upon such transfer, be

subject to mortgages or encumbrances securing indebtedness of the Association, provided such indebtedness was incurred for the operation of the Association or payment of the debts or obligations of the Association. Declarant shall have no obligation to the Association or to any member to pay such indebtedness or the interest thereon.

LAS PALMAS

Bylaws

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**BYLAWS
OF
LAS PALMAS COMMUNITY ASSOCIATION**

ARTICLE 1

GENERAL PROVISIONS

- 1.1 Principal Office.** The principal office of this corporation shall be the place designated in the Articles of Incorporation or such other place as the Association may designate from time to time, but meetings of Members and Directors may be held at such other place within the State of Sonora or elsewhere as may be designated by the Board of Directors.
- 1.2 Defined Terms.** Capitalized terms used in these Bylaws without definition shall have the meanings specified for such terms in the Declaration of Covenants, Conditions and Restrictions for Las Palmas recorded on ???, in the Public Registry of Property and Commerce in the City of Puerto Peñasco, Sonora, Mexico.
- 1.3 Conflicting Provisions.** In the case of any conflict between the Articles and these Bylaws, that what has been stated in the Articles shall prevail; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.
- 1.4 Corporate Seal.** The Association may have a seal in a form approved by the Board.
- 1.5 Designation of Fiscal Year.** The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December of every year. Except that the first fiscal year shall begin on the date of incorporation of the Association.
- 1.6 Books and Records.** The books, records and papers of the Association shall be available for inspection by any Member and his authorized agents during reasonable business hours, except that the Board may withhold from disclosure

any books, records and papers relating to any of the following: (i) personnel matters or a person's medical records; (ii) communications between an attorney for the Association and the Association; (iii) pending or contemplated litigation; (iv) pending or contemplated matters relating to enforcement of the Project documents; and (v) meeting minutes or other records of a session of a Board meeting or Association meeting that is not required to be open to all Members. The Association shall not be required to disclose financial and other records of the Association if the disclosure would violate any local, state or federal law. The Project Documents shall be available for inspection by any member during reasonable business hours at the principal office of the Association, where copies may be purchased at a reasonable cost.

1.7 Obligation of Association to Disclose Information. Except for a sale of a Lot/Unit from the Declarant to a purchaser or a sale which is exempt, the Association shall furnish to a purchaser within fourteen (14) days after receipt of notice of a pending sale (or any greater period of time allowed under law) a copy of the Project Documents and a dated statement containing: (i) the telephone number and address of a principal contact for the Association, which may be a Manager, Managing Agent, an officer of the Association or any other person designated by the Board; (ii) a statement setting forth the amount of the Annual Assessment and the unpaid Annual Assessment, or installment thereof, any Special Assessment or other Assessment, fee or charge currently due and payable from the selling Member; (iii) a statement as to whether a portion of the Lot/Unit is covered by insurance maintained by the Association; (iv) a statement as to whether the Association has knowledge of any alterations or Improvements to the Lot/Unit that violate any provision of the Declaration; (v) a statement as to whether the Association has knowledge of any violations of the health or building code with respect to the Lot/Unit; and (vi) a statement of case names and case numbers for pending litigation with respect to the Lot/Unit filed by the Association against the Member or filed by the Member against the Association. The Association may charge the Member a reasonable fee to compensate the Association for any costs incurred in the preparation of a statement furnished by the Association pursuant to this Section. The Association shall make available to any interested party the amount of any such fee established from time to time by the Association.

1.8 Amendment.

1.8.1 Prior to the Transition Date, these Bylaws may be amended at any time by the Board without a vote of the Members. After the Transition Date, these Bylaws may be amended, at regular or special meeting of the Members, by a vote of the Members having more than 50% of the votes entitled to be cast by the Members present in person or by proxy.

- 1.8.2 The Board, without a vote of the Members and without the consent of any First Mortgagee, may amend these Bylaws to conform these Bylaws to the requirements or guidelines of any state or local governmental agency whose approval of the Project, the Plat or the Project Documents is required by law or requested by the Declarant or the Board.
- 1.8.3 So long as the Declarant owns any Lot/Unit, any amendment to these Bylaws must be approved in writing by the Declarant.
- 1.9 **Indemnification**. To the extent it has the power to do so, the Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the Association, by reason of the fact that he is or was a Member, director, officer, employee or agent of an officer, employee or agent of another corporation, partnership, joint venture, enterprise, against expenses, including attorneys' fees, and against judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted, or failed to act, in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Association and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Indemnification of any such person shall be made in accordance with the procedures set forth in the Mexican Law.

ARTICLE 2

MEETINGS OF MEMBERS

The Condominiums Assembly is the Supreme organ of the Condominium, which is joint ownership and its resolutions taken pursuant to the rules that will be detailed later will abide each and all of the CONDOMINIUMS, including those dissidents and absent who will have legal action to null or modify the resolutions taken in any Assembly legally constituted.

The assemblies will be GENERAL AND SPECIAL and in them a PRESIDENT, SECRETARY AND SCRUTINIZERS that are considered necessary will be named, or the way the CONDOMINIUMS general assembly decides.

2.1 **ANNUAL MEETING**.- Will be called to deal regarding what is stipulated in article 28 from the law and will have an annual meeting of the Members of the Association, headed by the Executive Board and will take place at least once every twelve (12) months at such time and place as is determined by the Board.

2.2 SPECIAL MEETINGS.- Will be called to resolve the cases set forth in Fraction I from Article 32 of the Law and the Special meetings of the Members may be called at any time by the President or by the Board or upon written request signed by Members having at least one-third (1/3rd) of the total authorized votes in the Association.

Both meetings can be called as many times as necessary, according to the Executive Board.

2.3 Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting by hand delivering or mailing a copy of each notice, postage prepaid, at least fifteen (15) days but no more than fifty (50) days before such meeting to each Member entitled to vote thereat addressed to the Member's address last appearing on the books of the Association if supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting, including the general nature of any proposed amendment to the Declaration, Articles or Bylaws, changes in Assessments that require approval of the Members and any proposal to remove a director or an officer of the Association. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place of the next meeting is announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Association may transact any business, which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each Member entitled to vote at the meeting. By attending a meeting, a Member waives any right he may have had to object to the meeting on the basis that the proper notice of the meeting was not given in accordance with these Bylaws or the statutes of law. The failure of any Member to receive actual notice of a meeting does not affect the validity of any action taken at that meeting.

2.4 Quorum. Except as otherwise provided in the articles, the Declaration or these Bylaws, the presence in person or by proxy of Members entitled to cast one-third (1/3rd) of the total authorized votes in the Association shall constitute a quorum at all meetings of the Members. If a quorum shall not be present at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

In each ASSEMBLY the Executive Board or Solely Administrator shall get and keep record of the following documents:

A).- Copy of the meeting minutes made to each CONDOMINIUM;

- B).**- The Meeting's Minutes signed by the Administrator, President, Secretary, and the Scrutinizers;
- C).**- Roll Call authorized by the Scrutinizers;
- D).**- All the information and documents that are presented in such assembly and that should be kept.

From the resolutions that are adopted in all the Assemblies, they shall be taken in a democratic way, making the Scrutinizers the respective calculation, leaving proof of each approval or non-approval vote from the matters discussed, which shall be added to the respective minutes.

In case that once the CONDOMINIUMS ASSEMBLY is installed it cannot discuss the items set forth in the Agenda, the assembly will be canceled and will continue when those present agree to. In this new reunion the items that were left out from the previous assembly will be discussed, such meeting will take place without making a new call.

2.5 Proxies. Pursuant to Article 28, Fraction III from the Law, at all meetings of the Members a vote may be cast in person or by proxy. A proxy may be granted by any Member in favor of only another Member, the Secretary of the Association, the Declarant, or the Member's mortgagee, or attorney or managing agent. A proxy shall be duly executed in writing and it shall be valid only for the particular meeting designated in the proxy. All proxies must be filed with the Secretary prior to the commencement of the meeting for which the proxy is given. The proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of a notice of revocation signed by the Member who granted the proxy. No proxy shall be valid after twenty-five months from the date of its execution.

ARTICLE 3

BOARD OF DIRECTORS

3.1 Number. The affairs of this Association shall be managed by a board of three (3) directors. Until the Transition Date, the directors need not be Members of the Association. After the Transition Date, all directors must be Members of the Association. The Board may increase the number of directors on the Board but the

number of directors must always be an odd number and shall not exceed nine (9) directors.

3.2 Term of Office. The initial members of the Board shall be named by the Declarant and shall hold office until the Transition Date or until their successors are elected and qualified. At the first annual or special meeting after the Transition Date, the Members shall elect one (1) director for a term of one (1) year, one director for a term of two (2) years and one (1) director for a term of three (3) years. At each annual meeting thereafter, the Members shall elect directors to replace those directors whose terms have expired and all such directors shall be elected for a term of three (3) years. If the Board increases the number of directors, the newly appointed directors shall serve until the first annual meeting after such increase, at which time the terms of the new directorships shall be designated by the Members.

3.3 Removal. At any annual or special meeting of the Members duly called after the Transition Date, any one or more of the members of the Board may be removed from the Board with or without cause by Members having more than fifty percent (50%) of the votes entitled to be cast by the Members present in person or by proxy at the meeting, and a successor may then and there be elected to fill the vacancy thereby created.

3.4 Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

3.5 Action taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting, which they could take at a meeting by obtaining the written consent of all the directors. Any such written consent shall be filed with the minutes of the proceedings of the Board.

3.6 Vacancies. Except for vacancies on the Board caused by the removal of a director in accordance with the provisions of Section 3.3 of these Bylaws, any vacancy occurring in the Board may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum or by a sole remaining director, and any director so chosen shall hold office until the next election of the directors when a successor is elected and qualified. Any newly created directorship shall be deemed a vacancy. When one or more directors resigns from the Board, effective a future time, a majority of the directors then in office, including those who have so resigned, may fill such vacancy, the vote on the vacancy to take effect when such resignation becomes effective. If by reason of death, resignation or otherwise, the Association has no directors in office, any officer or Member may call a special meeting of the Members for the purpose of electing the Board of Directors.

3.7 Meetings.

- 3.7.1** Meetings of the Board, regular or special, shall be held at least annually and may be held by means of conference telephone or other similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation at such meeting shall constitute presence in person at the meeting.
- 3.7.2** Until the Transition Date, regular meetings of the Board may be held with or without notice at such time and place as is determined from time to time by the Board. After the Transition Date, notice to Members of meetings of the Board shall be by newsletter, conspicuous posting or any other reasonable means as determined by the Board. Any notice of a Board meeting shall state the time and place of the meeting. An affidavit of notice by an officer of the Association is full evidence that notice was given as prescribed by this subsection. The failure of any Member to receive actual notice of a meeting of the Board does not affect the validity of any action taken at that meeting.
- 3.7.3** Special meetings of the Board may be called by the President on ten (10) business days notice to each director, given in writing, by hand delivery, mail or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) directors. In addition, after the Transition Date, notice of special meetings of the Board shall be given to Members as set forth in Subsection 3.7.2, except that notice to Members of meetings of the Board is not required if emergency circumstances require action by the Board before notice can be given.
- 3.7.4** Attendance of a director at a meeting shall constitute a waiver of notice of such meeting except when a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.
- 3.7.5** Regular and special meetings of the Board are open to all Members and all Members so desiring shall be permitted to attend and listen to the deliberations and proceedings; provided, however, that for regular and special meetings of the Board, Members who are not Board members may not participate in any deliberation or discussion unless expressly so authorized by a vote of the majority of a quorum of the Board. Any portion of a meeting may be closed only if the closed portion of the meeting is limited to consideration of one or more of the following:
- (i)** employment or personnel matters for employees of the Board or Association;
 - (ii)** legal advice from an attorney for the Board or the Association;

- (iii) pending or contemplated litigation; or
- (iv) Pending or contemplated matters relating to enforcement of the Project Documents.

3.8 Quorum. A Majority of the directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

3.9 Powers and Duties. The Board shall have all of the powers and duties necessary for the administration of the affairs of the Association pursuant to Article 2831 from the Civil Code for the State of Sonora, with the exception of the powers to execute ownership acts, referred to in the third paragraph of the article hereof, as well as in regards to article 34 from the Condominium Regime Properties Law for the State of Sonora, and may do all such acts and things as are not by the Project Documents required to be exercised if done by the Members. In addition to the duties imposed by these Bylaws or by any resolution the Members that may hereafter be adopted, the Board shall have the following powers and duties:

- 3.9.1** Open bank accounts on behalf of the Association and designate the signatories thereon;
- 3.9.2** Make or Contract for the making, of repairs, additions to, improvements to or alterations of the Common Area, in accordance with the Project Documents, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings;
- 3.9.3** In the exercise of its discretion, enforce by legal means the provisions of the Project Documents;
- 3.9.4** Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair, replacement of the Common Area and provide for services for the Members and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties;
- 3.9.5** Provide for the operation, care, up keep and maintenance of all of the Common Area and borrow money on behalf of the Association when required in connection with any one instance relation to the operation, upkeep and maintenance for the Common Area; provided, however, the consent of Members having at least two-thirds (2/3) of the total votes in the Association shall be obtained either in writing or at a meeting called and held for such purpose in accordance with the provisions of these Bylaws in order for the Association to

borrow in excess of \$20,000 Dollars, legal tender of the United States of America;

- 3.9.6** Prepare and put into consideration of the CONDOMINIUMS an annual budget for the Association prior to the commencement of each fiscal year;
- 3.9.7** Adopt and publish rules, regulations and fees governing the use of the Common Area and facilities and the personal conduct to the Members, Residents and their guests and Lessees and establish penalties for the infraction thereof;
- 3.9.8** Suspend the voting rights and the right to use the Common Area of a Member during any period in which such Members shall be in default in the payment of any Assessment or other amounts due under the terms of the Project Documents and for any other infraction of the Project Documents which default or other infraction continues for a period of fifteen (15) days;
- 3.9.9** Exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the membership by other provisions of the Project Documents.
- 3.9.10** Declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board;
- 3.9.11** Employ, hire and dismiss such employees as they deem necessary and to prescribe their duties and their compensation;
- 3.9.12** Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by any Member entitled to vote;
- 3.9.13** Supervise all officers, agents and employees of the Association and see that their duties are properly performed;
- 3.9.14** Levy, collect and enforce the payment of assessments in accordance with the provisions of the Declaration;
- 3.9.15** Issue, or authorize an appropriate officer to issue, upon request to any interested person a certificate setting forth whether or not any Assessment has been paid; and on written request, furnish to a lien holder, Member or person designated by a Member a recordable statement setting forth the amount of any unpaid Assessment against the Lot/Unit, such recordable statement to be furnished within seven (7) business days after receipt of the request (or such

other period of time stated by law). Failure to provide such recordable statement within the time period allowed by law shall result in the penalties provided by applicable law. A reasonable charge may be made by the Board for the issuance of these certificates or statements. If a certificate or statement states an Assessment has been paid, such certificate or statement shall be binding on the Association;

- 3.9.16** Procure and maintain adequate property, liability and other insurance as required by the Declaration;
- 3.9.16.1** Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and
- 3.9.17** Cause the Common Area and all other Areas of Association Responsibility to be maintained, as more fully set forth in the Declaration.
- 3.10 Managing Agent Administrator.** The Board may employ for the Association and the Project a "Managing Agent" at a compensation established by the Board. The Managing Agent shall perform such duties and services as the Board shall authorize, including, but not limited to, all of the duties listed in the Project Documents except for such duties and services that have not been delegated to the Managing Agent under the Project Documents. The Board may delegate to the Managing Agent all of the Powers granted to the Board or the officers of the Association by the Project Documents other than the power:
 - (i)** to adopt the annual budget, any change thereof or to levy Assessments;
 - (ii)** to adopt, revoke or change Association Rules;
 - (iii)** to designate signatories on Association bank accounts;
 - (iv)** to lend money on behalf of the Association;
 - (v)** to acquire real property.

ARTICLE 4

OFFICERS AND OTHER DUTIES

- 4.1 Enumeration of Officers.** The principal officers of the Association shall be the President, the Vice President, the Secretary, and the Treasurer all of whom shall be elected by the Board. The President must be a member of the Board. Any other officers may, but need not, be members of the Board.
- 4.2 Election of Officers.** After the Transition Date, the election of officers shall take place at the first meeting of the Board following the election of directors.

Thereafter, officers shall be elected at the first meeting of the Board following each annual meeting of the Members.

- 4.3 Term.** Except for officers appointed by the Board prior to the Transition Date, which officers shall serve until their successors are qualified and elected, the officers of the Association shall be elected annually by the Board and each shall hold office of one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.
- 4.4 Special Appointments.** The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.
- 4.5 Resignation and Removal.** Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified herein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.
- 4.6 Vacancies.** A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.
- 4.7 Multiple Offices.** Any two or more offices may be held simultaneously by the same person except the offices of President and Secretary.
- 4.8 Powers and Duties.** To the extent such powers and duties are not assigned or delegated to a manager pursuant to Section 3.10 of these Bylaws, the powers and duties of the officers shall be as follows:
- 4.8.1 President.** The President shall be the chief executive officer of the Association; shall preside at all meetings of the Board or the Members; shall see that orders and resolutions of the Board are carried into effect; and have general and active management of the business of the Association, with special attention to what is stipulated in point 3.9 from the Bylaws hereof in regards to the power for Ownership Acts;
- 4.8.2 Vice-President.** The Vice-President shall act in the place of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board;

- 4.8.3 Secretary.** The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board;
- 4.8.4 Treasurer.** The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds for appropriate Association purposes as set forth in the Project Documents; keep proper books of account; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular meeting, and deliver a copy of each to the Members; and, in general, perform all the duties incident to the office of treasurer.

ARTICLE 5

FINES

- 5.1 Power of Board to Impose Fines.** According to the power granted to the Board by the Declaration, the Board shall have the right to impose reasonable fines against an Owner for a violation of any provision of the Project Documents by the Owner, his family, tenants or guests.
- 5.2 Notice of Violation**
- 5.2.1** The Board, or any person designated by the Board, may serve a "Notice of Violation" against an Owner for a violation of any provision of the Project Documents by the Owner, his family, tenants or guests. The Notice of Violation shall contain the following:
- (i)** a description of the violation,
 - (ii)** the approximated time and place a which the violation was observed,
 - (iii)** the amount of the fine to be paid by the Owner for such violation,
 - (iv)** the name of the person issuing the Notice of Violation, and
 - (v)** a relation of the rights and procedures that the Owner has, those that are specified in Section 5.2.4 from the Bylaws hereof.
- 5.2.2** A Notice of Violation shall be deemed to have been served if delivered personally to the Owner named in the Notice of Violation or sent to the Owner by registered or certified mail, return receipt requested, postage prepaid. A Notice of Violation served by mail shall be deemed to have been received by the Owner to whom

the notice was addressed on the earlier of the date the notice is actually received or five (5) days after the notice is deposited in the mail. A Notice of Violation given by mail shall be addressed to the Owner at the address of the Owner as shown on the records of the Association. If a Lot/Unit is owned by more than one person or entity, a Notice of Violation to one of the joint Owners shall constitute notice to all of the joint Owners.

5.2.3 The Owner shall pay the fine set forth in the Notice of Violation to the Association within fifteen (15) days after the Notice of Violation is served on the Owner unless prior to that time the Owner requests a hearing on the violation according to what has been set forth in Section 5.2.4 of the Bylaws

5.2.4 Any Owner served with a Notice of Violation may request a hearing. The request for a hearing must be addressed to the Secretary of the Association and must be actually delivered to either the Secretary or the Managing Agent of the Association within ten (10) days after the service of the Notice of Violation. Upon receipt of a request for a hearing pursuant to this Section, the President or any other officer of the Association shall present it before the Board or before a hearing officer of a committee approved by the Board and shall notify the Owner requesting the hearing of the date, time and place of the hearing. The notice of the hearing shall also advise the Owner of his right to produce statements, evidence and witnesses on his behalf and to be represented at the hearing by an attorney. If the hearing on the violation is before the Board, the minutes of the meeting of the Board at which the hearing is held shall reflect that the hearing on the violation was held and the action taken by the Board on the violation. If the hearing is held before a hearing officer of a committee appointed by the Board, then the hearing officer of the committee conducting the hearing shall within ten (10) days after the conclusion of the hearing, make a written recommendation to the Board on what action the Board should take in the violation. Upon receipt of the recommendation from the hearing officer of the committee, the Board shall act upon the recommendation. Any fine which is affirmed by the Board following a hearing pursuant to this Section shall be paid by the offending Owner within ten (10) days after a notice of the action of the Board is served upon the Owner. Service of the notice from the Board shall be made in the same manner as service of a Notice of Violation pursuant to Section 5.2.2 of the Bylaws.

5.2.5 In case of making the same mistake any fine that shall be imposed pursuant to this Article 5 shall be accumulated if the Owner or Owners of a Lot/unit has (have) incurred in several mistakes.

ARTICLE 6

ARCHITECTURAL REVIEW COMMITTEE

- 6.1 Committee Composition.** The Architectural Review Committee shall consist of at least three (3) members. None of such members shall be required to be an architect or to meet any other particular qualifications other than they must be members of the Association. A member need not be, but may be, a member of the Board or an officer of the Association. The Board may increase the number of members on the Architectural Review Committee but the number of members must always be an odd number.
- 6.2 Terms of Office.** The term of office for members of the Architectural Review Committee shall be a period of two years, or until the appointment of a successor. Any new member appointed to replace a member who has resigned or been removed shall serve such member's unexpired term. Members who have resigned, been removed or whose terms have expired may be reappointed.
- 6.3 Appointment and Removal.** So long as the Declarant is a Member of the Association, the Declarant shall have the right to appoint and remove the members of the Architectural Review Committee. When the Declarant no longer is a Member of the Association, the board shall appoint and remove all members of the Architectural Review Committee, except that no member may be removed from the Architectural Review Committee by the Board unless the removal is approved by the vote or written consent of more than fifty percent (50%) of all of the members of the Board.
- 6.4 Resignations.** Any member of the Architectural Review Committee may at any time resign from the Committee by giving written notice thereof to the Board, the Secretary of the Association or the Managing Agent.
- 6.5 Vacancies.** Vacancies on the Architectural Review Committee, however caused, shall be filled by the Board. A vacancy or vacancies on the Architectural Review Committee shall be deemed to exist in case of the death, resignation or removal of any member.

- 6.6 Duties.** It shall be the duty of the Architectural Review Committee to consider and act upon any and all proposals or plans submitted to it pursuant to the terms of the Declaration, to adopt Design Guidelines, to perform other duties delegated to it by the Board, and to carry out all other duties imposed upon it by the Declaration.
- 6.7 Compensation Meetings.** The Architectural Review Committee shall meet from time to time as necessary to perform its duties. The vote or written consent of a majority of the members of the Committee, at a meeting or otherwise shall constitute the act of the committee unless the unanimous decision of the Committee is required by any other provision of the Declaration. The Committee shall keep and maintain a written record of all actions taken by it at such meeting or otherwise. Members of the Architectural Review Committee shall not be entitled to compensation for their services.
- 6.8 Design Guidelines.** The Architectural Review Committee may adopt, amend and repeal, by unanimous vote or written consent, rules and regulations. Said rules shall interpret and implement the Declaration by setting forth the standards and procedures for Architectural Review Committee review and the guidelines for architectural design, placement of buildings, landscaping, finishes and materials and similar features which are required to be used within the Property.
- 6.9 Waiver.** The approval by the Architectural Review Committee of any plans, drawings or specifications for any work done or proposed, or for another matter requiring the approval of the Architectural Review Committee under the Declaration, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or other matter subsequently submitted for approval.

ARTICLE 7

RULES

- 7.1 Association Rules.** The Board may adopt a set of Association Rules governing conduct of members, their guests and lessee (the "Rules"). The Rules may address such matters as the operating hours for the facilities in the Common Area, conduct of pets, reservation of facilities in the Common Area and such other matters as the Board believes are necessary to promote the use and enjoyment of Las Palmas by all Members.
- 7.2 Amendment.** The Rules may be amended from time to time by the Board.

7.3 Conflicts. In the case of any conflict between the Rules and these Bylaws, the Articles of Incorporation or the Declaration, the other documents shall control.

LAS PALMAS

Design Guidelines

DESIGN GUIDELINES

LAS PALMAS

The Declaration of Covenants, Conditions and Restrictions for Las Palmas, as it may be amended from time to time (the "Declaration") provides for an Architectural Review Committee appointed by the Board of Directors of the Las Palmas Association to review and recommend approval or disapproval to the Board of Directors, additions, modifications and alterations which would be Visible From Neighboring Property (referred to in this document as an "Alteration") to any Lots/Unit within the Las Palmas community and to establish rules and guidelines for such Alterations so that a uniform standard of maintenance can be achieved. Capitalized words in this document not otherwise defined shall have the same meaning as described in the Declaration.

An Owner/Shareholder of the Trust shall submit the following to the ARC for review and receive from the Board of Directors written approval therefore prior to construction or installation of the Alteration:

- ❖ The completed request form (attached to this document)
- ❖ Plans and specifications for the proposed Alteration
- ❖ \$20.00 review fee (one request may include more than one Alteration).

Additional information may be requested by the Architectural Review Committee.

The Architectural Review Committee shall recommend approval or disapproval to the Board of Directors within 45 days of receipt. The Board of Directors shall approve the recommendation of the Architectural Control Committee, overrule the recommendation or modify the recommendation. The Board of Directors shall have the final decision on all requests to the ARC. The Board of Directors will notify the Owner/Shareholder of the trust its decision within seventy-five (75) days after the receipt of the request.

If no notice is sent by the Board of Directors within the seventy-five (75) days, then the Alteration requested is deemed approved. If a request is denied within such seventy-five (75) day period, then written denial shall be forwarded to the Owner/Shareholder of the Trust stating the reason for denial. If the Architectural Review Committee requests additional information, the seventy-five day (75) day period will not commence until all required information has been submitted.

WINDOW COVERINGS

Aluminum foil, cardboard, paper, insulation material or any other such materials shall not be used to shade the dwelling from the sun.

DISPLAY OF FLAGS

Display of flags shall be permitted by a bracket mounted on the garage portion of the dwelling. No flagpoles inserted in the ground will be allowed. Prior to installation, the Architectural Review Committee must approve the size and condition of the flag and method of display. Flags shall not exceed 24"x36"

SWINGSETS/PLAYSETS/BASKET BALL HOOPS ("PLAY EQUIPMENT")

All play equipment which will be visible from Neighboring Property shall require approval of the Architectural Review Committee.

CABLE TV/ANTENNAS/SATELLITE DISHES

Basic cable television is provided to each Lot/Unit in Las Palmas. However, if an Owner/Shareholder of the Trust desires to install an antenna for the purpose of receiving any other television service, the antenna shall be installed in a location to minimize visibility from neighboring property. Any antennas installed in the Lot/Unit by the Owner/Shareholder must be less than 18" in diameter. No Lot/Unit of the Owner/Shareholder of the Trust may have more than two antennas.

LAS PALMAS

Architectural Review Committee Project Proposal Application

Date **submitted**: _____ Date received: _____

Homeowner(s): _____

Address: _____

Lot: _____ Unit: _____ Model: _____

Description of proposed project (please attach drawings if it will help the Committee see more clearly what is desired):

We (I) have read and understand the Declaration of Restrictions:

Homeowner: _____

Contractor name and phone: _____ License # _____

ARC Committee Recommendation: Approved: _____ Denied: _____

Comments / Stipulations: _____

Architectural Review Committee Representative _____ Date _____

Architectural Review Committee Representative _____ Date _____

Architectural Review Committee Representative _____ Date _____

RECEIVED BY THE BOARD OF DIRECTORS _____
Date _____

REQUEST: Approved: _____ Denied: _____

Board Member _____ Date _____

Board Member _____ Date _____

Board Member _____ Date _____

This approval is valid until: _____

LAS PALMAS

Association Rules

LAS PALMAS COMMUNITY ASSOCIATION

ASSOCIATION RULES

Project Documents

The Las Palmas Community Association (the "Association") was established in the city of Puerto Peñasco, Sonora, Mexico as a nonprofit corporation for the purpose of providing management, maintenance and care of the Common Area (including the recreation center) and any other property placed under its jurisdiction. The duties and powers of the Association are defined in the Project Documents, which are as follows:

Declaration of Covenants, conditions and Restrictions for Las Palmas, those that can be modified at any time only by the CONDOMINIUMS ASSEMBLY, previous appointment for it;

Bylaws of Las Palmas Community Association;

Association Rules

Design Guidelines

Each Owner in Las Palmas is provided with a copy of all Project Documents. By taking title to a Unit within Las Palmas, an Owner agrees to comply with the provisions of the Project Documents as they pertain to the Owners and Members. Throughout this booklet capitalized words will have the same meanings as described in Article 1 of the Declaration. These Association Rules are supplemental to the Project Documents; Owners should read all Project Documents to gain an understanding of how the Association operates and what restrictions are placed upon their property.

Management

The Board of Directors of the Association ("Board") is responsible for the administration of the Association and is authorized to hire personnel necessary for the daily operation of the Association and its common Area. During the period of time in which the community is being built, the Declarant under the Declaration has the

authority to appoint and remove members of the Board. Upon the Transition Date (as defined in the Declaration), the Board will be elected by the Members of the Association. Each Owner of a Unit is a "Member" of the Association.

The Board has selected a management team to oversee the daily operation of the Association, and the team will report to the Managing Agent ("Manager"). The Manager will work closely with the Board to assure that the Association is being operated in a manner, which will enhance and preserve the community.

Committees

As the community develops, the Board may appoint individuals to serve on committees to advise the board on professional, technical and organizational matters. These committees may include in expository way, but are not limited to:

Architectural Review Committee
Communications Committee
Elections Committee
Safety Committee

Finance

The funds necessary to operate the Association and its facilities are provided by the Assessments levied by the Association against each Unit within Las Palmas. The Board, subject to the provisions of the Declaration, has the authority to levy the following:

- (i) Annual Assessments to provide for the operation and management of the Association,
- (ii) Special Assessments for the cost of any construction, reconstruction, repair or replacement of facilities upon the Common Area, and
- (iii) Subdivision Assessments for special services provided to take care of all Owner's Units.

The financial stability of the Association is dependent upon the timely payment of all Assessments. Billing statements for Assessments will be mailed to each Owner at least 30 days prior to the due date. The following rules shall apply to the payment of Assessments:

1st day of each Calendar Quarter :

Assessments are due on January 1, April 1, July 1, and October 1 of each year. Assessment is due and payable to: Las Palmas Community Association

15th day of month:

If payment is not received at the above address by this date, a \$25.00 USD charge for late payment is automatically assessed (charges for late payment will be applied on every account showing one full assessment due with no notice to the Owner), and interest will be charged on the unpaid Assessment from the due date at the rate of 18% per annum.

30th day of following month:

If payment has not been received within sixty days after its due date, a \$250.00 USD lien fee and a \$300.00 fee for filing will be added to the Owner's delinquent account, a lien will be recorded on the Owner's property and court action will automatically be started. At this point, payment must include all collection costs (including legal fees) and be paid by cashiers check, certified check or money order. Any lien will remain on the Unit until the account is current.

Any legal fees and costs incurred in the collection a delinquent Assessment will be charged to the Owner.

Returned Checks

There will be a \$25.00 charge for checks not paid by an Owner's bank.

The fiscal year for the Association is the calendar year. The amount of the Annual Assessment will be determined each year by the Board and all Owners will be notified at least thirty days prior to the beginning of the new year.

ASSOCIATION PROPERTY AND FACILITIES
GENERAL RULES

Membership cards or identification bracelets may be distributed to Owners upon timely payment of Assessments at the discretion of the Board. If Assessments are not paid within thirty (30) days after due, or if an Owner or Resident has violated any other provisions of the Project Documents and has failed to cure such violation within thirty (30) days after notification to do so, then the Association may suspend the right of an

Owner or Resident to use the Association facilities. The membership cards or bracelets give evidence to Association employees that a person is entitled to use the facilities; each person who has a membership card should be prepared to show the card whenever asked by Association employees. The facilities are not open to the general public, and only those persons holding membership cards (and their guests) are allowed to use the facilities. The Association may issue several types of membership cards or bracelets:

- (1) Owner Membership Cards or Bracelets
- (2) Associate Membership Cards or Bracelets
- (3) Renter Membership Cards or Bracelets
- (4) Guest Cards or Bracelets

General Rules Applicable to All Association Common Area and Facilities

Code of Conduct.

- (1) All persons must conduct themselves in a civil and courteous manner at all times and must not jeopardize or interfere with the rights and privileges of others.
- (2) Loud, profane, indecent or abusive language is prohibited.
- (3) Harassment or physical abuse of any person by another is prohibited.
- (4) No person's actions shall compromise the safety of another. All persons using Association facilities shall obey all safety rules and shall cease unsafe activity when directed to do so by Association employees.

Association Employees. All persons shall respect the duties and authority of Association employees. Any directives from Association employees shall control. If any person disputes an Association employee's decision action, then that person shall be entitled to a hearing before the Board, or and committee or individual appointed by the Board for such purpose, to determine the validity or acceptability of any disputed decision action. Until the Board or its appointee decides otherwise, the action of the Association employee shall be deemed valid and binding. Any inattention to a duty or lack of courtesy by an Association employee may be reported to the Manager. Association employees who are not residents shall be permitted to use the Association facilities during the hours posted for Association employees in the recreation center.

Responsibility. Residents are responsible for their guests while using Association Common Area and facilities. Guests under the age of 18 must be accompanied by a Resident or adult guest at all times.

No Smoking Policy. Smoking is prohibited in any indoor area of Association facilities and in the outdoor pool areas. Where outdoor smoking receptacles are provided, smoking is allowed.

Notices and Advertisements. No notice, advertisement or poster of any kind shall not be placed or distributed on Association Common Area without the prior written consent of the Manager.

Pets. Pets (except for assistive animals) shall not be allowed inside the Recreation Center or in any of the surrounding sports facilities.

Violations. Any person who refuses to abide by these Association Rules may be asked to leave an Association facility or Common Area by Association employees.

Lost and Found. Lost and Found items will be retained at the Recreation Center for a reasonable period of time and then discarded if not claimed.

Recreation Center's

The recreation center offers many activities for Residents, their guests and renters. Rules and operating instructions may be posted throughout the recreation center to assist Residents, their Guests and Lessees in procedures and the operation of equipment. Persons using the equipment installed in the Recreation Center should familiarize themselves with the equipment before using it. Association employees are usually available to help during normal business hours. The following rules apply to the specific areas of the Recreation Center:

Days/Hours of Operation. The days and hours of operation will vary from season to season.

Multi-Purpose/Meeting Rooms. When not in use for Association activities or other events approved by the Board, these rooms are available for use by the Residents if such use is prearranged with the Manager. A refundable damage deposit and/or- room rental may be required depending upon the type of activity proposed.

Billiard Table. The following rules shall apply:

- (1) Equipment will be provided to players upon registration and should be returned immediately after play has ended unless directed by Association employees to transfer the equipment to the next group of players.

- (2) Play periods shall not exceed one (1) hour unless there are no players waiting for tables.
- (3) Children under the age of 10 are not allowed to use the billiard tables unless accompanied by an adult at all times.
- (4) Beverages may not be placed on the equipment.
- (5) Food is not permitted in the Billard Room.
- (6) The Manager shall have the authority to schedule special events for groups upon request. The timing and length of such events shall be at the discretion of the Manager

Fitness Center. The fitness center contains exercise equipment and a television monitor. It is not supervised by any Association employees having exercise knowledge; therefore, all persons using the equipment are advised to obtain independent advice regarding the status of their health and specific recommendations for exercise before using the equipment, not making responsible the Condominiums Association or any other organism that operates within the Condominiums of any legal responsibility that may take place in case of an accident for not following this warning. The following rules shall apply to the fitness center:

- (1) No person under the age of 18 shall be allowed in the fitness center.
- (2) The use of any one piece of equipment is limited to thirty (30) minutes per person if others are waiting to use the equipment.
- (3) Appropriate exercise clothing and athletic shoes are required. Upper-body garments must be worn at all times. Sandals or other loose fitting shoes which could be caught in equipment are prohibited.
- (4) Equipment seats and seat backs must be wiped dry of perspiration after use.
- (5) Television sets will be controlled by Association employees and set upon request by the majority present in the fitness center.
- (6) Beverages may not be placed on the equipment.
- (7) Food is not permitted in the fitness center.

Dressing and Shower Rooms. The following rules shall apply:

- (1) Persons may use these facilities for personal showers or shaving only in conjunction with the use of the fitness center or sports complex.
- (2) No clothing or personal objects are to be left in these areas.

Swimming Pools and Spas.

- (1) NO LIFEGUARDS ARE ON DUTY. SWIMMERS SWIM AT THEIR OWN RISK. NO PERSON SHOULD SWIM ALONE.
- (2) Diving is prohibited in all pools.
- (3) Inner tubes and floatation devices (except devices for small children) are prohibited in all pools.
- (4) Running around or near the pools and inappropriate behavior of any kind is prohibited in all pool areas.
- (5) Climbing on the landscape rocks or waterfall edifices is prohibited.
- (6) All swimming facilities may be closed by Association employees if there is threat of an electrical storm.
- (7) All swimmers are required to shower before entering the pools.
- (8) Waterproof sunscreen only is allowed in the pool area.
- (9) No food and no glass containers are allowed in the pool area. Beverages may be consumed in the pool area only if brought in plastic cups or other non-breakable container.
- (10) Each person is responsible for leaving the pool area in a clean and neat condition. Trash receptacles are provided for the disposal of trash.
- (11) Appropriate swimwear is required in all pool areas. Street clothing is prohibited.
- (12) Music, television or other entertainment devices are permitted only with the use of earphones.
- (13) Intoxicated persons will not be allowed in any pool area.
- (14) Moral behavior must be observed.

The Manager shall have the authority to schedule special pool events for groups upon request. The timing and length of such events shall be at the discretion of the Manager.

The following rules shall apply to the Spas and the Steam Room:

- (1) Persons using medication or with heart conditions or hypertension should consult their physician before using the spas or steam room, not making the Association responsible or any other operating

organism within the Condominiums of all legal responsibility that may take place in case of an accident.

- (2) Persons should restrict visits to the spas or steam room to fifteen (15) minutes each to avoid drowsiness, and the spas or steam room should not be used if any alcoholic beverages have been consumed prior to use.
- (3) Exercising in the spas or steam room is prohibited.

Other Amenities:

- (1) Appropriate clothing must be worn at all times.
- (2) Play periods shall not exceed posted lengths unless there are no players waiting for the amenity.
- (3) Children under the age of 10 must be accompanied by an adult.
- (4) The Manager shall have the authority to schedule special events for groups upon request. The timing and length of such events shall be at the discretion of the Manager.

Barbecue Grills and Condominium Building Ramadas: The following rules shall apply to the barbecue grills and condominium building Ramadas:

- (1) If not being used for an Association sponsored event, Residents may reserve the barbecue grills for private events. Reservations may be made four (4) months in advance of any event and will be on a first come, first served basis.
- (2) Any person or group using the barbecue grills is responsible for cleaning the facilities after use. Failure to adequately clean the grill may result in the Association cleaning the grill and charging the person under whose name the reservation was made. Furthermore, the person under whose name the reservation was made may lose future privileges after a second offense at the discretion of the Board.

**GENERAL RULES GOVERNING THE USE
OF LIMITED ACCESS GATE**

- (1) For Residents, access is provided by a decal affixed to the windshield of the Resident's vehicle. Two decals shall be issued per Unit. Lost or damaged decals may be replaced for a fee.

- (2) Residents should inform the gatehouse attendant of expected Guests and their estimated time of arrival, and the gatehouse attendant will open the gate for such Guests.

The gatehouse attendant will be on duty at certain hours of the day and will have a current list of Residents (Owners and/or renters). Each Resident should be prepared to show his membership card or bracelet or proof of membership whenever requested by the gatehouse attendant.

GENERAL RULES GOVERNING PARKING

Guest and Renters will receive one parking pass for their Unit. The overflow parking area and a loading/unloading area will be north of the Clubhouse near the north perimeter wall.

GENERAL RULES GOVERNING THE USE OF LOTS/ UNITS

Garage sales are prohibited

Garage doors must remain closed except (i) when an Owner is performing activities in the garage which do not violate the provisions of the Declaration, and (ii) for access to and from the garage. Allowing the garage doors to remain open a maximum of one-foot (1') from the driveway surface during the summer months for the purpose of ventilation shall not be deemed to be a violation of this rule.

POLICY OF CORRECTIVE ACTIONS AND SCHEDULE OF FINES

No fine will be assessed without notice and an opportunity to be heard. Article 5 of the Bylaws sets forth the notice and hearing procedures for fines. Any fine for which an Owner has waived the right to be heard, or any fine affirmed by the Board after hearing shall be paid in accordance with Article 5 of the Bylaws. Pursuant to Section 4.1.1 (vii) of the Declaration, the Association is entitled to suspend the rights of an Owner or Resident to use the recreational facilities if fines are not paid when due. Pursuant to Section 6.10 of the Declaration, the Association has a lien on each Unit for any amounts due the Association, including fines, and the Association may use the same remedies to collect fines as it uses to collect Assessments. In addition to levying fines as penalties for infractions, the Association also may exercise any other remedy available pursuant to Section 9.1 of the Declaration or pursuant to the laws of Sonora or the United States.

Violations of Section 3.1 of the Declaration, Architectural Control

The Board shall levy a fine of one hundred dollars (\$100) against an Owner for the failure by such Owner, or by a Resident or Lessee of such Owner's Unit, to obtain written approval from the Architectural Review Committee ("ARC") prior to constructing or installing an Improvement which would be visible from neighboring property, or for the failure to comply with any other provision of Section 3.1 of the Declaration or the Design Guidelines. An Owner may submit a request for approval to the Architectural Review Committee after the Board levies the fine, but the request will not be considered until the earlier of (i) payment of the fine by the Owner, or (ii) determination by the Board that the fine should not be assessed.

The failure by an Owner or Resident to remove or satisfactorily correct an Improvement which the ARC has not approved may result in the Association taking legal action to correct the violation. In any such legal action, the Association will seek to recover all attorneys' fees, costs and expenses resulting from the action pursuant to Section 9.1 of the Declaration. In addition, the Board may levy an additional fine of twenty dollars (\$20) per day for each day an Owner fails to comply with instructions from the Board or ARC with respect to removal or correction of an Improvement installed without written approval.

Violations of Section 3.3 of the Declaration, Trash Containers and Collection

The Board shall levy a fine against an Owner for the failure by such Owner, or by a Resident or Lessee of such Owner's Unit, to comply with Section 3.7 of the Declaration and the additional rules contained in this paragraph. Trash containers shall not be left in breezeways of buildings, on balconies or patios, or by beachfront homes for a period longer than 30 minutes. Failure to comply with Section 3.8 and/or this paragraph will result in the Board levying against an Owner a fine equal to ten dollars (\$10) multiplied by the number of days the violation exists. The Owner of each Unit shall be entitled to one (1) warning letter before a fine is levied. If violation within one year after a warning letter is issued, then another warning shall be issued before a fine is levied.

Violations of Section 3.13 of the Declaration, Animals

The Owner, Resident, or Lessee of a Unit shall be subject to a fine of:

- (i) Twenty-five dollars (\$25) for the first violation,
- (ii) Fifty dollars (\$50) for the second violation and
- (iii) One hundred dollars (\$100) for the third violation and each violation thereafter for the following violations of Section 3.13 of the Declaration. Fines are based per animal.

(1) Failure by a Resident to observe the leash rule;

(2) Failure by a Resident to control an animal so that it is not a nuisance or does not make an unreasonable amount of noise; and

Failure by a Resident to immediately remove solid waste deposited by an animal anywhere on the public property or on the beach in front of the Condominium building.

If a second or a third violation is committed more than one (1) year after the previous violation for which a fine was assessed, then the fine for a first violation shall apply.

Violations of Section 3.17 of the Declaration, Vehicles and Parking

The Owner of a Unit shall be entitled to one (1) warning letter prior to the Board taking any action for a violation of Section 3.17 of the Declaration. The failure to comply with the warning letter in the time provided therein, or a second or subsequent violation within one (1) year after the previous violation will result in the Board levying a fine of fifty dollars (\$50) per day for each day an Owner fails to comply with directions from the Board to correct the violation. No warning letter will be issued on second or subsequent violations. In addition, the Board also may exercise its rights pursuant to Section 3.18 of the Declaration by towing the vehicle. The costs and expenses of towing the vehicle shall be charged to the Owner as provided in Section 3.18 of the Declaration.

COMPLAINTS CONCERNING VIOLATIONS

An Owner or Resident may report an alleged violation to the Association by a telephone call to 638-382-8137, by e-mail to laspalmas_hoa@hotmail.com or by written notice to the following address: