

BAJAMAR PROTECTIONS

These Covenants, Conditions and Restrictions (herein also called "Protections") are issued pursuant to: (a) That certain trust permit issued by the Ministry of Foreign Relations dated November 15, 1974 (the "Trust Permit") and (b) the trust agreement dated November 4, 1974, as amended on January 10, 1975 (the "Trust"), which Trust permit and Trust are recorded in the Public Registry of Property and Commerce in Ensenada, Baja California, Mexico under Number 14211, page 92 of Volume LIII, and Number 14592, page 228 of Volume LIV, both of Section I, as per respective entries dated December 2, 1974 and March 7, 1975 and (c) that certain Decree dated April 22, 1974, and executed by the Governor of the State of Baja California, which was published in the Official Periodical of the State of Baja California on April 30, 1974. It is intended that the ownership, use, enjoyment, possession and improvement of the tourist development of Costa Bajamar, (herein also called "Bajamar") shall be at all times subject to the provisions of the aforesaid documents and these Protections. Should there be any conflict between these Protections and said documents, the provisions of such documents shall take precedence.

Each member of the Asociación de Usuarios Del Complejo Turístico Costa Bajamar, A. C., who shall be known as a Member in Bajamar, by acceptance of the "B" Beneficiary trust interest in or legal title to the real property underlying his designated unit, is bound to become and remain a member of the Association and abide by these Protections, the Rules of Conduct, the Design Rules, the Trust Permit, the Trust, and all laws applicable thereto and agree that he will bind all his successors in interest thereto, and in the event of his failure to abide by the above or to so bind his successors, he agrees to be personally liable for all resulting damages to the other Members and for the actual cost of any resulting legal action or attorney's fees.

These Protections are issued Desarrollos Urbanos de Baja California, S.A., as Developer of Costa Bajamar.

This beautiful and unspoiled coastal property as well as the uniqueness of Baja California have inspired the Developer to plan and commence construction of this tourism development. These Protections are written to assure an orderly and attractive community, continuity of the natural environment, and effective eventual Member management. Through the Bajamar Association, the Supervisory Committee and Design Committee process, the Developer seeks to perpetuate the full enjoyment of the historical tradition and natural advantages of Costa Bajamar. The Developer believes that this philosophy serves both the public and private interests by creating a beneficial land use that is sympathetic to the natural inheritance and creates an atmosphere enriching the spirit of its participants.

It is assumed that all Members are themselves similarly motivated for their enjoyment and that of their fellow residents. It is to promote the foregoing that these Protections are made and it is the intention of the Developer that it will be In recognition of the foregoing that these Protections will be understood and construed.

Article I. Definitions

The "Property" refers to the tourist development Costa Bajamar, which is presently held in trust by Banco Azteca, S. A., as trustee (the "Trustee") pursuant to the Trust.

"Bajamar" shall mean that certain portion of the Property, a map of which is attached hereto as Exhibit A.

"Parcel" shall mean and refer to each of those plots of land into which Bajamar has been divided.

"Unit" shall mean and refer to any Parcel, other than a Common Area, together with any improvements placed thereon by the Member holding the interest thereto, together with the corresponding right to use the Common Area and Restricted Common Area. When any Parcel contains more than one individual dwelling structure, each of which structures is intended to be occupied by one single family, then each such individual dwelling structure shall be considered to comprise a Unit for purposes of this definition.

"Private Areas" shall mean the areas within a Parcel, other than Common Area or Restricted Common Area, together with the improvements from time to time constructed thereon, except to the extent designated as Restricted Private Area.

"Common Areas" shall mean all land improvements and facilities of Bajamar which are held by the Trustee and administered for the common use and enjoyment of the Members, as shown and designated Common Areas, as such, on Exhibit A. For the purpose of maintenance assessments and for the observance of all other provisions of these Protections, the Common Areas shall also include all other areas and facilities which have been dedicated to any governmental entity or public utility company and which are located within the boundaries of Bajamar.

"Restricted Common Areas" shall mean those portions of multi-unit structures, and the Parcels on which such structures are located, which are constructed or operated in such a manner as to create certain indivisible elements in common among the units comprising the structure and Parcel. In such multi-unit structure those elements may include all entry lobbies, corridors, stairs, structural elements

of floors and ceilings, bearing walls, columns, roofs, foundations, elevator equipments and shafts, central heating, central air conditioning equipment, tanks, pumps and other central services, pipes, ducts, chutes, flues, conduits, wires, and other utility installations, wherever located, except the outlets thereof located within the interior living space of dwelling, all together with the ground area of the Parcel or Parcels on which the structure is located. Those elements shall not include doors or windows, or interior finishing elements such as carpets, floor and wall tile, acoustical ceiling cover, plaster, paint and all other elements of similar nature within individual units all of which shall be the sole responsibility of the individual, Member holding the right to use thereof.

"Recreational Facility" shall mean a facility developed pursuant to Section 7.02 below, or developed by the Developer in Developer's sole option and discretion.

"Participating Facility" shall mean any organization that has entered into an agreement with the Developer or the Association pursuant to Section 8.02 below.

"Project" shall mean a Parcel divided or to be divided into more than one Unit.

"Project Area" shall mean all of the real property within Bajamar lying within the boundaries of any project and designated "Project Area" by the Developer or the Design Committee.

"Project Committee" shall mean the governing body of any project.

"Developer" shall mean Desarrollos Urbanos de Baja California, S. A.

"Trustee" shall mean and refer to Banco Azteca, S. A. , or its appointed successors under the Trust referred to above.

"Member" shall mean the holder of the beneficial trust interest or legal title to any Unit. Any member may delegate his right to use and enjoyment of his Unit and the Common Area to his family, invitees, and tenants, subject to the requirements of the Trust, these Protections and the Rules of Conduct.

"Guest" shall mean any invitee of a Participating Facility, using the accommodations thereof.

The "Association" is the Association describes in Article V below.

The "Board of Directors" shall mean that board of the "Asociación de Usuarios del Complejo Turístico Costa Bajamar, A. C. ".

The "Design Committee" shall mean that certain committee of the Association describes in Section 4.01 below.

The "Manager" shall mean the individual or entity describes in Section 5.06e below.

"Protections" shall mean and refer to these Bajamar Covenants, Conditions and Restrictions.

"Rules of Conduct" shall mean the rules established by the Board of Directors from time to time pursuant to Section 5.07 below.

"Design Rules" shall mean the rules established by the Design Committee from time to time pursuant to Section 4.04 below.

"Fiscal year" shall mean the year from January 1st. through the last day of December.

Article II. Property Subject to Protections

Section 2.01 These Protections shall apply to the entire property included now or in the future within Bajamar.

Section 2.02 Developer may, subject to the provisions of this Article II, from time to time and in its sole discretion, annex to Bajamar all or any part of the Property and such other real property from time to time acquired or controlled by the Developer in an area not to exceed two kilometers from the outside boundaries of the Property.

Section 2.03 Annexation shall be Subject to, and shall take effect upon satisfaction of, the following conditions:

- a. Developer shall declare that such property shall be subject to these Protections and such other regulations as Developer shall prescribe for such property;
- b. Developer shall have obtained all necessary governmental approvals for the property to be annexed; and
- c. Such annexation shall not substantially increase the assessments to be paid by the Members of Bajamar prior to such annexation, nor shall such annexation substantially increase the burden upon the Common Areas without adding a proportionate amount of land available for the purposes of Common Areas and, in any event, such annexation or annexations shall not occur after the expiration of five (5) years from the date of the last preceding "Public Report" of the Department of Real Estate of the State of California for a phase of the development of the Property. Any annexation which fails to satisfy the requirements set forth above in this Article II, shall require the consent of two-thirds of the Members other than the Developer.

Section 2.04 Upon any annexation becoming effective, the property covered by such annexation shall become and constitute a part of Bajamar, and the Association shall have and shall accept and exercise jurisdiction over such property as part of Bajamar. Any provision herein to the contrary notwithstanding, the regulations referred to in Section 2.03 a. above may, with respect to all or any part of the property describes in said regulations, provide for, or refer to one or more documents creating any or all of the following provided such are not inconsistent with the purposes of the development as stated in these Protections, the Trust Permit and the Subdivision Decree including, but not limited to, residential and tourist recreational uses, private home sites, townhouse and condominium multi-unit buildings or completes, hotels, sport and commercial shopping, community and public facility uses ancillary thereto:

- a. Such new land classifications not then provided for in Article III below, and such limitations, restrictions, covenants and conditions with respect to the use thereof as Developer may deem to be appropriate for the development of such property;
- b. With respect to the land classification provided for in Article III below, such additional or different limitations, restrictions, covenants and conditions with respect to the use thereof as Developer may deem to be appropriate for the development of such property, provided, however, that such additional or different limitations, restrictions, covenants and conditions applicable to common areas lying within such property do not discriminate between Members and Guests or between Members as to such property and other Members as to any other property within Bajamar, and / or
- c. Separate regulations applicable exclusively to a particular project.

Article III. Land Classifications and Use

Section 3. 01 Land Classifications

All land within Bajamar has been classified into the following areas: (a) Private Areas, (b) Restricted Private Areas, (c) Common Areas, (d) Restricted Common Areas, and (e) Project Areas.

Section 3. 02 Private Areas

The Private Area of each Unit shall be for the exclusive use and benefit of the Member relative to such Unit, subject to all of the following limitations and restrictions:

- a. The Association, the Developer, or their duly authorized agents shall have the right at any time, without any liability to the Member to enter upon any Private Area for the purpose (1) of maintaining such Private Area, as provided for in paragraph a. of Section 5.06, (2) of removing any improvement constructed, reconstructed, refinished, altered or maintained upon such Private Area in violation of Section 3.03, (3) of restoring or otherwise reinstating such Private Area as authorized by paragraph e. of Section 3.03, (4) of otherwise enforcing, without any limitation, all of the restrictions set forth in this Section and in Section 3.03, and (5) of crossing the property by excavation, trenching or otherwise for the purpose of installing or maintaining utility, community or common type facilities or systems, such as, but not limited to, water, sewer, gas lines, electricity, drainage, drainage swales and troughs, telephone, cable television lines, etc. , so long as this right does not interfere with existing building structures and further provided the area of each unit in which said work was performed shall thereafter be restored with all due respect to aesthetic aspects and to the fullest extent commercially possible by the Association or the Developer, as the case may be, to its former condition, Upon such installation in each case, the right herein shall become an easement in favor of the Developer or its assignees in each case.
- b. No improvement, excavation or other work which in any way alters any Private Area (or disturbs the vegetation, surface or objects of nature reposing thereon) from its natural or improved state existing on the date such Private Area was first designated for the benefit of or acquired by a Member shall be made or done or caused to be made or done by a Member except upon strict compliance with the Rules of Conduct, Design Rules, Section 3.03 or any other applicable provision of these Protections.
- c. The Private Area of each Parcel shall be used exclusively for residential purposes, and no more than one family (including its servants and transient visitors) shall occupy such private area; provided, however, that nothing in this paragraph c. shall be deemed to prevent:
 - (1) Any person from pursuing his professional calling upon a Private Area if such person (aa) also uses such Private Area for residential purposes, (bb) is self-employed and has no employees working in such Private Area, and (cc) does not advertise or offer any product or services for sale to the public upon or from such Private Area.
 - (2) The leasing of any Unit from time to time by the Member, according to the Trust, subject also to the Rules of Conduct and all other provisions which could otherwise be applicable to Members.
 - (3) The use by the Developer of residential buildings or Private Areas for purposes of offices or activities of real estate brokers or real estate sales and leasing. This right of use may also be

sublicensed to others by the Developer under such terms and conditions as the Developer may deem reasonable and require in the Developer own sole discretion.

- d. Each Private Area, and any and all improvements from time to time located thereon, shall be maintained, by the Member in good condition and repair at such Member's sole cost and expense and each Member shall be liable for any taxes assessed thereon, which taxes shall be paid directly to the taxing authority if the property is separately assessed or shall be paid in the manner set forth in paragraph d. of Section 5.05.
- e. No activity which is deemed by the Board of Directors in its reasonable discretion to be noxious or offensive shall be carried on upon any Private Area, nor shall anything be done or placed thereon which may be or become a nuisance to other Members in the enjoyment of their Private or Restricted Private Areas, or in their enjoyment of Common Areas, Restricted Common Areas and Project Areas.

Section 3.03 Private Areas Construction

The right of a Member to construct, reconstruct, refinish, alter or maintain any improvement upon, under or above any Private Area, or to make or create any excavation or fill thereon, or to make any change in the natural or existing surface drainage thereof or to install any utility line (wire or conduit) thereon or there over, is absolutely prohibited until and unless the Member first obtains the written approval therefore from the Design Committee, in addition to such Governmental and regulatory approvals as maybe necessary. The Association shall correct any violation of this prohibition and the Member shall reimburse the Association for all expenses incurred in connection therewith.

- a. Any Member proposing to construct or reconstruct, paint or to refinish or alter any part of the exterior of, any improvement on or within his Private Area, or to perform any work which required the prior approval of the Design Committee, shall apply to the Design Committee for approval as follows,
 - (1). The Member shall notify the Design Committee of the nature of the proposed work.
 - (2) The Member shall submit to the Design Committee for approval such plans and specifications for the proposed work as the Design Committee may from time to time request, or as shall be required by the Design Rules The Design Committee shall require that the submission of plans and specification be accompanied by a reasonable plans inspection fee.

- b. Subject to the provisions of paragraph c. below the Design Committee shall approve the plans, drawings and specifications submitted pursuant to paragraph a. only if the following conditions shall have been satisfied:
 - (1) The Member shall have strictly complied with the provisions of paragraph a. above; and
 - (2) That the plans and specifications conform to these Protections, and the Design Rules in effect at the time such plans were submitted to the Design Committee.

All such approvals shall be in writing and may be conditioned upon the submission by the Member of such additional plans and specifications, as the Design Committee shall deem appropriate.

Plans, drawings and specifications which have not been rejected within sixty (60) days from the date of submission thereof to the Design Committee shall be deemed approved. This presumption of approval however, shall not be effective until the Member applicant shall have attended at the office of the Design Committee on or after the 60th day to determine the answer of the Design Committee. If at that time the answer received is disapproval, then the presumption of approval shall not apply. The reason for this procedure is to avoid misunderstandings which may arise where the Design Committee does not have a means of conveniently communicating with a Member applicant or where the notice may not be delivered for any reason. It is of course in the best interest of the Member applicant to maintain periodic communication with the Design Committee during the application period.

- c. Notwithstanding the provisions of paragraph b. above, if the Members of the Design Committee, in their sole discretion, unanimously find that the proposed work would for any reason whatsoever (including the design, height or location of any proposed improvement and the probable effect thereof on other Members in the use and enjoyment of their Private, Restricted Private, Common, Restricted Common or Project Areas) be incompatible with Bajamar, then the Design Committee shall not approve the plans, drawings and specifications submitted to it pursuant to paragraph a. above and shall so notify the Member concerned in writing setting forth the reasons for such disapproval.
- d. The Member shall commence the construction, reconstruction, refinishing alterations or other work pursuant to the approved plans within one (1) year from the date of such approval. If the Member shall fail to comply with this paragraph any approval given pursuant to paragraph C above shall be deemed revoked unless, upon the written request of the Member prior to or after expiration of said one

(1) year period and upon a finding by the Design Committee that there has been no change in circumstances, the time for sue commencement is extended in writing by the Design Committee.

- e. Upon the completion of any construction or reconstruction of, or the alteration or refinishing of the exterior of, any improvement, or upon the completion of any other work for which approved plans are required under this Section, the Member shall give notice thereof to the Design Committee, and within sixty (60) days thereafter the Design Committee, or its duly authorized representative, may inspect such improvement to determine whether it was constructed, reconstructed, altered or refinished in substantial compliance with approved plans. If the Design Committee finds that such construction, reconstruction, alteration, or refinishing was not done in substantial compliance with approved plans or was not done in accordance with the requirements or the spirit of these Protections or any applicable rules and regulations, it shall notify the Member of such noncompliance within such sixty (60) day period and shall require the Member to remedy such non-compliance. If upon the expiration of sixty (60) days from the date of such notification the Member shall have failed to remedy such non-compliance the Design Committee shall notify the Board of Directors of such failure, and the Association, at its option shall either remove the improvement or remedy the non-compliance, and the Member shall reimburse the Association for all expenses incurred in connection therewith. If for any reason the Design Committee fails to notify the Member of any such non-compliance within sixty (60) days after receipt of said notice of completion thereof, the improvement shall be deemed to be in accordance with said approved plans, except that such presumption shall not be effective unless the Member has established that he has complied with the personal attendance procedure set forth at the end of paragraph 3. 03b (2) above.

- f. In the event that the construction or work planned for a Private Area is such that the natural landscape within such area will be destroyed, Developer shall have the right to remove such landscaping for the Developer's use, unless the Member elects to remove and properly store such landscaping for re-use.

Section 3. 04 Restricted Private Area

The Restricted Private Area of certain Parcels shall be for the exclusive use and benefit of the Member owning title to or the "B" Beneficial Interest in such Parcel, subject to all of the following limitations and restrictions, and the Rules of Conduct and Design Rules, the major purpose of which is to

assure that the Restricted Private Area is maintain in a manner that is attractive when viewed and does not inhibit views to the adjacent open space.

- a. The Association, or its authorized agents, shall have the right at any time, without any liability to the Member, to enter upon any Restricted Private Area for the purpose (1) of maintaining such Restricted Private Area, as provide for in paragraph b. of Section 5.06, (2) of maintaining Private Areas, Common Areas, and Restricted Common Areas, (3) of removing any improvement constructed, reconstructed or maintained upon such Restricted Private Area in violation of paragraph a. of Section 3.07, and (4) of otherwise enforcing the restrictions set forth in this Section and Section 3. 07.

- b. No improvement, excavation or other work which in any way alters such Restricted Private Area (or disturbs the vegetation, surface or objects of nature reposing on such Restricted Private Area) from its natural or existing state on the date such Restricted Private Area was first designated for the use and enjoyment of or conveyed to a Member shall be made or done except upon strict compliance with, and within the restrictions and limitations of, the provisions of Section 3.07.

- c. There shall be no use of Restricted Private Area whatsoever except (1) any use contemplated by any improvement permitted under paragraph b. above, and (2) natural recreational uses which do not cause unreasonable disturbance to other Members in their enjoyment of their Private and Restricted Private Areas, or in their enjoyment of Common and Restricted Common and Project Areas.

- d. Each Member shall be liable for any taxes levied or assessed against the Restricted Private Area within the Parcel which is owned by or for which the "B" Beneficial Interest is held by such Member, which taxes shall be paid directly to the taxing authority if the property is separately assessed or shall be paid in the manner set forth in paragraph d. of Section 5.05.

Section 3.05 Common Area

The use of Common Areas shall be reserved exclusively and equally to all Members and to Guests, subject, however, to the following limitations and restrictions:

- a. The use of Common Areas shall be subject to the Rules of Conduct.
- b. The use of Common Areas shall be subject to such easements and rights as shall be reasonably required by the Developer for the

construction and operation of Bajamar, to such road and public utility easements and rights of way as may from time to time be taken under power of eminent domain and to such other road and public and private utility easements as may at any time be granted by the Association pursuant to the provisions of paragraph d. of Section 5.06.

- c. No improvement, excavation or other work which in any way alters any Common Area from its natural or existing state on the date of commencement of these Protections shall be made or done except upon strict compliance with, and within the restrictions and limitations of the provisions of Section 3.07.
- d. Any portion of a Common Area reserved for development of a recreational facility may be developed into one or more recreational facilities pursuant to the provisions of Article VII. Such portion shall be used as a Common Area until such time as any such recreational facility is developed. Upon the development of any such recreational facility by the Association pursuant to the provisions of Section 7.02 such facility may be used by any Member or Guest, subject to the provisions of the Rules of Conduct with respect to such use.
- e. Except to the extent otherwise permitted pursuant to the provisions of paragraph d. above and Section 3.07, there shall be no use of Common Areas, exclusive of roads or designated paths for horses, bicycles or pedestrians, except natural recreational uses which do not injure or scar the Common Area, or cause unreasonable disturbance to Members in their enjoyment of their Private and Restricted Private Areas. Additional limitations on the use of the Common Areas shall be provided in the Rules of Conduct.

Section 3.06 Restricted Common Area

The exclusive use of Restricted Common Areas shall be reserved equally to the Members within Projects which are contiguous to such Restricted Common Area; provided, however, that the limitations and restrictions set forth in paragraphs a., b., c., and e of Section 3.05 with respect to the use of common area by Members and Guests shall be applicable to the use of Restricted Common Areas by Members within Projects which are contiguous to such Restricted Common Area.

Section 3.07 Common Area, Restricted Common Area and Restricted Private Area Construction

No improvement, excavation or work which in any way alters any Common Area, Restricted Common Area, or Restricted Private Area from its natural or existing state on the date of these Protections, shall be made or done except upon strict compliance with, and within the restrictions and limitations as follows:

- a. Except to the extent otherwise provided in these Protections, no person other than the Association or the Developer or their duly authorized agents or a Member in the case of Restricted Private Area, shall construct, reconstruct, refinish, alter or maintain any excavation or fill upon, or shall change the natural or existing drainage of or shall destroy or remove any tree, shrub or other vegetation from, or plant any tree, shrub or other vegetation upon, or disturb any object of nature reposing on, a Restricted Private Area, Common Area or Restricted Common Area.
- b. Except to the extent otherwise provided in paragraph e. below, if the Association, or a Member in the case of Restricted Private Area, proposes to construct or reconstruct, or to refinish or alter the exterior of, any improvement located or to be located upon a Common Area or Restricted Common Area, or if the Association proposes to make or create any excavation or fill, or to change the natural or existing drainage of surface waters, or to remove any trees, shrubs or other vegetation, or to plant any trees, shrubs or ground cover upon any Restricted Private Area, Common Area or Restricted Common Area, the Association, or Member as the case may be shall submit to the Design Committee for approval two sets of plans and specifications for any such work in such form and containing such information as the Design Committee may at any time require. The Design Committee shall require that the submission of plan and specifications be accompanied by a reasonable plans inspection fee.

All such approval shall be in writing; provided, however, that plans which have not been rejected within sixty (60) days from the date of submission thereof to the Design Committee shall be deemed approved, except that such presumption shall not be effective unless the Member has established that he has complied with the personal attendance procedure set forth at the end of paragraph 3.03b (2) above. Rejection of plans by the Design Committee shall be in writing and shall set forth the reasons for such rejection.

- c. At any time, Developer may construct, reconstruct, refinish or alter any improvement upon, or make or create any excavation or fill upon, or change the natural or existing drainage of, or move or remove or plant any trees, shrubs, ground cover or object of nature reposing upon any such Common Area, or Restricted Common Area or if Developer shall determine that any such work: (1) is reasonably necessary for any utility installation serving any property within Bajamar or any participating facility, (2) is reasonably necessary for the construction of any recreational facility, (3) is desirable in order to provide or improve access to or to enhance the use and enjoyment of such Common Area or Restricted Common Area, (4) is desirable to protect, support or preserve any property which constitute a part of

Bajamar, or (5) for any of the reasons provided in paragraph 3.02a above.

Section 3.08 Project Area

Project area shall be for the exclusive use and benefit of the Members within the Project involved, subject, however, to all of the following limitations and restrictions:

- a. The Association, or its duly authorized agents, shall have the right at any time, and from time to time, without any liability to the Project Committee or to any Member within the Project to enter upon any Project Area for the purpose of: (1) maintaining all or any part of the project area, as provided for in paragraph c. of Section 5.05, (2) maintaining Private Areas, Restricted Private Areas, Common Areas and Restricted Common Areas, (3) removing any improvement constructed, reconstructed, refinished, altered or maintained upon such Project Area in violation of Section 3.09, (4) restoring or otherwise reinstating such Project Area as authorized by Section 3.09, and (5) enforcing the restrictions set forth or incorporated in this Section 3.09.
- b. No improvement, excavation or other work may be made or done to or upon any Project Area except upon strict compliance with the Rules of Conduct, the Design Rules, Section 3.09 and any other applicable provisions of these Protections.
- c. Project Areas shall be used exclusively for residential or for related recreational-service purposes, and no more than one family (including its servants and transient visitors) shall occupy a unit within such project; provided, however, that nothing in this paragraph c.

shall be deemed to prevent:

- (1) any person from pursuing his professional calling within his unit if such person (aa) also uses such project area for residential purposes, (bb) is self-employed and has no employees working in such Project Area, and (cc) does not advertise or offer any product or service for sale to the public upon or from such Project Area; or
- (2) the leasing of any unit from time to time by the Member, subject, however, to the Rules of Conduct and the Trust.
- (3) the use by the Developer of residential building or Private Areas or Project Areas for the purpose of offices or activities of real estate brokers or real estate sales and leasing. This right of use may also be sub-licensed to others by the Developer under such terms and conditions as the Developer may deem reasonable and require in the Developer's own sole discretion.

- d. Each Project Area, and any and all improvements from time to time located thereon, shall be maintained by the Members therein, in good condition and repair at such Members' sole cost and expense, and the Members shall be liable for any taxes assessed thereon, which taxes shall be paid directly to the taxing authority if the property is separately assessed or shall be paid in the manner set forth in subparagraph d. of Section 5. 05.
- e. No activity which is deemed by the Board of Directors in its reasonable discretion to be noxious or offensive, shall be carried on upon any Project Area, nor shall anything be done or placed thereon which may be or become a nuisance to other Members in the enjoyment of their Units or their Private or Restricted Private Areas, or in their enjoyment of Common and Restricted Common Areas.

Section 3.09 Project Area: Construction and Alteration of Improvements

The right of a Member or Project Committee of the Project involved to construct, reconstruct, refinish, alter or maintain any improvement upon, under or above any Project Area, or to make or create any excavation or fill thereon, or to make any change in the natural or existing drainage thereof, or to install any utility line (wire or conduit) thereon or there over, or to plant, destroy or remove any tree or other vegetation there from, or disturb any object naturally reposing on the surface, shall be subject to the Rules of Conduct and the Design Rules, and all of the limitations, restrictions and conditions set forth in paragraphs a. through f. inclusive, of Section 3.03 with respect to Private Areas shall apply to Project Areas; provided, however that all references in said paragraphs to the Member shall include either the Member of the Project Area or the Project Committee of the Project involved, whichever the case may be.

Section 3. 1 0 Presumption of Compliance

All of the following improvements, excavations, fills and other work shall, for all purposes of Bajamar Protections, be conclusively presumed to be approved in compliance with the provisions of this Article III.

- a. Those existing or maintained within or upon any property within Bajamar at the time such property became a part of Bajamar;
- b. Those existing or maintained within or upon any Private Area or Restricted Private Area at the time the ownership or "B" Beneficial Interest in such Private Area or Restricted Private Area was first acquired by a Member.
- c. Except in the case of residential structures as such, those at any time constructed, reconstructed, refinished, altered, installed or maintained within or upon any property within Bajamar by Developer or pursuant to plans and specifications which have been approved by

the Design Committee and which approval has not thereafter been revoked.

Article IV. Design Committee

Section 4.01 Organization

There shall be a Design Committee organized as follows:

- a. The Design Committee shall consist of three Members or representatives of the Developer. At least one member of the Design Committee shall be an architect who shall be designated the architect member. No other member of the Design Committee shall be required to meet any qualification for a membership. Each of said persons shall hold his office until such time as he has resigned or he has been removed or his successor has been appointed, as set forth herein.
- b. There shall also be three (3) alternate architect members of the Design Committee, any one of whom may be designated by the Design Committee to act in the place and stead of the architect member in the event of his absence or disability.
- c. Members and alternate members of the Design Committee shall be appointed and removed by the Board of Directors. However, the Association shall have the right to appoint the member of the Design Committee at such times as the Developers ownership shall be reduced to ten percent (10%) or less beneficial interest in the Property within the Property.
- d. Any member or alternate architect member of the Design Committee may, at any time, resign from the Design Committee upon written notice delivered to the Board of Directors.

Section 4. 02 Duties

It shall be the duty of the Design Committee: (a) to study and act upon the proposals or plans submitted to it pursuant to Sections 3.03, 3.07, 3.09 and 7.02, (b) to adopt Design Rules pursuant to Section 4.04, and (e) to perform all duties delegated to it by these Protections or the Rules of Conduct or Design Rules and the Board of Directors.

Section 4.03 Meetings; Action; Compensation; Expenses

The Design Committee shall meet or vote separately by common arrangement from time to time as necessary to properly perform its duties hereunder. The vote or written consent of any two (2) members shall constitute an act by the Design Committee; provided, however, approval of plans, drawings, and specifications by the Design Committee pursuant to paragraph e. of Section 3.03 shall require the vote or written consent of the architect member and the vote of anyone of the other members. The architect member and the alternate architect members shall receive

reasonable fees for professional services rendered. Unless authorized by the Association, the other members of the Design Committee shall not receive any compensation for services rendered. All members shall be entitled to reimbursement for reasonable expenses incurred by them in connection with the performance of any Design Committee function.

Section 4.04 Design Rules

The Design Committee shall, from time to time and in its sole discretion, adopt, amend and repeat by unanimous vote, rules and regulations, to be know as "Design Rules", which, among other things, interpret or implement the provisions of Sections 3.03, 3.07, and 3.09. However, it is understood that any changes in the Design Rules shall be consistent with the basic theme expressed in the initial Design Rules and with the overall standards container therein. A copy of the initial Design Rules is attached hereto as Exhibit B.

Article V. The Bajamar Association

Section 5.01 Organization

The Association is a Mexican "Asociación Civil" charged with the duties and empowered with the rights set forth in its by-laws and herein.

Section 5.02 Membership

Each Member, so long as he is an owner of a Parcel or an owner of a beneficial interest therein, shall be a Member of the Association.

Section 5. 03 Meetings of Members

- a. In addition to the by-laws of the Association, the following rules shall apply concerning meetings of Members.

- (1). The basic governing authority of Bajamar shall be vested in the Association acting through the Board of Directors of the Association in accordance with these Protections.

- (2). in order to attend and vote at a meeting of members, evidence of ownership of legal title or beneficial trust interest as well as ownership of membership, must be established with the Secretary of the Meeting. If any Members interest is held by two or more persons, such persons shall agree as a condition to their right to vote on the designation of a common representative.

(3). Members shall be represented at the meeting by an attorney in-fact, pursuant to a general or special power of attorney executed before a Notary Public, or by simple letter of proxy signed before two witnesses.

Section 5. 04 Board of Directors

The rights, powers and authorities of the Association shall be exercised by, and all business of the Association shall be conducted or delegated by the Board of Directors of the Association.

Section 5.05 Duties and Obligations of the Association

The Association acting through the Board of Directors shall have the obligation and duty, subject to these Protections, to do and perform each and every one of the following for the benefit of the Members and for the maintenance and improvement of Bajamar:

- a. The Association shall accept as part of Bajamar, all property annexed to Bajamar pursuant to Article II and shall accept all Members as members of the Association.
- b. The Association shall maintain, or provide for the maintenance of, common area, restricted common area, and recreational facilities area and all improvements of whatever kind and for whatever purpose at any time located thereon in good order and repair; provided, however, that notwithstanding the foregoing, while the Association may elect to do so, it shall have no obligation to maintain in good order and repair any improvement constructed upon Restricted Common Area, or Restricted Private Area by any Member of a Project area pursuant to Section 3.07.
- c. The Association shall enter upon and maintain, or provide for the maintenance of, any Private Area or Project Area which is not maintained by the Member or Project Committee thereof in accordance with the requirements of Sections 3.02 and 3.08, respectively.
- d. To the extent not assessed to the Members, the Association shall pay all real property taxes and assessments levied upon any portion of Common Areas or upon any recreational facilities to the extent not assessed to the Member pursuant to paragraph d. of Section 3.02 or paragraph d. of Section 3.04, or paragraph d. of Section 3.08. the Association may also pay all taxes levied upon the Private Areas, Restricted Private Areas, and Project Areas. Taxes shall be allocated based upon the relative value of the land and improvements included within the Parcel which is owned or in which the "B" Beneficial Trust Interest is held by the Member or Members in a Project. The relative value shall be based upon the following point system:

Land 0. 25 per m2

House Floor Area 1.0 per m2

Car Space and Walls 0. 1 0 per m2

Carport and Walled Parking 0. 25 per m2
Garage 0. 50 per m2
Deck or Pergola 0. 25 per m2
Side and Rear Property Line Walls 0. 10 per m2
Swimming Pool 0. 50 per m2

The number of points allocable to the land and improvements of each Parcel shall be determined by the Manager. Each Member or Members in a Project shall be liable, as to each Parcel or Project, for its pro rata share of all taxes levied against Private Areas, Restricted Private Areas, and Project Areas, based upon the ratio which the points allocable to such Parcel or Project bears to the actual number of points within all of the Private Areas, Restricted Private Areas, and Project Areas against which taxes are levied.

- e. Unless adequately or sufficiently provided by a municipal, state or other governmental body and unless the cost thereof is assessed, directly or indirectly, against the Members by such body, the Association shall contract for, employ or otherwise provide police, volunteer fire, and refuse disposal services.
- f. Without being responsible to do so, the Association shall obtain and maintain in force policies of insurance in amounts and with carriers approved by the Board of Directors.
- g. The Association shall accept and act upon applications submitted to it for the development of public recreational facilities.
- h. The Association shall take such action, whether or not expressly authorized by these Protections, Rules of Conduct, and Design Rules, as may reasonably be necessary to respond to an emergency and to enforce these Protections.

Section 5.06 Powers and Authority of the Association

Without limitation to its powers, the Association shall have all of the powers to do any and all lawful things which may be authorized, required or permitted to be done by the Association under and by virtue of these, Protections and to do and perform any and all acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the Association or for the peace health, comfort, safety and or general welfare of the Members and Guests of Bajamar. Without in any way limiting the generality of the foregoing:

- a. The Association shall have the power and authority at any time, and without liability to any Member or Project Committee, to enter upon any Private Area or Project Area for the purpose of enforcing any and all of the provisions of Sections 3.03, 3.07, 3.08, and 3.09, or for the purpose of maintaining and repairing any such area if for any reason whatsoever the Member or the Project Committee of the Project involved fails to maintain and repair such area as required by paragraph d. of Section 3.02 and paragraph d. of Section 3.08, respectively. The Association shall also have the power,

authority, and responsibility, in its own name, on its own behalf or on behalf of any Member or Members who consent thereto, to commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of these Protections and to enforce, by mandatory injunction or otherwise, all of the provisions of these Protections.

- b. To fulfill its obligations and duties under these Protections, including, without limitations, the maintenance, repair, operation or administration of Common Areas, Restricted Common Areas, and recreational facilities, and only for remedial purposes, to the extent necessitated by the failure of the Members thereof, Private Areas, Restricted Private Areas and Project Areas, the Association shall have the power and authority:
- (1) to contract and pay for, or otherwise provide for, the maintenance, restoration and repair of all improvements of whatever kind and for whatever purpose at any time located upon Common Areas, Restricted Common Areas or within any recreational facility.
 - (2) without being bound to, to obtain, maintain and pay for such insurance policies or bonds as the Board of Directors shall deem to be appropriate for the protection or benefit of Bajamar, the Association, the members of the Board of Directors, the members of the Design Committee, Members or Guests;
 - (3) to contract and pay for, or otherwise provide for, such utility services including, but without limitation, water, sewer, garbage, electrical, CATV, telephone and gas services, as may at times be required;
 - (4) to contract and pay for, or otherwise provide for, the services of architects, engineers, attorneys and certified public accountants and such other professional and non-professional services as the Association deems necessary;
 - (5) to contract and pay for, or otherwise provide for, fire, police and such other protection services as the Association deems necessary for the benefit of Bajamar, any property located within Bajamar, Members and Guests;
 - (6) to contract and pay for, or otherwise provide for, materials, supplies, furniture, equipment and labor as the Board of Directors deems necessary; and
 - (7) to pay any or all liens at times placed or imposed upon any Common Area, Restricted Common Area or recreational facility on account of any work done or performed by the Association in the fulfillment of its obligations and duties of maintenance, repair, operation or administration.
- c. In fulfilling any of its obligations, or in exercising any of its rights, to construct improvements or other work upon any Common Area, Restricted Common Area or in connection with the development of any recreational facility pursuant to Article VII of these Protections, the Association shall have the following powers and authority:
- (1) to contract and pay for, or otherwise provide for, the construction of such improvements or other work upon such terms and conditions as the Association shall deem appropriate.
 - (2) to obtain, maintain and pay for such insurance policies or bonds, in

addition to those obtained by the Association pursuant to subparagraph (2) of paragraph b. above, as the Association may deem appropriate for the protection or benefit of the Association, the members of the Board of Directors, the members of the Design Committee, Members and Guests; (3) to contract and pay for, or otherwise provide for, the services of architects, engineers, attorneys and certified public accountants and other professional and non-professional services; and (4) to pay any or all liens arising out of the constructor of any improvement.

- d. The Association shall have the power and authority to grant and convey to any third party such easements, rights of way, parcels or strips of land, in, on, over or under any Common Area, Restricted Common Area or recreational facility, for the purpose of constructing, erecting, operating and maintaining: (1) public roads, streets, walks, driveways, and park areas; (2) poles, wires, and conduits for the transmission of electricity for lighting, heating, power, telephone, television and other purposes and for the necessary attachments in connection therewith, and (3) public and private sewers, storm water drains, land rains and pipe, water systems, sprinkling systems, water, heating and gas lines or pipes and any and all equipment in connection with the foregoing.

The Association shall also have the power and authority to grant and convey rights to any by-product of the Associations temporary or permanent subjects of activity. To the extent it shall have any authority over the sewage treatment plant or plants the Association hereby grants the full right, without charge or cost, therefore, to the Developer, all or any portion of the sewage effluent as the Developer may elect.

- e. The Association shall employ the services of a Manager to manage the affairs of the Association upon such conditions as are deemed advisable by the Board of Directors which may delegate to the Manager any of its non-policy making powers under these Protections. Any contract with the Manager shall contain reasonable terminator provisions.
- f. The Association may, from time to time and, upon such terms and conditions as it may deem appropriate, agree with the Project Committee of any project to manage the affairs of such Project Committee with costs for these services above normal member service costs charged to the project Members as an additional assessment.

Section 5. 07 The Rules of Conduct

- a. The Board of Directors shall, subject to the provisions of these Protections, adopt, amend, and repeal rules and regulations to be known as the Rules of Conduct governing the use of any portion of Bajamar.

- b. With respect to paragraph a. above, the Bajamar Rules of Conduct shall, without limitation and to the extent deemed necessary by the Association preserve the benefits of Bajamar for all Members, their families, invitee licensees, lessees, and for Guests, restrict and or govern the use of Common Areas, Restricted Common Areas and recreational facilities by any Guest, by any Member, by the family of such Member, or by any invitee, licensee or lessee of such Member; provided, however that with respect to use of Common Areas and public recreational facilities, the Rules of Conduct may not discriminate between Guests, Members, and the families, invitees and lessees of Members.
- c. A copy of the Rules of Conduct, subject to their being at times amended or repealed, is attached hereto as Exhibit C, according to the provisions of these Protections.

Article VI. Funds and Assessments

Section 6. 01 Operating Fund

There shall be an operating fund, into which the following monies shall be deposited:

- a. maintenance assessments;
- b. recreational assessments;
- c. special assessments;
- d. use fees paid by users of public recreational facilities;
- e. use fees paid by Participating Facilities;
- f. management fees paid by Project Committees under agreements entered into pursuant to paragraph f. of Section 5.06;
- g. reimbursement for property taxes paid pursuant to Section 5. 05d above
- h. miscellaneous fees; and
- i. income attributable to the operating fund;

and from this operating fund the Association shall make disbursements in performing the functions for which the foregoing assessments are levied.

Section 6. 02 Maintenance Assessment

- a. Within thirty (30) days prior to the commencement of each fiscal year the Board of Directors shall estimate the costs and expenses to be incurred by the Association during such fiscal year in performing its functions under Article V (including a reasonable provision for contingencies and replacements), and shall subtract from such estimate:
 - (1) the estimate of costs and expenses referred to in Section 6.03
 - (2) an amount equal to the anticipated balance (exclusive of any reserves for contingencies and replacements) in the operating fund at the start of such fiscal year which is attributable to maintenance assessments; and

- (3) the estimated receipts for all use fees to be collected from users of public recreational facilities and from participating facilities during the next fiscal year.
- b. The sum or net estimate determined pursuant to paragraph a. above shall be assessed equally to the Members as a maintenance assessment, except as to taxes assessed as provided in paragraph d. of Section 5.05
 - c. If at any time, during any fiscal year, the maintenance assessment proves inadequate for any reason, including non-payment of any Member's share thereof, a further assessment may be levied in the amount of such actual estimated inadequacy, which shall be assessed to the Members in the manner set forth in paragraph b. above.
 - d. Maintenance assessments shall be due and payable by the Members in equal monthly installments, on the first day of each month during the fiscal year or in such other manner as the Board of Directors shall designate.

Section 6. 03 Recreational Assessment

- a. Within thirty (30) days prior to the commencement of each fiscal year the Board of Directors shall estimate the costs and expenses to be incurred by the Association during such fiscal year in performing its functions with respect to each recreational facility developed pursuant to Article VII, and shall subtract from each such estimate the amount, if any, of the anticipated balance in the operating fund at the start of the next fiscal year attributable to recreational assessments for each such recreational facility.
- b. The sum or net estimate determined pursuant to paragraph a. above for each recreative facility shall be assessed equally to the Members as a recreational assessment.
- c. If at any time, during a fiscal year any recreational assessment proves, or appears likely to prove, inadequate for any reason, including nonpayment of any Member's share thereof, the Board of Directors may levy a further assessment in the amount of such actual or estimated inadequacy, which shall be assessed to each Member in the manner and to the extent provided for in paragraph b. above.
- d. Recreational assessments shall be due and payable by Members in equal monthly installments, on the first day of each month during the fiscal year, or in such other manner as the Board of Directors shall designate

Section 6. 04 Special Assessment

The Board of Directors shall levy a special assessment against any Member as a direct result of whose acts, or failure or refusal to act or to otherwise to comply with these Protections, the Rules of Conduct or the Design Rules, and for such reasons monies were expended from the operating fund, or services performed to or because of such Member by Association employees in performing its functions under these Protections. Such assessment shall be in the amount so expended or in the value of the services performed by Association employees, and shall be payable to the Association when levied.

Section 6. 09 Development, Fund

There shall be a development fund, into which the Association shall deposit all monies paid to it as:

- a. Recreational facility development assessments;
- b. Income attributable to the development fund; From this fund the Association shall make disbursements in performing the functions for which the foregoing assessments are levied.

Section 6.06 Recreational Facility Development Assessment

- a. To provide for the development of recreational facilities, the Board of Directors shall, subject to the provisions of paragraph b. below, from time to time assess to the Members as a recreational facility development assessment such amount or amounts as the Board of Director may determine to be appropriate in the following manner: (1) an equal amount, to be fixed by the Association but not more than twenty-five dollars (\$25) for any fiscal year shall be assessed to a Member as to each unit owned or in which a beneficial interest is held by such Member, and (2) if the assessments made pursuant to subparagraph (1) above are not adequate, an additional amount may be assessed equally to the Members as a recreational facility assessment pursuant to paragraph b. below.
- b. No recreational facility development assessment pursuant to subparagraph (2) of paragraph a. above shall be levied unless the Members, exclusive of the Developer, shall by majority vote have approved such assessment, provided the Developer shall also have approved such assessment.
- e. Recreational facility development assessments shall be due and payable by the Members in such installments and during such period or periods as the Board of Directors shall designate

Section 6. 07 Default in Payment of Assessments

Each assessment under this Article VI shall be a separate, distinct and personal debt and obligation of the Member against whom it is assessed. If the Member does not pay such assessment or any installment thereof when due, the Member shall be deemed to be in default, and the amount of the assessment not paid, together with the amount of any subsequent default, plus interest at eighteen percent (18%) per annum or the average moratorium interest rate or rates prevailing for the relative period among the principal banking institutions in Tijuana, which ever is higher, and costs, including reasonable attorney's fees, shall become a registered debt upon the Unit of such Member, by virtue of being registered in the Registry maintained by the Trustee and shall be subordinate to the lien of a promissory note executed for the purchase of a Unit. The foregoing remedy shall be in addition to any other remedies provided by law for the enforcement of such assessment obligations.

Article VII. Development and Use of Recreational

Facilities

Section 7.01 Introduction

In order to promote the beneficial recreational use of Common Areas in a manner which fosters the diverse recreational interests of the Members and which is compatible with the rights of other Members in their enjoyment of the environment of Bajamar, provision is hereby made in this Article for the development by the Association of recreational facilities, which shall be for the use and enjoyment of any Member or Guest.

Section 7. 02 Recreational Facilities; Procedure for Development

- a. One or more Members may at any time, petition the Board of Directors for the development of a recreational facility on any portion of Common Area reserved by the Developer for such development, Such petition shall be in such form and shall contain such information as the Board of Directors may require. The Board of Directors may, at any time on its own motion, move for the development of a recreational facility, in which case such motion shall be treated as if it were a petition submitted by one or more Members.
- b. The petition shall be approved by a majority of the Members of the Association, exclusive of the Developer.
- c. After approval by the Association of the petition, the Board of Directors shall prepare, or cause to be prepared, and submit to the Design Committee pursuant to paragraph b. of Section 3. 07, two sets of plans and specifications for the proposed recreational facility.
- d. Upon approval by the Design Committee of the plans and specifications, the Board of Directors shall obtain firm bids on the total cost of constructing and otherwise developing the proposed recreational facility, and the lowest acceptable bid or bids shall be deemed the estimated total cost of development of such facility.
- e. If the Design Committee rejects such plans and specifications, the Board of Directors shall reconsider the petition in the light of the reasons given by the Design Committee. If upon such reconsideration the Board of Directors reaffirms the finding made pursuant to parapagraph b. above, such plans and specifications shall be deemed approved by the Design Committee.
- f. The Board of Directors shall give final approval to the petition if it finds, on the basis of the plans and specifications approved by the Design Committee and the estimated total cost of development, that the proposed recreational facility is financially feasible and is compatible with the proposal approved by the Association. In its final approval the Board of Directors may impose such restrictions upon the use and operation of the facility, including reasonable use fees to be charged Members and Guests for the use thereof, as it may deem advisable to assure the satisfactory functioning and

financial stability of the facility, or to protect other Members in their use and enjoyment of Bajamar.

- g. After its final approval of the petition, the Board of Directors shall allocate for the development of the proposed recreational facility an amount equal to the total estimated cost of development of such facility (including a reasonable provision for contingencies) from the portion, if any, of the development fund attributable to recreational facility development assessments levied for the development of such facility. If no such assessments have been made, the Board of Directors shall allocate such amount from the unallocated balance of such fund.
- h. After allocation of monies pursuant to paragraph g. above, the Board of Directors at such time and on such terms and conditions as it may deem appropriate but not exceeding the estimate total cost of development determined pursuant to paragraph d. above, shall commence or contract for the development and construction of the recreational facility in accordance with the plans and specifications approved by the Design Committee.
- i. If the amount allocated from the development fund pursuant to paragraph g. above from time to time proves or appears to be inadequate to cover the actual cost of development of the recreational facility, the Board of Directors shall at its option and from time to time:

- (1) levy an additional recreational al facility development assessment pursuant to Section 6.06 in an amount sufficient to cover such actual or estimated inadequacy and allocate such amount to the development of such facility; or
- (2) allocate an amount sufficient to cover such actual or estimated inadequacy from the unallocated balance of the development fund to the development of such facility.

- j. Any monies allocated to the development of a given recreational facility pursuant to paragraphs g. or i, above which are not needed for such purpose shall, upon completion of the development of such facility, become part of the unallocated balance of the development fund.
- k. If for any reason the Board of Directors does not give final approval to the petition subsequent to paragraph f. above, all expenses incurred by the Board of Directors in obtaining plans and specifications pursuant to paragraph c. above shall be paid out of the unallocated balance of the development fund.

1. Any improvement constructed or to be constructed by Developer on any portion of Common Areas reserved for development as a recreational facility shall be deemed to be a recreational facility developed by the Association upon completion of such improvement by Developer.

Article VIII. Participating Facilities

Section 8.01 Introduction

In order to permit persons other than Members to enjoy and help support in the many environmental and recreational benefits offered by Bajamar, provision is hereby made in this Article for extending the privilege of using Common Areas and recreational facilities to Guests of Participating Facilities. In recognition of the rights and interests of Members in their enjoyment of Bajamar, however, provisions is also made to insure that such use by Guests will not overburden Common Areas and recreational facilities. Among the benefits which may accrue to Bajamar as a result of extending use privileges to Guests are:

- a. more efficient use of Common Areas and recreational facilities and a broader base for sharing the costs of operating and maintaining the same, and
- b. the attraction to the vicinity of Bajamar of the various services which Participating Facilities may offer and of which Members may avail themselves as members of the public but which, because of the nature or cost of such services would not otherwise be available to Members.

Section 8.02 Agreement Between Developer or Association and Participating Facility

- a. Developer, in its sole discretion, may, at any time enter into an agreement with a Participant Facility, the purpose of which is to extend to the Guests of such facility, subject to the provisions of this Article, the privilege of using Common Areas or portions thereof and Recreational Facilities.
- b. Unless Developer shall give his written consent for the Association to enter into an agreement with Participating Facility, the right to enter into any such agreement is hereby reserved to, and vested solely in Developer until such time as Developer owns ten percent (10%) or less beneficial interest in property within the Property or until Developer has delivered to the Trustee a declaration waiving its rights hereunder, whichever is the first to occur. When Developer waives or no longer has the right to enter into such agreement, the right to enter into any such agreements shall be vested solely in the Association.

Section 8.03 Provisions which shall be included in Agreements with Participating Facilities

Any agreement entered into pursuant to Section 8.02 shall:

- a. Be for a term not to exceed the terms of these Protections;
- b. Designate the Common Areas and Recreational Facilities which may be used by the Guests of the Participating Facilities,

- c. Subject to Section 8.04, establish the allocation of Guest cards to the Participating Facilities;
- d. Establish the amount of the use fee to be paid by the Participating Facilities to the Association for each fiscal year with respect to each Guest card allocated to it which use fee shall be reasonably relates or in proportion to the actual use by the Guest using such cards; and
- e. subject to these Protections, set forth such other terms and conditions as may be appropriate concerning the use of Common Areas and recreational facilities by Guests.

Section 8. 04 Limitation on Number of Guest Cards; Allocation

- a. Each Participating Facility shall issue to each Guest, in such numbers as allocated by the Developer or the Association (whichever then has the right pursuant to paragraph b. of Section 8.02 to contract with a Participating Facility) a Guest card evidencing such Guest's privilege to use the Common Area and recreational facilities designated in the agreement between such Participating Facility and Developer or the Association. The aggregate number of such Guest cards for all Participating Facilities shall not exceed twice the total number of Parcels then within Bajamar. For the purpose of this Section the use of roads for access to a Participating Facility shall not be deemed to be use of Common Area.
- b. Any increase in the number of Parcels in Bajamar by reason of the annexation of property pursuant to Section 2.02, shall result in a like increase in the aggregate number of permissible Guest cards. Developer or the Association, whichever then has the right pursuant to paragraph b. of Section 8.02 to contract with a Participating Facility, may allocate such additional Guest cards to Participating Facilities which request such additional Guest cards.

Section 8.05 Use Fees; Default; Termination

- a. Each Participating Facility shall pay to the Association for each fiscal year a use fee for each Guest card allocated to it. Use fees for Guest cards allocated after the commencement of a fiscal year shall be appropriately prorated. Use fees shall be payable in monthly installments or in such other reasonable manner as the Board of Directors may designate
- b. The amount of the use fee for each Guest card shall be that established in the agreement between such Participating Facility and Developer or the Association, whichever then has the right pursuant to paragraph b. of section 8.02 to contract with a Participating Facility.
- c. If a Participating Facility does not pay any use fee or installment thereof when due, it shall be deemed to be in default. Upon the continuation of any default for two (2) or more successive months, the Board of Directors may terminate the agreement to which the default relates.

Section 8.06 Use Privileges, Conditions, Revocation

After a Participating Facility and Developer or the Association, as the case may be, have entered into an agreement pursuant to Section 8.02 and prior to the termination of such agreement, the Guests of such Participating Facility, not to exceed the number of Guest cards allocated to such Participating Facility, shall have the privilege to use the Common Area and recreational facilities designated in such agreement, subject to all of the limitations and restrictions of these Protections; provided, however, that such privilege shall be abated during the period of any default pursuant to paragraph e. of Section 8.05; and provided further, that noncompliance by any Guest with the limitations and restrictions of these Protections shall automatically revoke such Guest's privilege to use such Common Areas and recreational facilities.

Article IX. Miscellaneous Provisions

Section 9.01 Amendment

- a. In addition to the rights reserved to Developer pursuant to Section 2.03 to modify or supplement these Protections with respect to property annexed to Bajamar, and unless specifically provided to the contrary herein, these Protections or any part thereof, as in effect with respect to all or any part of Bajamar, and with respect to any limitation, restriction, covenant or condition thereof, may:
- (1) be amended or repealed at the election of the Developer with the approval of a majority of the Members, exclusive of the Developer, to the extent necessary to change these Protections and this Association to become a system under the Condominium Laws of the State of Baja California as said laws may be constituted; or,
 - (2) be amended or repealed at the election of the Developer, to the extent necessary in order to comply with the requirements of any governmental agencies or laws of any jurisdictions with which the Bajamar development or the Property may be registered or licensed in order to be permitted to promote, solicit or sell in said jurisdictions.

Section 9.02 Enforcement; Non-Waiver

- a. Except to the extent otherwise expressly provided herein, the Association or any Members shall have the right to enforce any or all of the limitations, restrictions, covenants, conditions, obligations, now or hereafter imposed by these Protections, upon other Members, or upon any property within Bajamar. In the case of the above right of the members, however, it is understood that any such members shall be entitled to exercise such right

only after petition to the Association for enforcement thereof and the Association, after being afforded a reasonable opportunity shall not or is unable to do so.

- b. Every act or omission whereby any restriction, condition or covenants of these Protections is violated in whole or in part may be enjoined or abated, whether or not the relief sought is for negative or affirmative action, by the Association or by a Member, as provided for in paragraph a. above; provided, however, that any provision to the contrary notwithstanding, only the Association or its duly authorized agents may enforce by self-help any limitation, restriction, covenant, condition or obligation herein set forth.
- c. The failure to enforce the provision of any limitation, restriction, covenant, condition, obligation, lien or charge of these Protections shall not constitute a waiver of any right to enforce any such provision or any other provision of these Protections.

Section 9.03 Term

All of the limitations, restrictions, covenants and conditions of these Protections shall commence upon the sale by Developer of the first Unit at Bajamar to a Member and shall continue and remain in full force and effect at all times, with respect to all property and each part thereof included within Bajamar, and with respect to the Members and to the Association, subject to the right to amend and terminate as provided for in Section 9.01 above, until January 1, 2055.

Section 9. 04 Parcel Splitting; Consolidation

- a. No Parcel within Bajamar of less than one hectare shall be split. No other Parcel within Bajamar shall be split unless the minimum area of each resulting Parcel is one-half of one hectare, or if the parcel splitting is for a Project, the ratio of units to hectares within the resulting Project Area does not exceed 16 to 1, and unless the consent of at least two of the three members of the Design Committee shall be obtained.
- b. No two or more parcels within Bajamar shall be consolidated into one Parcel unless the consent of at least two of the three members of the Design Committee shall be obtained.

Section 9. 05 Assignment Powers

Any and all of the rights and powers vested in Developer pursuant to these Protections may be delegated, transferred, assigned, conveyed or released in writing, by Developer to the Association, and the Association shall accept the same, effective upon the delivery to the Trustee by the Developer of a written notice of such delegation, transfer, assignment, conveyance or release.

9.06 Condemnation of Common Areas and Restricted Common Areas

If at any time, all or any portion of Common Areas or Restricted Common Areas, or any interest therein, be taken for any public or quasi-public use, under any statute, by right of eminent domain or by private purchase in lieu of eminent domain, the entire award in condemnation shall be paid to the Trustee for disposition pursuant to the Trust.

Section 9. 07 Repair and Restoration

- a. In the event of the damage or destruction of the improvements within a Parcel, Private Area, Project Area, or Common Area (including a recreational facility), the Member, Members within the Project, or Association, as the case may be, shall be responsible to, either:
 - (1) Commence repair or reconstruction of the damage within 120 days from the date of occurrence according to the original plans or pursuant to new plans approved by the Design Committee and to diligently pursue such repair or reconstruction; or
 - (2) remove the improvements entirely and restore the Parcel to a condition substantially compatible with its condition prior to construction of the improvements.

Section 9. 08 Obligations of Owners; Avoidance, Termination

- a. No Member, through his non use of any Common Area, Restricted Common Area, Project Area or recreational facility, or by abandonment of his Parcel, may avoid the burdens or obligations imposed on him by these Protections by virtue of his being a Member.
- b. Upon the conveyance, sale, assignment or other transfer of a Parcel to a new Member, the transferring Member shall not be liable for assessments levied with respect to such Parcel after the date of such transfer, and no person, after the termination of his status as a Member and prior to his again becoming a Member, shall incur any of the obligations or enjoy any of the benefits of a Member under these Protections following the date of such termination.

Section 9.09 Notices; Documents; Delivery

Any notice or other document required by these Protections to be delivered may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered twenty four (24) hours after a copy of same has been deposited in the Mexican mail, postage prepaid, addressed as follows: (a) if to the Association or to the Design Committee, in the name of "Bajamar Association" or "Bajamar Design Committee, " as the case may be, Post Office Box 2211, Ensenada, Baja California, Mexico; (b) if to a Member, at any parcel within Bajamar owned by the Member or in which said Member has a beneficial interest, (e) If to Developer, at:

Desarrollos Urbanos de Baja California, S. A.
Administration Office
Club Campestre Bajamar - Kilómetro 76
Carretera Tijuana-Ensenada
P. O. Box 2211

Ensenada, Baja California, México. However, any such address may be changed at any time by any Member, by the Design Committee, or by the Developer by notice in writing delivered to the Association, or by the Board of Directors by notice in writing delivered to all Members.

Section 9.10 Non-liability

No member of the Board of Directors or the Design Committee, or of any other committee established pursuant to these Protections, or their agents, shall be personally liable to any Member or to any other person for any error or omission of any of the above committees or of the Manager, their representatives or employees, provided that such person has acted in good faith.

10.1 Added

The Developer agrees for itself and its successors in interest to the golf club:

- a. To continue to use the golf course and the clubhouse for golf course purposes during the life of the Trust and to make it available to Members for membership at rates not higher than those charged to the general public, and
- b. To pay each month to the Association an amount equal to twenty times the monthly per Parcel maintenance assessment (section 6.02) for the year in question, for benefits received from the existence of the roads and other related facilities and services.

EXHIBIT C TO THE PROTECTIONS

BHOA RULES OF CONDUCT

The BHOA Rules of Conduct form part of the Costa Bajamar Covenants, Conditions and Restrictions (the "Protections") issued by Desarrollos Urbanos de Baja California, S. A., February 1, 1976 and established pursuant to Section 5.07 of said Protections.

The attached "Rules of Conduct" are an updated interpretation of the "Rules of Conduct" included in the original CC & Rs of the Bajamar subdivision and apply to all properties located within Mision Todos Santos and Mision San Diego. A draft version of the update was sent to members in good standing for comment. All comments were considered and the majority incorporated

It is the Philosophy of the current Board of Directors that the Board and our staff should only be "proactive" in enforcing those rules which affect our streets and common areas. We believe that all other matters are better handled by a "neighbor to neighbor" approach and that the Board and our staff should only become involved if this approach fails.

Those rules marked with an asterisk * are the rules on which the Board has instructed our staff to take a proactive approach of enforcement. Enforcing the remainder will generally require that a Member in Good Standing make a more formal complaint or identify the problem to the Association's Operations Manager. The Operations Manager will then determine if the rule has been violated, and if finding that it has, make either verbal or written contact with the Member who has violated a rule. If this does not resolve the issue, the Board will levy a fine against the property in question. Fines for unresolved issues will escalate as noted in Rule 17.

THE BHOA BOARD OF DIRECTORS, 21 April/07.

Alberto Delgado

Pete Salg

Jerry Hufford

Diane Steinberger

Joe Ustica

RULE 1: Pet Policy.

*a) All dogs shall be on a leash in the control of a responsible adult while using Mission streets and common areas.

*b) Pet owners are responsible for the clean up of any litter made by their pets.

*c) No pets, other than legitimate service animals, are permitted in the tennis courts, pool areas, BHOA office, or on the property of another Member without that Member's permission.

d) Pets shall not interfere with the rights of any Member or resident to the peaceful and quiet enjoyment of the community.

e) Owners of pets shall be financially responsible for any damage that their pets cause to the common areas and the private property of another Member.

f) No domestic animals other than a reasonable number of generally recognized house pets shall be maintained on

any private area.

RULE 2: Noise & Disturbances

- a) There shall be no activities which constitute a noise or disturbance that interfere with the rights of any Member or resident to the peaceful and quiet enjoyment of the community, common/private areas, and residences. For example, but without limitation, noise or disturbances from musical instruments, entertainment systems, tools (or other noise making devices).
- b) There shall be no misconduct in common areas which shall constitute a threat to the health and safety of others or which unreasonably constitutes a threat to the comfort of others.

RULE 3: Vehicles & Vehicle Parking

a) Rules for all Vehicles

- i) All vehicles must be driven in a safe and cautious manner, follow road direction signs, and shall not exceed a speed in excess of 30km/hr on Mission roads.
- ii) No vehicle is allowed to park in vacant lots, common areas, or main access roads to/from Bajamar Missions.
- iii) No vehicle is allowed to park in a manner which may impede the natural flow of traffic or block access to driveways, sidewalks, side streets, or cul de sacs. If a vehicle is blocking any of these areas, BHOA Security will notify the owner that the vehicle must be moved immediately. If the vehicle is not moved, a fine of US\$25/day will be assessed against the Member who owns the vehicle or whose residence is being visited by the vehicle.
- iv) No major repair activity on any vehicle is allowed in the streets, common areas, vacant lots, or main access roads to/from Bajamar Missions.

b) Rules for Passenger Vehicles: cars, SUV's, pickup trucks, vans, mini vans, and other similar passenger vehicles.

- i) Passenger Vehicles shall park in the off street parking area provided on the lot of each residence.
- ii) Permanent curbside parking is limited to two (2) Passenger Vehicles in front of each residence.
- iii) Visitor parking shall be confined to the general area in front of the visited residence.

** c) Rules for Recreation Vehicles: motor homes, trailers of all types, boats, busses, and other similar recreation vehicles.*

- i) Temporary parking of an RV is allowed in the streets of Missions Todos Santos/San Diego for a period of no more than 72 hours. When BHOA Security staff see an RV parked on a street within these Missions a notice will be placed on the RV informing the owner that it must be removed from Bajamar in 72 hours. If not removed at the end of this period a fine of \$5 per day will be assessed against the Member who owns the RV or whose residence is being visited by the RV.
- ii) Permanent and temporary parking of an RV is allowed within the limits of a residence lot provided it is parked in an enclosed garage or hidden behind

1.75m high walls and a 1.75m high driveway gate/door which is solid or opaque. Violation of this rule will require that the RV be removed from Bajamar within 72 hours. If not removed at the end of this period a fine of \$5 per day will be assessed against the Member who owns the RV or whose residence is being visited by the RV.

iii) Living or sleeping in an RV is not allowed at any time. Violation of this rule will require that the RV be removed from Bajamar immediately.

RULE 4: Waste Management

- a) BHOA staff shall only remove household garbage and trash that is placed inside covered containers within plastic garbage bags. Containers shall not be visible from neighboring properties and shall be located in service enclosures that are built for this purpose. Removal of large waste material is the responsibility of the homeowner. For example, but without limitation, used refrigerators, stoves, clothes washing and drying machines, water heaters, furniture, packing boxes/crates, surplus building materials/rubble.
- b) The accumulation of waste plant materials is prohibited except in a compost pile which must be maintained in such a manner so as not to be visible from neighboring properties.
- * c) The disposal of any type of waste material on vacant lots is prohibited.

RULE 5: Laundry Drying

Outside clothes lines and other outside cloth drying or airing facilities shall be maintained exclusively within a fence or service yard and shall not be visible from neighboring properties. No drying is allowed on visible railings or balustrades.

* **RULE 6: Fire Restrictions**

There shall be no exterior fires except for barbecue and incinerator fires which are contained within receptacles designed for such use.

* **RULE 7: Camping**

There shall be no camping on private or common areas, except in areas, if any, developed for that purpose by the Association or the Developer

RULE 8: House Occupancy

- a) There shall be no living or habitation in newly constructed houses or structures until an Occupancy Permit has been issued by the BHOA Design Committee. Consult the BHOA Design & Construction Rules for additional details.
- b) No house shall be occupied on a permanent basis by more than two (2) persons per bedroom plus one (1). Example: a three (3) bedroom house shall not have more than seven (7) permanent occupants.

RULE 9: Golf Cart Use

Private Golf Carts may be used upon the roads in Bajamar by licensed drivers (Mexico, USA or other country) but in a manner that does not interfere with normal traffic circulation. Carts shall not use the golf course for circulation to and from the Clubhouse.

RULE 10: Rental of Homes

- a) No home shall be rented for more than two (2) persons per bedroom plus one (1). Example: a three (3) bedroom house shall not be rented for more than seven (7) occupants.
- b) Renters who are not in compliance with the Rules of Conduct are in violation of their rental agreement and the owner of the rental property shall be subject to the same corrective action as all other property owners.

*** RULE 11: Pool & Tennis Courts**

- a) Use of mission tennis courts and swimming pool areas are limited to Members, and tenants or guests of Members, who have a valid access card issued by the BHOA office.
- b) Pools: Private parties at mission pools must be approved in advance by the BHOA office. Rules/fines regarding the use of Mission pools are posted on signs in each facility and details are available at the BHOA office and on the BHOA Web site.
- c) Tennis Courts: Tennis court use is limited to the game of tennis only with proper tennis shoes and apparel. Rules/fines regarding the use of mission tennis courts are posted on signs in each facility and details are available at the BHOA office and on the BHOA Web site.

*** RULE 12: Fireworks**

Fireworks are illegal in Mexico and are not allowed at any time within the confines of Bajamar. Failure to comply may result in action by Mexican Federal authorities.

RULE 13: Conduct of Visitors and Tenants.

Members are responsible for the conduct and any infractions by their family, guests or tenants. If you rent your house, a copy of these Rules of Conduct must be made available to your agent and tenants and must be visibly displayed within your house.

RULE 14: Construction

There shall be no construction undertaken on any property nor alterations made to the natural vegetation on any vacant lot without the approval of the BHOA Design Committee. Consult the BHOA Design and Construction Rules for additional details/fines.

*** RULE 15: Signs**

All signs shall be approved by the BHOA Design Committee. Consult the BHOA Design & Construction Rules for additional details/fines such as, but not limited, to the following:

- a) No signs shall be permitted in common or private areas except temporary signs such as "FOR RENT" or "FOR SALE".
- b) "SOLD" signs shall not remain in place for more than 2 months.
- c) "Open House" signs shall be removed from their display area at the end of each day.

RULE 16: BHOA Dues

Bajamar Homeowner Association dues shall be paid each month or on a yearly basis. Consult the Bajamar Homeowner's Handbook and/or BHOA office staff for payment amounts, discounts, late fees, and other related details.

RULE 17: Fines

- a) Unless stated within the rule itself the BHOA Board will levy fines for rule infractions as follows; 1st occurrence - a warning; 2nd occurrence - \$25 USD; 3rd occurrence - \$50 USD; 4th and subsequent occurrences - \$75 USD. If twelve consecutive months go by since the last occurrence the process starts over.
- b) Fines are subject to the same interest and penalties associated with the payment of Association dues.