

March 1, 2006

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**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS FOR MONTE BELLO**

THIS DECLARATION is made by Rancho Cerro Propiedades, S.A. de C.V. ("Declarant").

P R E A M B L E:

A. Declarant is the owner of certain real property, defined herein as MONTE BELLO and located in the Municipality of Los Barriles, Baja California Sur and described as follows: ESTATE NO. 0653, RUSTIC LAND NAMED "ENSENADA DE PALMAS", LOCATED AT DELEGATION LOS BARRILES, MUNICIPALITY OF LA PAZ, BAJA CALIFORNIA SUR, REGISTERED UNDER LAND REGISTRY NO. 1-02-066-0653, TOTAL SURFACE AREA OF 15-00-00-00 HECTARES.

ESTATE NO. 0311, RUSTIC LAND NAMED "ENSENADA DE PALMAS", LOCATED AT DELEGATION LOS BARRILES, MUNICIPALITY OF LA PAZ, BAJA CALIFORNIA SUR, REGISTERED UNDER LAND REGISTRY NO. 1-02-066-0311, TOTAL SURFACE AREA OF 1-11-62.806 HECTARES.

B. It is the desire and intention of Declarant to create a "planned community" of detached residences to be developed in multiple phases with an initial maximum of twenty-four (24) Lots in the above described Property and an additional twenty-four (24) Lots in the Annexable Property and to impose mutually beneficial restrictions under a general plan of improvement for the benefit of all the Lots within the planned community. Additional property which may be included within the Declaration of Covenants, Conditions, and Restrictions and Reservation of Easements is included in EXHIBIT "A".

C. Declarant hereby declares that all the Property included within Phase One (1) is to be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied, and improved subject to the limitations, restrictions, reservations, rights, easements, conditions and covenants contained in this Declaration, all of which are declared and agreed to be in furtherance of a plan for the protection, subdivision, maintenance, improvement and sale of the Property for the purpose of enhancing the value, desirability and attractiveness of the Property. All provisions of this Declaration, including without limitation the easements, uses, obligations, covenants, conditions and restrictions hereof, are hereby imposed as equitable servitudes upon the Property. All of the limitations, restrictions, reservations, rights, easements, conditions and covenants herein shall run with and burden the Property and shall be binding on and for the benefit of all of the Property and all Persons having or acquiring any right, title or interest in the Property, or any part thereof, and their successive owners and assigns.

ARTICLE I

1. Definitions. Unless otherwise expressly provided, the following words and phrases when used herein shall have the following specified meanings.

1.1 Annexable Property. Annexable Property shall mean all real property shown and described on EXHIBIT "A" attached to this Declaration.

1.2. Association. Association shall mean "MONTE BELLO HOMEOWNERS

ASSOCIATION", Inc.

1.3. Association Property. Association Property shall mean all of the real and personal property and Improvements to which the MONTE BELLO HOMEOWNERS ASSOCIATION shall hold title for the common use and enjoyment of the Members as provided herein. The Association Property in Phase One (1) of the Project shall include all common areas, roads and easements as shown on the legal plat map.

1.4. Board or Board of Directors. Board or Board of Directors shall mean the Board of Directors of the MONTE BELLO HOMEOWNERS ASSOCIATION.

1.5. Bylaws. Bylaws shall mean the Bylaws of the MONTE BELLO HOMEOWNERS ASSOCIATION as adopted by the Board, as such Bylaws may be amended from time to time.

1.6. Close of Escrow. Close of Escrow shall mean the date on which a deed is Recorded conveying a Lot.

1.7. Common Expenses. Common Expenses shall mean those expenses for which the Association is responsible under the Declaration, including the actual and estimated costs of: maintenance, management, operation repair and replacement of the Association Property, unpaid Common Residential Assessments, Supplemental Assessments and Capital Improvement Assessments; costs of management and administration of the Association including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and other employees; the costs of all gardening, security, and other services benefiting the Association Property; taxes paid by the Association, including any blanket tax assessed against the Association Property; amounts paid by the Association for discharge of any lien or encumbrance levied against the Property or portions thereof; and the costs of any other item or items incurred by the Association, for any reason whatsoever in connection with the Association Property, for the common benefit of the Owners.

1.8. Common Elements. Common Elements shall mean the Association Property.

1.9. Declarant. Declarant shall mean Rancho Cerro Propiedades, S.A. de C.V. its successors, and any Person to which it shall have assigned any of its rights hereunder by an express written assignment.

1.10. Declaration. Declaration shall mean this instrument, as it may be amended from time to time.

1.11. Family. Family shall mean one or more natural persons related to each other by blood, marriage or adoption, or one or more natural persons not all so related, but who maintain a common household in a Residence.

1.12. Improvements. "Improvements" for the purpose of the Association Property shall mean sprinkler pipes, landscaping, planted trees, shrubs, and block walls. "Improvements" for the purpose of each Lot shall include all structures and appurtenances thereto of every type and kind.

1.13. Lot. Lot shall mean any legal subdivision lot or parcel of land shown upon any recorded subdivision map or parcel map of the Project together with the improvements, if any thereon.

1.14. Member, Membership. Member shall mean any Person holding a membership in the Association, as provided in this Declaration. Membership shall mean the property, voting and other rights and privileges of Members as provided herein, together with the correlative duties and obligations contained in the Restrictions.

1.15. Notice and Hearing. Notice and Hearing shall mean written notice and a hearing before the Board, at which the Owner concerned shall have an opportunity to be heard in person, or by counsel at the Owner's expense, in the manner further provided in the Bylaws.

1.16. Owner. Owner shall mean the Person or Persons, including Declarant holding fee simple interest to a Lot.

1.17. Person. Person shall mean a natural individual or any other entity with the legal right to hold title to real property.

1.18. Property or Project. Property or Project shall mean all of the real property described in Paragraph A of the Preamble to this Declaration, together with any and all Annexable Property which is subjected to this Declaration by Annexation Amendment.

1.19. Residence. Residence shall mean a Lot, intended for use by a single Family.

1.20. Restrictions. Restrictions shall mean and refer to this Declaration of Restrictions, the Articles of Incorporation of the Association, the adopted Bylaws of the Association, the Rules and Regulations and the Construction Rules and Regulations of the Association.

ARTICLE II

2. Association Property.

2.1. Conveyance of Association Property. The Declarant shall convey the Association Property to the Association after the Declarant has sold 85% (eighty-five percent) of the lots in the Monte Bello development.

2.2. Easements for the Association. The Association shall have an easement over the Association Property for performing its duties and exercising its powers described in this Declaration. The Association's obligations to maintain the Association Property shall commence on the first day of the month following the conveyance of the Association Property to the Association. Until conveyance of the Association Property to the Association, the Association Property shall be maintained by the Declarant.

2.3. Members' Easements in Association Property. Subject to the provisions of this Declaration, every Member of the Association shall have, for himself, his Family, his tenants and guests, a nonexclusive easement of access, ingress, egress, use and employment of, in, to and over the Association Property, to provide access to the Lot, if applicable, and for utilities serving the Lot and such easement shall be appurtenant to and shall pass with title to every Lot in the Project.

2.4. Delegation of Use. Any Owner entitled to the right and easement of use and enjoyment of the Association Property may delegate his right and easement to his tenants who reside in his/her Lot.

2.5. Waiver of Use. No Owner may exempt himself from personal liability for assessments duly levied by the Association, or affect the release of his Lot the liens and charges thereof, by waiving the use and enjoyment of the Association Property or by abandoning his Lot.

2.6. Damage by Member. To the extent permitted by law, each Member shall be liable to the Association for any damage to the Association Property if the damage is sustained because of the negligence, willful misconduct or unauthorized or improper installation or maintenance of any Improvement by the Member, his guests, tenants, contractors or invitees, or any other Persons deriving their right and easement of use and enjoyment of the Association Property from the Member, or his or their respective family and guests, both minor and adult. The Association, acting through the

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Board, reserves the right, after Notice and Hearing as provided in the Bylaws, to levy a Special Assessment in an amount equal to the damage caused by the Member or the Person for whom the Member may be liable as described above. After Notice and Hearing as provided in the Bylaws, the cost of correcting the damage shall be a Special Assessment against such Member's Lot, and may be enforced as provided herein.

ARTICLE 111

3. Maintenance Funds and Assessments.

3.1. Personal Obligation of Assessments. Declarant, for each Lot owned by it, hereby covenants and agrees to pay, and each Owner, by acceptance of a deed to a Lot whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association (1) Annual Assessments for Common Expenses, (2) Special Assessments, (3) Reconstruction Assessments and (4) Capital Improvement Assessments; such assessments to be established and collected as provided herein. The Association shall not levy or collect any Annual Assessment, Capital Improvement Assessment, Special Assessment or Reconstruction Assessment that exceeds the amount necessary for the purpose for which it is levied. All assessments (other than Special Assessments), together with interest, costs, and reasonable attorneys' fees for the collection thereof, shall be a charge on the Lot against which such assessment is made. Each such assessment (including Special Assessments), together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Person who was the Owner of the Lot at the time when the assessment fell due. This personal obligation cannot be avoided by abandonment of the Lot by an offer to waive use of the Association Property. The personal obligation for delinquent assessments shall not pass to any new Owner ("Purchaser") unless expressly assumed by the Purchaser.

3.2. Maintenance Funds of Association.

The Board of Directors shall establish no fewer than two (2) separate Association Maintenance Fund accounts into which shall be deposited all monies paid to the Association, and from which disbursements shall be made, as provided herein, in the performance of functions by the Association under this Declaration. The Association Maintenance Funds may be established as accounts at a banking or savings institution and shall include: (1) an Operating Fund for current Common Expenses of the Association, (2) an adequate Reserve Fund for capital improvements, replace-

ments, painting and repairs of the Association Property (which cannot normally be expected to occur on an annual or more frequent basis) and (3) any other funds which the Board of Directors may establish to the extent necessary under the provisions of this Declaration. The Reserve Fund may be used only for common expenses that involve major repairs or replacement, including, without limitation, repairing roads and sidewalks, and must not be used for daily maintenance. Nothing contained herein shall limit, preclude or impair the establishment of additional Maintenance Funds by the Association, so long as the amounts assessed deposited into and disbursed from any such Fund are earmarked for specified purposes authorized by this Declaration.

3.3. Purpose of Assessments.

The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the Owners and for the operation, replacement, improvement and maintenance of the Association Property and to discharge any other obligations of the Association under this Declaration. All amounts deposited into the Maintenance Funds must be used solely for the common benefit of all of the Owners for purposes authorized by this Declaration. Disbursements from the Operating Fund shall be made by the Board of Directors for such purposes as are necessary for the discharge of its responsibilities herein for the common benefit of all of the Owners, other than those purposes for which disbursements from the Reserve Fund are to be used. Disbursements from the Reserve Fund shall be made by the Board of Directors only for the purposes specified in this Article III. Annual Assessments shall be used to satisfy Common Expenses of the Association, as provided herein and in the Bylaws.

3.4. Limitations on Annual Assessment Increases. The Board shall levy Annual Assessments in accordance with the following provisions:

(a) Maximum Authorized Annual Assessment for Initial Year of Operations. Until the first day of the Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Board may only levy an Annual Assessment per Lot in an amount which exceeds the amount set forth in the Budget prepared by the Declarant and included with the Public Offering Statement for the Project if the Board first obtains the approval of Members casting a majority of votes at a meeting or election of the Association in which more than fifty percent (50%) of the Members are represented ("Increase Election"). Notwithstanding the foregoing, this Section does not limit Annual Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 3.4 (d).

(b) Maximum Authorized Annual Assessment for Subsequent Fiscal Years. Starting with the first Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Board may only levy Annual Assessments which exceed the Annual Assessments for the immediately preceding Fiscal Year as follows:

(1) If the increase in Annual Assessments is less than or equal to twenty (20%) of the Annual Assessments for the immediately preceding Fiscal Year, then the Board need not obtain the approval of Members casting a majority of votes in an Increase Election;

(2) If the increase in Annual Assessments is greater than twenty (20%) of the Annual Assessments for the immediately preceding Fiscal Year, then the Board must obtain the approval of Members casting a majority of votes in an Increase Election.

Notwithstanding the foregoing, this Section does not limit Annual Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 3.4(d). In addition, this Section does not limit Annual Assessment increases necessary to pay for increased costs for

taxes, and/or waste disposal.

(c) Supplemental Annual Assessments. If the Board determines that the estimate of total charges for the current year is or will become inadequate to meet all Common Expenses for the Property for any reason, it shall immediately determine the approximate amount of the inadequacy. Subject to the limitations described in Sections 3.4(a) and (b) above and (d) below, the Board shall have the authority to levy, at any time by a majority vote, a supplemental Annual Assessment reflecting a revision of the total charges to be assessed against each Lot.

(d) Emergency Situations. For purposes of Sections 3.4(a), 3.4(b) and 3.6, an "Emergency Situation" is any one of the following:

- (1) An extraordinary expense necessary to repair or maintain the Property or any portion thereof for which the Association is responsible when a threat to personal safety on the Property is discovered; and
- (2) An extraordinary expense necessary to repair or maintain the Property or any portion thereof for which the Association is responsible that could not have been reasonably foreseen by the Board when preparing the Budget. Prior to the imposition or collection of an assessment pursuant to this subparagraph (2), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The resolution shall be distributed to the Members with the Notice of Assessment.

3.5. Annual Assessments/Commencement-Collection. The Board of Directors shall authorize and levy the amount of the Annual Assessment upon each Lot, as provided herein, by majority vote of the Board. Annual Assessments shall commence on all Lots in the Project on the first day of the first calendar month following the first Close of Escrow for the sale of a Lot in the Project or on the first day of the first calendar month following the conveyance of the Association Property for Phase One (1), to the Association, whichever shall first occur. All Annual Assessments shall be assessed equally against the Members and their Lots based upon the number of Lots owned by each Member. Annual Assessments for fractions of any month involved shall be prorated. Declarant shall pay its full pro rata share of the Annual Assessments on all unsold Lots for which Annual Assessments have commenced. The Board shall fix the amount of the Annual Assessment against each Lot at least thirty (30) days in advance of each Annual Assessment period. Within thirty (30) days after adoption of the Budget by the Board, the Board shall provide a summary of the budget to all Lot Owners and establish a date for a meeting of all Lot Owner's to consider ratification of the Budget not less than fourteen (14) nor more than thirty (30) days after mailing of the summary. Unless at the meeting, a majority of all Lot Owners reject the Budget, the Budget is ratified, whether or not a quorum is present at the meeting. If the proposed Budget is rejected, the periodic Budget last ratified by the Lot Owners shall continue until such time as the Lot Owners ratify a subsequent Budget proposed by the Board.

Notice of change of an Annual Assessment, Special Assessment, Capital Improvement Assessment or Reconstruction Assessment shall be sent via first-class mail, fax or email to every Owner subject thereto, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due. From time to time the Board may determine that all excess funds in the Operating Fund be retained by the Association and used to reduce the following year's Annual Assessment.

Each Member shall pay to the Association his/her Annual Assessment in installments at such fre-

quency and in such amounts as established by the Board. If any installment of an Annual Assessment payment is less than the amount assessed and the payment does not specify the Association Maintenance Fund or Funds into which it should be deposited, the receipt by the Association from that Member shall be credited in order of priority first to the Operating Fund, until that portion of the Annual Assessment has been satisfied, and second to the Reserve Fund.

3.6. Capital Improvement Assessments. The Board of Directors of the Association may levy, in any Fiscal Year, a Capital Improvement Assessment or Reconstruction Assessment applicable to that Fiscal Year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital Improvement or other such addition upon the Common Property including fixtures and personal property related thereto; provided that any proposed Capital Improvement Assessments in any Fiscal Year which, if added to the Capital Improvement Assessments already levied during such Fiscal Year, exceeds five (5%) of the budgeted gross expenses of the Association for such Fiscal Year, shall require the vote or written consent of Members casting a majority of votes at an Increase Election. Notwithstanding the foregoing, the Board may levy in any Fiscal Year, a Capital Improvement Assessment applicable to that Fiscal Year which exceeds five percent (5%) of the Budgeted gross expenses of the Association for such Fiscal Year if such increase is necessary for addressing an Emergency Situation as defined in Section 3.4(d).

3.7. Delinquency. Any installment of an assessment provided for in this Declaration shall be delinquent if not paid within fifteen (15) days of the due date as established by the Board of Directors of the Association. The Board shall be authorized to adopt a system pursuant to which any installment of Annual Assessments, Capital Improvement Assessments, Special Assessments, or Reconstruction Assessments not paid within thirty (30) days after the due date, plus all reasonable costs of collection (including attorneys' fees) and late charges as provided herein, shall bear interest commencing thirty (30) days from the due date until paid at the rate of up to twenty-four (25%) per annum. The Board may also require the delinquent owner to pay a late charge. The Association need not accept any tender of a partial payment of an installment of an assessment and all costs and attorneys' fees attributable thereto, and any acceptance of any such tender shall not be deemed to be a waiver of the Association's right to demand and receive full payments thereafter.

CREATION OF LIEN

3.8. Creation and Release of Lien. In accordance with and subject to Mexican laws, the Association shall have a lien on a Lot for any assessment levied against that Lot or fines imposed against the Lot Owner, from the time the assessment or fine becomes due. All fees, charges, late charges, fines, are subject to the limitations set forth herein, and interest charged is enforceable as assessments. If an assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment thereof becomes due. A lien is prior to all other liens and encumbrances on a lot except: (a) liens and encumbrances recorded before the recordation of this Declaration; (b) a first security interest on the Lot recorded before the date on which the assessment sought to be enforced becomes delinquent; and (c) liens for real estate taxes and other governmental assessments or charges against the Lot. The lien is also prior to the first security interest described herein as (b) to the extent of the assessments for common expenses based on the periodic budget adopted by the Association which would have become due in the absence of acceleration during the six (6) months immediately preceding institution of an action to enforce the lien. The language provided for herein does not affect the priority of mechanic's or material men's liens, or the priority of liens for other assessments made by the Association. Recordation of this

Declaration constitutes record notice and perfection of the lien provided for herein. No further recordation of any claim of lien for assessment is required. A lien for unpaid assessments is extinguished unless proceeding to enforce the lien are instituted within three (3) years after the full amount of the assessment becomes due.

Notwithstanding the language provided for herein, the Association is not prohibited from actions to recover sums provided for herein nor is prohibited from taking a deed in lieu of foreclosure. A judgment or decree in any action brought under this section must include costs and reasonable attorney's fees for the prevailing party.

The Association, upon written request shall furnish to a Lot Owner a statement setting forth the amount of unpaid assessments against the Lot. The statement must be in recordable form. The statement must be furnished within ten (10) business days after receipt of the request, and is binding on the Association, the Board of Directors of the Association and each Owner of a Lot.

3.9. Enforcement of Liens. It shall be the duty of the Board of Directors to enforce the collection of any amounts due under this Declaration by one or more of the alternative means of relief afforded by this Declaration. The lien on a Lot enforced by sale of the Lot conducted by the Association, the Association attorneys, any title insurance company authorized to do business in Mexico, or other persons authorized by the Association to conduct the sale as a trustee, after failure of the Owner to pay any Annual, Capital Improvement or Reconstruction Assessment, or installment thereof, as provided herein. The sale shall be conducted in accordance with the provisions of the Mexican legal system in any manner permitted by law.

3.10. Priority of Assessment Lien. Subject to the priorities established by Mexican law for Liens and Assessments, the lien of the assessments provided for herein, including interest and costs (including attorneys' fees), shall be subordinate to the lien of any previously Recorded first Mortgage upon one or more Lots. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liens for any assessments thereafter becoming due. When the Beneficiary of a first Mortgage of record or other purchaser of a Lot obtains title pursuant to a judicial or nonjudicial foreclosure of the first Mortgage, such Person, his successors and assigns, shall not be liable for the share of the Common Expenses or assessments by the Association chargeable to such Lot which became due prior to the acquisition of title to such Lot by such Person. Such unpaid share of Common Expenses or assessments shall be deemed to be Common Expenses collectible from all of the Owners of the Lot including such Person, his successors and assigns.

ARTICLE IV

4. Declarant's Rights and Reservations.

4.1. Declarant's General Rights and Reservations. Nothing in this Declaration of Restrictions shall limit, and no Owner or the Association shall do anything to interfere with, the right of Declarant to subdivide or resubdivide any portion of the Property, or to complete Improvements to and on the Property owned solely or partially by Declarant, or to alter the foregoing or its plans and designs, or to alter such additional Improvements as Declarant deems advisable in the course of

development of the Property so long as any Lot in the Project remains unsold. The rights of Declarant hereunder shall include but shall not be limited to, the right to install and maintain such structures, displays, signs, billboards, flags and sales offices as may be reasonably necessary for the conduct of its business of completing the work and disposing of the Lots by sale resale, lease or otherwise. Each Owner by accepting a deed to a Lot hereby acknowledges that the activities of Declarant may temporarily or permanently impair the view of such Owner and may constitute an inconvenience or nuisance to the Owners, and hereby consents to such impairment, inconvenience or nuisance. This Declaration shall not limit the right of Declarant at any time prior to acquisition of title to a Lot in the Project by a purchaser from Declarant to establish on that Lot additional licenses, easements, reservations and rights-of-way to itself, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Property. Declarant need not seek or obtain Design Committee approval of any improvement constructed or placed on any portion of the Property by Declarant. The rights of Declarant hereunder and elsewhere in these Restrictions may be transferred by Declarant to any successor in interest to any portion of Declarant's interest in any portion of the Property.

Each Owner hereby grants, upon acceptance of the Deed to the Lot (Fideicomiso), an irrevocable, special power of attorney to Declarant to execute and Record all documents and maps necessary to allow Declarant to exercise its rights under this Article. Declarant and its prospective purchasers of Lots shall be entitled to the nonexclusive use of the Association Property and any recreational facilities thereon, without further cost for access, ingress, egress, use or enjoyment, in order to show the Property to its prospective purchasers and dispose of the Property as provided herein. Declarant, its successors and tenants, shall also be entitled to the nonexclusive use of any portions of the Property which comprise private streets, drives and walkways for the purpose of ingress, egress and accommodating vehicular and pedestrian traffic to and from the Property. The use of the Association Property by Declarant shall not unreasonably interfere with the use thereof by other Owners. The Association shall provide Declarant with all notices and other documents to which a Beneficiary is entitled pursuant to this Declaration, provided that Declarant shall be provided such notices and other documents without making written request therefore. The rights and reservations of Declarant set forth in this Article IV shall terminate on the tenth (10th) anniversary of the first Close of Escrow for the sale of a Lot in the Project.

4.2. Declarant's Right to Appoint and Remove Directors. Declarant shall have the right to appoint and remove the members of the Board of Directors, subject to the following limitations:

(a) Not later than sixty (60) days after conveyance by Declarant of fifty-one percent (51%) of the Lots that may be created to Lot Owners other than a Declarant, at least one (1) Director and not less than twenty-five percent (25%) of the total number of Directors must be elected by Owners other than Declarant.

(b) The power reserved to Declarant in this Section 4.2 to appoint or remove a majority of the members of the Board of Directors shall terminate on the earliest of:

(i) Sixty (60) days after conveyance by Declarant of fifty-one percent (51%) of the Lots that may be created to Lot Owners other than a Declarant;

(ii) Five (5) years after all Declarants have ceased to offer Lots for sale in the ordinary course of business; or (iii) Five (5) years after any right to add new Lots was last exercised.

ARTICLE V

5. Insurance.

5.1. Right and Duty of Owners to Insure. It is the responsibility of each Owner to provide insurance on the Lot and the personal property within the Residence. Nothing herein shall preclude any Owner from carrying any public liability insurance as he deems desirable to cover his individual liability for damage to person or property occurring inside his Lot.

ARTICLE VI

Rights of Owners.

No Owner shall have the right to partition or subdivide any Lot.

By act or omission, no Owner shall seek to abandon, partition, subdivide, encumber, sell or transfer the Association Property. (The granting of easements for public utilities or for other purposes consistent with the intended use of the Association Property under this Declaration, and the granting of exclusive easements to Owners over portions of the Association Property to conform the boundaries of the Association Property to the location of Improvements installed or constructed by Declarant shall not be deemed a transfer within the meaning of this clause); or

By act or omission no Owner shall change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design, the exterior appearance or the maintenance of the Lots or the Association Property.

ARTICLE VII

7. Duration and Amendment.

7.1. Duration. This Declaration shall continue in full force for a term of fifty (50) years from the date hereof, after which the term shall be automatically extended for successive periods of ten (10) years, unless an Agreement to Terminate is Recorded.

7.2. Approval of Material Amendment to Declaration and/or Extraordinary Actions by Members.

(a) Seventy-five percent (75%) of the Owners of the Lots in the Project must approve any amendment to this Declaration which is of a material nature, as follows:

(1) An amendment which includes adding, deleting, or modifying any provision regarding the following:

(a) Assessment basis or assessment liens;

(b) Any method of imposing or determining any changes to be levied against individual Lot Owners;

(c) Reserves for maintenance, repair, or replacement of Association Property improvements;

- (d) Maintenance obligations;
- (e) Allocation of rights to use the Association Property;
- (f) Any scheme of regulation or enforcement of standards for maintenance, architectural design or exterior appearance of improvements on Lots;
- (g) Restoration or repair of Association Property improvements;
- (h) The addition, annexation or withdrawal of land to or from the Project;
- (i) Voting rights;
- (j) Restrictions affecting leasing or sale of a Lot;

(2) Any amendment which concerns an "extraordinary action". An extraordinary action includes:

- (a) Merger or consolidation of the Association (other than with another non-profit entity formed for purposes similar to the Project Association);
- (b) Expansion of the Association to include real property not included in this Declaration as "annexable property", which results in an increase of the real property in the Project or the number of Lots in the Project by more than ten percent (10%).
- (c) Abandoning, partitioning, encumbering, mortgaging, conveying, selling or otherwise transferring or relocating the boundaries of the Association Property (except for (i) granting easements which are not inconsistent with or which do not interfere with the intended use of the Association Property; (ii) dedicating Association Property as required by a public authority; (iii) limited boundary line adjustments made in accordance with the provisions of this Declaration; (iv) transferring Association Property pursuant to a merger or consolidation with a non-profit entity formed for purposes similar to the Project Association).
- (d) Making capital expenditures (other than for repair or replacement of existing improvements) during any period of twelve (12) consecutive months costing more than twenty percent (20%) of the annual operating budget).

7.3. Protection of Declarant. Until the tenth (10th) anniversary of the first Close of Escrow for the sale of a Lot in the Project, the prior written approval of Declarant, as developer of the Property, will be required before any amendment which would impair or diminish the rights of Declarant to complete the Property or sell or lease Lots therein in accordance with this Declaration shall become effective.

Notwithstanding any other provisions of the Restrictions, until such time as Declarant no longer owns any Lots in the Property, the following actions, before being undertaken by the Association, shall first be approved in writing by Declarant:

- (a) The levy of a Capital Improvement Assessment for the construction of new facilities not constructed on the Association Property by Declarant; or

(b) Subject to Article III regarding limitations on Annual Assessment increases, any significant reduction of Association maintenance or other services.

ARTICLE VIII

8. General Provisions.

8.1. Enforcement of Restrictions.

(a) **Violations Identified by the Association.** If the Board determines that there is a violation of any provision of the Restrictions, then the Board shall give written notice to the responsible Owner identifying (i) the condition or violation complained of, and (ii) the length of time the Owner has to remedy the violation.

If an Owner does not perform such corrective action as is required by the Board within the allotted time, the Board, after Notice and Hearing, may undertake to remedy such condition or violation complained of, and the cost thereof shall be charged to the Owner as a Special Assessment. Such Special Assessment shall be subject to enforcement and collection by the Board in accordance with the procedures provided for in this Declaration.

If the violation involves nonpayment of any type of Assessment, then the Board shall be entitled to collect such delinquent Assessment pursuant to the procedures set forth in Article V.

(b) **Violations Identified by an Owner.** In the event that an Owner alleges that another Owner, his family, guests or tenants, is violating the Restrictions (other than nonpayment of any type of Assessment), the Owner must first submit the matter to the Board pursuant to the Notice and Hearing procedure established in the Bylaws before the complaining Owner may resort to a court of law for relief with respect to the alleged violation.

(c) **Legal Proceedings.** Failure to comply with any of the terms of the Restrictions by an Owner, his family, guests, employees, invitees or tenants, shall be grounds for relief which may include, without limitation, an action to recover sums due for damages, injunctive relief, foreclosure of any lien, or any combination thereof; provided, however, that the procedures established in Sections 8.1(a) and (b) above must first be followed, if they are applicable.

(d) **Limitation on Expenditures.** The Association shall not incur litigation expenses, including without limitation, attorneys' fees, where the Association initiates legal proceedings or is joined as a plaintiff in legal proceedings without the approval of a majority of the voting power of the Association, excluding the voting power of any Owner who would be a defendant in such proceedings.

(e) **Schedule of Fines.** The Board may adopt a schedule of reasonable fines or penalties which, in its reasonable discretion, it may assess against an Owner for the failure of such Owner, or of a resident of or visitor to such Owner's Unit, to comply with any provisions of the Restrictions. Such fines or penalties may only be assessed by the Board after Notice and Hearing.

(f) **No Waiver.** Failure to enforce any provision hereof shall not constitute a waiver of the right

to enforce that provision, or any other provision hereof.

(g) Right to Enforce. The Board, any Owner (not at the time in default hereunder), or Declarant (so long as Declarant is an Owner) shall be entitled to enforce the Restrictions as described in this Article. Each Owner shall have a right of action against the Association for the Association's failure to comply with the Restrictions. Each remedy provided for in this Declaration shall be cumulative and not exclusive or exhaustive. A civil action may be brought for damages caused by a failure or refusal to comply with any provision of this Declaration.

(h) Attorneys Fees. Any judgment rendered in any action or proceeding pursuant to this Declaration shall include a sum for attorneys' fees in such amount as the court may deem reasonable, in favor of the prevailing party, as well as the amount of any delinquent payment, interest thereon, costs of collection and costs of court.

8.2. Severability. The provisions hereof shall be deemed independent and severable, and a determination of invalidity or partial invalidity or unenforceability of any one provision or portion hereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

8.3. Interpretation. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the creation and operation of a residential planned community and for the maintenance of Association Property, and any violation of this Declaration shall be deemed to be a nuisance. The Article and Section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. As used herein, the singular shall include the plural and the plural the singular; and the masculine, feminine and neuter shall each include the other, unless the context dictates otherwise.

8.4. No Public Right or Dedication. Nothing contained in this Declaration shall be deemed to be a gift or dedication of all or any part of the Property to the public, or for any public use except as a park, hiking trail or public roads or utility easements as per regulations.

8.5. Notices. Except as otherwise provided in this Declaration, notice to be given to an Owner shall be in writing and may be delivered personally to the Owner. Personal delivery of such notice to one or more co-owners of a Lot or to any general partner of a partnership owning a Lot shall be deemed delivery to all co-owners or to the partnership, as the case may be. Personal delivery of such notice to any officer or agent for the service of process on a corporation shall be deemed delivery to the corporation. In lieu of the foregoing, such notice may be delivered by regular mail, postage prepaid, fax or email addressed to the Owner at the most recent address furnished by such Owner to the Association or, if no such address shall have been furnished, to the street address of such Owner's Lot. Such notice shall be deemed delivered three (3) business days after the time of such mailing, except for notice of a meeting of Members or of the Board of Directors in which case the notice provisions of the Bylaws of the Association shall control. Any notice to be given to the Association may be delivered personally to any member of the Board, or sent by mail, postage prepaid, fax or email addressed to the Association at such address as shall be fixed from time to time and circulated to all Owners.

8.6. Constructive Notice and Acceptance. Every person who owns, occupies or acquires any right, title estate or interest in or to any Lot or other portion of the Property does hereby consent and agree, and shall be conclusively deemed to have consented and agreed, to every limi-

tation, restriction, easement, reservation, condition and covenant contained herein, whether or not any reference to these restrictions is contained in the instrument by which such person acquired an interest in the Property, or any portion thereof.

8.7. Use of Recreational Facilities. The Board of Directors shall have the right to limit the number of guests that an Owner or such Owner's tenant may permit to use the open parking and recreational facilities on the Association Property, and the Board shall have the right to set further reasonable restrictions on the time and manner of use of said parking areas and recreational facilities, in accordance with the Rules and Regulations, including, without limitation, Rules and Regulations restricting or prohibiting the use of all or designated portions of the Property recreational facilities by minors, guests of an Owner or his tenants.

8.8. No Representations or Warranties. No representations or warranties of any kind, express or implied, have been given or made by Declarant, or its agents or employees in connection with the Property, or any portion thereof, its physical condition, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a planned development, except as specifically and expressly set forth in this Declaration.

ARTICLE IX

9. Annexation of Additional Property.

9.1. Annexation of Additional Property by Declarant. Declarant, its successors and assign, shall have the right to annex all or a portion of the real property described on EXHIBIT "A" and to subject said property to the general plan and scheme of this Declaration without the approval of the Owners of Lots other than the Declarant, provided that the improvements to be constructed thereon are substantially completed prior to annexation. Any improvements on property annexed to this Declaration shall be consistent in terms of quality of construction with the initial improvements on the Lots in Phase One (1). The rights of the Declarant, its successors and assigns, provided for herein shall terminate on the tenth (10th) anniversary of the recordation of this Declaration.

9.2. Annexation of Additional Property other than by Declarant. Additional real property other than described on EXHIBIT "A" attached hereto may be annexed to the Project and included within the general plan and scheme of this Declaration.

9.3. Rights and Obligations of Owners of Additional Property. Subject to the provisions of Section 9.4, upon the recordation of an "Annexation Amendment", all provisions included within this Declaration shall be applicable to the real property described in said Annexation Amendment in the same manner as if it were originally covered by this Declaration. Thereafter, the rights, powers, and responsibilities of the parties to this Declaration with respect to the additional property shall be the same as with respect to the property described in Phase One (1) herein, and the rights, powers, and responsibilities of the Owners, lessees, and occupants of Lots within the additional property, as well as within the property described as Phase One (1) herein, shall be the same as if the additional property were originally covered by this Declaration. Upon recordation of an Annexation Amendment the Owners of Lots located in the annexed property shall share in the payment of assessments to the Association. Voting rights attributable to the Lots in the annexed property shall not vest until assessments have commenced as to said Lots.

9.4. Annexation Amendment. The addition of Annexable Property authorized herein shall be completed by recording of an Annexation Amendment to this Declaration which shall: (a) describe the additional property; (b) assign an identifying number to each new Lot created; (c) reallocate the allocated interests among all Lots created; (d) describe any Common Areas; and (e) designate the Lots to which any Exclusive Use Areas created thereby are appurtenant. The Annexation Amendment shall be signed by the Declarant in accordance with Section 9.1. The Annexation Amendment shall be signed by the Owner(s) of the additional property and the President of the Association, on behalf of the Owners of Lots subject to this Declaration. Upon recordation of this Annexation Amendment, the additional property shall: (a) become part of the Project; (b) be subject to this Declaration and encompassed within the general plan and scheme of covenants, conditions, restrictions, reservation of easements and equitable servitudes contained herein; (c) be subject to the functions, powers, and jurisdiction of the Association; and (d) the Owners of Lots in the additional property shall automatically become members of the Association.

Deannexation of Additional Property. Declarant may deannex all or a portion of the additional property annexed to the Project by recordation of an "Amended Annexation Amendment" provided that: (a) Declarant is the Owner of all of the Lots included within the Amended Annexation Amendment; (b) the Amended Annexation Amendment is recorded in the same manner as the original Annexation Amendment; (c) Declarant has not exercised any Association vote with respect to any portion of the additional property; (d) assessments in accordance with the Declaration have not yet commenced with respect to any portion of the additional property; (e) close of escrow has not occurred for the sale of any Lot in the additional property; (f) the Association has not made any expenditures or incurred any obligations with respect to any portions of the additional property.

ARTICLE X

10. General Rules and Regulations.

10.1. Not lot shall be further subdivided.

10.2. Each lot in Monte Bello has specific lot line set backs. As per the attached plat map of Monte Bello, setbacks for all structures are to have a minimum of 32.8 feet (10 meters) from the common street and 10 ft (3 meters) from all other sides except where otherwise noted on the individual plat. These setbacks must adhere to the 40% Semarnat Regulation except where specified parking is provided by the Lot Owner's site plan. Variances are to be considered the exception and not the rule. Requests for variances will be reviewed by the ADRB and granted if the variance does not significantly or adversely affect the community. No variances will be approved for construction in the setback areas.

10.3. Off street parking is to be provided for all vehicles; on-street parking is prohibited by the road department.

10.4. In order to establish conformation to the COVENANTS, CONDITIONS AND RESTRICTIONS and to prevent delay in your construction, preliminary and final building plans must be reviewed and approved by the Monte Bello Architectural Design Review Board (ADRB) before application of the

building permit. It is the responsibility of the Property Owner to contact a member of the ADRB to initiate this review process. We encourage integrated environmental designs that promote character, quality and individuality while supporting mutual protection of community investment and the unique topography of Monte Bello.

10.5. Each lot will be assigned the restriction of one-story or two-stories depending on the environmental and view sensitivities of each location. Maximum height for construction of one-story is no more than 13' as measured from the distance between the top of the parapet roof and bottom of the wall at natural dirt line. Maximum height restriction for two-stories is 22' as measured from the distance between the top of the parapet wall to the bottom of the wall at natural dirt line. We encourage one-story or terracing of your structures to minimize the visual impact of the height of the structure above the natural dirt line. Ramadas or palapas, whether at ground level or roof top, are subject to these height restrictions.

10.6. Minimum area for construction of primary residence shall be 100m².

10.7. The Environmental Protection Agency (SEMARNAT) of the Mexican Government, mandates (Article IV.5 – Manifestacion de Impacto Ambiental) that no lot shall be cleared of more than 40% of its native vegetation. All species of plant materials on their list (attached Exhibit "B") must be moved out of construction and parking footprints.

10.8. Dividing walls, perimeter and fences not to exceed 6-1/2 ft. (2 meters) in height. Retaining walls are limited to 3.0 meters in height. Slopes greater than 3.0 meters in height are to be treated with multiple retaining walls separated by a planter strip at least 1.0 meter wide or by otherwise terracing the incline.

10.9. Water and power service will be provided to the lot line by the Developer. Lot owners are responsible for obtaining and paying for water and power contracts, meters and monuments for connecting to the main supply lines provided by the municipality. Water and power fees are at the expense of the lot owner and are proportionate to the usage.

10.10. As required by SEMARNAT, the Homeowner shall have his/her contractor construct the septic system first and provide a temporary structure over the top to include water, sanitary paper and privacy for the workmen's use. The septic system must be an approved type, 3-chamber minimum as per requirements of SEMARNAT and the Municipality of Los Barriles. If the septic system cannot be constructed first, the Homeowner or contractor must provide a composting toilet with water, sanitary paper and privacy as directed by SEMARNAT.

10.11. All building materials must be stored on the Property Owner's property, not on Association property in such a manner as to not disturb nor destroy natural habitat outside the 40% building footprint.

10.12. A "garbage corral" shall be constructed of metal mesh wire or some other solid material to be used to contain discarded building materials and eliminate blowing of trash outside of the Homeowner's property.

10.13. The Homeowner is responsible for seeing that the debris removed from the job site is deposited in the legal land fill in Buena Vista.

10.14. Each home is to install a water storage system, min. 3,000 gals. The initial filling of the

cistern is to be by water truck.

10.15. Swimming pool water is to be trucked in for the first filling or in the event the pool is to be emptied and refilled for repairs, cleaning or for any other reason.

10.16. The use of motor homes and trailers as dwellings for the lot Homeowners during the construction phase may not to exceed 16 months from issue of building permit.

10.17. Recreational motor homes and trailers moved onto the Homeowner's property must be contained on and within the legal setbacks of the property, screened from view from all directions and parked under a properly constructed parking structure.

10.18. No exterior light will project laterally beyond 10ft of any building structures. We encourage indirect, low voltage exterior lighting aimed downward. We also encourage the use of passive and active solar systems for structural heating and for pools.

10.19. Livestock will not be allowed in the subdivision (not limited to but including horses, mules, goats, pigs, chickens).

10.20. Trash, garbage containers, construction debris, yard materials, fuel tanks, animal pens, satellite dishes and other unsightly appurtenances must be enclosed or otherwise screened within each individual property so as not to be visible from outside the lot.

10.21. Trash removal is the responsibility of each property owner.

All electrical generators of sound including but not limited to air conditioner compressors, pool pumps and outdoor speakers shall be shielded to prevent disturbing the neighbors and the general peaceful demeanor of the community.

10.23. Your contractor will be required to conform to any and all rules and restrictions listed in the Contractor Guidelines of this development in the construction of your buildings and will be required to sign an agreement to this effect (see Exhibit B). You, as Property Owner, will be responsible for seeing that your builder abides these regulations and will be responsible for any and all damage created by your contractor to common property or other lots within the development of Monte Bello.

RANCHO CERRO PROPIEDADES, S.A. DE C.V.[DECLARANT]

BY SIGNING THIS AGREEMENT, THE PURCHASER(S) AGREES TO ABIDE BY AND ACCEPT THE COVENANTS, CONDITIONS AND RESTRICTIONS AND RESERVATION OF EASEMENTS OF MONTE BELLO:

BUYER:

BUYER:

By _____

By: _____

_____ Please print name _____ Please print

name

Date: _____, 2007

Date: _____, 2007

WITNESS: _____ Date: _____

EXHIBIT "C"

Monte Bello Height Restrictions by lot:

- M1-01 one-story
- M1-02 one-story
- M1-03 GREEN SPACE
- M1-04 one-story
- M1-05 one-story
- M1-06 one-story
- M1-07 one-story
- M1-08 one-story
- M1-09 GREEN SPACE
- M1-10 one-story
- M2-02 one story
- M2-03 GREEN SPACE
- M3-01 two-story
- M3-02 one-story
- M3-03 one-story
- M3-04 one-story
- M3-05 two-story
- M3-06 two-story
- M4-01 two-story
- M4-02 two-story
- M4-03 two-story

EXHIBIT "D"

Common Name
Lomboy
Torote Colorado

Scientific Name
Jatropha cinerea
Bursera microphylla

Palo Adan
Ciruelo
Cardon
Pitahaya agria
Pitahaya dulce
Palo Verde
Pimentilla
Choya
Biznaga
Garambullo
Viejitos
Frutilla
Copal
Mariola
Palo brazil

Fouquieria digueti
Cyrtocarpa edulis
Pachocereus pringlei
Stenocereus gummosus
Lemaireocereus
Cercidium
Adelia virgata
Opuntia cholla
Ferocactus peninsularis
Lophocereus pringlei
Mamalaria sp
Lycium sp
Bursera hindsiana
Solanum hindsianum
Hematoxylon brasiletto