

Covenants, Codes and Restrictions for the

Club Vistalagos Owners Association

31 March 2006

By

Desarrollos Ecológicos S.A. (DECOSA)

Managua

Nicaragua

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I. Declaration of Covenants

- I.1 This Declaration of Covenants is dated of this 31st day of March, 2006 by **Desarrollos Ecologicos S.A.**, a Nicaraguan corporation (the “Declarant”), as declarant, and **Club Vistalagos Owners Association**, a Nicaraguan non-profit civil association (the “Association”), as a community organization.
- I.2 The Declarant, whose registered office is in Managua, Nicaragua is developing a residential community known as Club Vistalagos on land (the Property, defined below) located on the eastern edge of Lake Apoyo, in the Department of Granada, Nicaragua. The Declarant has formed Club Vistalagos Owners Association, a non-profit civil association to own and govern the community aspects of the Property.
- I.3 The Declarant is subjecting those tracts of land located at Club Vistalagos in Granada, Nicaragua as shown on the subdivision plans registered with the Urbanization Department of the Municipality of Granada, Nicaragua, to the Covenants (defined below) so as to:
 - (a) provide funds for the uses specified in Article 5 below;
 - (b) grant rights, easements, and privileges relating to the use of certain facilities, subject to the conditions set forth in this Declaration;
 - (c) impose land use restrictions and design control criteria for the development of the Property and to protect the environmental resources of the Laguna de Apoyo, in consistency with its status as a Protected Area;
 - (d) make it possible for the Association to provide a variety of additional items for the benefit of the Property and its Owners
- I.4 The intent of the Declarant is to have the Covenants burden, affect, bind, and run with the title to the land specified in this Declaration as “the Property” so as to have the Declaration bind, benefit and be enforceable by the Declarant, the Association, and, pursuant to this Declaration, the owners of, and other persons having an interest in the Property.
- I.5 The Declarant has formed the Club Vistalagos Owners Association to serve as the representative of the Owners with respect to (a) the assessment, collection, and application of all charges imposed by this Declaration, (b) the enforcement of all the Covenants and (c) the creation, operation, management and maintenance of the facilities and services referred to hereinafter. This Declaration is the “Declaration” referred to in the Articles of Incorporation of the Association.
- I.6 THEREFORE, THIS DECLARATION OF COVENANTS, states that in consideration of the mutual agreements set forth in this Declaration, the Declarant, its successors and assigns, and owners of the Property declare and agree with the Association that the Property, and such additional land as may be added to the Property from time to time in accordance with this Declaration, shall be forever subject to the following Covenants, and that these shall binding upon (i) the Association, its successors, and assigns; (ii) the Declarants, its successors, and

assigns; and (iii) the Property, to the end that the Covenants shall run with, bind, benefit, and burden the Property, for the period of time specified in this Declaration.

II. Definitions

II.1 The following words, phrases or terms when used herein shall have the meanings set forth below:

- Association:** Club Vistalagos Owners Association. or a successor entity
- Board:** the Board of Directors of the Association
- Common Facilities:** any or all projects, services, facilities, studies, programs, systems, easements, rights and properties that relate to (a) open areas, drainage systems, water supply lines (except for any line or part thereof serving only one Lot and located within the serviced Lot), sidewalks, walkways and bridges, docks, horse trails, curbing, gutters, paving, parking areas, landscaping trees, directional and information signs, lighting, parks, recreational facilities, garbage collection, treatment and disposal facilities, communication facilities, towers, stations, cables, lines, ducts, equipment, security, maintenance and administrative buildings, and any and all other improvements, facilities and services that the Board shall find to be necessary, desirable, or beneficial to the interest of the Property and Owners.
- Covenants:** All the codes, covenants, restrictions, easements, charges, liens and other obligations created or imposed by this Declaration
- Declarant:** Desarrollos Ecologicos S.A. (DECOSA), a Nicaraguan corporation, or its successors or assigns
- Declaration:** This deed, agreement and declaration, as it may from time to time be supplemented in the manner provided for in Article 10.2.
- Lot:** A portion of the Assessable Property which is less than the whole thereof and which is registered as a separate parcel with the Cadastral authority or if more appropriately applicable such portion assessed as a unit by the municipal government for the purpose of real estate taxes.
- Owner:** the holder(s) of record title to the fee simple interest in any Lot or the record holder(s) of the tenant's interest under a perpetually renewable ground lease, whichever is applicable.
- Property:** at the time of the execution of this Declaration, the term "Property" means all land and subsequent subdivisions thereof, identified in the

Nicaraguan Registry of property with the following finca numbers: 11,346; 28,928; 29,913; 27,311; 30,006; 31,837; 33,719; 33,715; 33,716, and any other such lands that might subsequently be added to the Property in accordance with the term of this Declaration. By forming this Association the Declarant relinquishes no rights to land outside the Property, and the Declarant, and any person the Declarant so permits, shall have the right to use roads within the Property to gain access to the Lake and areas in and around the Property.

- Resident: Each Owner or tenant actually residing on any part of the Property and members of the immediate family of each owner and of each such tenant actually living in the same household with such Owner or such tenant.
- Ridge-top Lot: A lot bounded on at least one side by the steep crater lip of Lake Apoyo giving the lot a potentially unobstructed view of the lake
- Structure: Any thing or device, (other than trees, shrubbery less than four feet high, and landscaping), the placement of which upon any Lot may affect the appearance of such Lot, including, any building, garage, water supply line, sanitary sewer line, sidewalk, porch, shed, greenhouse, or bathhouse, coop, cage, covered or uncovered patio, swimming pool, clothes line, radio or television antenna, fence, curbing, paving, wall more than two feet in height, hedge more than four feet in height, signboard, any temporary or permanent living quarters (including any house trailer), or any other temporary or permanent improvement to such Lot, and any excavation, fill, ditch, diversion dam, or other thing or device which affects or alters the natural flow of surface waters from, upon or across any Lot, or which affects or alters the flow of any waters in any natural or artificial stream, wash, or drainage channel from, upon, or across any Lot.
- Waterfront Lot: A lot bounded on at least one side by the water or high water line of Lake Apoyo.

III. Common Facilities

- III.1 Notwithstanding the provisions in Article 4, all Owners will have a non-exclusive right and easement of enjoyment in and to all common facilities, and such easement shall be appurtenant to and shall pass with every Lot upon transfer. All Residents shall have a non-transferable privilege to use and enjoy all Common Facilities for so long as they are Residents. All such rights, easements, and privileges, however, shall be subject to the right of the Association to adopt and promulgate reasonable rules and regulations pertaining to the use of Common Facilities which shall enhance the preservation, maintenance, and repair of such Common Facilities, the safety and convenience of the users thereof, or which, in the discretion of the Board, shall serve to promote the best interests of the owners. Guests of lot owners will also have the right to use common facilities in the presence of and with the permission of the lot owners, and subject to such regulations as the Board may adopt and promulgate.

- III.2 The Association shall have the power and right to suspend the right of any owner, and the right or privilege of any resident claiming through such Owner, to use of the Common Facilities and to vote and participate in the management of the Association for any period during which the Contributions stipulated in Article 4 against such Owner's Lot remains overdue and unpaid, or may suspend such right or privilege in connection with the enforcement of any rules or regulations relating to such Common Facilities promulgated in accordance with the provisions of this Article.
- III.3 The Declarant may offer to convey to the Association from time to time common areas within the Property. Such areas, together with such other parts of Association Land as the Association may by resolution from time to time hereafter designate for use by Owners, shall become part of the Common Facilities upon such designation and acceptance by the Board. Upon designation of any part of any Association Land as a common facility, as herein provided, the Association shall cause a declaration to be executed and recorded in the Nicaraguan Property Registry, which declaration shall include a description of the land so designated and shall state that such land has been designated as a Common Facility for purposes of this Section. No Association Land, or any part thereof, shall be a Common Facility subject to the rights and easements of enjoyment and privileges hereinafter granted unless and until such interest shall have been so designated and the above described declaration filed.

IV. Contributions and Use of Funds

- IV.1 All lots owners will be required to make an annual contribution towards the maintenance security, and operation of the community facilities. For 2011 this is set at \$420 per annum per lot. Contributions are due on January 31 of the calendar year to which they apply. Owners acquiring lots in the course of a year shall pay one twelfth of the annual contribution for each month or part thereof remaining in the calendar year.
- IV.2 Each lot will pay the same contribution.
- IV.3 Contributions in subsequent years will be set by the Board with the proviso that the contribution can only be raised in excess of 8% per annum with the agreement of a two-thirds majority of lot owners.
- IV.4 Lot owners will make separate contributions to the owners association for their water consumption, which will be metered. The cost of the water meter and its installation will be covered by the lot owner.
- IV.5 The owners association may elect to levy Extraordinary Contributions from lot owners for specific works of benefit to the Club Vistalagos community as a whole. Approval to levy such contributions require a two-thirds majority vote of the Owners.
- IV.6 Lot owners grant the owners association the right to withhold rights to use common facilities, including water rights, to any lot-owner who falls more than 12 months in arrears of his/her contributions, or three months in arrears of his/her payments for water consumption. Similarly, Owners grant the Association the right to levy interest at commercial rates on outstanding sums, a fee to cover the costs of collecting outstanding contributions, and a fee to reconnect the water supply if this was disconnected for non-payment of contributions or consumption.

- IV.7 By acceptance of a Deed for a Lot whether or not so expressed in any such Deed, Owners hereby covenant and agree to pay to the Association the annual Contribution and any extraordinary contributions, including any interest charges or fees as stipulated in the previous Article, and agree to be personally liable for paying these.
- IV.8 Contributions shall be used to pay for all normal costs and expenses incurred in connection with the operation and maintenance of the Common Facilities, for the management expenses of the Association, and for such capital improvements deemed necessary or desirably by the Board on behalf of the Association. The former shall include, without limitation, the cost of licenses; public liability, hazard, workmen's compensation, and other insurance premiums; employees' wages and social security payments; public utilities; repair and construction work including that of a capital nature required to operate and preserve the Common Facilities; reasonable managerial accounting and office salaries; the maintenance, purchase, and replacement of machinery and equipment; the purchase of supplies; and all other items and services necessary for the proper maintenance, upkeep, policing, and operation of the Common Facilities, including reasonable attorneys' fees and court costs incurred in the management of the Common Facilities and in the administration and enforcement of the provisions of this Declaration.
- IV.9 The Association shall have the right to borrow money for the purpose of improving, maintaining, replacing, or repairing any Common Facility. In order to secure the repayment of any and all sums borrowed by it from time to time, the Association shall have the right and power to assign and pledge all revenues received, and to be received, by it under any provision of this Declaration, including, the proceeds of the Annual Contributions and Extraordinary Contributions. In the use of Association income priority shall be given to the payment of all principal and interest, when due, on all loans borrowed by the Association.
- IV.10 The Association shall not be obligated to spend in any calendar year all the sums collected in such year by way of Annual Charges, or otherwise, and may carry forward, as surplus, any balances remaining, or may return surplus funds as appropriate. Nor shall the Association be obligated to apply any such surpluses to the reduction of the amount of the Annual Charge in the succeeding year, but may carry forward from year to year such surplus as the Board in its absolute discretion may determine to be desirable for the greater financing security of the Association and the effectuation of its purposes.
- IV.11 The Association, acting through the Board, may require that all persons or entities who handle Association funds or monies post bond sufficient in amount to indemnify the Association from loss.
- IV.12 The Declarant may make advances to the Association to meet cash needs of the Association. The Association shall evidence such advances by a promissory note to bear interest at the Declarant's cost of borrowing, not to exceed a reasonable market rate for large commercial borrowers.

V. Construction Restrictions

- V.1 It is not permitted to build within 5 meters of the street property line, nor within 1 meter of the boundaries between lots. Additional setback restrictions apply to ridge-top and waterfront lots

(see Sections 7 and 8 below).

- V.2 Fences that delimit the property may not be higher than one hundred and twenty centimeters (4 ft), may not have barbed wire, and must be constructed of wood or other appropriate material previously approved by the Board.
- V.3 All constructions intended for human occupation must include an anaerobic septic tank system conforming to the standards set down by ENACAL (Empresa Nacional de Acueductos y Alcantarillado). No portion of the septic system apart from properly glued and installed solid plastic pipes may be installed any closer than 3 metres (10 ft.) from the property lines. Unless specifically allowed for in the sales contract signed by the Declarant, lot owners may not subdivide their lots, nor construct more than one residential building.
- V.4 In order to preserve the quality and attractiveness of Club Vistalagos, and to ensure compliance with this covenant, the Board must approve all building plans prior to construction.
- V.5 Lot owners are responsible for the cost of all repairs for damage caused to roads or other community facilities in the process of preparing for and/or building on their lot(s). The Board has the right to withhold services to the lot until satisfactory repairs have been made.
- V.6 Constructions must be completed within 12 months of commencement. Lot owners grant the Board on behalf of the Association the right to remove any structures not completed within this time-frame, subject to notification and a three-month period of grace.
- V.7 The Declarant has the right to impose a requirement at the time of sale to build within a certain period upon the purchasers of some or all of the lots.

VI. Restrictions on the Use of Lots and Communal Areas

- VI.1 Lot owners agree to be bound by common sense and consideration to others in the use of their property, and in particular, will seek to preserve the natural beauty and unique ecological resources of Club Vistalagos and its surroundings.
- VI.2 With the exception of lots designated as hobby farms or grazing areas, lot owners may not raise or keep domestic animals for the purpose of consumption or sale
- VI.3 Notwithstanding the special restrictions applicable to waterfront lots (see Section 8) lot owners may keep pets, provided that these do not represent a nuisance to other lot owners nor a threat to the natural flora and fauna of the Lake and its surroundings.
- VI.4 Lot owners are obliged to keep their lots clean and tidy, and are prohibited from disposing of rubbish in any of the communal areas other than designated rubbish collection points.
- VI.5 Lot owners will not create levels of noise that are a nuisance to other residents.
- VI.6 Lot owners may not keep objects or materials that represent a danger to the community or to the natural environment of the lake and its surroundings.

- VI.7 Lot owners may not perform works that prejudice or compromise the beauty or security of Club Vistalagos.
- VI.8 Lot owners may not use their property for the purpose of manufacturing, retail or wholesale commerce, or warehousing. The sale of professional services and property rental are permitted.
- VI.9 Outside clotheslines or other outside clothes drying or airing facilities shall be maintained exclusively within a fenced service yard and shall not be visible from neighboring property.
- VI.10 No firearms are permitted in common areas, nor shooting or firearm practice in any area.
- VI.11 No motor boats are permitted on the lake except those with electrically powered engines in order to avoid contamination by oil or other hydrocarbons.
- VI.12 Horses are not permitted within the boundary of the crater lip.
- VI.13 Nets shall not be used for fishing.
- VI.14 The use of outdoor artificial lighting must not produce a luminance exceeding 150 lux and all such lighting shall be shielded in such a manner that light emitted by the fixture is projected below a horizontal plane running through the lowest point on the fixture where light is emitted, or is shielded in such a manner that the lowest edge of the shield is at or below the center line of the light source.

VII. Special Restrictions Applicable to Ridge-top Lots

- VII.1 Houses must be set-back a minimum of 10 meters from the lake side boundary and 5 meters from the road.
- VII.2 Constructions may not be of more than two floors and may not exceed the maximum height of seven and one-half meters (24.6 feet).
- VII.3 All water tanks or towers or similar storage facilities shall either be constructed as an integral part of the main structure of the residence or shall be installed or constructed underground so that the structure will be hidden from view.

VIII. Special Restrictions Applicable to Waterfront Lot

- VIII.1 For reasons of environmental protection no domestic animals are permitted on waterfront lots.
- VIII.2 Constructions shall be single-family dwelling and no more than one family (including its servants and transient guests) shall occupy the lot.
- VIII.3 Constructions may not be of more than two floors and may not exceed the maximum height of seven and one-half meters (24.6 feet).

- VIII.4 The construction footprint of the dwelling shall not exceed 120 square meters (1200 square feet).
- VIII.5 There shall be side yards on each lot with a minimum individual width of 2 meters and a combined width of not less than 8 meters.
- VIII.6 There shall be a 20 meter setback from the lake edge for all structures except piers, and boathouses and a 3 meter setback from the road.
- VIII.7 Boathouses shall be designed and constructed solely for the storage of boats and related equipment and shall not be used for human habitation. A maximum of one boathouse is permitted per lot. They shall be set back a minimum of 5 meters from the front of the lot. They shall not exceed one storey or occupy more than 20 square meters of land.
- VIII.8 The natural vegetation of the lake shall be preserved as much as possible. No tree or shrub shall be planted on the lot or in communal areas that is not indigenous to the Lake Apoyo area. Lot owners will request permission of the Board before cutting any tree more than fifteen centimeters in diameter. No more than 5 meters of lake frontage may be clear cut within 12 meters of the shoreline.
- VIII.9 There shall be no exterior fires whatsoever other than gas barbecues.
- VIII.10 Earthworks shall not exceed 60 square meters in surface area (600 square feet) and must be undertaken with the application of erosion and sediment control measures to ensure that, in so far as is practicable, soil erosion is minimized and sediment does not enter the lake. Any surplus excavated material which is not reused on site, shall be removed from the crater zone. All paths and driveways shall be constructed and surfaced so as to effectively control erosion and sediment employing soil conservation practices such as tiled terraces, runoff diversions and grassed waterways.
- VIII.11 Trenches may only be dug for the installation of utility services (water, power, drainage etc). No more earth may be removed than is absolutely necessary for the trench and the trench must not remain open for more than 24 hours during the wet season (from mid-May through November inclusive) or 48 hours at other times of the year. Disturbed land must be revegetated or otherwise protected from soil erosion as soon as is practicable.

IX. Membership, Attributions and Governance of the Association

- IX.1 Each Owner shall be a member of the Association. No Owner shall have any right to disclaim, terminate, or withdraw from membership in the Association or any of the obligations as a Member.
- IX.2 Owners shall be entitled to one vote for each Lot (as that term is defined in the Declaration) of which they are the Owner. If more than one person holds an ownership interest or interests in any Lot, all such persons shall be members, and such members shall exercise the vote for such Lot as they among themselves determine, but in no event shall more than one vote be cast with respect to any such Lot.

- IX.3 The Declarant shall have one vote for each unsold Lot.
- IX.4 The management and operations of the Association shall be the responsibility of a Board of Directors. The Board will be comprised of three Directors. Elections to the Board shall be held every three years or more frequently if necessary to replace Directors who resign before the elections are due.
- IX.5 The Association shall have the power to formulate, publish and enforce additional rules and regulations in order to effectuate the purposes and provisions of Sections 5 to 8.

X. Duration and Amendment of the Covenant

- X.1 The Covenants contained in this Declaration shall run with and bind the Property, shall inure to the benefit of and shall be enforceable by Declarant, the Association and the Owner of any Lot included in the Property, and by any requirement imposed by the laws or governmental requirement of that Nicaragua, their respective legal representatives, heirs, successors, and assigns. The Covenants shall continue from the date of this Declaration until the 31st day of December in the year 2045, and thereafter automatically shall extend for successive periods of ten years.
- X.2 This Declaration may be amended by the execution of an instrument signed by no fewer than two thirds of the Owners. Any amendment to be effective shall be recorded in the Registry of Property, or in such other place of recording as may be appropriate at the time of the execution of such instrument. Any easements for access or utilities may be terminated as to any Lot only upon establishment of equivalent easements with respect to use of such Lot.

XI. Miscellaneous

- XI.1 No change of conditions or circumstances shall operate to extinguish, terminate, or modify any of the provisions of this Declaration.
- XI.2 The determination by any court that any provision of this Declaration is unenforceable or void for any reason shall not affect the validity of any other provision.
- XI.3 In absence of an adjudication by a court of competent jurisdiction to the contrary, the construction or interpretation by the Board of Directors shall be final and binding as to all persons or property benefitted or bound by the provisions hereof.
- XI.4 The Association shall be empowered to assign its rights hereunder to any successor public body, authority, agency, or district or to a non-profit membership corporation (hereinafter called the "Successor Entity") and, upon such assignment the Successor Entity shall have all the rights and be subject to all the duties of the Association hereunder and shall be deemed to have agreed to be bound by all provisions hereof, to the same extent as if the Successor Entity had been an original party instead of the Association and all references herein to the "Board" shall refer to the Board of Directors, or equivalent body of such Successor Entity. Any such assignment shall be accepted by the Successor Entity under a written agreement pursuant to which the Successor Entity expressly assumes all duties and obligations of the Association hereunder. If for any reason the Association shall cease to exist without having first assigned its rights hereunder to a Successor Entity, the covenants, easements, charges, and liens imposed hereunder shall nevertheless continue and any owner may petition a court of

competent jurisdiction to have a trustee appointed for the purpose of organizing a non-profit membership corporation and assigning the rights of the Association hereunder with the same force and effect, and subject to the same conditions, as provided in this Section with respect to an assignment and delegation by the Association to a Successor Entity.

XI.5 The Declarant shall have the right to assign or transfer the rights of the Declarant pursuant to this Declaration to an assignee or successor.

XI.6 The failure of Declarant, the Association, or the Owner of any Lot included in the Property, their respective legal representatives, heirs, successors, and assigns, to enforce any Covenant herein contained shall in no event be considered a waiver of the right to do so thereafter, as to the same violation or breach or as to such a violation or breach occurring prior or subsequent thereto.

XI.7 No Covenant herein is intended to be, or shall be construed as, a condition subsequent or as creating a possibility of reverter.

XI.8 No violation of any of these Covenants shall defeat or render invalid the lien of any mortgage made in good faith and for value upon any portion of the Property; provided, however, that any mortgagee in actual possession, or any purchaser at any mortgagees' or foreclosure sale shall be bound by and subject to these Covenants as fully as any other Owner of any portion of the Property.

XI.9 All references to singular terms shall include the plural where applicable. All references to the masculine, feminine, or neuter gender shall include each other gender. "Including" means including, but not limited to.

IN WITNESS WHEREOF, the parties hereto have set their hands and respective seals on this the

_____ day of _____ 200__

ATTEST:

OWNER:

Peter Sandiford or Jeffrey Brian Cassel
Executive Directors
Desarrollos Ecologicos S.A.

Lot _____

WITNESS

Print Name