



Modification to Puerta Del Mar By-Laws

Current By-Law:

ARTICLE TWENTY THREE: OF THE MEMBERS OF THE BOARD OF DIRECTORS. Every two years during the Ordinary General Meeting in which according to the quorum percentages and voting results established in articles 15 and 16 of this document, the members of the Board of Directors both active and substitutes will be appointed and must remain in such function during the same period of time. Those who are in function must continue in their functions until those who are designated to replace them take their positions. Any Member of such Board of Directors may be reelected for any subsequent period. The Board of Directors will be formed as follows:

- 1) One President
- 2) One Vice-president
- 3) One Secretary
- 4) One Treasurer
- 5) Three directors
- 6) Three members from the Architectural Committee

In the case of the three Directors, each Director will represent a phase of the Residential Development in which it property is located, not being able to appoint 2 or more Directors of the same phase.



Amended By-Law:

ARTICLE TWENTY THREE: OF THE MEMBERS OF THE BOARD OF DIRECTORS.

Elected Board positions are for a 2-year term. In the event a vacancy is created on the Board of Directors, a substitute may be appointed by a majority vote of the remaining board members to serve until the next Annual General Assembly or Extraordinary Assembly.

Every year during the Annual General Assembly according to the quorum percentages and voting requirements established in articles 15 and 16 of this document, elections for vacant or appointed board positions may be held.

The Elected Board (10-member Board of Directors):

President
Vice-president
Secretary
Treasurer
Phase 1 Director
Phase 2 Director
Phase 3 Director
Architectural Committee Member – Phase 1
Architectural Committee Member – Phase 2
Architectural Committee Member – Phase 3

Each Phase Director will ideally represent a phase in which their property is located. Each member of the Board of Directors will be accorded 1 vote.

Appointed Board Members - Accepted by a majority vote of the remaining Board of Directors.

Other Committees:

Examples of other appointed committee positions are: Security, Landscape, Social, and Web.

Voting Decisions:

In the event of a tie vote on Board decisions, a second round of conversations will be held to further discuss the matter. Each Board and Committee member present will be given an opportunity to discuss their viewpoint. After further discussions have been heard, a second vote will be called by the voting members of the Board of Directors. If a tie vote still exists, the President will break the tie.

Electronic Voting:

In order to facilitate timely decisions on HOA business matters, the HOA elected board by a majority vote can elect to conduct electronic voting. In such cases electronic votes will be submitted to the Secretary for compilation. In the event there is a tie vote, then as with Voting Decisions, further discussions can be held and a second vote will be called. If a tie vote still exists, then the elected board by majority vote can then table the vote until the board meets again in person, or elect to allow the President to break the tie.



Family Affiliations:

No two immediate family members (spouse, siblings, parents, children, in-laws) or relations by blood or marriage can serve on the Puerta del Mar HOA Board of Directors. Family members can serve on committees, if approved by the HOA Board.

Board Membership:

A board or committee member can only serve in one board or committee member position at any time unless approved by a majority vote of the HOA Elected Board.



Modification to Puerta Del Mar By-Laws

Current By-Law:

ARTICLE TWENTY FIVE: OF THE ATTRIBUTIONS OF THE HOA BOARD:

The HOA Board will be in charge of directing the business of the Association and supervising the fulfillment of its objectives, having for said purposes the following capabilities and powers:

By way of example and without limitations, it is hereby understood that all necessary authorities are hereby granted to act on behalf of the association in relation to all kinds of individuals and entities, Public and Private entities, Decentralized Entities, Institutions with State Capital Participation, the Mexican Institute of Social Security, the Worker's Housing Institution, Administrative Authorities, Judiciaries, Civil, Criminal, Labor, Tax, Federal, State or Municipal authorities, in connection with or outside a pending court procedure, as broad as possible, he/she shall be authorized to file and withdraw all kinds of claims, proceedings or trials, including Constitutional Rights ("Amparo") trials, file appeals and withdraw them, enter into settlements, participate in arbitrations, contest and formulate party interrogatories, refuse a judge, receive payments, file complaints, criminal claims or accusations and withdraw them by pardoning the defendant, assist the Attorney General and request the devolution of objects, participate in judicial sales, as bidder, make bids, increase them and request the adjudication of property in favor of the association.



Amended By-Law:

ARTICLE TWENTY FIVE: OF THE ATTRIBUTIONS OF THE HOA BOARD:

The HOA Board will be in charge of directing the business of the Association and supervising the fulfillment of its objectives, having for said purposes the following capabilities and powers:

By way of example and without limitations, it is hereby understood that all necessary authorities are hereby granted to act on behalf of the Association in relation to all kinds of individuals and entities, Public and Private entities, Decentralized Entities, Institutions with State Capital Participation, the Mexican Institute of Social Security, the Worker's Housing Institution, Administrative Authorities, Judiciaries, Civil, Criminal, Labor, Tax, Federal, State or Municipal authorities, in connection with or outside a pending court procedure, as broad as possible, the HOA Board shall be authorized to file and withdraw all kinds of claims, proceedings or trials, including Constitutional Rights ("Amparo") trials, file appeals and withdraw them, enter into settlements, participate in arbitrations, contest and formulate party interrogatories, refuse a judge, receive payments, file complaints, criminal claims or accusations and withdraw them by pardoning the defendant, assist the Attorney General and request the devolution of objects, participate in judicial sales, as bidder, make bids, increase them and request the adjudication of property in favor of the association.

FIDUCIARY RELATIONSHIP AND RESPONSIBILITY: The members of the HOA Board recognize they have a fiduciary relationship with the members of the Association. This fiduciary relationship imposes obligations of disclosure, trust and confidence in favor of the Association. It requires the HOA Board to act in good faith and in the best interests of the members of the association. It also means that Board members must exercise due care and diligence when acting for the Association, and it requires them to act within the scope of their authority.

The fact that the Association is a not-for-profit Association, or that the members of the board are volunteers and unpaid, does not relieve them from the high standards of trust and responsibility that the fiduciary relationship requires. When a member accepts a position on the HOA Board, he or she is presumed to have knowledge of the duties and responsibilities of a Board member. Board members cannot be excused from improper action on the grounds of ignorance or inexperience. Liability of Board members for negligence and mismanagement exists in favor of the Association.

Each board member recognizes the fiduciary relationship and the responsibilities that the Board has to the Association. The Board's duties must be performed with the care and responsibility that an ordinary prudent person would exercise under similar circumstances, and the ultimate responsibilities of these unique positions cannot be delegated to a manager, a management company or other third party.

If there are significant matters that might affect the physical properties or the property values of all the owners of the development as a whole, these may be disclosed and introduced to the entire HOA membership for a discussion and/or vote. The ultimate decision whether the Board has upheld their fiduciary responsibility rests with the majority members of the Association.



CODE OF ETHICS – CONFLICTS OF INTEREST:

1. **General Duty:** The HOA board shall use its best efforts at all times to make decisions that are consistent with high principles to protect and enhance the value of properties of the members of the Association. All board members shall exercise their power and duties in good faith in the best interest of and with utmost loyalty to the Association.
2. **Definition:** A conflict of interest exists whenever any contract, decision or other action taken by or on behalf of the Board would financially benefit: (i) a board member; (ii) a parent, grandparent, spouse, child, or sibling of the board member; (iii) a parent or spouse of any of the persons in subsection (iii); (iv) an entity in which a board member is a board member or officer or has a financial interest.
3. **Disclosure of Conflict:** Any conflict of interest on the part of any board member shall be disclosed to the other board members in open session at the first open meeting of the HOA board at which the interested board member is present prior to any discussion or vote on the matter. The interested board member shall not participate in the discussion or vote on the matter. The minutes of the meeting shall reflect the disclosure made, the abstention from voting, the composition of the quorum and record who voted for and against.
4. **Code of Ethics:** Each Board member shall adhere to the following Code of Ethics:
 - a) No Board member shall use his/her position for private gain, including for the purpose of enhancement of his/her financial status through the use of certain contractors or suppliers.
 - b) No contributions will be made to any political parties or political candidates by the Association.
 - c) No Board member shall solicit or accept, directly or indirectly, any gifts, gratuity, favor, entertainment, loan or any other thing of monetary value from a person who is seeking to obtain contractual or other business or financial relations with the Association.
 - d) No Board member shall accept a gift or favor made with intent of influencing decision or action on any official matter.
 - e) No Board member shall receive any compensation from the Association for acting as a volunteer.
 - f) No Board member shall willingly misrepresent facts to the members of the community for the sole purpose of advancing a personal cause or influencing the community to place pressure on the Board to advance a personal cause.
 - g) No Board member shall interfere with a contractor engaged by the Association while a contract is in progress. All communications with Association contractors shall go through the Board President or be in accordance with policy.
 - h) No Board member shall harass, threaten, or attempt through any means to control or instill fear in any member, Board member or agent of the Association.
 - i) Individual Board members cannot make promises to any subcontractor, supplier, or contractor without Board approval.
 - j) Any Board member convicted of a felony shall voluntarily resign from his/her position.
 - k) Any person, company, Mexican Association or organization that is openly and actively involved in any type of business or commercial activity providing either goods or services with the primary aim of making a profit within Puerta Del Mar, is prohibited from serving on any Board or Committee position. This includes but is not limited to residential construction and/or land development for 3 or more lots (one of which is the primary residence) or real estate services.
5. **Language and Decorum** at Association and Board meetings will be kept professional. Personal attacks against owners, residents, managers, service providers and Board members are prohibited and are not consistent with the best interest of the community.



*Homeowners'
Association*

6. **Failure to Disclose Conflict:** Any contract entered into in violation of this policy shall be void and unenforceable. In such event, the Board, at the next meeting of the Board, shall vote again on the contract, decision or other action taken in violation of this Policy.
7. **Supplement to Law:** The provisions of this Resolution shall be in addition to and in supplement of the terms and provisions of the laws of Baja Mexico governing the community.
8. **Deviations:** The Board may deviate from the procedures set forth in this Resolution if such deviation is reasonable under the circumstances and approved by a majority of the Elected Board Members.



Modification to Puerto Del Mar By-Laws

Current By-Law:

ARTICLE THIRTY ONE: SUBSTITUTION OF MEMBERS OF THE BOARD OF DIRECTORS. If any of the members of the Board of Directors should not attend to three meetings or three obligatory sessions without justification in writing, he (she) will be relieved of his commission from the Board of Directors and after the third session in which he (she) is absent a substitute will be called.

Amended By-Law:

ARTICLE THIRTY ONE: BOARD VACANCIES AND REMOVAL OF BOARD AND COMMITTEE MEMBERS:

Any elected HOA Board member or Committee member may be removed by a majority vote of the Board of Directors. Any elected Board member or Committee member whose removal is sought shall be given at least 7 days notice. This proposed removal may be discussed at a regular Board meeting or a special meeting called for that purpose. Upon removal of a Board or committee member, a substitute may be appointed by a majority vote of the remaining board members to fill the vacancy for the remaining term of that position.

Any elected Board member or committee member who has three (3) consecutive unexcused absences from General or Board meeting, or who has more than three (3) or more unexcused absences for any General or Board meeting, in any given calendar year, or who is delinquent in the payment of an assessment or other charges due to the Association or who is not in compliance with the current Association regulations may be removed by a majority of the voting Board of Directors present at a regular Board meeting. A substitute may be appointed by a majority vote of the remaining Board of Directors to fill the vacancy for the remaining term of that position..

Any Board or Committee member may resign at any time by giving written notice. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein. Board acceptance of such resignation shall not be necessary to make it effective.

In the event of the death, disability, or resignation of a Board or Committee member, a vacancy may be declared by the HOA Board of Directors. The Board of Directors may appoint a substitute by a majority vote of the remaining board members to fill the for the remaining term of that position.

Selection Process for Vacancies:

When a board or committee member vacancy has been declared, the board of Directors will notify the general HOA membership of such vacancy and solicit qualified candidates to respond to fill such vacancy in a reasonable time frame as declared by the remaining Board of Directors. The Board of Directors by majority vote will decide on the candidate that is best qualified to fill the vacancy.



Modification to Puerta Del Mar By-Laws

ARTICLE THIRTY THREE: OF THE ARCHITECTURAL COMMITTEE. The Association shall have an Architectural Committee, which shall be in charge of verifying compliance on the part of the Associates with the provisions established in the Residencial Puerta del Mar Rules and Regulations, among which are those related with construction of the houses, design and construction rules, provisions referring to the characteristics of facades, color, height, walls, gardening of the houses, among others.

The Architectural Committee shall be comprised of three Members elected by agreement of the Association. One Associated should be appointed for each of the three phases of the development, who according to the Association must have the necessary knowledge and training to comply with their functions.

Owners elected as members of the Architectural Committee shall occupy their positions for a 2 years term, and may be replaced when the Association so decides it pursuant to its interests.

Amended By-Law:

ARTICLE THIRTY THREE: OF THE ARCHITECTURAL COMMITTEE. The Association shall have an Architectural Committee, which shall be in charge of verifying compliance on the part of the Associates with the provisions established in the Residencial Puerta del Mar Rules and Regulations, among which are those related with construction of the houses, design and construction rules, provisions referring to the characteristics of facades, color, height, walls, gardening of the houses, among others.

The Architectural Committee shall be comprised of three Members elected by agreement of the Association. One Associated should be appointed for each of the three phases of the development, who according to the Association must have the necessary knowledge and training to comply with their functions.

Owners elected as members of the Architectural Committee shall occupy their positions for a 2 years term.



Modification to Puerta Del Mar By-Laws

ARTICLE FORTY TWO: OF THE AMENDMENTS TO THE BY-LAWS. The propositions made to amend the By-laws must be presented to the Board of Directors in writing and sign by at least 80% of the members of the Association. The Board will emit an opinion on the proposals and submit it to the approval of the Meeting within the next two months. In order for the amendments to the By-Laws to be accepted, they must be approved pursuant to Article Sixteen of these By-laws.

Amended By-Law:

ARTICLE FORTY TWO: OF THE AMENDMENTS TO THE BY-LAWS. Any propositions made to change or amend the By-laws or Rules and Regulations by owners must be presented to the Board of Directors in writing and signed by at least 80% of the members of the Association at least 2 months prior to any Annual Assembly of the HOA.

The HOA Board of Directors may propose changes or amendments to the By-laws or Rules and Regulations at their discretion by a majority vote of the Board of Directors if it is deemed to be in the best interest of the Association.

Any proposed changes or amendments will be put on a ballot to be approved pursuant to Article Sixteen of the By-laws at a General Assembly or Extraordinary Assembly called for this purpose.