

PLAYA SAN JUAN

Playa San Juan Home Owner Association

Playa San Juan Home Owner Association Covenants, Conditions and Restrictions (CC&R's)

This contract is made by PlayaNica, S.A., a Nicaraguan corporation (Developer), as owner and developer of portions of a unique coastal property duly registered with number 30,587 at the Public Registration Office in Rivas and buyer _____, with _____ Share of Condominium Unit number_____.

The purpose of this contract is to perpetuate, the high level of quality invested into the fit and finish of this luxury bayside condominium project for the benefit of all who acquire said property within the Playa San Juan development (PSJ).

It is to promote the foregoing that this declaration is made and it is the intention of the Developer that it will be in recognition of the foregoing that the limitations, covenants and conditions and restrictions of this declaration and of all other declarations supplemental hereto will be understood and construed.

For this purpose the Developer has formed a Home Owner Association (PSJ HOA) to enforce and manage these CC&R's. By virtue of being an Owner in PSJ, all unit owners are automatically a member of the PSJ HOA. The PSJ HOA Board of Directors has the power to modify these Covenants and Restrictions, as well as to levy dues and enforce the rules set forth.

Playa San Juan Initial Development

The Developer hereby declares that all of the real property located in the development, described as follows:

PlayaNica, S.A. property, as shown on maps filed in the Office of CATASTRAL in Rivas, is held and shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved, subject to PSJ CC&R's meaning the limitations, restrictions, covenants and conditions set forth in this declaration, all of which are declared and agreed to be in furtherance of a plan for the improvement and sale of said real property and are established and agreed upon for the purpose of enhancing and perfecting the value, desirability and attractiveness of said real property, and shall be binding upon and insure to the benefit of Developer and each Owner of said real property, and each successor in interest of such Owner.



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PSJ HOA will contract with an operations group (the "Management Company") to assist in its day-to-day operation and to comply with Nicaragua Tourism Law 306, for a period no less than 10 years from December 31, 2009.

Property Classifications

All property within Playa San Juan has been classified into the following areas:

- a) Private area
- b) Common area

The Common area will be defined as all spaces, rooms, offices, and amenities that are on both the first floor (Lobby Level) and the basement as well as all stairwells and hallways on all floors.

Use and Restrictive Covenants

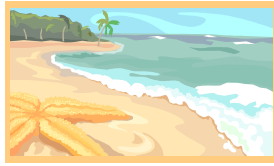
- a) The Management Company shall have the right at any time, to enter upon any condominium for the purpose of maintaining and/or renting such condominium and common area or otherwise enforcing the restrictions set forth.
- b) Each condominium, any and all improvements shall be maintained by the Owner(s) in good condition and repair, and in such manner as to not create a fire hazard to Playa San Juan, or any part thereof, at Owner(s)'s sole cost and expense.
- c) The condominium shall be used exclusively for residential purposes and no more than one family (including its servants and transient guests) shall occupy such private area.
- d) Time-sharing of any kind is not allowed unless written approval is made by the PSJ HOA.
- e) All fractional unit owners (either Quarter-Share, Half-Share, or Three-Quarter Share) are also "owners" of Time Slot(s). A Time Slot is defined as a three month period and is assigned at purchase and allocated as follows: One (1) per each Quarter-Share, Two (2) per each Half-Share, and Three (3) per each Three-Quarter Share. Personal use by owners and/or designees is limited to months within each owner's Time Slots (see [Appendix B](#) for designations), and is subject to a Unit Usage Assessment (see [Appendix C](#)).
- f) The condominium owner or his designees shall not occupy his/her condominium in excess of 30% of their allotted time (27 days for a Quarter-Share owner, 54 days for a Half-Share owner, 81 days for a Three-Quarter Share owner, and 109 days for a Full-Unit owner per year) whether consecutive or spread out over each calendar year.
- g) The owner will make said unit available for rent when not occupied by him/her or their designees, no less than 70% of each calendar year (a minimum per year of: 64



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days annually for a Quarter-Share owner, 128 days annually for a Half-Share owner, 192 days annually for a Three-Quarter Share owner, and 256 days annually for a Full-Unit owner).

- h) Owner will notify the Management Company as soon as practical but not less than one week prior to arrival at PSJ. The longer the notice, the better the likelihood that the Owner's unit will be available for him to occupy.
- i) No noxious or offensive activity shall be carried on which may be or become a nuisance, or cause unreasonable embarrassment, disturbance, or annoyance to other Owners or Tenants in the enjoyment of their private area, or in their enjoyment of common area.
- j) No animals other than a generally recognized house or yard pet shall be maintained in any condominium.
- k) No signs whatsoever, including but without limitation, commercial, political and similar signs, visible from neighboring property, shall be erected or maintained upon the property.
- l) All garbage and trash shall be placed and kept in covered containers. In no event shall such containers be maintained so as to be visible from neighboring property.
- m) No outside clotheslines or other outside clothes drying or airing will be permitted upon any condominium patio or balcony at any time.
- n) There shall be no exterior fires whatsoever allowed except for a barbecue that is initiated and managed by PSJ restaurant or management staff.
- o) No flammable or toxic materials, in any form, shall be stored in any condominium or upon any patio or balcony.
- p) Since the condominium will be rented as a hotel, the owner must maintain adequate furnishings in his unit. It is necessary to maintain a consistent standard in each unit; therefore, Fractional Owners (those not owning a Full Unit) will have their Gross Revenue share mandatorily reduced in lieu of contributions (5%) to a Capital Renewal & Replacement Fund (Replacement Fund). This Replacement Fund ensures that the units will be redecorated with fittings and furnishings replaced approximately every six years in order to keep the unit in "as new" condition. Buyers of a Full-Unit have the option of participation.



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Construction and Alteration of Improvements; etc.

The right of an Owner to construct, reconstruct, refinish, alter or maintain any improvement upon, under, in, or above any condominium, or to make or create any change from the date it was first conveyed in fee by Developer to an Owner, shall be subject to all of the following limitations and conditions of this section.

- a) Any construction or reconstruction of, or refinishing or alteration of any part of the exterior of any condominium is absolutely prohibited until and unless the Owner(s) of such condominium first obtain the written approval therefore from the PSJ Home Owner's Association.
- b) No power, telephone or other utility line (wire or conduit), which would be visible from any neighboring condominium or property, shall be installed, except as installed by the Developer.
- c) There shall be no exterior lighting of any sort either installed or maintained, the light source of which is visible from any condominium or neighboring property except as installed by the Developer.
- d) There shall be no antenna of any sort either installed or maintained, which is visible from any neighboring condominium or property except as installed by the Developer.
- e) No tree or shrub shall be planted on the property, or removed from it, by anyone except by the contracted maintenance crew
- f) Any Owner(s) proposing to construct or reconstruct, or to refinish or alter any part of the exterior of, any improvement on or within Owner's condominium, or to perform any work shall first apply to the PSJ HOA for written approval.

Playa San Juan Home Owner Association Boards of Directors

There shall be a Board of Directors, organized as follows:

- a) The Board of Directors shall consist of three (3) members. The right from time to time to appoint and remove all members and alternate of the Board of Directors shall be, and is hereby reserved to and vested solely in the Developer, until such time when the Developer turns over the election of the Board Members to the Condominium's owners, which shall not be later than six months after title transfer of all units in the development.

(a-1) The PSJ HOA Board of Directors shall have the obligations and duties, subject to PSJ CC&R's, to do and perform each and every of the following for the benefit of the Owners and for the maintenance and improvement of Playa San Juan. The Board of Directors shall maintain or provide for the maintenance



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of the units, common area, recreational facilities and all improvements of whatever kind and for whatever purpose to keep them in good order and repair.

(a-2) The PSJ HOA Board of Directors shall be responsible for the selection of, and contract with the Management Company.

(a-3) The PSJ HOA Board of Directors shall be responsible for the adequate funding of the Association, and the level and collection procedure for the HOA assessments and fees.

- b) At such time when the Developer turns over the Board of Directors to the PSJ owners, each unit's owner(s) shall have voting rights in proportion to each owner's assigned Value Rating (see [Appendix A](#)) for the purpose of electing the Board Members on an annual basis.

Funds and Assessments Operating Fund

There shall be an operating fund, into which the Board of Directors shall deposit all monies paid to it as:

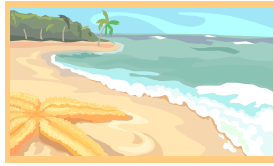
- a) Homeowners Association , Rental Expense, and Miscellaneous Assessments
- b) Capital Renewal & Replacement Fees (as applicable)
- c) Unit Usage Assessments (as applicable)
- d) Unit Rental revenues

Assessments and Rental Income

On a quarterly basis, the Management Company will provide a financial statement to each Owner detailing each Owner's share of rental income, expenses, assessments, and fees. Income and Expenses (the "Rental Income" and the "Rental Expenses" respectively) associated with the rental operation of the Project will be proportionately shared and assigned based on each owner's Value Weighting (see Appendix A).

In the case where the Rental Income exceeds the expenses, assessments, and fees, the Management Company will, at the Owners' request: a) pay to the Owner the residual balance or, b) accrue in the Owners' account the residual balance, until such time the Owner requests payment of the balance. In the case where expenses, assessments and fees exceed the Rental Income, the Owner shall pay the remaining balance within 30 days of the quarterly statement.

The statements will be sent out no later than the 25th day following each calendar quarter to the email address indicated by the Owner of Record.



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Default in Payment of Assessments

Each assessment shall be a separate, distinct and personal debt and obligation of the Owner against whom it is assessed. If the Owner does not pay such assessment or any installment thereof when due, the Owner shall be deemed to be in default.

Amendment or Repeal

The PSJ HOA Board of Directors reserves the right to modify or supplement Playa San Juan Restrictions with respect to all or any part, and any limitation, restriction, covenant or condition thereof, may be amended or repealed.

Enforcement; Non-waiver

- a) To the extent otherwise provided, the PSJ HOA Board shall have the right to enforce any and all of the limitations, restrictions, covenants, conditions, obligations, liens and charges now or hereafter imposed by PSJ Restrictions upon Owners, or upon any property within PSJ.
- b) The developer reserves the right to deny services or access the property to owners who fail to comply with the CC&R's or fail to pay assessments and fees.
- c) The failure to enforce the provisions of any limitation, restriction, covenant, condition obligation, lien or charge of PSJ CC&R's shall not constitute a waiver of any right to enforce any such provision or any other.

Obligations of Owners; Avoidance; Termination

- a) No Owner, through his non-use of any common area, or recreational facility, or by abandonment of his Unit, may avoid the burdens or obligations imposed on him by PSJ CC&R's by virtue of being an Owner.
- b) Upon the conveyance, sale, assignment or other transfer of a Unit to a new Owner, the transferring Owner shall not be liable for any assessments levied with respect to such after the date of such transfer, and no person, after the termination of his status as an Owner and prior to his again becoming an Owner, shall incur any of the obligations or enjoy any of the benefits of an Owner under PSJ following the date of such termination, providing that the transferring owner obtains a clearance certificate from existing financial obligations to the development and obtains the signature of the CC&R's by the new owner. Signed CC&R's to be delivered to the office of the HOA Board of Directors prior to obtaining a clearance certificate.



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Acknowledgement

The buyer certifies having read the Playa San Juan CC&R's and agrees to abide by all of its stipulations. These CC&R's are also binding on owner's heirs, family and guests.

Buyer

Signature

Name

Date



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Appendix A

Value Weighting – Assigned Percentage of Rental Income, Rental Expense Assessments, & Voting Rights

Suite #	1/4 Share	1/2 Share	3/4 Share	Full Unit
101N	2.912%	5.825%	8.737%	11.649%
102E	1.011%	2.022%	3.033%	4.044%
103S	1.970%	3.941%	5.911%	7.881%
201N	3.374%	6.747%	10.121%	13.494%
202W	2.177%	4.355%	6.532%	8.709%
203S	3.612%	7.224%	10.836%	14.448%
301N	3.657%	7.314%	10.971%	14.628%
302W	2.363%	4.725%	7.088%	9.451%
303S	3.923%	7.847%	11.770%	15.694%

Appendix B

Fractional Ownership Usage Time Slots

- Time Slot A: November, March, July
- Time Slot B: December, April, August
- Time Slot C: January, May, September
- Time Slot D: February, June, October



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Appendix C

Unit Usage Assessment Table

Monthly Occupancy Rate	Assessment per Night
00.00% - 10%	\$10
10.01% - 20%	\$20
20.01% - 30%	\$30
30.01% - 40%	\$40
40.01% - 50%	\$50
50.01% - 60%	\$60
60.01% - 70%	\$70
70.01% - 80%	\$80
80.01% - 90%	\$90
90.01% - 100%	\$100

One of Playa San Juan's primary goals is to maximize each owner's rental revenue. To encourage owners to make their units available and to help cover expenses, owners will be assessed a Unit Usage Assessment for nights of use by either owner or designee. This assessment ensures that equal owners with dissimilar unit usage receive Rental Income that is commensurate with the time during which each owner makes his/her unit available.

Example:

Quarter-Share Owner A *never* uses his/her unit.

Quarter-Share Owner B uses his/her unit *7 days per year*.

To ensure that owner A receives a proportionally higher rental income than owner B, owner B is assessed a Unit Usage Assessment based on his/her usage time *and* the current monthly occupancy rate.

Assuming that Owner B occupies his/her unit seven (7) nights during a month with a **45%** occupancy rate, Owner B will incur a **\$50** per night assessment, or a total of \$350 for the seven-night stay.

Note: Unit Usage Assessments are deducted from the appropriate owner's income and are subsequently considered a component of Rental Income.