



Cascada Sandalo Property Owner's Association

**Corporation Documents
&
Resident Handbook**



Cascada Sandalo Property Owner's Association

Corporation Documents and Resident Handbook

January 1, 2011

«Owner_Name»
«Owner_Street»
«Owner_City», «Owner_State» «Owner_Zip»

Dear Cascada Sandalo Lot Owner:

Welcome to Cascada Sandalo! The Association has prepared this package to provide you with the following information:

- The Corporation Documents that describe how the Association is organized and governed. (NOTE: The Bylaws were provisionally adopted at the first annual meeting of the Association in January 2009. The Articles of Incorporation were presented to the developer at the annual meeting in January 2009 and are being reviewed by the developer's attorney.)
- A Handbook, which provides information that describes your privileges and responsibilities as a member of the community, and other information that will help you to better enjoy your experience as a Cascada Sandalo property owner. (NOTE: The Board is in the process of revising the Handbook. It has not been accepted and approved by the Board in its current state.)

We invite you to contact any Board member regarding questions or issues of concern. Current members of the Association's Board of Directors are:

| | | |
|----------------|-----------------|---------------------------|
| President: | Tony Hamilton | tlthcr@gmail.com |
| Vice President | Lynne Stauss | |
| Treasurer: | Janice Milstead | janice.milstead@gmail.com |
| Secretary: | John Cocker | drjohncocker@gmail.com |
| Member: | Dan Aalfs | danaalfs@gmail.com |
| Member: | Jim Anzalone | jim.anzalone@gmail.com |

The Board meets at a member's home. Notice of meetings will be provided to you via email. You can also find the meeting time and location on the community web site. All meetings are open, so if you'd like to attend just come to the designated home at the scheduled meeting time. In addition to quarterly meetings, there is an annual meeting for all Association members held in January. You will be notified in writing prior to this annual meeting.

Note: It is the responsibility of the property owner to provide the information contained herein to any renters or guests and to require them to follow the rules of the Association.

The purpose of the Cascada Sandalo Property Owner's Association is to maintain and enhance the living experience for residents, including individuals and families, to protect the environment, to promote good relations with our neighbors, and to protect and enhance the values of our properties.

The most current information about the Association can be found on the web site:
www.cascadasandalo.org.

The homes and lots in The Cascada Sandalo Development are subject to the provisions of Costa Rican law. All documents and information contained in this packet play an important role in living within a common interest community and should be reviewed carefully prior to your purchase of the property.

Governance and Obligations

The name of this association is The Cascada Sandalo Property Owner's Association (the "Association"). We are not incorporated and there are no shares of stock. The address of the Association is:

APDO 57-8150
Palmar Norte
Costa Rica

We are a self-governing community association. A Board of Directors elected by the property owners governs the Cascada Sandalo development, which primarily consists of those properties in Tres Rios and San Buenaventura that were originally developed by Cascada Sandalo, S.A. (Dan and Rebecca Aalfs). By purchasing a home or lot in this community, you are agreeing to abide by the covenants and rules of the community and the decisions of the Board.

We encourage you to become involved with the community through direct participation in the Board or one of the committees or by volunteering on projects to maintain or improve the community. Contact any Board member for more information.

In an effort to minimize any misunderstandings by property owners, the Board would like to bring to your attention some of the covenants that have been adopted by the Association. Please review the Articles of Incorporation, the Bylaws, and the Handbook for additional covenants.

Responsibility for Disclosure

Property owners who intend to sell their lots are required to provide the most current copy of the property owner documents to prospective buyers and to include a clause in the sale contract gaining agreement from the prospective owner that they will participate in the Association and abide by its rules.

Association Dues and Other Fees

The Cascada Sandalo Property Owner's Association dues cover a broad range of services that include, but are not limited to: maintenance of common grounds and maintenance of the roads and water system. Association dues are currently \$450 per year for each lot owned. A statement is provided in writing, by mail or email, to each property owner annually.

Each owner is responsible for notifying the Association if there is a change in their email address or other information. Send an email to cascadasandalo@gmail.com

The annual membership fee includes repair of damage to the roads caused by normal use/wear and tear but IT DOES NOT INCLUDE REPAIRS TO THE ROADS CAUSED BY CARS, TRUCKS OR OTHER HEAVY EQUIPMENT USED DURING CONSTRUCTION. INDIVIDUAL PROPERTY OWNERS ARE RESPONSIBLE FOR THE REPAIR COSTS ASSOCIATED WITH ANY EXTRAORDINARY ROAD DAMAGE, ANY WATER SYSTEM DAMAGE, OR ANY ELECTRICAL LINE DAMAGE CAUSED DURING CONSTRUCTION BY THEM OR THEIR CONTRACTORS. The Association shall notify the property owner of the need for repairs and the evidence that the extraordinary road damage, water system or electrical line damage was caused by activities of the lot owner or their contractor(s). Lot owners expressly agree that if repairs are not completed in a reasonable period as determined by the Association based on the season, the Association can undertake the repairs and the cost of those repairs will be the responsibility of the lot owner. The lot owners also expressly agree that the Association has the right to place liens on the lot owner's property or take other legal action to collect those costs, if necessary.

Instructions for payment of dues can be found at the following:
<http://www.cascadasandalo.org/dues.php>

Please reference "Cascada Sandalo Dues" when making your payment to either Banco Nacional or Charles D. Aalfs and send an email to cascadasandalo@gmail.com to indicate that payment has been made. If your account is in the name of a company instead of your personal name, please specify the company name in the email.

Payment of dues is required 15 days after the annual meeting each year; late Association dues are assessed an additional \$30.00 for each quarter past due. Returned checks are assessed a \$30.00 fee.

If a special assessment were ever required, such as to pay for repairs to common facilities that exceeded the available funds in reserve, it would require a vote of the members of the Association.

Division of Lots

The original parcels (lots) in the San Buenaventura portion of the property are allowed to be split into two parcels, but no more than two parcels. Lot numbers designated with an "A" or "B" on the cascadasandalo.org Directory have already been split and can not be divided further. All lot splits must comply with all Costa Rican laws regarding agricultural subdivision including a minimum size of 5000 square meters (.5 hectares) and non-agricultural land (i.e. the plantels) must occupy less than 15% of the lot area. No lot splits are permitted on the lots in the Tres Rios portion of the property as agreed to in the purchase agreement with the original purchaser of the lot. The original purchase agreement provided that this provision is binding on subsequent purchasers of the lots. The exception to subdivision of lots in Tres Rios is that the developer can subdivide the remaining lands of the property owned by him into additional parcels for sale.

Architectural Standards

Many of us come to Costa Rica, in part, to get away from the high level of regulation and structure that exists in North America or other more developed countries. However, we also view our properties here as investments that we hope will appreciate in value over time. The limited Architectural Standards set forth in this book are intended to preserve and enhance the property values for all members of the Association.

Commercial Activity

With the exception of house and guest house rentals, no commercial activity that is open to the public or brings non-resident traffic into the development will be allowed on the property, unless specifically authorized by the Board. If a resident chooses to rent, the renters are subject to the guidelines existent at that time.

Developing a property for the express purpose of renting to more than two renters, such as developing three or more living spaces (houses, cabins, etc.) is expressly prohibited.

Water Supply Provista

A maximum one-half inch water supply provista is provided for each original lot. The original lots in San Buenas are allowed to be split once. If a lot is split, there is a cost of \$2,000 to install an additional provista to the second lot, since the system was only designed for the number of original lots created by the developer.

Garbage Collection

Burning of plastic trash or hazardous materials is not allowed at any time. Fires containing wood, plain paper, cardboard or vegetation are permitted, but care should be taken to only burn these items at a time when the wind will carry the smoke away from your neighbors. A garbage drop off facility is located near the soccer field west of the school in Tres Rios. All garbage should be placed in plastic bags before dropping it at the facility. Loose trash, cardboard boxes, etc. are not permitted in the facility unless they are bagged.

Fiscal Status

The current amount of the reserve funds in the community accounts is included in the budget and financial statements contained in this package. There are no lawsuits pending against the Association and there are no unpaid judgments owed by the Association.

The current budget calls for no assessment beyond the yearly dues. The anticipated budget for next year likewise calls for no such special assessment.

The Association operates a satellite based internet service as a cooperative for the benefit of members of the Association and costs for this service are separate from the annual dues, if members elect to participate.

Financial Documents, Bylaws, Articles of Incorporation, and Corporate Agent

The agent for the Association is:

TBD

A copy of the most recent fiscal year budget, balance sheet and income statement follows.

A copy of the Bylaws and the Articles of Incorporation for the Association follows. (NOTE: The Bylaws were provisionally adopted at the first annual meeting of the Association in January 2009. At the annual meeting in January 2010, the Bylaws were extended for another year on an interim basis. The Articles of Incorporation were presented to the developer at the annual meeting in January 2009 and are being reviewed by the developer's attorney.)

CASCADA SANDALO PROPERTY OWNERS'S ASSOCIATION
12-31-2009

ASSETS

| | | |
|------------------|------------|-------------|
| Cash | \$6,899.68 | |
| Cash Reserve | \$5,000.00 | |
| Total Cash | | \$6,899.68 |
| Dues Outstanding | \$1,500.00 | |
| Current Assets | | \$13,399.68 |

Net Worth

INCOME

| | |
|-----------------------|-------------|
| 2010 Dues | \$250.00 |
| Road Reserve from Dan | \$5,000.00 |
| Road Dues | \$17,750.00 |
| Lot Chopping | \$2,325.00 |
| Interest Income | \$24.18 |
| TOTAL | \$25,349.18 |

EXPENSES

| | |
|---------------------------|------------|
| Web Page | \$38.61 |
| Tools | \$826.57 |
| Road Repair | \$5,294.19 |
| Supplies | \$538.06 |
| Quad Repair | \$237.02 |
| Gas Expense | \$178.97 |
| Labor Chica | \$4,307.55 |
| Bridge Repair | \$224.49 |
| Bank Charges | \$5.27 |
| Waterline Parts | \$50.50 |
| Causal Labor | \$151.60 |
| Road Beautification | \$7.63 |
| Xmas Dinner for Employees | \$89.04 |

| | | |
|---------------|-------------|-------------|
| Total Expense | \$11,949.50 | \$13,399.68 |
|---------------|-------------|-------------|

BYLAWS OF
CASCADA SANDALO PROPERTY OWNER'S ASSOCIATION

ARTICLE I – MEMBERS

Section I. Membership in the Corporation. The Cascada Sandalo Property Owner's Association is organized as a non-stock corporation, hereinafter referred to as the "Corporation" or as the "Association." The following shall be members of the Corporation:

- (1) Cascada Sandalo, S.A. and Rio Sandalo de la Osa, S.A. (which, together with any successor to all or substantially all their business of developing the Property, is referred to herein as the "Developer"), and
- (2) All persons owning of record or purchasing wherein title is to pass upon full payment of the purchase contract (directly or through owning the controlling interest in a Costa Rican corporation that owns the property) any lot on the property shown on the plat attached to the Deed of Dedication, or on any subsequent plat filed pursuant to the Deed of Dedication (hereinafter referred to as the "Property") except a person taking title as security for the payment of money or the performance of an obligation.
- (3) Other adjoining lands to the Property, whose owners have been invited by Cascada Sandalo, S.A., or by the members of the Corporation, as represented by the Board of Directors, provided that the owner of those adjoining lands has agreed to join the Corporation and abide by its rules.

No person shall be a member of the Corporation after he ceases to be the any owner of record or ceases to be a purchaser wherein title is to pass upon full payment of the purchase contract of any lot on the Property.

The Directors of the Corporation may, after affording the member an opportunity to be heard, suspend any person from membership in the Corporation during any period of time when there exists a violation of any of the provisions of the Deed of Dedication (including but not limited to, the failure to make any payment to the Corporation when due and payable under the terms of the Deed of Dedication) with respect to the lot he/she owns or when he/she is in violation of any rule or regulation adopted by the Corporation with respect to the Property.

Each member of the Corporation, by becoming such, agrees that he shall be personally responsible for the payment of the charges created under the Deed of Dedication with respect to the lot he/she owns and for compliance by himself/herself, his/her family, guests, and invitees, with the provisions of the said Deed and the rules and regulations adopted by the Corporation with respect to the Property.

The qualifications set forth herein for membership in the Corporation shall be the only qualifications for such membership.

Section 2. Voting Rights. The members of the Corporation shall have the right to vote for the election and removal of Directors. Each member of the Corporation shall have one vote, except that:

- (A) Any member owning more than one lot shall have the number of votes equal to the number of lots owned.
- (B) Only a member of the Corporation owning the lot with respect to which he is entitled to vote shall have the right to vote.
- (C) When any lot on the Property is owned of record in joint tenancy or tenancy-in-common, or in any other manner of joint or common ownership, such owners shall collectively be entitled to only that number of votes to which one person would be entitled were he/she the owner of such lot. Such vote shall be exercised only by the unanimous action or consent of the owners of record of such lot who are entitled to vote with respect thereto.
- (D) Voting by proxy is expressly prohibited.

ARTICLE II – MEETING OF MEMBERS

Section 1. Notifications. Notifications to members or Directors regarding official business of the Corporation will be by written notice delivered personally or sent by e-mail to each Director at his address or by such other methods of delivering written notice as are approved by the Board of Directors.

Each owner is responsible for notifying the association if there is a change in their email address or other information. Send an email to cascadasandalo@gmail.com.

Section 2. Annual Meeting. The annual meeting of the members shall be held on a day selected by the Board of Directors between the 8th and 15th of January starting between the hours of 8:00 a.m. and 6:00 p.m. for the purpose of electing Directors and/or for the transaction of such other business as may come before the meeting. If the election of Directors shall not be held on the day designated herein for the annual meeting or at any

adjournment thereof, or pursuant to Section 6 hereof, the Board of Directors shall cause the election to be held at a special meeting of the members held as soon thereafter as conveniently may be.

Section 3. Special Meetings. Special meetings of the member's may be called by the President, the Board of Directors, or members of the Corporation holding not less than one-fifth of the votes.

Section 4. Place of Meeting. The Board of Directors may designate any place within Tres Rios or San Buenaventura as the place for any annual or special meeting called by the Board of Directors and/or the President may designate any place within Tres Rios or San Buenaventura as the place of meeting for any special meeting called by the President. If no designation is made or if a special meeting be called by the members of the Corporation, the place of meeting shall be the principal office of the Corporation.

Section 5. Notice of Meetings. The Corporation shall publish notice of any annual or special meeting of members in the manner requested by the owner chosen from a list of notification methods approved by the Board. Written notice stating the place, day, and hour of the meeting, and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall also be delivered not less than ten or more than fifty days before the date of the meeting, by or at the direction of the President or the Secretary or the person calling the meeting, to each member of the Corporation via their requested notification method as shown on the records of the Corporation. A member may in a writing signed by him/her, waive notice of any meeting before or after the date of meeting stated therein. Failure to deliver any notice to any member shall not affect the validity of the published notice. Members are responsible for notifying the secretary of the Corporation of any change in their address or contact information.

Section 6. Informal Action by Members. Any action required or permitted by law to be taken at a meeting of the members of the Corporation may be taken without a meeting, if consent in writing setting forth action so taken shall be signed by all of the members of the Corporation.

Section 7. Quorum and Manner of Action.

- a) Quorum: Members holding one-fifth of the total votes shall constitute a quorum at any annual or special meeting. If a quorum is not present at any meeting of members, the members present must adjourn the meeting. The act of a majority of the members present at a meeting at which a quorum is present shall be

the act of the members, unless the act of a greater number is required by law, or by the Articles of Incorporation of the Corporation, or by these Bylaws.

- b) Attendance via telecommunications: Members may be present in person or by telecommunications link, however the expense and responsibility for logistics of providing such a link will be born by the remote member(s), not by the corporation.
- c) Absentee Ballots: If a particular issue or issues are to be voted upon, absentee ballots for that issue may be sent out to the last known address (postal, email, or other approved) of the entire membership by the board of directors. The text of the ballot issue may not be changed after the ballots are sent out to the membership, and the issue must be voted upon as written.
- d) Written statements: Any member may submit in writing to any member of the board of directors, no later than 48 hours before the scheduled time of any board, annual, or special meeting, a written statement, of no more than 1000 words, to be read to all present at the meeting. If such a statement is submitted, it will be read aloud to all persons present.

Section 8. Conduct of Meetings. The Directors may make such regulations as they deem advisable for any meeting of members, in regard to proof of membership in the Corporation, evidence of the right to vote, the appointment and duties of inspectors of votes, and such other matters concerning the conduct of the meeting as they shall deem fit. Such regulations shall be binding upon the Corporation and its members.

ARTICLE III – DIRECTORS

Section 1. General Powers. The affairs of the Corporation shall be managed by its Directors.

Section 2. Number and Tenure. The number of Directors shall be six. Directors must meet the eligibility requirements defined herein. At each annual meeting two Directors will be elected, each for a three-year term, and shall serve until their respective successors are elected. Any vacancy occurring in the Board of Directors may be filled at any meeting of the Board of Directors by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board of Directors, or by a sole remaining Director, and if not previously so filled, shall be filled at the next succeeding meeting of the members of the Corporation. Any

Director elected to fill a vacancy shall serve as such until the expiration of the term of the Director whose position he was elected to fill.

Section 3. Eligibility. Only members of the Corporation, their spouses or other permanent members of their household, having attained the age of 18, who can commit to attend directors meetings (in person or via telephone) and undertake management of projects in the Cascada Sandalo Property and designees of the Developer shall be eligible to act as Directors of the Corporation.

Section 4. Regular Meetings. A regular annual meeting of the Board of Directors shall be held within one month of the annual meeting of members. The Board of Directors shall provide by resolution the time and place, within Tres Rios or San Buenaventura for the holding of its annual meeting and additional regular meetings of the Board. The Board of Directors shall notify members of the Corporation of the time and place of its meetings in the manner provided in these Bylaws.

Section 5. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any two Directors. The person or persons authorized to call special meetings of the Board will fix any place, within Tres Rios or San Buenaventura, as the place for holding any special meeting of the Board called by them.

Section 6. Notice. Notice of any meeting of the Board of Directors of which notice is required shall be given at least two days previous thereto by written notice in the manner requested by the owner chosen from a list of notification methods approved by the Board. Any Director may, in a writing signed by him/her, or by e-mail sent by him/her, or by such other method as approved by the Board, before or after the time of meeting stated therein, waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by Law, by the Articles of Incorporation of the Corporation, or by these Bylaws.

Section 7. Quorum. Except as otherwise provided by law or by the Articles of Incorporation of the Corporation, or by these Bylaws, a majority of the Board of Directors shall constitute a quorum for the transaction of

business at any meeting of the Board; but if less than a majority of the Directors is present at said meeting, the Directors present must adjourn the meeting.

Section 8. Manner of Action. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law, or by the Articles of Incorporation of the Corporation, or by these Bylaws.

Section 9. Compensation. Directors as such shall not receive any stated salaries for their services as Directors, but nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefore.

Section 10. Informal Action by Directors. Any action required by law to be taken at a meeting of Directors, or any action which may be taken at a meeting of Directors, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the Directors.

Section 11. Removal of Directors. A Director may be removed from office for cause after being afforded a hearing at a special meeting upon a vote of 2/3 of the Corporation members present who are eligible to vote concurring in the removal.

ARTICLE IV – OFFICERS

Section 1. Officers. The officers of the Corporation shall be a President, one or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary, and a Treasurer. The Board of Directors may elect such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform duties prescribed from time to time by the Board of Directors. Any two or more offices may be held by the same person, excepting the offices of President and Secretary. Officers shall be Directors of the Corporation.

Section 2. Election. Term of Office and Vacancies. The officers of the Corporation shall be elected annually by the Board of Directors at the regular annual meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

Section 3. Removal. Any officer may be removed by a majority of the Board of Directors whenever, in its judgment, the best interest of the Corporation will be served thereby.

Section 4. Powers and Duties. The officers of the Corporation shall, except as otherwise provided by law, by the Articles of Incorporation, by these Bylaws, or by the Board of Directors, each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time be specifically conferred or imposed by the Board of Directors. The President shall be the chief executive officer of the Corporation.

ARTICLE V - COMMITTEES

Section 1. Committees of Directors. The Board of Directors, by resolution adopted by a majority of the Directors in office, may designate one or more committees, each of which shall consist of two or more Directors, which committees, to the extent provided in the resolution, shall have and exercise the authority of the Board of Directors in the management of the affairs of the Corporation, provided, however, that no such committee shall have the authority of the Board of Directors to approve an amendment to the Articles of Incorporation of the Corporation or a plan of merger or consolidation.

Section 2. Other Committees. Other committees, or a single manager, not having and exercising the authority of the Board of Directors in the management of the affairs of the Corporation may be designated by a resolution adopted by the Board of Directors to perform such duties and to have such powers as may be provided in the resolution.

Section 3. Rules. Each committee may adopt rules for its own government not inconsistent with the terms of the resolution of the Board of Directors designating the committee or with rules adopted by the Board of Directors.

ARTICLE VI – BOOKS AND RECORDS

The books and records of the Corporation shall be identified by resolution of the Board of Directors, or as provided by law. The designated books and records shall be maintained, as appropriate, by the Secretary or the Treasurer, and shall be turned over to their successors at the end of their respective terms.

All monies collected, earned, promised and/or spent by the Corporation will be properly accounted for and a treasurer's report will be presented to the Board of Directors at each Board meeting and to the membership at each annual meeting.

The books and records shall be available for review by members of the Corporation, who will have given reasonable advance notice to the Board of Directors.

The Board of Directors shall have conducted an independent review of the financial records of the Corporation on an as needed basis, but no less than every six years.

The Secretary will maintain a book of resolutions that records all official resolutions of the Board. Actions taken by the Board to conduct routine business are not resolutions, but policy or rule changes, formation of committees, etc., will typically be done by resolution.

ARTICLE VII - AMENDMENTS

These Bylaws may be altered, amended, or repealed and new Bylaws may be adopted upon a 2/3 vote of the members. Proposed Bylaw changes shall be submitted to the Secretary at least thirty (30) days prior to the vote.

ARTICLE VIII – FEES AND ASSESSMENTS

The Board of Directors will have the authority to levy regular recurring fees to cover the costs of maintaining the parking areas, roads or streets, open spaces, paths and other facilities for the benefit of the members. The Board of Directors will manage the Corporation finances such that adequate reserves will be accumulated over time to cover future expenses such as periodic renovation or replacement of the water system or other infrastructure or facilities.

Special assessments to cover extraordinary expenses require a majority vote of the members of the Corporation in attendance at an annual or special meeting called under the provisions of these Bylaws.

Annual dues shall be payable 15 days after the annual meeting.

ARTICLE IX – DIVISION OF LOTS

The original parcels (lots) in the San Buenaventura portion of the Property are allowed to be split into two parcels, but no more than two parcels, by the owners. All lot splits must comply with all Costa Rican laws regarding agricultural subdivision including a minimum size of 5000 square meters (.5 hectares) and non-agricultural land (i.e. the plantels) must occupy less than 15% of the lot area. No lot splits are permitted on the lots in the Tres Rios portion of the subdivision, with the exception that the Developer can subdivide the remaining lands of the Property owned by him into additional parcels for sale.

ARTICLE X – COMMON GROUNDS

Any land deeded to the Corporation by the Developer will be placed into “Common Grounds” that will be held in reserve and will remain in the ownership of the Corporation in perpetuity. Common Lands may be developed for the use of the members of the Corporation and their guests. Common Grounds may not be resold by the Corporation or otherwise deeded to any third party, but will remain the shared property of the members of the Corporation. Structures and other development may be undertaken on Common Grounds for the use of the community, such as a community center, reforestation with native trees, and creation of hiking trails, picnic areas, or other such non-obtrusive improvement for recreational or environmental purposes. Other development such as a maintenance lot, water system repairs or enhancements, new roads, etc. when undertaken, must be planned and executed with the primary concern being for the environment and beauty of the development.

ARTICLES OF INCORPORATION OF
CASCADA SANDALO PROPERTY OWNER'S ASSOCIATION

We hereby associate to form a non-stock corporation under the provisions of [site Costa Rican or U.S law], and to that end set forth the following:

1. The name of the corporation is CASCADA SANDALO PROPERTY OWNER'S ASSOCIATION (the "Corporation").
2. The principal office of the Corporation shall be located in Tres Rios de Coronado, Canton de Osa, Costa Rica at a location TBD.

The Corporation shall have and continuously maintain in Costa Rica a registered office and a registered agent. The address of the registered office and registered agent may be changed from time to time by the directors and the registered office may be, but need not be, identical with the principal office of the Corporation.

3. The purpose or purposes for which the Corporation is organized are:

(a) To take title to, hold, maintain, improve and beautify, without profit to itself, for the use in common of all the members thereof, their families, guests, and invitees, such parking areas, roads or streets, open spaces, paths and other facilities, as from time to time may be conveyed to it pursuant to a Deed of Resubdivision and Rededication to be recorded in the National Registro of Costa Rica, or pursuant to any subsequent deed resubdividing the land dedicated as aforesaid; to enforce the covenants, restrictions, reservations, servitudes, profits, licenses, conditions, agreements, easements, and liens provided in the Deed of Resubdivision and Rededication or any subsequent deed to be enforced by the Corporation; and to assess, collect, and disburse the charges created under said Deed or subsequent deed, all in the manner set forth in, and subject to the provisions of the said Deed or subsequent Deed.

(b) To do any and all lawful things and acts that the Corporation may from time to time, in its discretion, deem to be for the benefit of the property shown within [enter reference to plat map and registro information for entire property], on the plat attached to the Deed of Resubdivision and Rededication to be recorded among the land records of Costa Rica, or on any subsequent plat filed pursuant to the provisions of said Deed (hereinafter referred to as the "Property") and the owners and inhabitants thereof or advisable, proper, or convenient for the promotion of the peace, health, comfort, safety, or general welfare of the owners and inhabitants thereof.

4. Provisions for the regulations of the internal affairs of the Corporation are:

(a) The Corporation is not organized for pecuniary profit, nor shall it have any power to issue certificates of stock or pay dividends, and no part of the net earnings or assets of the Corporation shall be distributed, upon dissolution or otherwise, to any individual.

(b) The Corporation shall be governed by the Bylaws of the Cascada Sandalo Property Owner's Association.

(c) The Corporation may contract with the Developer or with any other person for the performance, as its agent, of any of the powers, duties, or functions of the Corporation which may be lawfully delegated by it.

(d) The Corporation shall indemnify any director or officer, or former director or officer, against any and all expenses, including attorneys' fees, judgments, and amounts paid in settlement (before or after suit is commenced), actually and necessarily incurred by him in connection with the defense or settlement of any claim, action, suit or proceeding in which he is made a party, or is a party, or which may be asserted against him by reason of his being or having been such a director or officer, or in connection with an appeal therein, unless he, or his testator, or intestate shall be finally adjudged, in such action, suit, or proceeding to be, liable for negligence or misconduct in the performance or duty. Such indemnification shall be in addition to any other rights to which those indemnified may be entitled under any law, bylaw, agreement or otherwise.

5. The management of the affairs of the Corporation shall be vested in the directors. Only members of the Corporation, their spouses or other permanent members of their household, having attained the age of 18, and designees of the Developer shall be eligible to act as directors of the Corporation. The length of the initial term

of each of the directors constituting the initial Board of Directors is set forth in paragraph 6 below. The first election of directors by the members of the Corporation shall be held at the first annual meeting of the members. Thereafter, elections and terms of the Directors shall be as specified in the Bylaws.

6. The post office address of the initial registered office of the Corporation is APDO 57-8150 Palmar Norte. The name of the Corporation's initial registered agent is **[registered agent]**, who is a resident of **[enter address]**.

7. The number of directors constituting the initial Board of Directors is six. The first annual meeting will be held in the first week of January 2008. Two members will have initial terms of one year, two members will have initial terms of two years, and the final two members will have initial terms of three years. Thereafter, all terms will be for three years. In this way, only two member positions on the board will expire in any given year.

8. Capitalization of the Corporation: Initially, roads, water, drainage and common grounds will be maintained by the Developer. The Developer will turn the management over to the Association on at the conclusion of the first annual meeting and the election of a board of directors. Although the primary responsibility for maintenance and ongoing operations of the community will fall to the directors and the Corporation, the Developer will continue to be responsible for completion of the infrastructure of the community, including installation of electrical and water systems to Phase III and other newly developed lots. Prior to turning the operations over to the Association, the Developer shall maintain the roads, drainage and water system and shall charge the homeowners \$250.00 per year per lot owned.

When the Developer turns the management of the roads and water system over to the Association, the Developer will transfer to the Association \$5000 to begin the reserve fund.

The Developer will continue to be responsible within the time periods and in the amounts set forth below for the repairs and costs of major failures of infrastructure and community property such as roads and water systems where those failures were caused by incomplete or incorrect initial development. (For example, a road collapse or unsold plantel collapsing onto a road or failure of a bridge or retaining wall). This provision does not apply

to natural or man made disasters such as named hurricanes, extraordinarily large earthquakes, war, etc., (earthquakes of the magnitude that occur on a regular basis in this area are to be expected and do not provide an exclusion to this provision for the developer) The Developer's obligation as described above shall be according to the following schedule:

Developer responsibility for infrastructure failures:

- Year 1: 100%
- Year 2: 80%
- Year 3: 60%
- Year 4: 40%
- Year 5: 20%

Consequently after five years from the date of formation of the association, the Developer will have no further responsibility or obligation for infrastructure failures of community property, but will continue to be responsible for lots still owned by the Developer.

Association dues shall be determined annually in order to cover operating expenses and a reserve for replacement of capital items. The Association is authorized to take appropriate legal action to collect past due fees.

A reserve level shall be maintained at a level determined by the Board of Directors as sufficient to maintain and replace infrastructure over time. As a guideline, for the initial 10 years, a reserve of 10% of total collections should be set aside each year.

After management is turned over to the Association by the Developer, the Developer shall pay homeowner dues on all lots that are completed, whether or not they are offered for sale. Parcels that are unbuildable shall not pay a homeowner assessment.

9. The requirements for membership in the Corporation are defined in the Section 1 of the Bylaws. Members in good standing may exercise voting rights in the corporation.

10. Contiguous properties owned or acquired by the original Developer [i.e. Dan and Rebecca Aalfs] may be added to the Association as developed by the Developer. Developer shall pay for improvements as needed for

the expansion of the road, drainage and water system to accommodate new parcels and pay for any damage done to the existing roads during development of new properties. If Dan and Rebecca Aalfs sells or by other means transfers Cascada Sandalo, S.A. or the properties therein to another party, then a majority of 2/3 of the Members of the Corporation are required to approve the addition of new properties to the Corporation.

DATED: February 23, 2008

(Signed) Charles D. Aalfs

(Signed) Rebecca Aalfs

(Signed) [other rep]



Cascada Sandalo Property Owner's Association

Lot Owner's Handbook (October 2009)

MEMBERSHIP IN THE ASSOCIATION

Participation in the Association is mandatory. You are encouraged to be a good neighbor by participating in and supporting the goals of the Association and abiding by its rules.

Members in good standing are entitled to all the benefits of membership in the Association, including voting rights, maintenance of the roads, drainage, water system, and common grounds, use of community facilities, the ability to participate in the Internet project, etc. Failure to maintain your good standing with the Association or to abide by its rules could result in the loss of some or all of these privileges and also cause hard feelings on the part of neighbors who feel that they are unfairly shouldering too much of the burden.

The cost of Association membership is currently \$450 per year for each lot owned.

RESPONSIBILITY FOR DISCLOSURE

Property owners who intend to sell their lots are required to provide the most current copy of the homeowner documents to prospective buyers and to include a clause in the sale contract gaining agreement from the new owner that they will participate in the Association and abide by its rules.

Owners are required to inform renters and guests of the rules and to require that the renters and guests abide by the rules.

IMPROVEMENTS TO PROPERTY

Property owners making any improvements or changes to their property must abide by Cascada Sandalo Property Owner's Association covenants and regulations and Costa Rican law. Please refer to the Cascada Sandalo Design Guidelines included with this package or contact a board member if you have specific questions. All plans for improvements must be submitted to the Association's Site Review Board ("SRB") for approval at least 30 days before the planned beginning of the project. A Water Board Stamp is required from the Board, before a Permit for construction is issued by the municipality.

PROTECTIVE COVENANTS

The founders of the Cascada Sandalo Development, in their determination to protect and preserve the architectural harmony and the natural beauty of the community, created certain protective covenants and restrictions concerning the construction and alteration of buildings, the lots upon which they stand, and the activities of the residents. The covenants apply to all Cascada Sandalo residential properties and are spelled out in the Cascada Sandalo Design Guidelines included with this package.

The Cascada Sandalo Property Owner's Association ("CSPA") has the primary responsibility of enforcing the covenants. The Site Review Board ("SRB") of the CSPA, created under the covenants, rules on any external alterations which owners may wish to make on their property. The SRB considers the quality of workmanship and materials, colors, the harmony of the proposed design with surrounding structures, the location with respect to finished grade elevation, the outlook from surrounding property, and all factors which, in the opinion of the SRB, affect the desirability or suitability of the proposed alteration.

Upon receiving title to homes or lots in Cascada Sandalo (or, in the case of renters when they sign a lease), residents bind themselves to those protective covenants and restrictions that are set up by the CSPA.

All plans for new homes or buildings or significant modifications to the exterior of existing homes or buildings must be submitted to the SRB for approval. The SRB will rule on the acceptability of the proposed construction or modifications within 30 days.

In order to receive valid and legal permits for construction, a Water Board stamp must be issued by the Association. Stamps will only be given after plans have been approved. Water Stamps from other communities are not legal for construction within the development and may be protested by the Association at the municipality.

TYPES OF CONSTRUCTION - Prior approval of a conceptual design must be obtained from the SRB prior to beginning construction. Structures must be according to the Design guidelines and must not cause substantial obstruction of the view of another property owner.

More thorough and specific information as it applies to the Cascada Sandalo Property Owner's Association can be found in the Cascada Sandalo Design Guidelines section of this packet. Please check the web site for the most recent information.

FLAGS AND SIGNS – Signs should not be larger than 5 square feet and flags not larger than fifteen sq. ft.

TRASH - All trash must be placed in proper containers and disposed of in the community trash center and must be bagged in plastic bags. Loose trash, cardboard boxes, etc., are not permitted in the facility. Members who have developed lots (lots with houses or cabinas or other structures) are required to participate in the community garbage collection program.

Construction debris must be hauled away and may not be disposed of on the lots or in the wooded areas.

BURNING - Burning of plastic trash or hazardous materials is not allowed at any time. Fires containing wood, plain paper, cardboard or vegetation are permitted, but care should be taken to only burn these items at a time when the wind will carry the smoke away from your neighbors. Burning of lots is prohibited. If a central burning location for the community is provided, residents must use this designated area for burning.

LOT MAINTENANCE (CHOPPING) – Unoccupied lots must be chopped a minimum of twice per year, or more if needed, to maintain the appearance of the community. Lot owners may be offered a service to have their lots cut at cost price. Where the property meets the road, Residents are requested not to “scalp”, and to only clear a half meter from the road side. This is to prevent erosion and landslides.

COMMERCIAL ACTIVITY - With the exception of house and guesthouse rentals, no commercial activity that is open to the public or brings non-resident traffic into the development will be allowed on the property unless specifically authorized by the Board. If a resident chooses to rent, the renters are subject to the guidelines existent at that time.

Developing a property for the express purpose of renting to more than two renters, such as developing three or more living spaces (houses, guest houses, cabinas, etc.), is expressly prohibited.

VEHICLES AND MOTOR VEHICLES - All motor vehicles must be properly muffled.

PARTIES AND CELEBRATIONS - All residents and guests must respect the privacy of others. Pursuant to this end, all parties, gatherings and celebrations must be kept to a minimum after 11:00 pm.

DISTURBING NOISES - Any repetitive, loud or annoying noise, such as barking dogs, fireworks, discharging of firearms, roosters, and loud music, which can cause nuisance, are prohibited.

CONSTRUCTION – Construction is permitted from dawn to dusk Monday through Friday and from dawn until noon on Saturday. No construction activities are permitted after noon on Saturday or at any time on Sundays.

HUNTING – Hunting by residents or their employees is not allowed in any area covered by this Association or any adjacent land. It is recommended that a “no hunting” clause be added to any contract with employees and hunting should be grounds for dismissal.

COMMON GROUNDS AND ROAD MAINTENANCE

The CSPA maintains a contract with various local individuals and companies to provide for upkeep of the common grounds and roads. For the most part, this is intended to eliminate the need for special clean-ups in the development.

However, from time to time, the board may request volunteers for special projects. Maintenance of private lawns and gardens adjacent to the common roads is the responsibility of individual lot owners. Individual owners are responsible for maintaining their private property and ensuring that their property is not a community eyesore.

The annual membership fee includes repair of damage to the roads caused by normal use/wear and tear but IT DOES NOT INCLUDE REPAIRS TO THE ROADS CAUSED BY CARS, TRUCKS OR OTHER HEAVY EQUIPMENT USED DURING CONSTRUCTION. INDIVIDUAL PROPERTY OWNERS ARE RESPONSIBLE FOR THE REPAIR COSTS ASSOCIATED WITH ANY EXTRAORDINARY ROAD DAMAGE, ANY WATER SYSTEM DAMAGE, OR ANY ELECTRICAL LINE DAMAGE CAUSED DURING CONSTRUCTION BY THEM OR THEIR CONTRACTORS. The Association shall notify the property owner of the need for repairs and the evidence that the extraordinary road damage, water system or electrical line damage was caused by activities of the lot owner or their contractor(s). Lot owners expressly agree that if repairs are not completed in a reasonable period as determined by the Association based on the season, the Association can undertake the repairs and the cost of those repairs will be the responsibility of the lot owner. The lot owners also expressly agree that the Association has the right to place liens on the lot owner’s property or take other legal action to collect those costs, if necessary.

The Association may contribute funds or otherwise act cooperatively with neighboring road associations to maintain the main roads through Tres Rios and/or San Buenaventura that we must travel across to access our lots.

STORM DRAINS

Storm drains and culverts are designed to move the water away from the roads and into areas where it will not damage the roads or the environment. Be aware that all of this water eventually empties into the Terraba River and ultimately into the Pacific Ocean. Please do not dump motor oil or any other contaminant into the drains. If you see an area of the drain system that is blocked or not functioning correctly, please either clear it yourself, or notify a board member or the manager responsible for road maintenance.

WATER SYSTEM MAINTENANCE

The CSPA maintains the water system until such time as the water system is converted into a government AYA system in compliance with Costa Rican law. A maximum 1/2” pipe is provided for each lot.

LIGHTING

Common lighting in the roadways is provided by the Costa Rican electric company ICE. If you notice a burned out or faulty street light, report the problem to a board member or directly to ICE.

Lighting in the immediate proximity of the residence and buildings shall be at the discretion of the lot owner provided it is not a nuisance to the neighbors. Owners should take care that lighting is not directed toward another lot or toward the sky.

WIDLIFE

Our community is home to a wide variety of wildlife, including birds, reptiles, and insects. You will notice that several areas of common property are left in the natural state or are being reforested. That means that we do not remove brush, leaves, or other vegetation from these areas. We leave them alone for the benefit of the wildlife. Please do not dump anything, not even leaves, brush, or soil in these areas or anywhere else on common ground.

CUTTING OF TREES AND REFORESTATION

When cutting trees on your own property, care should be taken to follow Costa Rican law. Some species of trees are protected and may not be cut. Cutting of trees larger than 6" in diameter requires a permit from Costa Rican authorities. In addition, it is prohibited to clear cut entire hillsides or areas of trees greater than 50 square meters in size, including the area of any adjacent or nearby clear cut areas. Clear cut areas can lead to collapse of hillsides a few years down the road when the roots of the trees rot. Furthermore, it creates an eyesore for your neighbors.

Owners are encouraged to discuss tree cutting plans with the board and seek advice from neighbors.

The community intends, over time, to reforest common areas with native species of trees. Owners are encouraged to participate by reforesting parts of their own property with long lived native species. Contact any board member for more information on how to participate in reforestation.

STREAM AND TRAIL ACCESS

The undeveloped property within the Cascada Sandalo development is private and belongs to the Association Property Owners or to the Developer. All residents and guests may use this property for recreation at their own risk. At this time, undeveloped property is in a wilderness jungle condition that presents many dangers. Neither the Developer nor the CSPA is responsible in any way for injuries, death, or loss of property sustained by persons using these areas for recreation or any other purpose.

In the future the Association may be developing hiking trails that may go over portions of various properties. If trails are developed, all residents and their guests must abide by the rules placed in each area. Hiking trails will be kept out of sight of any residence.

Members are encouraged to grant permission to cross their properties, provided such trails are not a nuisance to the homeowners or create visual or sound problems.

The undeveloped property is not open to the public. Use of the property by uninvited non-owners constitutes trespassing, with the exception that there may be legal rights granted to the public on watercourses and historical horse and footpaths.

Leave the property in the condition in which you found it, i.e., destruction of property, trees, vegetation or habitat is not permitted, remove all trash or other articles and close any gates or fences that you opened.

DOGS, CATS AND OTHER ANIMALS

DOMESTICATED ANIMALS - No raising of domesticated animals such as cows, ducks, roosters, geese, pigs, goats, etc. will be allowed. Raising a small number of hens for personal use is permitted. Horses are permitted provided that the property is suitable, and they are not kept for commercial purposes. Horses should be fenced in, and not allowed to wander.

It is against the law to allow animals to trespass on, destroy or damage another person's property.

Pets should be controlled, so that they do not annoy others. Excessive barking or chasing after passing cars is not acceptable. Owners of vicious animals must keep them confined and not permit them to be a danger to people or other animals. Dogs must be restrained by a leash or otherwise controlled by a responsible person when off the property of the owner.

Dogs and cats over four months of age require rabies inoculation.

Care should be taken to prevent pets from coming into contact with wildlife. There are several types of wildlife here than can be harmful to pets, and likewise, unsupervised pets can attack birds and other small animals, reducing the desired biodiversity of our community.

It is not permitted to keep wild animals as pets.

DESIGN GUIDELINES

AIM

To achieve a balance between interfering with freedom of design, while maintaining harmony between site owners.

To this end, the following guidelines are restrictive only to preserve the rural atmosphere of the development, and to protect each site owner from interference with views and to ensure site preservation.

GUIDELINES

1. Buildings shall be of a consistent high quality.
2. The colors of the building and the roof, when visible to others, shall be muted and plain. Roofs should not be bright or reflective, for example white or silver.
3. There must be no alteration of lots in a manner which affects adjacent lots.
4. Plans for building or additions should be shown to the committee for approval, before construction, only to ensure that there is no obstruction to views of other lots, and that septic field and rainwater drainage will not affect roads or other lots.
5. Once the committee has reviewed and approved the plans, a water stamp will be issued.
6. Fences should be first discussed with neighboring lot owners, and should be constructed with the eventual aim of being hidden with plants. Preferably they should be around the plantel, and not surround the whole property, so as to allow corridors for movement of wildlife
7. Temporary structures should only be used during construction.
8. Lots and buildings should be kept in good condition.
9. Buildings must have appropriate building permits.
10. Buildings must have the proper set back from the road.