

## **“COLONOS DEL FRACCIONAMIENTO CHAPALA HACIENDAS A.C.”**

### **BY-LAWS**

#### **CHAPTER I**

##### **Constitution, Address & Jurisdiction**

**Article 1.** The appearing parties hereby establish a Non-profit Organization (*Asociación Civil*), subject to Mexican Laws that will be called “COLONOS DEL FRACCIONAMIENTO CHAPALA HACIENDAS,” a name that must be followed by the words “ASOCIACIÓN CIVIL” or its abbreviation “A.C.”

**Article 2.** The organization (hereinafter the “A.C.”) will have an indefinite term, its own legal capacity, and he purposes and authorities determined by these By-laws.

**Article 3.** The members of the A.C. will be all the owners of lots and houses located within the bounds and territorial limits of the Association “Colonos del Fraccionamiento Chapala Haciendas, A.C.”

**Article 4.** The legal address of the Association will be Cardenal #8, within the territory of the Association called “Colonos del Fraccionamiento Chapala Haciendas, A.C.”, Chapala Municipality, Jalisco.

#### **CHAPTER II**

##### **PURPOSE OF THE A.C.**

**Article 5.** The purpose of the Association “Colonos del Fraccionamiento Chapala Haciendas A.C.” (hereinafter referred to as “the Association”) is to:

- a) Represent the general interests of its members.
- b) Study all issues that affect the security, tranquility, well-being, development, and in general the public services (utilities) they render within their jurisdiction, by carrying out, filing and processing the necessary proceedings before the competent authorities in order to improve the quality of life of the residents, pointing out deficiencies or collaborating to optimize such services.
- c) Participate in the defense of particular interests and benefits of its members, with no other limitations than those set out by the applicable laws, and providing the services herein stated.
- d) Act as a consulting body of the State to be informed of and inform on the need of activities that contribute to the organization.
- e) Exercise the right for petition by making the necessary representations before all kinds of authorities, whether federal, state, or municipal, and to request from them, as the case might be, the issuance or amendment of laws or administrative provisions that affect the A.C. activities.

**f)** Provide those public services delegated to it either partially or totally by the city. It will carry out the works agreed upon by the Board of Directors when enough financial resources are available, or when it has the financial support of the city, by means of a specific agreement. In this case, the A.C. will be acknowledged as a decentralized municipal body.

**g)** Make proposals to the municipal government –through the appropriate means- to improve the delivery of municipal public services or to add new ones.

**h)** Whenever possible, make those services provided by the federal, state, and municipal authorities more efficient, including: security, street traffic and signaling, maintenance and cleaning, garbage collection, public street lighting, parks, gardens and street dividers, trees, and green areas.

**i)** Make proposals about urban development, territorial laws, partial development plans and uses of the ground, in accordance with the terms of authorizations initially granted by the authorities to subdivisions, the existing partial plans, or those that may exist and the agreements executed or to be executed regarding territorial laws.

**j)** Issue its opinions on the administrative measures set or applied by the city.

**k)** Carry out those actions necessary to prevent the formation of anti-social groups and look for pertinent solutions.

**l)** Implement accident prevention, theft, ecology preservation, pollution control, and environment improvement campaigns.

**m)** In the judgment of the Board of Directors, the AC may federate, confederate, associate or directly or indirectly join Unions, Federations or other groups that have the same or similar purposes, with the possibility of operating in a simultaneous or parallel manner under another name in case the authorities or private individuals create similar or alternate bodies.

**n)** Acquire real property, equipment, machinery, and items necessary to perform its activities, and hire staff.

**o)** Enter into those contracts or agreements that are necessary both for the collaboration and for subrogation of services, in order to execute all actions which are convenient for the development and fulfillment of the organization's purposes.

**p)** Carry out the remaining functions indicated to A.C. by the appropriate municipal and state authorities, as well as those derived from the A.C.'s own nature.

## **CHAPTER III MEMBERSHIP Definitions, Rights and Obligations**

**Article 6.** Only homeowners and owners of property located within the boundaries of the A.C. are eligible to become members of the A.C. The property owner must prove his/her ownership at the AC office with a copy of his/her property public deed.

**Article 7.** Any person(s) who owns property in the Fraccionamiento Chapala Haciendas A.C. who is not registered as a member may freely request to become a member, and must know the requirements and guidelines of these By-laws and its Regulations. Declining membership or stopping to be a member of the A.C. does not relieve any property owner of the obligation to pay fees, and assessments authorized by a General Assembly.

**Article 8.** The AC members are classified as Active and Non-active members, as the case may be. The AC must respect the individual rights of its active and non-active members to belong to any political party, religious association, or this association without any race, nationality, social postures, and political, ideological, cultural or religious distinction.

### **A. Active Members: definition and rights.**

**Article 9.** Definition. Active members are those individuals or corporations that are registered, individually or collectively, who meet their obligations, and are up to date on their fees.

**Article 10.** Registration of Members. The registration application form must include at least the following information:

- a) Full name of the owner.
- b) Lot and Block numbers.
- c) Description of the property.
- d) In the case of new construction or remodeling: the number of square meters to be built or remodeled.
- e) Address, phone and fax number, e-mail address and zip code of the individual owner or corporation.
- f) In case of corporate ownership, the following must be specified: number of the deed that accredits the legal existence of the corporation, names of its Board of Director's members, name of the Manager, Administrator, or legal representative. In addition to the former, a copy of the incorporation deed must be attached.

**Article 11.** Active members have the right to:

- a) Attend General Assemblies, both Regular and Extraordinary.
- b) Vote or designate in writing another voting member to act as a proxy.
- c) Each active member will have the right to only one vote, regardless of the number of properties owned in the member's name. If more than one family member attends an Assembly, they shall have the obligation to indicate which member will have the right of vote. All other family members may attend but will not have the right to vote.
- d) If another family member owns a property or properties in the A.C., then that member shall have the right to one additional vote.
- e) Only active members may be elected to the Board of Directors.
- f) Only one member of a household may sit on the Board at one time. However other household members may serve on committees.
- g) Members who work for the Municipal Offices or become candidates in an official election may not be elected to the A.C. Board of Directors.
- h) All members current in their payments have the right to receive all available services and benefits. However these members have no patrimony or vested interest in the A.C.
- i) Make any written proposals or complaints regarding issues that pertain to their own or general interests.
- j) Request the protection, help and sponsorship of the A.C. to defend their individual or community interests. The member making such a request will pay the professional fees and expenses incurred.
- k) Use those services that are necessary for their information, disclosure, defense, and general orientation, since the A.C. will be a consultation body in all matters related to the community within its jurisdiction.

## **B. Non-active Members. Definition and Rights**

**Article 12.** Non-active members are those individuals or corporations who:

- i. Are not duly registered as members with property or properties within the jurisdiction and territory of the Association.
- ii. In spite of being registered, are more than two months behind on their fees.

**Article 12 bis.** The Board of Directors may declare an active member as being non-active due to failure to obey the Law, the By-Laws or Association Regulations.

In this case, the Board must send to the member's address, one documented notice (every month that fees are to be paid) and not more than three (3) notifications. In case the member does not heed the contents of said notices, he/she will be sent a last one that they are no longer active members.

**Article 13.** Non-active members are not exempt from meeting their financial obligations towards the AC.

**Article 14.** Non-active members of the AC will have the following rights:

- a) Attend General Assemblies, whether they are Regular or Extraordinary. This includes Board of Director meetings.
- b) They will have no right to vote at the Assemblies.
- c) They will not have the right to speak unless given permission by the President.
- d) They may not be members of the Board of Directors.
- e) The A.C. has no obligation to provide services and benefits to non-active members who have no patrimony or vested interest in the A.C.
- f) Use those services that are necessary for their information, disclosure, defense, and general orientation, since the A.C. will be a consultation body in all matters related to the community within its jurisdiction.

**Article 15.** Active and Non-Active Membership obligations are:

- a) To be current with all cuotas, fees, and assessments approved by the Assemblies, and to abide by the A.C. By-laws and policies. Property owners and/or members who are more than ninety (90) days delinquent in payment of cuotas are subject to loss of A.C. rights.
- b) At Assemblies, members must conduct themselves so as not to be disrupting to the meeting proceedings, otherwise they can be asked to leave the meeting. If any member is asked to leave a Regular or Special Assembly due to disruptive behavior, and should they reoffend, they may be banned from attending future Assemblies. This is a Board of Directors decision.
- c) Show respect of all public areas within the A.C. by not littering and/or defacing public areas and property in any way.
- d) Keep the sidewalk and curbs adjacent to their property neat and tidy.

e) Maintain all vacant lots they own so that they are clear of debris, bushes, shrubs, and fallen branches.

## **CHAPTER IV HOMEOWNERS FEES, COMMON EXPENSES AND BUDGET**

**Article 16.** The administrative year will be the same as the calendar year.

**Article 17.** The Annual General Assembly will annually approve an income and expenditure budget that must be approved under the terms and conditions resolved by the Assembly, in accordance with the characteristics of each property located within the jurisdiction of the A.C., as per the following classification:

- a) Dry lot - No improvements, plantings, and no use of water
- b) Improved lot — Paved areas, lawns or gardens, water usage, and uninhabitable structure.
- c) House lot — Any structure which has received a construction license for a house from the City of Chapala.

**Article 18.** Fees determined by the Assembly, as well as contributions for the reserve fund must be paid in Mexican currency or its equivalent in any other currency.

**Article 19.** Fees are to be paid within the first fifteen (15) days of the month, on business days and hours, at the administrative office.

**Article 20.** In case of arrears of the above fees, the members, property owners or their beneficiaries will pay an interest at the legal rate. Collection may be made judicially, as applicable, which will originate payment of expenses, legal expenses and professional fees to be paid by the delinquent party.

**Article 21.** Cooperation Fees. Fees approved by a Regular or Extraordinary Assembly, or by the Board of Directors for special contributions or donations which may be in cash or kind.

**Article 22.** To be entitled to any of the services (e.g. delivery of water & garbage pick-up) provided by the Association, active and non-active members within the A.C. have the obligation to pay for them, in accordance with the fees determined by Regular or Extraordinary Assemblies.

**Article 23.** The Board of Directors may only adjust fees of a homeowner under specific conditions:

- a) In the event that the house has been vacant for a year or more and has not been using water, garbage pick-up or other services provided by the fraccionamiento, the house may be assessed as an improved lot until the house becomes occupied.
- b) In the case of long term morosos (more than 3 years in arrears of cuotas) the BOD may write a legal agreement with the morosos for partial payment of all years past the 3 years.

To approve an adjustment, a majority of the Board members must be in agreement.

**Article 24.** A statement of account clearly stating the amount and origin of the debt, issued by the Administrator of the Association will be executable, with the approval of the Board of Directors, so that civil executive action and corresponding attachment of property is made to the delinquent members and/or property owners.

**Article 25.** When the Assembly or the Board of Directors decides to carry out voluntary improvement or equipment works for the fraccionamiento, during the same act, the terms and conditions to cover such expense must be determined. Said works must be authorized by a majority of votes.

**Article 26.** In case of special expenses or that inflation exhausts the budget, the AC will resort to the reserve fund, which must be replenished when the next Annual Assembly is called, or else, an Assembly can be called to approve a special assessment to cover the administration and maintenance expenses that were not covered during the fiscal year. Its purpose is to cover for emergency or unforeseen expenses that are justified, which allows the Administration or the Board of Directors to provide the AC services and maintenance.

**Article 27.** An effort will be made to keep all funds handled permanently in investment accounts with the highest yield, in the opinion of the Board of Directors.

## **CHAPTER V RESERVE FUND**

**Article 28.** A reserve fund in the minimum amount of five hundred thousand (\$500,000) pesos will be maintained in an interest bearing account to be used only for unanticipated or unforeseen financial circumstances, such as natural disasters, an earthquake causing damage to the fraccionamiento infrastructure and/or equipment, such as the water delivery system.

**Article 29.** Every year, the Board of Directors will review this amount and will make the necessary adjustments due to inflation or other reasons. It is understood that under certain circumstances it would be required that these funds be complemented by federal, state or municipal funds and/or by special assessments paid by the AC members.

## **CHAPTER VI ADMINISTRATION OF THE A.C.**

**Article 30.** The following are the control, direction and administration bodies of the A.C.:

- a) The Annual General and Extraordinary Assemblies
- b) The Board of Directors
- c) The President of the Board of Directors
- d) The Administrator
- e) The Committees

**Article 31.** The following are study, consultation, information bodies which will also manage those issues that the Assembly must be informed of, or that the Board of Directors must be informed of, deal with and resolve:

- a) Special Committees appointed by the Board of Directors
- b) Board of Directors advisors on any subject.

## **CHAPTER VII ASSEMBLIES**

**Article 32.** The Assembly is the supreme body of the Association. Its legally adopted decisions will be binding for all active and non-active members, including those absent or dissident. It will be made up by the active members or their agents who personally prove to be so with the pertaining document and who attend the Assembly. Each member will have the right to participate in the Assembly and to vote on issues, on the percentage corresponding to him/her based on his/property. In case a non-active member wants to participate and speak he/she must request such a right to the Chairperson of the Assembly.

**Article 33.** Assemblies are Annual and Extraordinary.

**Article 34.** Annual Assemblies will be held during the first quarter, and will deal with issues that include, among others:

- I. General report on the Association, services and financial position.
  - a) The Board of Directors activities during the year, and approve its report, as applicable.
  - b) Treasurer report.
  - c) Administrator report (optional).
- II. Elect members to the Board of Directors.
- III. Appoint Members of the Governance Committee
- IV. Accept Resignations of Board members
- V. Approval of the annual income and expenditure budget
- VI. Discuss and resolve issues presented by the Board of Directors, the committees or special committees.
- VII. Active members who wish to present a plan or discuss an issue to the General Assembly, should request permission and provide the topic to be discussed in writing to the Board of Directors, one (1) week prior to the General Assembly. The President may give permission for an active member to present directly at the General Assembly any plan, issue or discussion item, at the specific point of the Assembly's agenda.

**Article 35.** Extraordinary Assemblies may be held whenever necessary and in the cases foreseen by the Law or these By-laws. Extraordinary Assemblies will deal, among others, with the following issues:

- I. Amendment of the A.C. By-laws.



- II. Voluntary or improvement works.
- III. Fill vacant positions on the Board of Directors and on the Governance Committee.
- IV. Agree on the dissolution or modification of the Association, if applicable.
- V. Incorporate new areas to its jurisdiction or separate them.
- VI. Request a jurisdictional authority to sell the rights of a member or property owner.
- VII. All other decisions to be made by the members gathered in the Assembly, especially those issues deemed of an extraordinary nature regarding community living.

**Article 36.** All decisions made by the Assemblies will be executed by the Board of Directors.

**Article 37.** A representative of the Municipal authorities may be invited to attend the Assemblies, and for that, said authorities should be invited at least two weeks prior to the Assembly. Omission of said invitation or absence of the invited authority will not affect the resolutions made by the Assembly.

**Article 38.** Extraordinary General Assemblies will be called by:

- 1. The Board of Directors.
- 2. The President of the Board of Directors.
- 3. Upon request of thirty percent (30%) of the active members.
- 4. Members of the Governance Committee
- 5. The Administrator
- 6. Upon request of any active member when an Assembly has not been held in over a year.

**Article 39.** The Annual Assembly will be legally convened on first call when the majority (50% plus one vote) of the active members are present. In case there is no quorum on the first call, a second call will be made fifteen (15) minutes later, counted as of the time of having declared the non-existence of a quorum, and then the Assembly will convene with whatever number of members present. Decisions made by the Assembly will be valid and obligatory for everyone, including the absentees and dissidents.

**Article 40.** The Extraordinary General Assemblies will be called in the same way as the Annual General Assemblies and may be held with the number of attending members to deal with and resolve the specific issues for which they were called, according to the agenda, but only the agreements approved by the majority of the members present will be valid.

**Article 41.** The Assemblies will be chaired by the President of the Board of Directors. The President will appoint the Secretary for the Assembly. If the President is not available to Chair the meeting it will be chaired by whoever the Assembly decides. The Chair of the Assembly will appoint two scrutinizers from among the attendants, who will certify the percentage of the members present, sign the attendance list and count ballots. Minutes of the General Assemblies will be recorded and must be signed by the Chairman and Secretary.

**Article 42.** The notice for any Assembly will be signed by the person calling it. Assemblies must always be held in the Chapala Municipality, always looking for the greatest comfort and easy access for the AC

members; preferably within the territorial jurisdiction of the Association. The notice must include the day and time of the Assembly, the type of Assembly (Annual or Extraordinary), place and the agenda.

**Article 43.** The notice to the Assembly must be issued at least fifteen (15) calendar days before the scheduled date.

**Article 44.** The notice will be posted in advance in visible places within the Association territory and it will be published by the means considered convenient by the Board of Directors. For example: publication in a major newspaper of Guadalajara, and in a local (Chapala) newspaper, at least two weeks prior to the date of the Assembly.

**Article 45.** Any issue dealt with at the Assembly which is not included in the agenda published in the notice, will have no legal force at all, unless that 100% of the members' rights are represented.

**Article 46.** Active members may be represented by a simple proxy signed by two witnesses, and the proxy must be added to the attendance list. Any representation to participate and vote at Assemblies will be understood as a power of attorney in accordance with the State civil legislation.

**Article 47.** In case the Assembly is not able to deal with all items in the agenda on the date set in the notice, the Assembly may be continued, without having to issue a new notice, on the day and time agreed by the majority of the attending members to conclude the remaining issues of the agenda.

**Article 48.** The President of the Board of Directors has the power to prevent access to the Assemblies to those people who are not duly registered members.

**Article 49.** To attend the Association Assemblies, the members must have previously registered their property title at the office, so that the President of the Board of Directors and the Administrator acknowledge them and allow them access to the Assemblies. Consequently, in case of doubt the former will legitimate the member's rights.

**Article 50.** Voting will be by secret ballot for all elected positions, for fees and budgets, and those items so deemed by the Board of Directors. All other votes will be by hand or acclamation.

**Article 51.** Decisions at the Assemblies will be made by a majority of votes, and each active member will have the right to one vote only, even if they own more than one property. In the case of a tie, the President will have the deciding vote.

**Article 52.** Neither the Assemblies, nor the Board of Directors' meetings will deal with religious or political issues.

**Article 53.** The Assembly minutes will be recorded in the pertaining book.

## **CHAPTER VIII THE BOARD OF DIRECTORS**

**Article 54.** The Board will be made up by three (3) executive members and four (4) members-at - large owners of property within the jurisdiction of the A.C., who must be up to date on their obligations, and who will be elected at an Assembly. They will have the positions of: President, Secretary, Treasurer, and four members-at-large.

**Article 55.** The positions of the Board of Directors are honorary and non transferable.

**Article 56.** Board members, and members at large will serve for two (2) years. The period will be counted from the day of the election at an Assembly. They may be reelected for equal terms if the Assembly so decides.

**Article 57.** In the event that an Executive Member can no longer serve on the Board of Directors due to death, separation or dismissal, then an alternate will be selected from the remaining BOD members to carry out the responsibilities of the that Executive position until these positions are filled by election at the next Annual or Extraordinary Assembly.

**Article 58.** The Board of Directors will meet at least once every second month, and the meeting will be called by the President.

**Article 59.** During the BOD meetings, the quorum will be established when the majority of its members are present as long as the Board has a minimum of 3 directors. If a quorum is not present at a meeting, no motions can be passed at that meeting.

**Article 60.** All agreements made by the Board of Directors or Assemblies will be made by majority of votes of the members present, and in case of a tie the President will have the deciding vote.

**Article 61.** The Board of Directors' period of service will be deemed concluded at the completion of their two (2) year term or when there is a cause of separation or dismissal.

### **A. Causes of separation:**

- I. No longer owning property within the perimeter of the A.C.
- II. No longer being an active member.
- III. Being appointed as Municipal, State, or Federal officer for a political party.
- IV. Found guilty of acts against the law or morals.
- V. Resigning in any manner to the Board of Directors.

## B. Causes of dismissal:

- I. Absence from three (3) consecutive Board of Directors meetings for an unexcused reason.
- II. Failure, because of inexcusable causes or negligence, to carry out the tasks given by the President or the General Assembly.
- III. To obtain funds or to request contributions from a resident, claiming to have been authorized to do so by the A.C. when such a claim is untrue.
- IV. Influence peddling with municipal, state, or federal agencies posing as a Board member, for personal or professional benefit that is foreign to the interests of the A.C. membership.

The causes for separation or destitution will be determined specifically by the Board of Directors.

**Article 62.** The following are the powers and obligations of the Board of Directors:

I. The Board of Directors will have the legal representation of the Association in regards to all common interests, and for this purpose will have the powers of a Judicial General Agent, with Power of Attorney for administration purposes, under the terms of paragraphs one, two and three of Article 2207 of the Federal Civil Code, and joint Power of Attorney for acts of Ownership over personal property or similar, in regards to paragraphs one and two of Article 2554 of the Federal Civil Code and related articles of the other States of Mexico. Additionally, the Board will have the following authorities which do not limit but explain the conferred powers:

a) **POWER OF ATTORNEY FOR DISPUTES AND COLLECTIONS.** To represent the AC with all those general powers that according to the law require a special power of attorney or a special clause. In a declaratory but not limited manner, these are: 1. Exercise all kinds of rights and actions, including constitutional protection proceedings (*juicio de amparo*) before any federal, state or municipal authority, whether of voluntary, mixed or contentious jurisdiction, and either these are civil, administrative, judicial, criminal or labor authorities. 2. File and reply to suits, even the “juicio de amparo”, which may be filed as many times as deemed convenient; enter pleas, make counterclaims, subject to any jurisdiction; object to magistrates, judges and other persons that may be legally disqualified. 3. Abandon even the writ of amparo; to settle, agree to arbitration, make and answer interrogatories; transfer assets, receive payments, acquire through auctions by bidding on the assets subject to trial. 4. Produce all kinds of evidence. 5. Acknowledge signatures and documents, object to them and challenge them as false; attend to meetings, judicial or out of court proceedings, bid, and obtain for the A.C. all kinds of assets and to subrogate rights in any way. 6. Make accusations, claims, criminal complaints and become a party in criminal cases or as an assistant of the Public Prosecutor (*Ministerio Público*), grant pardon when applicable, and to claim restitutions or indemnity for damages; make transactions and as many proceedings as necessary to defend the interests of the Association. 7. **LABOR MATTERS:** Make motions, filings of any kind before labor authorities, Conciliation and Arbitration Boards, whether local or federal, and represent the Association as the employer in everything related to the Federal Labor Law in hearings and conciliation appointments to make

agreements, perform before unions in regards to group or individual employment contracts; deal with workers personally and for all purposes of individual conflicts; in general, in all employer-employee issues and before any labor and social service authorities referred to by article 523 of the Federal Labor Law. Represent the employer for the purposes of articles 11, 46, and 47, as well as the legal representation of the Association to prove the legal capacity in trials or not, under the terms of article 692, sections II and III; attend and produce confessional evidence, as per articles 787 and 788 of the Federal Labor Law; power to make and answer interrogatories and introduce evidence at all stages of the trial; indicate conventional legal addresses to hear and receive notices under the terms of articles 876; attend, as the Legal Agent, the hearings referred to by article 873 –conciliation, demand, defense, and offering and admission of evidence stages- under the terms of article 883 and 884 of the Federal Labor Law. Make conciliation arrangements, transactions, make all kinds of decisions, negotiate and execute labor agreements. Likewise, be the Association’s Legal Agent in all kinds of trials or labor proceedings before any authority. Enter into labor agreements, cancel or rescind them. **LIMITATION TO THE JUDICIAL POWER FOR DISPUTES AND COLLECTIONS:** On the grounds of article 2,207, second paragraph, of the Jalisco Civil Code, the powers inherent to Judicial Powers of Attorney will be exercised by the legal agents only if they are Attorneys. In case the Legal Agents are not, they must be necessarily advised by a law professional, who must act and sign jointly with the Agent(s) in all judicial proceedings.

b) **POWER OF ATTORNEY FOR ACTS OF ADMINISTRATION.** The broadest powers to MANAGE THE ASSOCIATION ASSETS AND BUSINESSES, according to provisions of the following articles: (i) 2,207, third paragraph of the Jalisco Civil Code. (ii) 2,554, second paragraph, of the Federal Civil Code. (iii) Related articles of all Mexican Civil Codes. THE REPRESENTATION POWERS FOR ACTS OF ADMINISTRATION ARE, in a declaratory but not limiting manner: 1. Execute all kinds of contracts, including lease, construction work, individual or labor agreements, demanded by the exercise of the broadest administrative faculties. 2. Make and receive payments, issue receipts and settlements, and sign all documents and instruments certifying all their actions, with the articles, terms, prices and other conditions deemed convenient. 3. Carry out all physical and legal actions tending to preserve and increase the A.C. assets. 4. Seek all kinds of federal, state or municipal authorities, state-owned companies or de-centralized bodies and sign all types of documents; make all kinds of proceedings, petitions, applications, obtain permits and in general, do everything necessary to achieve the Association purpose. 5. Carry out all physical and legal actions so that the Association can participate in tenders, contests, and related activities, called by federal, state and municipal authorities or by state-owned companies or de-centralized bodies and Mexican or foreign individuals and corporations. 6. **LABOR MATTERS:** Represent the Association with all management faculties and participate in the execution of individual or group work agreements; before unions in regards to group or individual employment contracts to execute or renew them; in group and individual conflicts and in all employer-employee issues, and before any labor and social service authorities referred to by article 523 of the Federal Labor Law, the INFONAVIT, IMSS, SAR and FONACOT; appear before all kinds of labor authorities and perform all legal actions that directly or indirectly relate to labor matters and that were necessary or convenient to carry out the purpose of the Association, as per provisions of articles 692, 786, 870 and other related and applicable of the Federal Labor Law. 7. **FISCAL MATTERS:** Power to represent the A.C. before the SAT (Fiscal Administration Service) – Department of Treasury and Public Credit, the Jalisco Department of Finance, fiscal authorities in anywhere in Mexico, and any other federal, state or municipal authority or de-centralized body to: (i) Register the Association with the Taxpayers Federal Registry; (ii) obtain the

electronic signature; (iii) sign any documents (including, but not limited to: regular tax filings, additional monthly, annual special filings, tax returns, clarifications, etc.); (iv) carry out administrative proceedings, including any contentious issues; (v) receive any documents related to the Association; (vi) carry out all physical and legal actions necessary and in agreement with the Association purposes. The referred administrative proceedings include, but are not limited to: signing, filing, continue proceedings through their conclusion re all kinds of requests, filings, evidence and notices, as well as receiving all kinds of notices and documents.

c) **POWER OF ATTORNEY FOR ACTS OF OWNERSHIP.** The broadest powers over the assets and rights of the Association. The powers granted in regards to transactions involving the disposition of assets include but are not limited to: 1. Dispose of, sell, vest in trust, mortgage, give as security or encumber the assets and rights of the Association. 2. Encumber and bind the Association assets in any manner allowed by the law. 3. Enter into mutual interest contracts and mortgage security, mortgage, industrial, and capital investment loan contracts; transfer assets, real and personal rights. 4. Exchange, donate or dispose of the association rights in any way by signing all necessary documents.

d) **POWER TO GIVE AND CANCEL POWERS OF ATTORNEY,** either General or Special to any individual or corporation, either Mexican or foreign, within Mexican territory or abroad; as well as give powers so that the agents in turn give powers including the faculty to substitute the power of attorney or not.

e) **CREDIT INSTRUMENTS.** To represent the A.C. under the terms of articles 9 and 85 of the General Law of Negotiable Instruments and Credit Operations. These powers include, but are not limited to: 1. Open and close bank accounts. 2. Give all kinds of bonds. 3. Give and sign credit instruments on behalf of the Association, either by issuing, drafting, endorsing, guaranteeing, accepting to collect an amount, and to negotiate with all kinds of credit instruments.

f) **BANK OPERATIONS.** Open and close bank accounts on behalf of the Association, sign on them and make transfers in banks and investment accounts with faculty to appoint and authorize persons to draw from them.

**II.** To execute the agreements made by the Board of Directors and the General Assemblies.

**III.** Watch that the Administrator complies with all his duties and request him to make reports and accounting of his managing whenever deemed necessary.

**IV.** Meet at least once every second month to receive news from the Administrator, who may communicate verbally or in writing regarding the status and business of the A.C., verifying the accounting statements and book recording along with the Treasurer. Likewise, the Board of Directors will resolve the members' requests or dictate administrative standards which are not foreseen in these By-laws, which tend to optimize the administration and will resolve on issues which proceeding must not be resolved by the Assembly.

**V.** Verify the investment of maintenance, administration, investment and reserve funds.

- VI.** Assist the Administration in regards to the enforcement of the members' obligations.
- VII.** To present to the Regular Assembly a report of activities and the status of the A.C. business, as well as its financial position during the first quarter of the year.
- VIII.** To authorize the execution of any contract or agreement that implies the occupation and use of assets and services of the A.C. with any third or foreign party. In case these contracts are made in opposition to provisions herein, they will be null by operation of law.
- IX.** In a cautionary manner and based on urgency, resolve on those issues presented by the Administrator which require the agreement of the Regular Assembly.
- X.** Be informed of and resolve on violations to these By-laws and other provisions issued by the administration bodies, and impose the pertaining sanctions when applicable.
- XI.** Name the necessary committees and appoint its members. Committees will only operate in the capacity of assistance, advisory and information bodies.
- XII.** At no time shall any of the Board members perform the specific duties of the Administrator, except when there is no Administrator.
- XIII.** To appoint and remove employees and legal agents of the A.C. and set their salaries, duties, and work conditions.
- XIV.** To maintain a record of the members.
- XV.** To present an annual balance and revenue and expense statement at the end of each fiscal year, and to subject such statements to the approval of the General Assembly.
- XVI.** To present the proposed annual budget to the Assembly, and gain approval of said budget.
- XVII.** Allow the representative of municipal, state or federal authorities to have access in order to check the services rendered to the members.
- XVIII.** Study the problems of its jurisdiction and propose to the federal, state, and municipal authorities those measures deemed convenient to improve public services and the quality of life of its members.

**Article 63. OTHER POWERS.** In general, the Board will have the remaining faculties expressly determined by the law and these By-laws, as applicable; these powers are given and they will be authorized to sign all kinds of public and private documents necessary for the right operation of the Association.

## **CHAPTER IX BOARD OF DIRECTORS POSITIONS**

### **A. The President**

**Article 64.** The President of the Board of Directors will have the following powers:

- a)** General Judicial Power of Attorney to administrate the assets of the A.C. under the terms of articles 2205, 2206, 2207 and related articles of the Jalisco Civil Code, so that as the Legal Agent, he may represent the Association in all business of voluntary, mixed and contentious jurisdiction, from beginning to end. Also, to represent the A.C. in the administration of its assets; s/he may delegate this power to third parties.
- b)** Represent the A.C. at official events where the A.C. participates, or delegate such representation to a Board Member or a person deemed convenient.
- c)** Make sure the agreements made by the General Assembly and the Board of Directors are complied with.
- d)** Call Board meetings or General Assemblies whenever he/she deems it convenient or necessary, or when established by these By-laws.
- e)** Take all actions necessary and related to the good administration of the A.C. and the performance of its purposes.

**Article 65.** The President, with the Treasurer's approval, is authorized to approve expenditures of up to twenty-five thousand (\$25,000) pesos without requiring the approval of the Board of Directors.

**Article 66.** The President has the right to attend committee meetings.

**Article 67.** The President can allow attendance of non-residents, to attend the A.C. Assemblies.

### **B. The Secretary**

**Article 68.** The responsibilities of the Secretary are, but not limited to, the following:

- a)** Attend the General Assemblies and Board of Directors meetings.
- b)** Draft the minutes of Board meetings; and write down the agreements made.
- c)** Dispatch the A.C. business, and inform the President of new issues so the pertaining agreements are made.



d) Maintain the correspondence (mail) of the A.C. and Board of Directors.

### **C. The Treasurer**

**Article 69.** The responsibilities of the Treasurer are, but not limited to, those below:

- a) To supervise the A.C. finances: cash flow, funds, inventory and assets control. His/her signature will be recorded in the banks to dispose of funds and to verify major expenses of the A.C.
- b) To authorize, along with the Board of Directors, the A.C. expenses which are greater than twenty-five thousand and one (\$ 25,001) pesos.
- c) Approve the President of the Board A.C. expenses smaller than twenty-five thousand and one (\$ 25,001) pesos.
- d) Provide an A.C. revenue and expense report to the Board of Directors every month.
- e) Ensure that accounting is kept properly, that taxes are paid on time, and that the laws in effect are complied with.
- f) Provide the annual Balance and Revenue and Expense statements that are presented to the Annual General Assembly for discussion and approval.
- g) Ensure availability to the Board of Directors of the proposed budget for the upcoming year at least four (4) weeks prior to the Annual General Assembly.

### **D. The Members at Large**

**Article 70.** The role of the Members At Large is to attend Board of Directors meetings, participate in discussions and vote on any motions made at the meetings. Their absence will have no consequence on the decisions made.

## **CHAPTER X THE ADMINISTRATOR**

**Article 71.** If the President of the Board of Directors deems it necessary, he/she can appoint an Administrator or someone in charge, who may be a member of the A.C. or not, and may be removed by the President with approval of the Board.

**Article 72.** The Administrator must be hired through a work agreement which will stipulate the hours, days, salary, specific period of time, and other benefits as per the Federal Labor Law.

**Article 73.** In the event it is urgent to appoint an Administrator, he/she can be named by the majority of the Board members and later on confirmed by the President.

**Article 74.** The Administrator will be supervised directly by the Board.

**Article 75.** The salaries and benefits of the Administrator will be set by the Board of Directors, based on the income and expenditure budget approved by the Assembly.

**Article 76.** The Administrator will be responsible for executing all agreements made at Board meetings, except when a special delegate is appointed.

**Article 77.** The Administrator will be empowered to give orders to the staff under his supervision for the benefit of the A.C.

**Article 78.** The Administrator will timely collect the fees [*cuotas*] and other monies owed to the A.C. and issue the pertaining receipts. He will also handle, distribute and apply said funds as expressly stated by the Assemblies, the Board of Directors or these By-laws.

**Article 79.** The Administrator will keep the administrative structure with a copy of the accounting registration of the Association, and will keep record of all real estate transactions within the A.C. jurisdiction, as well as a record of all owners and/or residents of properties.

**Article 80.** The Administrator will have the following duties and obligations and such additional duties and obligations as assigned by the President or the Board of Directors.

- a) Keep the accounting of maintenance and administration expenses.
- b) Make sure that all monthly invoices and utilities (electricity and phone, for example) are paid on time.
- c) Keep books and documentation that support expenses made, which must be continually updated and no more than 15 workdays behind.
- d) Provide all necessary information and documentation to the Accountant, as requested by him.
- e) Keep the Association books, which will be at least three: (i) Assembly minutes book; (ii) Board of Directors meetings minutes book; (iii) Association income and expenditure book.
- f) Make and keep an updated list of all delinquent owners of property within the territory of the Association, and also when requested by the Board of Directors.
- g) Keep and have updated all National Water Commission (CAN) information pertaining to the annual PRODDER program, in order to get a reimbursement for the Association.

h) Collect and request payment of owners' fees within the territory of the Association and issue the pertaining receipts.

**CHAPTER XI**  
**COMMITTEES**  
**A. Governance Committee**

**Article 79.** Members of the Governance Committee are ex-officios of the Board of Directors and are appointed at the Annual General or Extraordinary Assembly. The appointment will be effected by a nomination followed by a seconder and a majority vote by a show of hands.

**Article 80.** The Governance Committee members must be active members and reside for 6 months or more per year in the A.C.

**Article 81.** The Governance Committee will consist of a minimum of 2 and a maximum of 3 active members.

**Article 82.** Members of the Governance Committee may attend Board of Director meetings if they so desire but will have no vote.

**Article 83.** Members of the Governance Committee will receive approved monthly Board of Directors minutes and approved monthly financial statements.

**Article 84.** The Governance Committee may provide a report at the Annual General Assembly. The report should consist of their activities to meet their obligations as listed below and observations that the Committee deems necessary to inform the members of the Assembly regarding the operation of the fraccionamiento since the last Annual General Assembly.

**Article 85.** The obligations of the Governance Committee are to:

- a.) Exercise vigilance on behalf of the membership to ensure that the actions taken or refrained from by the Board of Directors are within the scope of the Board's authority under the By-laws.
- b.) Periodically consult with legal counsel to verify that the A.C. books, documents, and files are being kept in compliance with the By-laws, and applicable state and municipal regulations. For these purposes the Governance Committee shall use the fraccionamiento's then-current legal counsel.
- c.) May perform informal audits of cash taken in and cash deposited as deemed necessary.
- d.) Oversee an external audit when it is performed.

**Article 86.** In the event that there is unanimous agreement among the members of the Governance Committee that the Board is not acting within the scope of its authority under the By-laws, or the committee has been advised by legal counsel that A.C. books, documents or files are not being kept in accordance with the By-laws and applicable state or municipal regulations, it shall so inform the Board of Directors, in writing, specifying the exact nature of the action(s)/inaction(s) to which the Governance Committee objects. The Board shall then be obligated to address the deficiencies cited by the Governance Committee, by either correcting the same or obtaining the written opinion of legal counsel concluding that the Governance Committee is incorrect in its assertion(s).

**Article 87.** Call a special meeting of the Board of Directors or an Extraordinary Assembly should circumstances require such action.

### **B. Special Committees**

**Article 88.** To support the better operation of the Board and the Administration of the A.C., the Board of Directors will authorize or create temporary or permanent special committees to advise, inform, collaborate with and assist the Board.

**Article 89.** All issues of the A.C. requiring special study and analysis for resolution, or which cannot be resolved by the Board, will be delegated to Special Committees.

**Article 90.** The committees' decisions will only be to support the Association Administration bodies, but will never have the power of decision which these By-laws grant only to the Board and the Administrator.

**Article 91.** Ideally Committees will consist of at least three persons who are members of the A.C., and could include members of the Board of Directors. Committee members will be freely appointed by, and may be removed by the Board of Directors or General Assembly. Each committee will submit regular reports on their activities to the Board of Directors at least once every quarter.

**Article 92.** The Board of Directors may disband a committee when that committee has achieved its stated purpose.

**Article 93.** The President of the A.C. may attend committee meetings, and have the deciding vote on any issue, in the event of a tie vote.

## **CHAPTER XII WATER POLICY**

**Article 94.** Chapala Haciendas A.C. will deliver water to all its residents and members within its jurisdiction in an efficacious manner consistent with conserving this valuable resource. The charge for delivery of the allocated amount of water will either be included in the regular monthly fee (cuota) or be a fee separate from the regular monthly fee. A water fee separated from the monthly fee will be

approved at a Board of Directors meeting first and then at an Assembly and will regulated with the SIMAPA fees.

The fee will reflect:

- a) Extraction fees charged by Comisión Nacional del Agua (CNA), and paid quarterly by the A.C.
- b) Electricity cost for the pump and variator used to extract the water from the well.
- c) Maintenance of the pump, variator, chlorinator, and pipeline system that delivers the water to each residence.
- d) Salaries of administrative and maintenance workers employed by the A.C.
- e) Periodic water testing to ensure water quality.

**Article 95.** The Association has the obligation to provide this service only and exclusively to all members who are up to date on their fees, but not to the delinquents.

**Article 96.** When the Association has the concession for the water supply service, it will be paid by the A.C., who in turn shall make the pertaining payment to the corresponding authority.

**Article 97.** In case of a conflict regarding water supply between the Association and a member, it will be resolved by the committee appointed for that purpose and in case there is no such committee, it will be solved by the Board of Directors. When there is a conflict between the Board and the member(s), the issue must be consulted with the A.C. legal advisors, who in turn will discuss it with the pertaining authority.

**Article 98.** All water delivery system components (pipes, valves, meters, etc.) are property of the Fraccionamiento. Tampering with, or destroying the water meter or inlet valve at any residence, for any reason, is a crime and will be prosecuted as such.

**Article 99.** A resident's failure to pay the monthly cuota established by the General Assembly two consecutive times, will result in a reduction in the amount of water delivered to said delinquent member through the Fraccionamiento's water pipeline system. In such a case, water will be made available at a community tap located adjacent to the office.

**Article 100.** Once a year the Board of Directors will address the costs associated with water delivery, and make adjustments to the monthly cuota as necessary.

## CHAPTER XIII GENERAL PROVISIONS

**Article 101.** In the case of discrepancy on the interpretation of these By-laws or matters not foreseen by them, the Board of Directors will resolve them and may be advised by its legal advisors.

**Article 102.** The Association will have a set of Rules and Regulations that shall rule the environmental protection and construction within its jurisdiction, same that is a part of these By-laws.

**Article 103.** The Board of Directors has the power to issue the pertaining regulations to solve all those issues, controversies or conflicts not foreseen by these By-laws.

**Article 104.** The A.C. representatives, the members of the Board of Directors, of the Regular and Special Committees, and the employees that directly depend on the A.C. will be forbidden to intervene in religious or political issues using the name of the A.C.

**Article 105.** These By-laws may only be amended by resolution of the corresponding Assembly where an approved quorum of the active A.C. members are present or represented. The projects to amend these By-laws must first be approved by the Board of Directors, and then they must be sent to all active members at least two weeks prior to the Assembly.

**Article 106.** The A.C. shall provide legal assistance for members of the Board of Directors, covering them against suits brought against them individually, or as a body, for good faith actions taken on behalf of the Association in discharging their responsibilities as Board Members, only during the time they are serving on the Board.

**Article 107.** In case of judicial interpretation, litigation or execution of these By-laws, the members expressly subject themselves to the competence of the courts of the Second Judicial District of the State of Jalisco seated in Chapala, and hereby expressly waive any other jurisdiction that may correspond to them for any circumstance.

## CHAPTER XIV DISSOLUTION AND LIQUIDATION OF THE A.C.

**Article 108.** The non-profit organization called "Colonos del Fraccionamiento Chapala Haciendas, A.C." will dissolve when:

- a) It has less than twenty (20) members.
- b) There are insufficient funds to maintain it.
- c) 75% off the members decide and approve it.

**Article 109.** The agreement to dissolve the A.C. must be made by a Special General Assembly called specifically for that purpose. Once the dissolution is agreed, the A.C. will notify the City of Chapala, Jalisco and the federations to which it belongs stating the reasons for said decision.

**Article 110.** During the same Special General Assembly in which the dissolution decision was made, the A.C. will be put in a state of liquidation. For this, the Special General Meeting will appoint one or more liquidators that will proceed to its liquidation according to the guidelines set by the same Special General Assembly.

**Article 111.** The state of liquidation of the A.C. and its General Balance will be published in the Municipal Gazette, in one of the main newspapers of Guadalajara, and one local newspaper.

**Article 112.** In case there is a remnant after liquidation of the A.C., it will be donated to the City of Chapala, to be used in social service works.

### **TRANSITORY ARTICLES**

**ONE.** These By-laws will be submitted to the Municipal authority for official acknowledgement, with the purpose of them becoming legal provisions of a public and administrative nature within the limits of the A.C. jurisdiction. Consequently, for everything not foreseen on administrative matters and public laws, the municipal, state and federal laws and regulations will be applicable.

**TWO.** The Environmental and Construction Regulations of the A.C. are part of these By-laws, to be approved by the municipal authority under the terms of previous Transitory Article One.