

**Exhibit 1**

**(Operating Agreement)**

**March 2017**

**Rules and Regulations**

**Resort Property Nuevo Vallarta LLC**

**Paseo de los Cocoteros 41, Nuevo Vallarta, Nayarit, Mexico**

1. **Vehicles owned by the Landlord** (directly or indirectly) shall be for exclusive use of the Owners/Tenants. Vehicles cannot be used by non-Owners. Any damage to vehicles will be paid by the Owner/Tenant/ or guest immediately upon evaluation of direct and indirect costs prior to departure from the Property, if less than US\$500. Related costs will include the direct cost of repair (not covered by insurance deductible) and will include sundry costs, **including the cost to rent a replacement vehicle (if required for the term of the repair or replacement of the vehicle)**, and other costs related to the repair. **All drivers must sign a Hold Harmless agreement prior to driving the vehicles.** It is the responsibility of the Owner to pay all costs immediately when billed for any repairs, whether the damage was done by the Owner, the guests of the owner, or third parties, including those the Owner may have rented a week at the Property. Given the driving rules and regulations in Mexico it is recommended that the Owners not allow those who are not familiar with Mexico driving laws to use the automobiles. Caretakers may provide shuttle service to non-owner guests or others not able to drive. An appropriate gratuity for these **extra services** is suggested. **The gas tank must be full upon departure.** If you are unable to fill the tank prior to your departure, please give Rafael the estimated amount of cash and ask him to fill the tank prior to picking up the next guest.
2. **Tenants may store personal property** in the lockers located in the garage for the term of their lease. Each tenant (and/or related family or friend or co-partner) will be assigned one locker. The tenant must only store non-flammable liquids and other personal paraphernalia. No illegal items may be stored in the lockers or on the premises. The Landlord is not responsible for the safety or contents of personal items stored in the lockers.
3. **Rentals by Owners to others** (Sponsored Guests) will be governed by the terms and conditions of the Rental Agreement and these Rules and Regulations.
4. **Sponsored Guests may use the premises** with written permission of the Owner of the designated week. Any damage to vehicles, furniture, fixtures, equipment or the premises caused by the guests will be the responsibility of the Owner and will be promptly repaid

to the Landlord, at the time of the damage or immediately upon return to the USA, if the amount of the damage is material (in excess of US\$500.) It is recommended that a \$2,000 damage deposit for non-owner guests be collected prior to the week used.

5. **Evictions will occur if the Tenant is delinquent** on any payment of amounts due greater than 60 days for any annual maintenance assessments, special assessment fees, delinquency fees, property damage fees, or other amounts due that have not been paid in full prior to arrival. Evictions may occur if occupants are disorderly or are misusing the premises by not adhering to Mexican law or loud noise after 11 pm, despicable conduct, including the use of illegal drugs.
6. **Maximum occupancy** of the property is fourteen (14 adults and children). Any additional guests must be approved by the Property Manager, and additional costs will be assessed (\$200 per person) for the week to cover the cost of additional staff, laundry and utilities, etc.). At no time will the number of guests exceed 18 people (adults and children). If the number of guests exceed 18, then local hotels or condominiums should be used to house those extra guests. The amount for excess guests will be paid by the Owner/Guest to the Company prior to arrival or immediately after departure through the Property Manager.
7. **Liquor use may be used on the premises only by adults** who can legally consume alcoholic beverages, and care must be taken not to drive the vehicles if one is intoxicated. Care must also be taken when using the pool and swimming in the ocean. The Landlord is not responsible for injury or death of occupant(s). All guests hereby hold Landlord and Caretakers harmless for any injury or death.
8. **Gratuities** may be provided to caretaker staff or others providing services (chef, masseuses, etc.) Tipping is common in Mexico and should be based on the quality of service provided. Tenants should pay caretakers directly at the end of their stay for exceptional service and for extra services that they provide. Typical tips for preparation and clean-up of meals would be \$20-\$25 per meal (a professional chef generally charges over \$100-\$200 for an evening meal). Tips for other services, including chauffeur services, grocery shopping, etc. should be paid in Pesos or US Dollars. Generally most Owners tips range from a minimum of \$100 (with no extra services provided by the staff) to substantially more for the week \$300-\$500), based on the number of guests, the extra services provided and exceptional service by caretakers.
9. **Holdover(s)** is a person or guest who physically stays too long or leaves the Property in such poor condition that the next Tenant can not immediately use it. Check out time is 11 am, each Friday. The caretaker will provide transportation to the airport following check out, thus allowing for the next guest to occupy the property upon arrival (generally no sooner than 4 pm). The arriving guest has priority of airport pick-up and use of the vehicles after 2 pm. Holdovers may be charged an additional fee, including hotel and car rental fees in the event incoming guests are unable to use the Property. Coordination with

departing guests and arriving guests is suggested. The Premises must be available for cleaning no later than 11 am each Friday. Departing guests may leave their packed suitcases near the front entrance no later than 11 am, and in coordination with incoming guests use the outside patio area while awaiting their airport ride. Incoming guests must allow the caretakers to clean the Premises prior to occupying it.

10. **Special assessments** may be made to Tenants/Owners as required for emergency cash needs (hurricane or other major repairs and improvements, emergency automobile purchase, etc.) or in the event cash reserve levels have not reached the amount required to cover estimated cash reserves for needed repairs or replacement of major items, including vehicles, equipment, furniture, fixtures, etc. It is the intent of the Company to maintain a prudent cash reserve to cover major anticipated expenditures, thus avoiding frequent cash calls to Owners. **Owners will be charged for excessive use of electricity** (primarily due to air conditioner usage). Each week Caretakers will note the KWH used by each Owner/Guest. A request for payment will be made by the Property Manager via email or letter to the Owner/Guest who has exceeded the average KWH electricity usage. Owner guests may also be assessed for excessive use of propane gas, telephone charges and other utilities.

(a) **Special rights of tenants or guests to use beach equipment** (surfboards, buggy boards, kayaks, vehicles, bicycles, etc. will only be allowed if safe and sound conditions exist and proper care of the equipment is used. At no time will equipment be used during dangerous surf, or if high wind conditions exist. Any damage to the equipment will be paid by the Guest. If the amount is nominal, it may be paid to the caretakers. If the amount of damage is material (greater than \$500, then the Guest may pay the Company through the Property Manager.

(b) **Pets or animals are not allowed on the premises at any time.**

11. **Disputes** between tenants must be brought to the attention of the Property Manager as soon as possible to assure proper and timely resolution.
12. **Cleaning and housekeeping services** are provided daily, except on Sunday and Mexican holidays. These holidays are:

January 1, Feb. 5, March 21, May 1, Sept. 16, Nov. 20 and December 25th.

Caretaker(s) work 8 hours Monday through Friday, and 4 hours on Saturday. Their working hours will vary to accommodate the Guests and their family schedules. If Tenant(s) request additional hours of service, then proper gratuities to the caretakers would be in order. This would include special circumstances such as a Sunday airport pick-up or attending to the needs of guests after hours, such as taking a guest to the hospital or special requests to work more than an 8 hour day, preparing late evening meals, etc.

In the event a Mexican Holiday occurs on a Friday, then special coordination will be required with the caretakers and the Property Managers for airport pick-up and other required housekeeping. Guests will be charged an extra fee of \$125, if caretakers are required to work on Mexican Holidays (other than Friday). Mexican law requires triple wages be paid if workers are required to work on official holidays.

**13. Schedules** for use of the property will be prepared annually and published on the Landlord's web site for Tenants/Owners to review. Any trades of weeks between tenants or other sponsored guests must be advised to the webmaster (allowing proper posting) and the Property Manager. **Trades are not allowed if a tenant is delinquent in any payment due Landlord.**

**16. Airport pick-up may be arranged by calling the Vonage number: 925-415-9181, or sending an email to: rafaelnuevovalarta@gmail.com, and providing flight number and arrival time.**

The Landlord (Property Manager and Board of Directors) may modify these Rules and Regulations at any time, and will post changes on the Landlord's web page.

*Updated March 21, 2017*