

APPENDIX 3

CSA/PKR 27.01.84

STATUTES OF THE LAS CASITAS COMMUNITY SITUATE AT PLAYA BLANCA LANZAROTE, CANARY ISLANDS

Article 1 GENERAL PROVISIONS

- 1.1 This Owners' Association has been constituted under the Title Las Casitas (hereinafter referred to as "the Community") and is constituted by each and every owner of a Share as defined in article 3 hereof and shall have its Registered Office in Plaza San Antonio Playa de Los Pocillos Lanzarote Canary Islands.
- 1.2 The Community is situated upon and within enclave no. 8 the extent and position of which is shown edged in red on the attached plan and has been developed by the construction thereon of 4 studios: 20 one bedroom bungalows and 24 two bedroom bungalows (hereinafter referred to as "the units") together with the Communal Parts including but not limited to footpaths roads lighting facilities (including lamp-posts and lamp distributor boxes) and other ancillary or auxiliary equipment electrical and water installations (except those items of equipment which are the property of the supply companies) the water service lines and pipes drainage and sewer pipes, reservoirs/tanks (with the exceptions of those which are not concerned with the communal interest) the sewage farm the swimming pool, tennis courts, reception area, lounge snack/bar facilities, and the Manager's accommodation the gardens and any other structure or area of land or thing.
- 1.3 A member of the Community shall mean a legal owner of a share in the Community from time to time.
- 1.4 The purpose of the Community shall be to regulate the conduct

of the members inter se and between the members and third parties whether individuals, corporations, public entities or others and the Community shall have full power to enter into any deeds, agreements or documents containing all such covenants provisions and conditions as the Community shall think fit and to do all such acts deeds and things as may be requisite to ensure the proper enjoyment of any Share held by the members of the Community generally and to provide services for the members.

1.5 The Community has been formed by the creation in the Community of 2.400 proprietary Shares of a duration of one week per Share and each such Share is hereinafter referred to as "a Share".

1.6 The Working Capital and the Reserve Fund shall be derived from payments made by and collected from members of the Community and shall include monies derived from sanctions or penalties which may be legally imposed and become payable by the members and from any other source from which income may be raised in a legal manner.

Article 2 GENERAL OCCUPATION, RIGHTS AND OBLIGATIONS ATTACHING A SHARE

2.1 The Community is divided into 2.400 proprietary Shares.

2.2 The purchase of a Share shall entitle a member of the Community to occupy and enjoy the relevant unit(s) as a residential dwelling only for the weekly period(s) purchased in accordance with the Calendar annexed hereto and forming an integral part of this document.

2.2.1 The Calendar Year is divided into 52 weeks numbered from 1 - 52 of which two weeks are not disposed of having been retained by the Community for the purpose of carrying out maintenance of units during those 2 weeks.

2.2.2 Weeks shall commence on Thursday:

2.2.3 Not more than 6 persons including children in cots shall occupy a two bedroomed bungalow;

2.2.4 Not more than 4 persons including children in cots shall occupy a one bedroomed bungalow;

2.2.5 Not more than 2 persons including children in cots shall occupy a studio.

2.3 A Share shall include the goods, utensils, furniture fixtures and fittings as shown on the Inventory annexed hereto forming part of the units and intended for use therewith.

2.4 Membership of the Community shall arise automatically upon the signing of the contract for the purchase of a weekly period(s) in a Share(s).

2.5 Members hereby expressly agree to observe and perform and be bound by the covenants, conditions, stipulations and obligations herein contained and any Regulations which may be imposed by the Community from time to time.

2.6 In the event of any Share being purchased by more than one person those persons shall simultaneously with the execution of the contract for the purchase/sale of any such Share(s) sign an authority vesting in one of them power and authority to represent both or all of them as the case may be in the exercise of voting rights in respect of any such share.

Article 3 RIGHTS OF MEMBERS OF THE COMMUNITY

3.1 To occupy and enjoy possession of a unit as provided in article 2.2 hereof and all or any other uses are hereby expressly excluded. SUBJECT to all management and other payments having been made by any Member to the Administrator.

3.2 To pass with or without vehicles along the roads and on foot only along the footpaths.

3.3 To use the Service Installations comprised in the Community for the passage of water, sewage, electricity and other services.

3.4 To use the swimming pool, tennis courts, open car parking spaces, snack/bar facilities and all other Communal Parts.

3.5 The right to transfer a Share to a third party subject to (i) the payment of the service charge hereinafter referred to and (ii) to notify the Community in writing of the name and address of the Transferee and the date of the Transfer with 15 days of the date thereof.

3.6 Each member shall have the right to occupy the Unit from 16.00 hours local time on Thursday which starts the week to 10.00 a.m. local time on the Thursday that ends the week in respect of any share. At the expiration of this period the member must leave the unit promptly and in a neat and tidy condition. Subject to any other rights and remedies of the Community and/or members each hour of occupation beyond 10.00 a.m. shall incur for any member in default liability for the payment of such sum as shall be fixed from time to time at the Annual General meeting of the Members to the Administrator.

3.7 In the event of a unit not being occupied for any period or periods in accordance with any Share or Shares members shall not either expressly or by implication have the right to occupy a Unit at any other time and for the avoidance of any doubt neither shall any member be entitled to a reduction in the payments to be made in accordance with the provisions of this document.

3.8 Members hereby agree to waive all right title and interest in respect of any pre-emptive rights to which they may be entitled in relation to dispositions of Shares in the Units.

3.9 Members hereby agree to ensure that all occupiers of the Units observe the rules and regulations of the Community.

Article 4 OBLIGATIONS OF THE MEMBERS OF THE COMMUNITY

4.1 To pay within 14 days of a demand being sent to a Member by the Administrator a proper proportion of the Accounts and Budgeted Accounts prepared by the Administrator and approved by the Members at the Annual General Meeting and hereinafter referred to as the "service charge". In the event of the service charge not being paid in accordance with this Article, Members shall pay service charge together with interest thereon (at a rate to be fixed by the Community) one month before occupation of the Unit. Any member failing to pay service charge demanded in accordance with this Article shall forthwith relinquish his rights of occupation to the Administrator who shall have full right and liberty to sub-let the Unit of a Member in default to third parties at the current market value and to apply all monies received from such letting in discharge of the whole or any part of the service charge owed to the Community by a Member.

4.2 To accept full liability for all damage caused to the Unit or

any goods, utensils, furniture, fixtures and fittings therein by himself, his agents, licensees or invitees and shall either remedy forthwith such damage at his own expense or prior to his departure pay such sum of money to the Administrator as shall be deemed adequate to replace or repair any damaged goods, utensils, furniture, fixtures and fittings and any damage which may have been caused to the Unit.

4.3 Members shall deposit an agreed sum with the Administrator before occupation to meet an estimated charge for water and electricity to be consumed. Water and electricity meters will be read at the commencement and end of the weekly period. Any overpayment will be reimbursed to the Member upon his departure and any underpayment will be paid by the Member to the Administrator forthwith.

Article 5 RIGHTS OF ENTRY FOR AND PAYMENTS TO THE ADMINISTRATOR HIS
SERVANTS OR AGENTS AND INDEPENDENT CONTRACTORS

5.1 Members hereby expressly agree to permit the Administrator by its servants agents or independent contractors to enter into and upon the Units for inspection purposes and to carry out maintenance repairs and decoration in weeks set apart for maintenance purposes as shown on the Calendar annexed hereto.

5.2 To permit the Administrator as aforesaid to enter into and upon the units at any time in case of emergency to carry out repair maintenance or decoration or any other work in relation to the Unit and the contents thereof.

5.3 To permit the Administrator as aforesaid to enter into and upon the Units to read meters, take inventories, and to view the state and condition thereof.

Article 6 MEETINGS OF THE COMMUNITY

6.1 The Community shall meet annually within the last quarter of any calendar year and the date of the Annual General Meeting shall be fixed by the Administrator.

6.2 The Administrator shall notify all members in writing of the date and venue of any Annual General Meeting giving them at least 21 days prior written notice of the date of the meeting and the items on the Agenda.

6.3 All General Meetings other than the Annual General Meeting shall be called Extraordinary General Meetings.

6.4 The Community may convene an extraordinary meeting whenever the Administrator may request one or whenever a number of owners in excess of 25% requires such a meeting to be held. The convening of an Extraordinary General Meeting shall be in the matter prescribed by Article 6.2 hereof.

Article 7 PROCEEDINGS AT ANNUAL GENERAL MEETINGS

7.1 An Annual General Meeting of the Community shall be considered properly constituted if there are present members either in person or by proxy who together hold more than half the votes of the Community. If within half an hour from the time appointed for the meeting if a quorum is not present a second meeting shall be called when a quorum shall not be required.

7.2 A letter, telegram or cable sent by a member and addressed to the Administrator authorising a named person to act on behalf of a member shall be sufficient evidence of authorisation for representation on behalf of a member.

7.3 The Community shall not deal with any matter not included in the Agenda unless approved by one third of the members present or by proxy.

7.4 The Community may validly hold a meeting provided all members are present.

7.5 Members shall be entitled upon written request to a copy of all resolutions passed at meetings of the Community.

7.6 Members in arrear with the making of payments in accordance with these Statutes shall be suspended forthwith from the exercise of voting rights. Without prejudice to any other right or remedy available to the Community or the members such suspension shall remain in full force and effect until all arrears are paid.

7.7 At any General Meeting a Resolution put to the vote of the meeting shall be decided by a simple majority on a show of hands of any member of the Community present in person.

7.8 A Resolution in writing signed by all members for the time being entitled to receive notice of and to attend and vote at General Meeting shall be as valid and effective as if the same had been passed at a General Meeting of the Community duly convened and held.

7.9 The Administrator shall be present at all meetings of the Community and shall be entitled to speak by a duly authorised officer. The Administrator shall not have any right to vote.

Article 8 VOTES OF MEMBERS

8.1 Every member shall be entitled to one vote in respect of each Share.

8.2 Shall be taken on a show of hands and may be given either personally or by proxy.

8.3 The instrument appointing a proxy shall be in writing under the hand of the Appointer or his Attorney duly authorised in writing. A proxy need not be a member of the Community.

8.4 A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy provided that no intimation in writing of such death or revocation shall have been received by the Chairman of the Community or the Attorney before the commencement of the meeting or an adjourned meeting at which proxy is used.

Article 9 THE CHAIRMAN

9.1 The Chairman of the Annual General Meeting of the Community shall be appointed from among the Members by a majority vote and shall be vested with the following functions:-

9.2 To preside as Chairman at the Annual General Meeting and any Extraordinary Meeting of the Community.

9.3 To approve Minutes of Meetings prepared by the Administrator.

9.4 To lead and supervise debates.

9.5 To sign together with the Administrator any document on behalf of the Community.

9.6 A declaration by the Chairman that a resolution has been carried by a simple majority and an entry to that effect in the books containing minutes of proceedings of Meetings shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

Article 10 THE ADMINISTRATOR

10.1 The Community shall appoint an Administrator for such terms and at such remuneration and upon such conditions as the Community shall think fit to inter alia supervise, organise and administer the running of the Community.

10.2 The Administrator shall as soon as reasonably practicable after the first day of October in each year prepare for submission to and approval of the Annual General Meeting of the Members of the Community (i) an estimate of the sums to be spent by it in the forthcoming year and (ii) an estimate of the sums to be received in the past year to fulfil its obligations under Article 11 hereof and for the supervision, organisation and administration of the Community.

10.3 The Administrator shall as soon as the Budgeted Accounts and Accounts have been approved by the Annual General Meeting serve upon Members a Demand for payment of the service charge payable by each Member.

10.4 The Administrator shall ensure the proper administration of the Community, the management control and use of the goods, units, utensils, furniture, fixtures and fittings forming part thereof and the Communal

Parts.

10.5 The Community shall establish Rules and Regulations which may be necessary from time to time for the benefit of the Community and shall delegate to the Administrator full power to impose any sanction or remedy for the non-performance and non-observance of such Rules and Regulations in accordance with the provisions of the Spanish Civil Code.

10.6 The Administrator shall have the power to enforce on behalf of the Community the strict observance and performance of these Statutes and any Rules and Regulations imposed for the benefit of the Community by exercising the rights obligations and responsibilities of the Community in any manner which may be necessary for this purpose and to take whatever action judicial or otherwise which may be necessary for this purpose.

10.7 The Administrator shall keep a record of all minutes in a Minutes Book and shall maintain a Register of the Members of the Community and their addresses.

10.8 The Administrator shall when requested in writing supply members with certified copies of all entries in the Minute Book and records of the Community and shall record in the Register of Members all changes of membership notified to the Community.

10.9 Only members of the Community whose names are recorded in the Membership Register shall be entitled to exercise rights of membership and the Administrator shall make an entry in the Register of Members of all changes of membership notified to the Community.

Article 11 DUTIES OF THE ADMINISTRATOR

11.1 To ensure that the Communal Parts the units and the goods, utensils, furniture, fixtures and fittings are kept clean and tidy and in a good state of repair and condition.

11.2 To ensure that the gardens are maintained to a satisfactory condition.

11.3 To ensure that the Communal parts, the units and the goods, utensils, furniture, fixtures and fittings are insured against the usual risk force majeure and theft with a reputable company for the full rebuilding cost thereof with an adequate sum in respect of Architect's and Surveyor's fees.

11.4 To arrange for payment of all rates, taxes, assessments and outgoings charged, imposed or assessed in respect of the Community.

Article 12 EXPENDITURE TO BE RECOVERED FROM MEMBERS

12.1 The sums spent by the Administrator in and incidental to the performance of the obligations referred to in Article 11 which shall become payable by Members from the date of the issue of a certificate of completion of each unit from the Architect.

12.2 All fees, charges, expenses, salaries, wages and commissions paid to any Auditor Accountant, Surveyor, Valuer, Architect, Solicitor or any other agent, contractor or employee whom the Administrator may employ in connection with the carrying out of its obligations including the cost of and incidental to the preparation of the estimates, notices and accounts referred to in Articles 11 and 12.

12.3 All expenditure incurred in the provision of uniforms, clothing or accommodation in respect of any employees of the Administrator and all outgoings incurred in connection therewith or payable in respect thereof and the cost of any such other items in connection therewith as the Administrator shall from time to time determine.

12.4 The cost of effecting and maintaining in force the insurance Policy referred to in Article 11.3 and of any further insurance Policy which the Administrator may effect in respect of the Community (including insurance against public and third party liability).

12.5 All rates, taxes, assessments and any other outgoings payable in respect of the Communal parts.

12.6 All sums paid by the Administrator in and about the repair maintenance, replacement, decoration, cleaning, lighting and running of the Community whether or not the Administrator was liable to incur the same.

12.7 The costs incurred by the Administrator in bringing or defending any actions or other proceedings against or on behalf of whomsoever.

12.8 Administration costs including the costs of preparing and auditing accounts the printing and sending out of notices, circulars, reports or accounts the holding of meetings and all fees payable to the Government or any other body.

12.9 Such sum as the Administrator shall determine as desirable to be set aside in any year towards a Reserve Fund to make provision for expected future substantial capital expenditure. The Reserve Fund which

shall be set up by the Administrator for replacement and improvement of the Community property shall be paid into a separate Bank Account in the name of the Community and the account shall be operated by the Administrator and one other signatory to be appointed by the Community.

Article 13 FINAL PROVISIONS

13.1 The Community is hereby created in perpetuity. The physical division of the property as between the members would render the property ineffective for the purpose intended. Members expressly exclude their right to request the division of the property in accordance with Article 4 of the Horizontal Property law or otherwise.

13.2 These Statutes may be altered by a resolution of a General Meeting of which twenty one days prior written notice of any proposed change shall have been given to members. Any such resolution shall only be validly passed if two thirds of the votes either in person or by proxy are in favour of any resolution.

13.3 These Statutes form an integral part of any Share and shall be registered at the Land Registry in Lanzarote. Any disposition of a Share shall incorporate and be made expressly subject to the terms and conditions of these Statutes.

13.4 All disputes relating to the Community shall be submitted to the Court and Tribunal of the Province of Las Palmas.

13.5 Any disputes between members shall be submitted to the Administrator in the first place except that the Courts of England shall have jurisdiction in respect of all disputes relating to the service charge.

13.6 Any notices or demands for payments served under these Statutes shall be in the English or Spanish Language and shall be properly served upon a member if sent by ordinary post to the members address shown on the Register of Members and shall be deemed to be effective from the date upon which it would have arrived in the ordinary course of post at the member's address.