

MEMO

Explanation about the organization and working method of the Owners' Association LOR

January 9, 2015 (update number of members by the Board at December 1, 2015)

In advance

This memo was drawn up at the request of the board of the Owners' Association Lagoon Ocean Resort, established in Curaçao (to be referred to hereinafter as “the VVE LOR”), for the purpose of clearly informing the board and the members of the VVE LOR about the tasks, powers, rights and obligations of the VVE LOR and the association's bodies.

Descriptive summary

Before proceeding to the explanation as referred to hereinabove, here below is a brief descriptive summary of the Lagoon Ocean Resort and the establishment of the VVE LOR

The parcel of land of the Lagoon Ocean Resort is divided in a number of separate lots upon which buildings have been erected, and one (1) residual parcel, the joint parcel. The joint parcel borders on all separate lots. For an overview of the situation, please refer to the attached ground plan from the Land Registry Office (“Kadaster”) in Curaçao (*appendix 1: ground plan LOR - “Situatie Schets”*). The residual parcel is indicated in this ground plan as nr. 848/2009.

Each owner of the lots of Lagoon Ocean Resort is entitled – as described in the purchase contracts – to the transfer of a share in the joint parcel. This joint parcel is not split up; it only has multiple owners due to the bordering parcels of these owners. These co-owners are also referred to as *participants*.

A share in the joint parcel cannot be transferred separately from a lot. This means that it is not possible to sell a share in the joint parcel and still remain owner of an apartment.

Management Association

The VVE LOR must be distinguished from an Owners' Association arising from a division into condominiums. The VVE LOR is a management association, founded due to a so-called “common ownership” arising: common because of adjacent lots, in the present case: a joint parcel of the Lagoon Ocean Resort.

The formation of the VVE LOR is based on a notarial deed of 14 July 2009. The VVE LOR is also registered with the Chamber of Commerce (*appendix 2: copy Chamber of Commerce Curaçao*). The articles of association of the VVE LOR are included in the deed of formation (*appendix 3: articles of association VVE LOR*). In this memo “the articles of association” are understood to mean the articles of association of the VVE LOR, of which the current version has been drawn up by A.R. Chatlein, LL.M. and civil-law notary, on 8 July 2010.

Framework basic regulations VVE LOR

The total set of regulations for the VVE LOR consists of the law, the articles of association of the VVE LOR and the purchase contracts of the owners¹. This might include bylaws VVE LOR, containing further organizational regulations, however no bylaws have been drawn up.

By "the law" or "statutory provisions" is meant the regulations provided by the Civil Code and/or other laws of Curaçao. The VVE LOR is a management association, to which the general provisions from Book 2 of the Curaçao Civil Code shall apply.

In the purchase contract each owner received for his apartment, provisions are included, among other things pertaining to the joint parcel:

- the right to a share in the joint parcel,
- the rights and obligations of the owners and
- management and maintenance of the joint parcel
- the establishment of a management association for the joint parcel, the VVE LOR.

The articles of association of the VVE LOR contain further rules for the operation of the VVE LOR.

Separate associations (Owners' Associations)

The buildings 6, 7 and 8 are divided into condominiums. Due to this division, an Owners' Association was founded for these apartment owners of the building in question, which is solely at the disposal of the apartment owners of the building in question, with its own articles of association and organizational regulations. Other owners have no relation with this Owners' Association.

Disclaimer

This memo was drawn up based on the regulations for an Owners' Association provided for by law and the currently known documents: the articles of association of the VVE LOR and the purchase contracts. No other regulations are known. This memo contains no description of the condominiums, the rights and obligations of the apartment owners separately and the internal affairs of the separate Owners' Associations. Summations of costs, provisions regarding the use and management of the joint parcel and such are not described in this memo. Please refer to the content of the purchase contracts and the articles of association of the VVE LOR for this, along with the resolutions adopted by the general membership meeting pertaining to such matters.

¹ The articles of association and the law continually refer to 'participants' where the common ownership/joint parcel is concerned.

MEMO

Explanation of the organization and working method of the VVE LOR

Table of contents

In advance	page 1
1. The VVE LOR	page 4
1.1. General	page 4
1.2. Tasks and powers	page 4
1.3. Liability	page 5
1.4. Taxes	page 5
2. The General Membership Meeting	page 6
2.1. The body	page 6
2.2. The meeting	page 6
2.3. Tasks and powers	page 8
2.4. Adopting resolutions	page 8
2.5. Voting right	page 10
3. The board	page 10
3.1. The body	page 10
3.2. Tasks and powers	page 12
3.3. Liability	page 13
3.4. Discharge from liability	page 13
4. The members	page 14

MEMO

Explanation of the organization and working method of the VVE LOR

1. The VVE LOR

1.1. General

Purpose

The VVE LOR was formed as manager of the joint parcel and the common facilities (the property held in common ownership). The VVE LOR is only authorized to perform the tasks assigned to it. As manager, the VVE LOR will always be required to seek approval from its members (through the General Membership Meeting) for all other actions.

The VVE LOR represents the common interests of the owners of lots of the Lagoon Ocean Resort (“LOR”) in the joint parcel and also manages and maintains the common facilities, such as the gardens, footpaths, swimming pool, septic tanks, etc., all of which are described in the purchase contracts as “the property held in common ownership”.

Furthermore, the VVE LOR supervises the compliance with and the implementation of planning regulations for the location and external appearance of buildings; it may collect penalties under civil law; and it provides other services upon request from and for the benefit of its members.

VVE LOR bodies

The VVE LOR has 2 bodies: the general membership meeting and the board.

1.2. Tasks and powers

Pursuant to the law, the regulations of the purchase contract and the articles of association, the VVE LOR has the following tasks and powers:

- Attending to the common interests of the members and representing the members judicially and extra-judicially within the scope of its power. This means that the VVE LOR may act on behalf of the members and may also communicate either or not externally for the members.
- Management and maintenance of the common facilities. This means it is charged with the care and responsibility for the common facilities. Management will furthermore be understood to mean the performance of all acts which may be relevant for maintaining the common facilities. This also includes acts for regular maintenance and upkeep which cannot be postponed. For all other acts that are not included in the acts of management, the participants will only be jointly authorized; this means that the General Membership Meeting must adopt a separate resolution for this, after which the Owners' Association may implement the resolution.

- Supervising the compliance with planning regulations for the location and external appearance of buildings and the implementation of such regulations. These planning regulations contain restrictive conditions for the use and the transferability of the share in the community. The planning regulations for the location and external appearance of buildings are included in the individual purchase contracts.
- Claiming specific performance from the members. These are obligations as provided, among other things, by law, the purchase contracts of the members and the resolutions from the General Membership Meeting.
- Drafting rules and guidelines for management and use of the joint parcel and the common facilities (the property held in common ownership), which are binding for the members.
- Providing services for the members. The articles of association provide that the board may in any case render services – against reimbursement of the costs – for all owners, which shall include security services, removal of household waste and such. Expansion of these services will be possible following a resolution to that effect from the General Membership Meeting.
- Insuring the common facilities. Receiving insurance payments is not included in the acts of management, these payments are made directly to the insured parties (owners).
- Collecting members' maintenance contributions and advance payments as adopted by the General Membership Meeting.
- Collecting penalties under civil law.
- Handing over all documents pertaining to the management to any successive manager.

1.3. Liability

Internal

The Owners' Association shall not be liable for independent actions from members, who enter into obligations with third parties on behalf of the VVE LOR without being authorized to that effect. The member himself will then be liable.

External

The VVE LOR shall be liable for its actions pursuant to the management tasks assigned to it, as laid down in the law and the articles of association. The Owners' Association is also liable for actions from the board with a limited power, if the limitation of power is not provided by the law or the articles of association, as published through the Commercial Register.

1.4. Taxes

In so far as it is clear at present and in so far as it does not engage in business operations, the VVE LOR is not be liable to pay tax, nor does it have an obligation to file (filing the annual accounts). We advise however, to consult a tax attorney in case of a change of activities (if the Owners' Association starts providing services against payment, or otherwise generates sales).

2. The General Membership Meeting

2.1. The body

In this memo, the general membership meeting is referred to as General Membership Meeting or “ALV LOR”. All members of the VVE LOR have access to the General Membership Meeting.

All the tasks and powers that are not vested in the board pursuant to the law, contract, articles of association or bylaws, shall accrue to the General Membership Meeting. The General Membership Meeting shall also adopt resolutions on all matters not governed by law, contract or the articles of association (or which may be deviated from by a resolution from the General Membership Meeting).

Chairman

The chairman of the board also acts as chairman of the General Membership Meeting. In the event that the chairman is absent during a meeting, the General Membership Meeting in itself will provide for a chairman of the meeting.

Board

If the entire board is absent or indisposed, management of the Owners' Association will be vested in the General Membership Meeting. Also when the board is lacking a chairman and members, management of the Owners' Association will be vested in the General Membership Meeting.

2.2. The meeting

The General Membership Meeting shall meet no less than one (1) time each year and no later than in the month of August of the current year.

Convening the General Membership Meeting

The General Membership Meeting is convened by the board. The meeting must be convened in writing. The law provides that a written communication may also be an electronic or other means of communication for transmitting text, unless the articles of association explicitly limit these possibilities. It is therefore possible to convene a general membership meeting by e-mail.

Content of notice convening a general membership meeting

The notice convening the General Membership Meeting must state the place, date and time of the General Membership Meeting and also contain the agenda of the topics to be discussed in the meeting. Topics that are not on the agenda cannot be discussed, unless all members are present at the meeting and they have not opposed discussing the topics that are not included in the agenda.

Please note: apart from the agenda, also the annual report, the annual accounts and the budget of the current and following year are included with the notice.

Period for convening a meeting

A notice convening a meeting must be sent 30 days prior to the meeting (not including the day of sending the notice and the day of the meeting itself).

Place of General Membership Meeting

A General Membership Meeting is held in the country of the corporate domicile of the association, unless the articles of association provide otherwise. Such is not the case for the VVE LOR so the meetings take place in Curaçao.

Content of General Membership Meeting

During the annual membership meeting, a number of matters must be discussed and/or submitted and the General Membership Meeting shall be required to adopt a number of resolutions:

- The board must submit the annual report and the annual accounts for the financial year of the VVE LOR.
- The General Membership Meeting appoints an (auditing) committee, consisting of 2 members of the VVE LOR, in order to audit the books of the VVE LOR for the current year.
- The annual report and the annual accounts of the VVE LOR will either or not be adopted, by the General Membership Meeting.
- Adoption of the annual report and the annual accounts of the VVE LOR automatically discharges the board, unless the General Membership Meeting decides otherwise.
- The General Membership Meeting appoints the board of the VVE LOR for the new year, in any case if the management term of 3 years of the board member(s) has lapsed.
- The General Membership Meeting adopts the budget for the new year.
- The General Membership Meeting determines the membership contribution and advanced payments of the members.

Other membership meetings

Other membership meetings are held as often as the board deems necessary, or when 5 members request a meeting to be held and notify the board of this in writing, stating the topics to discuss. The chairman of the General Membership Meeting/the chairman of the board may also convene such a meeting.

Please note! If the board fails to comply with the request within 30 days, then those requesting the meeting may convene a meeting themselves and chair same. The meeting will then be convened in the manner that the board would convene a meeting or by way of an advertisement in the local newspaper. The latter is not very suited for the members of VVE LOR.

Attendance list

Those present at the meeting must sign an attendance list, based on which the quorum and the number of votes are determined for the resolutions to be adopted.

Minutes

Minutes are kept of the meeting by the secretary (of the board). Following their approval by the General Membership Meeting, the minutes are signed by the secretary and the chairman of the meeting.

Representation by proxy

The members of the VVE LOR may be represented during the meeting by way of a written proxy. The law and the articles of association have no demands regarding the person and therefore the proxy holder does not need to be a member (owner).

The articles of association, however, do provide that a member may represent no more than four other members – regardless of the number of votes of those members.

According to the articles of association, a written proxy is also understood to mean via e-mail, fax or a proxy sent in another way.

The law and the articles of association have no other demands regarding the proxy. Logically, the proxy shall clearly state the names of the grantor, the proxy holder, the date, the purpose for which the proxy was granted and the extent of the proxy. It must be clear for all parties what the proxy entails.

2.3. Tasks and powers

Pursuant to the law and the articles of association, the General Membership Meeting has the following tasks and powers, among other things:

- Appointing the board of the Owners' Association and the suspension and dismissal of the board.
- Appointing a(n) (auditing) committee. The (auditing) committee consists of no less than 2 members, who are not board members of the Owners' Association.
- Adopting the policy of the Owners' Association.
- Adopting the budget of the Owners' Association.
- Adopting the annual contribution and the advance payments of the members.
- The General Membership Meeting may draw up rules for the use of the common property and the common facilities.
- Furthermore, all tasks and powers not vested in the board.

2.4. Adopting resolutions

Quorum requirement

The General Membership Meeting may only adopt legally valid resolutions if no less than one-third (1/3) of the total number of members is present. *Please note* that this concerns the number of members present², so not the number of votes present! Currently, for the VVE LOR this means 1/3 of the total number of members of **27 = 9** members. Also see the attached outline *Overview members and votes VVE LOR*.

However, the articles of association present an exception to the above rule. If the required number of members is not met and the members are convened by the board for a meeting again and said meeting can subsequently proceed, resolutions may be adopted by that General Membership Meeting, regardless of the number of members present.³

The number of members depends on the number of buildings, bungalows, apartments or studios. The Lagoon Ocean Resort consists per December 31, 2015 of 33 buildings. If a member owns more than one bungalow, apartment or studio than he / she still counts as one member. For the owners association LOR this means for 33 buildings initially also 33 members, but as several members own more than one bungalow, apartment or studio per **1-12-2015** the total number of members of the owners association LOR: **27**. 1/3 of the total number of members is therefore per 1-1-2015: **27 = 9** members. See also the attached statements: Members and vote VVE LOR GENERAL AND BY **1-12-2015**

The number of votes

The resolutions of the ALV LOR are adopted by a majority of the votes cast by the members present and the members represented by written proxy. A majority shall be understood to mean half of the votes + 1. This means for example: the situation **per 1-12-2015 27 = 9** members. The majority is the total votes of the nine members divided by 2 + 1. For the number of votes attached statements: Members and vote VVE LOR GENERAL AND PER 1-12-2015⁴

Voting by ballot or voting orally

In principle, the manner of voting is free: by ballot, orally, by roll call, etc. The General Membership Meeting shall determine the manner of voting during the meeting.

The articles of association may give substance for this. This is indeed the case for the LOR: the articles of association of the VVE LOR provide that voting will be done orally.

² (no associate members)

³ The articles of association also provide for a meeting convened by the members themselves. If a meeting is convened by the members (so not by the board) than no less than two-thirds (2/3) of the members must be present to adopt resolutions (by majority vote). Currently, for the VVE LOR this means 2/3 of the total number of members of **27 = 18** members. Such a meeting may only have a limited agenda. The topic of the meeting may only pertain to the use or the management of the common facilities. For other matters, members must submit a request to the board to convene a meeting.

⁴ By way of the articles of association this may however be deviated from. The articles of association of the VVE LOR contain such a deviating provision, namely for a resolution to amend the articles of association or dissolution of the VVE LOR. Please refer to the articles of association for these procedures.

The articles of association of the VVE LOR furthermore provide that at the meeting, voting on persons (for example appointments or explicit discharges) will be done by ballot.

Please note: Voting on important matters such as the financial policy or approval of the budget should preferably always be done by ballot, in order to prevent discussions afterward.

Voting by e-mail

The presence of members – “coming together for a meeting” – is always required for the adoption of a legally valid resolution.

However, voting without the members actually coming together shall be possible pursuant to the articles of association and the law, when the following three conditions are met:

1. all members must agree to voting by e-mail, fax or otherwise; and
2. all members must have communicated, or else voted by e-mail, fax or otherwise; and
3. all members must vote to be in favor. Abstentions are also permitted and shall be considered as “votes in favor”. In case of a vote against, the motion will be rejected.

Resolution voting result

In case of a tie vote, the motion will be rejected. In case of a tie vote when voting on persons (for example appointments or explicit discharges), a second round of voting will be held. If the votes are tied again, lots will be drawn.

The judgment of the chairman of the ALV LOR shall be conclusive for the outcome of the voting. If the outcome is challenged during the meeting by a person entitled to vote, if the voting was not by roll call or by ballot, a new round of voting will be held.

2.5. Voting right

Persons entitled to vote are the members of the association (i.e. the owners) or the person authorized by proxy from a member to cast a vote (on his behalf)⁵.

Voting proportions among members

According to the articles of association, the voting proportions within the General Membership Meeting are determined by the ownership. The articles of association provide:

- that each bungalow carries the right to cast 4 votes;
- that each apartment carries the right to cast 2 votes;
- that each studio carries the right to cast 1 vote;

⁵ An associate member has no voting right.

If a bungalow, apartment, studio or other unit has multiple owners or owners of the real rights, the voting right will be exercised by one of them, jointly appointed by the others as proxy-holder.

For an overview of the number of members and votes within the VVE LOR, see the attached outline: *Overview members and votes VVE LOR.*

3. The board

3.1. The body

The board is charged with the management of the VVE LOR, control and administration of the VVE LOR, maintaining the membership records of the VVE LOR and implementing the resolutions from the General Membership Meeting.

The entire board represents the Owners' Association judicially and extra-judicially, it may act on behalf of the VVE LOR and communicate externally.

Composition of the board

The articles of association of the VVE LOR provide that the board shall consist of no less than 1 and no more than 5 board members. The General Membership Meeting therefore determines the number of persons on the board. All the board members must be members; an external board is out of the question. In case there is 1 board member, the positions of chairman, secretary and treasurer may be held by 1 person.

Appointment of the board

The board members are appointed by the General Membership Meeting for a period of three (3) years. Members of the board are eligible for reappointment at all times.

The chairman is directly appointed in his position by the General Membership Meeting. The board members may divide the other positions on the board by themselves.

Please note: the management term does not mean the General Membership Meeting may not dismiss a board member on the interim.

Remuneration

The membership of the board is unpaid.

Termination of membership of the board

Members of the board may at all times be suspended or dismissed by the General Membership Meeting⁶.

The membership of the board furthermore ends by: ceasing to be a member of the VVE LOR, by retiring or by death. Resigning board members are immediately eligible for re-election.

Absence or lack of a board

⁶ A board member of the VVE LOR is not employed by the Owners' Association and, as such, cannot contest his suspension or dismissal in court



If a board member is indisposed or absent, the VVE LOR will be managed by the other board members. If all board members are indisposed or absent, than the board will temporarily be run by the General Membership Meeting. Also when a board is lacking, the management will be vested in the General Membership Meeting.

Conflicting interest

If a board member has a conflicting interest with the association, the board member must notify the General Membership Meeting of this, so the latter may appoint another person to represent the association.

Board meetings

The board will meet as often as it deems necessary. The notice convening a meeting will include the agenda of the topics to discuss in the meeting. Topics that are not on the agenda cannot be discussed unless all board members are present or represented by proxy in the meeting and they have not opposed discussing the topics not included on the agenda. Neither the law nor the articles of association lay down provisions for the manner in which the meeting is to be convened. The board may therefore freely decide on this and also on the venue of the meeting.

Resolutions from the board

The resolutions from the board are adopted in the meeting by majority of the votes. This means half the votes + 1. The number of board members present in the meeting is of no significance.

Resolutions from the board may also be adopted without holding a meeting, if all board members have cast a vote by e-mail or in another manner in writing.

Liability

The board members are always jointly responsible and liable for their (individual) actions.

3.2. Tasks and powers

The tasks and powers of the board are granted by the law and the articles of association, as follows:

- The board may not conclude an agreement at the expense of the association which is in excess of a value of ten thousand guilders (NAFI. 10,000.--). For an amount in excess of ten thousand guilders, advance approval from the General Membership Meeting shall be required at all times.

The board of the VVE LOR has the following tasks pursuant to the law and the articles of association:

- Controlling the financial means of the Owners' Association. The financial means are understood to mean the money intended for the maintenance of the common facilities.
- Administration of the financial position and the work activities of the VVE LOR. This means that all relevant documents and the accounting records must be in order, so the rights and obligations of the VVE LOR are at all times known and available for inspection.
- Annual report
Within eight (8) months after the end of a financial year, except for in case of extension of this term by the General Membership Meeting, the board will issue an annual report regarding the course of events in the Owners' Association and the policy conducted.
- Annual accounts: balance sheet – statement of income and expenditure (operating statement)
The board must have annual accounts consisting of a balance sheet and a statement of income and expenditure with an explanation thereof drawn up. Please note: The General Membership Meeting appoints a(n) (auditing) committee to audit the documents and to

report to the General Membership Meeting. The board shall be obligated to provide the (auditing) committee with all the information it requires in the interest of the audit.

- Submitting the annual report and the annual accounts to and during the General Membership Meeting (once every year)
- The board is obligated to keep the financial records of the legal entity in its custody for ten (10) years.
- Convening a General Membership Meeting

At least one (1) time each year, the board will convene a General Membership Meeting, no later than in the month of August of the current year. *For the requirements please refer to the summation under point 2.2.*

Pursuant to the law and the articles of association the VVE LOR board has the following powers:

- The board may enforce access to parts of the property of owners of apartments for a board member (or a person appointed by a board member). This is only allowed if it is necessary for the task of the board.
- The board may terminate the membership of a member (in writing) if the member no longer complies with the criteria that apply for membership or if the association can no longer be required to continue membership. Also divesting a member of certain rights will be effected – in writing – by the board, but such is only possible if a member acts in violation of the articles of association, regulations and/or resolutions from the General Membership Meeting or else prejudices the VVE LOR.
- Convening members to a General Membership Meeting. *For the requirements please refer to the summation under point 2.2.*
- The board may deny a member access to and use of the common facilities when said member fails to comply with the obligation to pay the obligatory contribution for longer than 3 months.

3.3. Liability

Internal

The board members are jointly responsible and liable for their (separate) actions and each bears responsibility for the general run of affairs. Board members of an Owners' Association shall not be liable for debts of an Owners' Association in their private capital, unless they have acted improperly, for example by performing intentional or reckless acts. The board member may also be liable if he commits an unlawful act. For example, if the board member concludes an agreement of which he could reasonably be aware at the time of concluding it that the association would not be able to comply with the agreement. Also, if the board member wilfully acts in violation of the law and the articles of association.

External

In principle, acts of a board member are attributed to the Owners' Association, unless a party could have been aware that the board member was not authorized to act on behalf of the Owners' Association.

3.4. Discharge

Discharge will relieve board members/the board from liability regarding the (financial) policy conducted. If the annual report and annual accounts of the VVE LOR are approved/adopted, the board is automatically discharged, unless the General Membership Meeting decides otherwise. Discharge may also be included on the agenda for the meeting. Discharge must then explicitly be granted.

Discharge will only be granted for the facts that are known or should have been known to the General Membership Meeting and become apparent from the documentation. If at a later time it becomes apparent that the board performed acts for which it was not authorized, it shall remain liable for this.

The annual report and accounts must be signed by each board member. If a signature is lacking, the reason for this omission must be given to the General Membership Meeting.

4. The members

Membership

Who are the members of the VVE LOR? These are the owners of an apartment, bungalow, studio. The purchase contracts provide that all owners within the Lagoon Ocean Resort are automatically members of the VVE LOR. After all, they are co-owners, or else participants in the adjacent lot.

Special provisions that apply to the members:

- If two or more persons share joint ownership of an apartment, bungalow, studio, than they will each be members in proportion to their shares and all together will count as one (1) member.
- Tenants are no members of the VVE LOR.
- marriage partners and/or life partners of members/apartment owners who do not share ownership in an apartment bungalow, studio, may also become members of the Owners' Association in the capacity of associate members. A request to that effect must be directed to the VVE LOR board.
- If a member owns more than one bungalow, apartment or studio he / she still counts as one member

Membership ends when the member sells his property. It also ends through death or by dissolution of a legal entity that is owner. Membership will transfer to the successor in title of the lot by operation of the law. The board may also terminate membership, however only subject to the conditions as referred to in the articles of association of the VVE LOR (*article 4*).

Obligations of the members



The members must behave pursuant to the regulations and guidelines to be laid down by the VVE LOR, regarding the use of the joint parcel and the common facilities.

Also, the members must pay the monthly contributions in the costs for management and maintenance of the common facilities, to be determined by the VVE LOR. The costs per participant shall be calculated in proportion to the share.

The purchase contracts provide that the costs for maintenance and repair are set at the amounts below until management has been taken over.

Rights of members

Each member has the same and full user rights regarding the joint parcel and the facilities. This means that one member cannot have more rights than other members.