



**VIVLA** | GARRIGUES

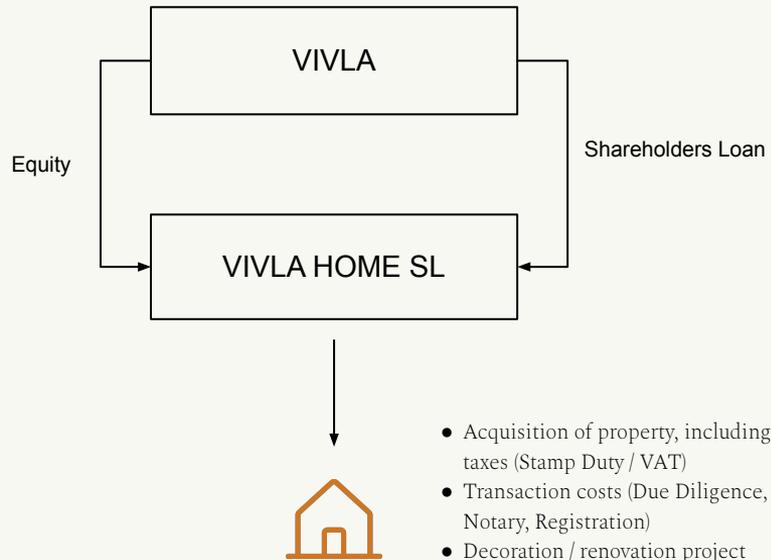
Legal Model Explained

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- VIVLA's Legal Model has been **designed by Garrigues** (a leading law firm in Spain) and validated by hundreds of clients, lawyers, and notaries across Spain, who have **highlighted its innovation and robustness**
- The legal formula chosen to implement the co-ownership is by **interposing a Limited Liability Company (LLC) between the Owners and the Property due to the substantial advantages it offers** over other alternatives (such as a community of goods or joint ownership):
  - Mercantile regulation ensures **greater solidity in the governance** of the Company and the use of the Property among its Owners.
  - As a common market instrument, the shares of a Limited Liability Company (LLC) enjoy **greater liquidity**.
  - Owners have their **responsibility limited towards the Company** as they are not liable for its debts.
- For the acquisition of each Property, **VIVLA incorporates a new LLC and injects all the necessary funds** to cover the purchase price of the Property and other costs (taxes, transaction fees, and decoration/renovation project).
- The sole purpose of the Company is the acquisition and holding of the Property. Therefore, **the Property is owned by the Company, making the Owners indirect owners**.
- The Company's Share Capital is divided into eight Shares. **Each Owner can acquire up to a maximum of 4 Shares** (50%) to avoid gaining control of the Company

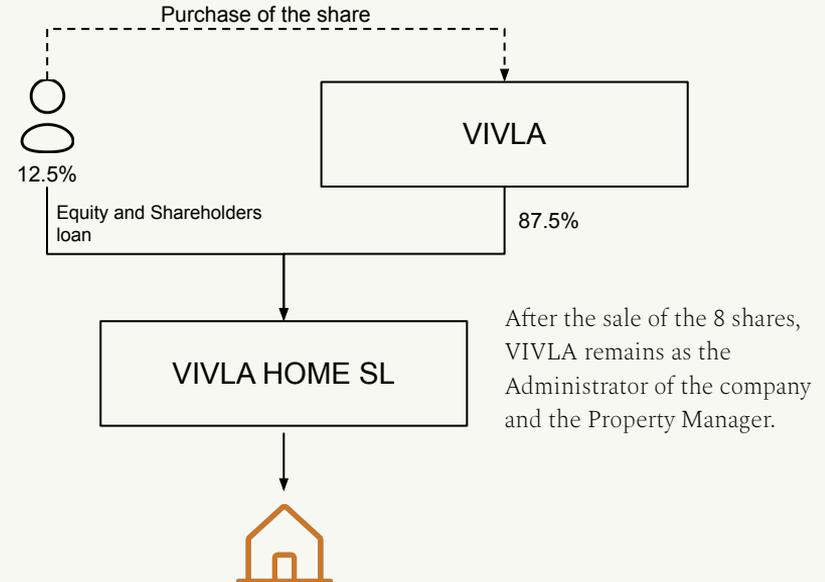
## BUYER: VIVLA

*In real estate transactions, it is common for the purchase of a property to be financed through a combination of equity and debt*



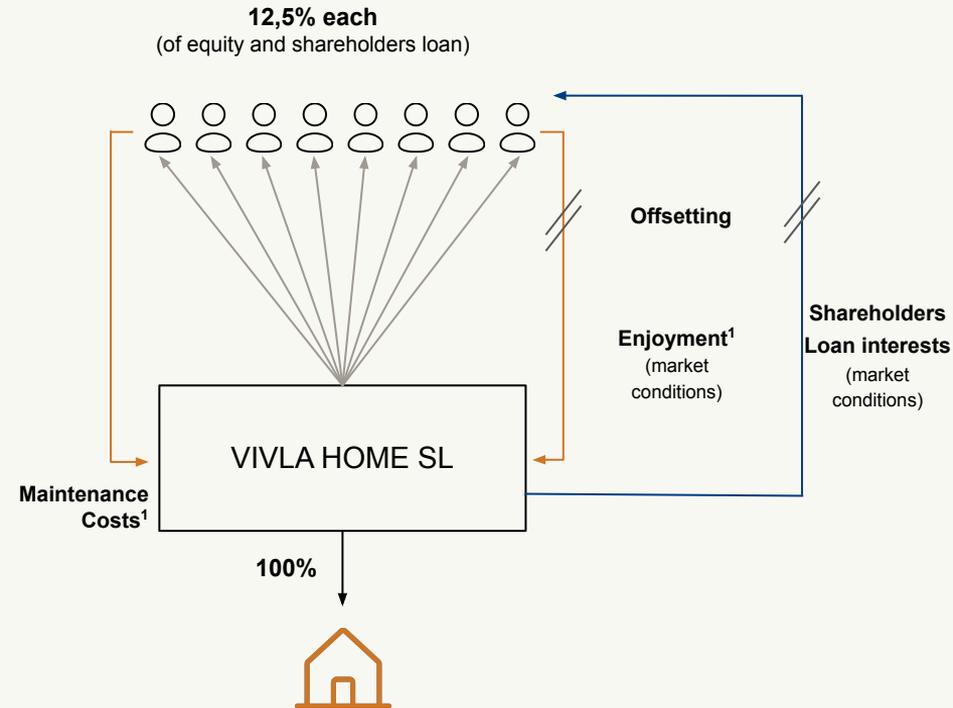
## BUYER: OWNER

*When purchasing a share, the owner acquires (indivisibly) 12.5% of the equity and 12.5% of the shareholders loan, thereby becoming a shareholder and lender to the company.*



# Why a shareholders loan?

- Spanish legislation stipulates that **a company cannot grant the use of its assets to its shareholders free of charge**. Therefore, **shareholders must pay a market rent for the use of the property**.
- To avoid disadvantaging the owner, **this market rent is offset by the interest that the shareholder is entitled to receive annually from the shareholder loan** provided to the company.
- The **tax burden of this structure** for the owner (related to the interest income included in the savings tax base) **is similar to that of a traditional purchase of a second property** (known as imputed rental income).
- Both the shareholder loan (according to a transfer pricing report prepared by **Garrigues**) and the rent (which is estimated by **Savills** as the appraiser) are **granted under market conditions**.



**Note 1:** The market rent is equivalent to the maintenance costs and the cost of enjoyment.

- **The Shareholders and Operating Agreement**, commonly known as the Shareholders Agreement, **is the key document** in VIVLA's Legal Model.
- **It regulates the rights and obligations of the Owners** (such as the enjoyment of the property) **and VIVLA's role as administrator of the LLC and Property Manager of the home**, as well as the admission of new shareholders, defaults and the loan received by the Company from the Owners.
- **The purpose of this agreement is** to grant VIVLA the necessary capacity to manage the day-to-day operations of the company and the property, **allowing the Owner to focus solely on enjoying the property:**
  - **Owners do not need to worry about maintaining the property** and ensure it is in perfect condition at all times.
  - **Owners also do not need to concern themselves with the other shareholders of the company.** Each Owner's relationship is directly with VIVLA, and any issues that arise are managed by VIVLA directly with the respective Owner, in a completely transparent manner to the other Owners.
- At the same time, **the Agreement provides for Owners' participation in decision-making on significant matters that go beyond daily operations**, requiring approvals by qualified majorities (ranging from  $\frac{5}{8}$  to unanimous consent of all Owners), depending on the materiality and seriousness of the issue.
- **It is important to read the Agreement with the following perspective:**
  - How each clause affects me as an Owner, and how it simultaneously protects me from the defaults of others.
  - VIVLA's primary interest, for the long-term success of its business model, is to ensure everything functions perfectly.

## Approvals

Matters Reserved for Owners:

- **Approval of 5/8 for important issues** such as deciding not to renew the loan upon its expiration.
- **Approval of 6/8 for essential issues** such as removing VIVLA from its management role.
- **Unanimous consent for fundamental matters** such as selling the property or dissolving the company.

## Defaults

The Owner who breaches his obligations may be penalized and have their rights suspended as follows:

- **Minor Breaches:** Such as being late on expense payments for less than 30 days.
- **Serious Breaches:** Including multiple repeated minor breaches.
- **Fundamental Breaches:** Such as occupying the property outside of their designated periods.

## Other

- **VIVLA is responsible as the administrator** in accordance with the law and the terms of the Agreement.
- **The Owner is responsible for everything that occurs in the property during his stay.**
- **An Owner in breach of obligations loses their voting rights.**
- **The Owners acknowledge and accept that the company is merely a vehicle for property ownership** and do not expect to receive dividends.

## LEGAL CONSIDERATIONS

- After 12 months from the acquisition of the share, **the Owner is free to sell it at the price they deem appropriate.**
- The Agreement specifies that **transfers between family members and between Owners are unrestricted.**
- For other cases, **the remaining Owners of the company have a right of first refusal**, granted by the Spanish Companies Act.
- **Any transfer of the share must involve the entire share** ( $\frac{1}{8}$  of the Capital and  $\frac{1}{8}$  of the Shareholder Loan).
- The Agreement **prohibits encumbering, pledging, granting options on, or using the share as collateral.**

## MARKET CONSIDERATIONS

- The transfer of the share does not generate Stamp Duty or VAT for the buyer, allowing **the base price of the share for resale to be the acquisition price.**
- The future price of the share will be determined by (i) the **evolution of the property's price** and (ii) **the attractiveness of the co-ownership** category.
- To resell their share, the Owner can (i) **sell it on their own**, (ii) **rely on VIVLA to market it within its client base**, or (iii) **appoint a traditional real estate agency.**
- Pacaso (a global leader in co-ownership) reports **gains exceeding 10% for Owners who resell their shares** on their marketplace.

# How the whole thing works on a daily basis?

## Maintenance Costs

- They consist of (i) **utilities** (water, electricity, heating, etc.), (ii) **community fees** (cleaning, maintenance, insurance, property tax, etc.), (iii) **VIVLA's management fees** and (iv) **withholding taxes** on the interest received from the shareholders loan.
- **The LLC contracts third-party service providers directly.**
- **Each year, a budget is prepared:**
  - Based on this budget, the **Owners pay a monthly maintenance costs.**
  - At the end of the year, **adjustments are made with the actual expenses incurred** (reduced by the net rental income from the periods each owner has rented out the property).

## Rentals

- Owners can request VIVLA to **rent out the periods they will not be using.**
- The rental of these periods (not guaranteed) is **managed by the company as the property owner** and is handled by VIVLA to ensure proper use of the property by non-owners.
- The **net rental income obtained will be used to offset the maintenance costs** for the Owner who has rented out unused weeks.

## Taxes

- **Annual taxes for the interest received from the shareholders loan** (savings income base). Maintenance costs include withholding taxes of 19% on the interest received by the Owner.
- **Capital Gains:** Taxed as part of the savings income base in the event of a sale.

## PURCHASE PROMISE AGREEMENT (RESERVE)

- It is a very simple and brief contract in which **the Owner agrees to purchase a share in a property** and essentially details:
  - The property.
  - The company that owns it.
  - An advance payment of 10% of the share's price (reduced by any previous deposits).
  - A commitment to appear before the notary within the next 30 days to sign and close the purchase and pay the remaining 90% amount.
- Attached to the contract are (i) the **property's registration details**, (ii) the **Shareholders and Operating Agreement**, and (iii) the **draft of the sales deed**.

## CLOSING AND SIGNING AT THE NOTARY

- **Deed of Sale of the Share and Partial Transfer of the Loan.** The following attachments are included:
  - The property's registration details.
  - The Loan Agreement.
  - Certificate from the Administrator confirming the Share and the Loan to be sold and transferred.
  - Proof of the advance payment and the remaining amount transfers.
- **Deed of Public Execution of the Shareholders and Operating Agreement.** The following attachments are included:
  - Document of Adherence to the Shareholders and Operating Agreement.
  - Shareholders and Operating Agreement.

- **What happens if VIVLA disappears?**

If VIVLA ceases to operate, Owners have two options:

1. Dissolve the Company: Owners can choose to dissolve the company with a qualified majority of 6/8, instead of the usual unanimity requirement.
2. Continue Operations: In this case, VIVLA will provide:
  - a. A List of Potential Administrators and Managers: To ensure continuity in property management.
  - b. Contact Information for Current Service Providers: So that Owners can maintain the property appropriately.
  - c. Free and Perpetual License: For the use of its reservation and owner management technology.

This ensures that property management can continue effectively even in the absence of VIVLA.

- **Can I purchase the share with others?**

Yes, the share can be purchased with family members and friends, up to a maximum of 3 people. However, the relationship with VIVLA will be handled by one representative among them, who may be rotated.

- **Can the purchase be made through a legal entity?**

Certainly. The Shareholders and Operating Agreement specifically includes this option. However, you will need to designate a single individual who will have the direct relationship with VIVLA. Lastly, we recommend discussing with your advisor the potential tax implications of purchasing the share through a company.

- **What happens with unsold shares?**

VIVLA will assume its proportional share of the maintenance costs for any unsold shares..

- **Is the rental of my weeks guaranteed?**

VIVLA will do everything possible to rent out the weeks the Owner does not wish to use and to maximize the return, but it cannot guarantee this..

- **Can I earn rental income?**

The purpose of renting out the weeks the Owner does not want to use is to offset, as much as possible, that Owner's maintenance costs. In any case, if the rental income (net of platform commissions) exceeds the maintenance costs, the Owner will receive the excess.



**VIVLA**