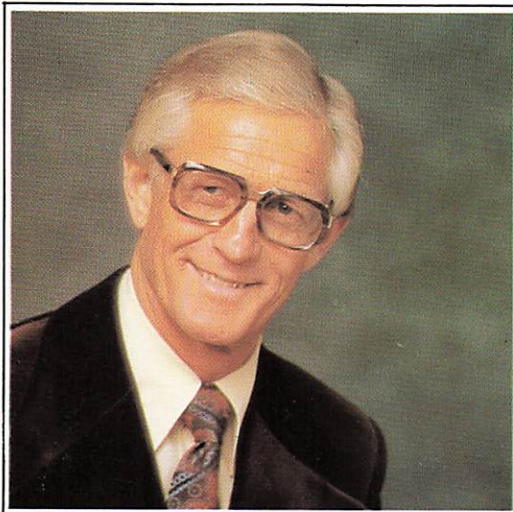


Club Lanzarote, S.A.

The company «Club Lanzarote, S.A.» is the sole owner of the property called Montaña Roja. The property consists of approximately 11.000.000 square meters (3.000 acres) of land with a coastline of 8 km (5 miles). The company's land was registered in Arrecife on the 10th of September 1973 according to Agrupación No. 1083/73 issued by the Notary Public Julian Maraquela Gonzales, and entered into the land register in Arrecife on the 24th of April 1974. The Chairman of the Board and President of the company is one of Norway's leading land-and building developers, Trygve Brudevold, and the Resident Manager and Company Secretary is the Norwegian civil engineer Tron Jorstad. The company maintains a permanent staff for administrative and project management purposes.



Trygve Brudevold
President and chairman of the board.

The Isle of Lanzarote

Lanzarote is located on the north-eastern part of the Canary Islands. It is situated near the African coast some 120 km (75 miles) away, and therefore has a stable, dry climate.

The island is of volcanic origin, and is undoubtedly the most interesting of all the islands in the Archipelago. The coastline has many varying features, reefs and cliffs alternating with sandy beaches.

The population of the island is about 50.000, half of which lives in the capital Arrecife.



Location of the Montaña Roja Estate, its size, topography, flora and fauna

The company's estate is in the municipality of Yaiza at the southern end of the island of Lanzarote; its situation is one of the finest in an area which the authorities have specially designated for tourist purposes.

In common with the islands of Gran Canaria, Tenerife and Fuerteventura, the best and most stable weather is to be found in the southern areas, the climate is drier and there are more sunny days than in the northern parts of the islands.

The distance from Lanzarote's capital Arrecife to the company's estate is 23 miles. The distance from the international airport is 21 miles.

Good roads connect the area with the capital and the airport. The main road network of Lanzarote consists of good asphalt roads.

The estate is bounded by the main road between Yaiza and the fishing village of Playa Blanca. (It is almost rectangular in shape, about 1.9 x 2.5 miles). The coastline is about 5 miles.

The charming coastline varies from sandy beaches bordering calm seas to the south to lava rocks further westward. This stretch of coast invites to a varied and attractive development to provide good facilities for bathing, fishing, aquatic sports etc. The reddish-brown volcano of Montaña Roja forms the geographical centre of the estate and the crags of its crater reach an altitude of 590 feet.

There are very good development sites on the lower slopes, with views of the islands of Lobos and Fuerteventura.

The flora is the typical of arid climate.

The estate has rich deposits of beautiful volcanic stone, typical of Lanzarote, which is used to a great extent as a decorative building-material on the island.

Vegetation is naturally sparse due to the low precipitation, but the soil is fertile.

Thus, when these areas are irrigated and cultivated, growth is rapid and luxuriant, as has been established on innumerable occasions.

Summary of advantages connected with the status of "Centro de Interés Turístico Nacional"

For areas offering a particular capacity for tourist development the Spanish government may grant the status as «Centro de Interés Turístico Nacional». Only areas which fulfil the most rigid demands as to location and topography, and which provide a sound basis for accommodating the needs of the visiting tourist will be granted such a status.

Few locations in Spain have been granted this status, and Montaña Roja is one of the largest in Spain – and the only one on Lanzarote. It received its status on July 6th, 1979 (ref. Royal Decrees 2148/79 and 1975/1979) and it was entered into the Boletín Oficial del Estado on September 10th, 1979. Areas which are approved as «Centro de Interés Turístico Nacional» have the complete co-operation of the government in connection with tourist development activities (ref. Royal Decree 689/78, published in St. Gaz April 14th, 1978).

Among the many advantages that can be achieved by attaining the status of «Centro de Interés Turístico Nacional» are the following:

1. Formalities connected with building are simplified, thus saving the builders and the local administration both time and money.
2. General permission for activities and building connected with tourism has already been granted.
3. Special tax- and depreciation advantages are obtainable.
4. A permit for foreigners and foreign companies to invest in building projects and other activities connected with tourism is granted.
5. Developers in an area which has been granted the status as «Centro de Interés Turístico Nacional» are given preference on loans in Spanish state banks offering favourable conditions. Up to 70% of the cost of certain projects can be financed this way.

For the individual purchaser or user of the facilities in the development area, the advantage is that the total project is defined in advance so that no unpleasant surprises such as unplanned roads, high-rise buildings, pollution, etc. will occur.

Company objectives

Individual lots or larger properties will be sold in such a way as to achieve the greatest possible profit. In order to achieve maximum profit the company considers it desirable to engage itself, to such extent as may seem reasonable, in the infrastructure work (basic investments), i.e. to prepare the estate for construction by building roads, water and sewage mains, electricity and telephone systems, waterworks, sewage plants, refuse disposal plant and partial development of shore areas etc.

The infrastructure work is not intended to yield a profit, it is only intended to cover costs. The profit will lie in the considerable increase in the value of the estate upon its preparation for building.

Development of urbanizations complete with houses and communal facilities is also a proven way to make a profit and at the same time increase the value of the remaining land.

Present development of the property

On the Montaña Roja estate, Club Lanzarote, S.A. has built and sold a group of luxurious villas (Montaña Baja) and 128 medium price houses (Casas del Sol).



A harbour, approximately 400 m long, has been completed in 1981. The harbour is used for fishing boats and pleasure craft, as well as a car ferry to serve the neighbouring island of Fuerteventura, and will be equipped to provide full marina service.

Planned development

A commercial centre, centrally located and close to the harbour, is in the final planning stage. The local business community has shown great interest in acquiring space in the centre. A number of option agreements have been concluded. The construction will take place in the near future.

The sale of 74 sites (Los Calamares) with 5 types of medium priced houses has started. The market reception is favourable, and construction is initiated.

In final planning is an enclave (No. 36) in which 12 houses of high standard will be built. Construction will commence in spring 1982.

Enclave No. 13 is also in final planning. 60 low/-medium priced houses will be built. Construction will start in spring 1982.

All urbanization will have complete infrastructure including swimmingpool, sewage purification, recreational areas etc.

A large part of the main road network in «Etapal» has been completed, and the work is in continuous process.

The development plan

A detailed development plan has been drawn up for the Montaña Roja estate, and has been approved by the local authorities. This plan has also been granted the status of «Centro de Interés Turístico Nacional» – or «Tourist centre of special national interest» –, by the Spanish Government.

The development plan for the area will be carried out during the next 16 years. Throughout the first 5 years «Etapas I» will be completed, see map. It covers the area indicated on the map and will have the following building areas:

	floor space: est. pop.:	
18 enclaves with villa urbanizations,	with app.:	103.000 m ² , 4.800
13 enclaves with bungalow urbanizations,	with app.	48.000 m ² , 3.700
4 enclaves with urbanizations of apartments,	with app.	64.000 m ² , 1.700
4 enclaves with commercial centers,	with app.	69.000 m ² , —
3 enclaves with hotels,	with app.	72.500 m ² , 800
3 enclaves with «Fishing villages,»	with app.	32.000 m ² , 1.000
Total	app.	<u>388.500 m², 12.000</u>

Full infrastructure, recreational and communal areas will be completed as construction takes place.



Present tourist development

Tourism is rapidly developing on Lanzarote. There are at present comparatively few resort areas on the island. One of the reasons for this may be that the Spanish authorities, fully aware of previous mistakes with uncontrolled tourist development that have taken place on the Spanish mainland and some of the other Canary Islands, – have subjected Lanzarote to very strict building- and development-regulations.

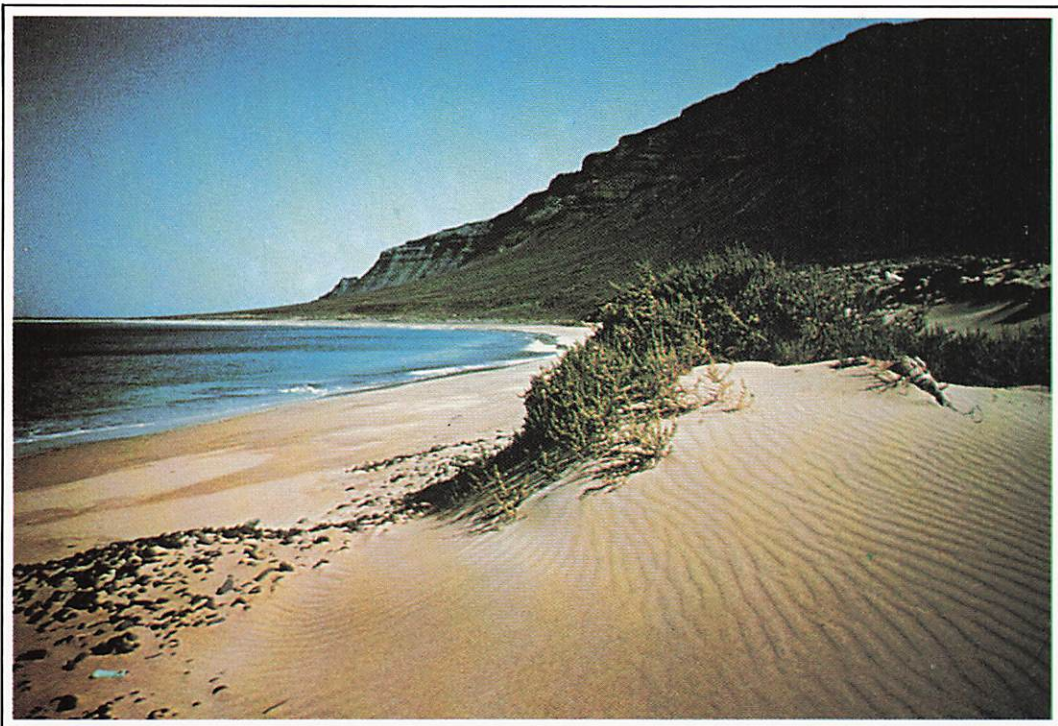


Lanzarote is rapidly gaining in popularity as a resort area. While the Spanish mainland and most of the other Canary Islands have experienced a decrease in the number of visitors, Lanzarote has had a steady increase. For this reason there is a shortage of medium priced room capacity on the island.

The visitors are predominatly of English, German, Dutch, Scandinavian and Spanish origin.

Tourist attractions

Lanzarote is a unique island with outstanding tourist attractions. First of all the island itself, with its 300 volcanos is quite special. Even when you have lived on the island for several years, there are always new places to be discovered: Small sheltered coves in addition to the famous sandy beaches at Papagayo; cliffs for the ones who want a lonely place to sunbathe; roads into the lava-fields and a completely different world. The famous caves Jameos del Agua and Las Cuevas Verdes must be seen as well as the spectacular sights at El Mirador del Rio and El Golfo.



Food

There is a surprising number of excellent restaurants in Lanzarote. International as well as Spanish cooking are well represented. All sorts of high quality meat are imported, while fresh fish is supplied daily by local fishermen. The salads made with the islands excellent onions and tomatoes are a gourmet's delight.

The local potatoes (papas arrugadas) with garlic sauce (mojo picon) as an «aperitivo» should be tried together with fried fish or grilled meat. The local cheese (queso de cabra) with a glass of wine is highly recommended.

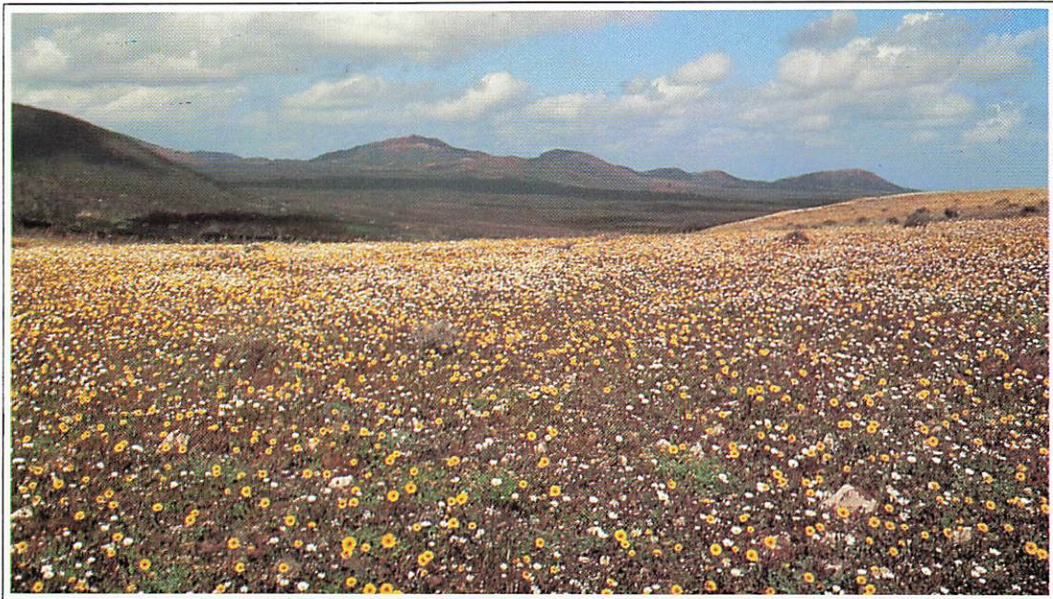
Historical notes

Finds from archaeological excavations, ceramics and rock paintings prove that Lanzarote was inhabited as far back as 1000 BC. It is believed that the island has its name from the Genoese mariner Lanceloto Melacello who explored the island in the 14th century. Early in the 15th century the island was conquered by a Norman adventurer, Jean de Berthencout. As a result of a series of raids by pirates and slave traders the original inhabitants, the Guanchos, were almost completely wiped out.

Since the early 1400's Lanzarote has been under the control of Spain, and it was annexed to the Crown of Castile in 1483.

In the years that followed there were several attempts to conquer the island, but none were successful.

Lanzarote today is part of the Spanish province of Las Palmas, which comprises the islands of Gran Canaria, Lanzarote and Fuerteventura. The capital of the province is the city of Las Palmas, on the island of Gran Canaria.



Flora and Fauna

The flora of Lanzarote is both diverse and interesting. Some of the species which became extinct in Europe during the Ice Age found a haven here.

Characteristic of the vegetation of the island are the Eucalyptus tree and the indigenous palm with its straight stem and symmetrical crown. There are also cactus plants in profusion.

When irrigated the soil is exceptionally fertile and plants and tree grow willingly.

There are relatively few wild animals on the island with the exception of the innumerable rabbits.

The hedgehog and a small lizard resembling a dinosaur in miniature are also to be found in Lanzarote.

There are no snakes or poisonous insects.

The economy

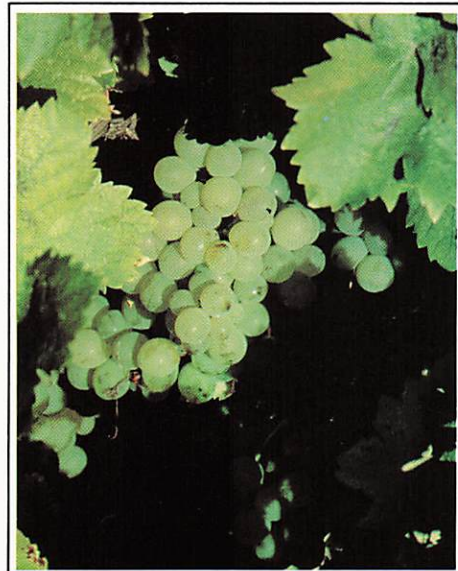
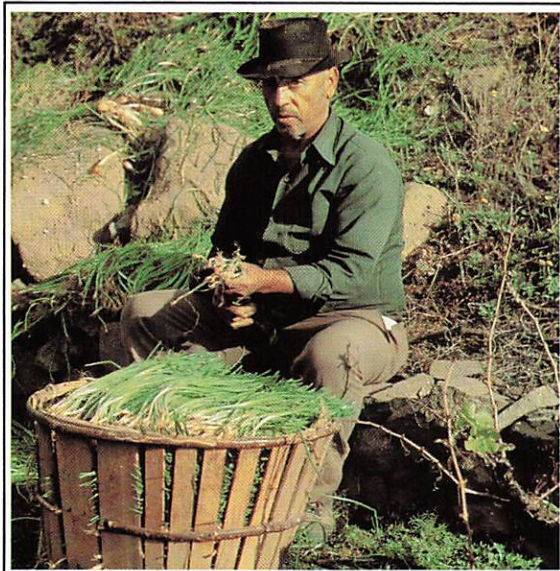
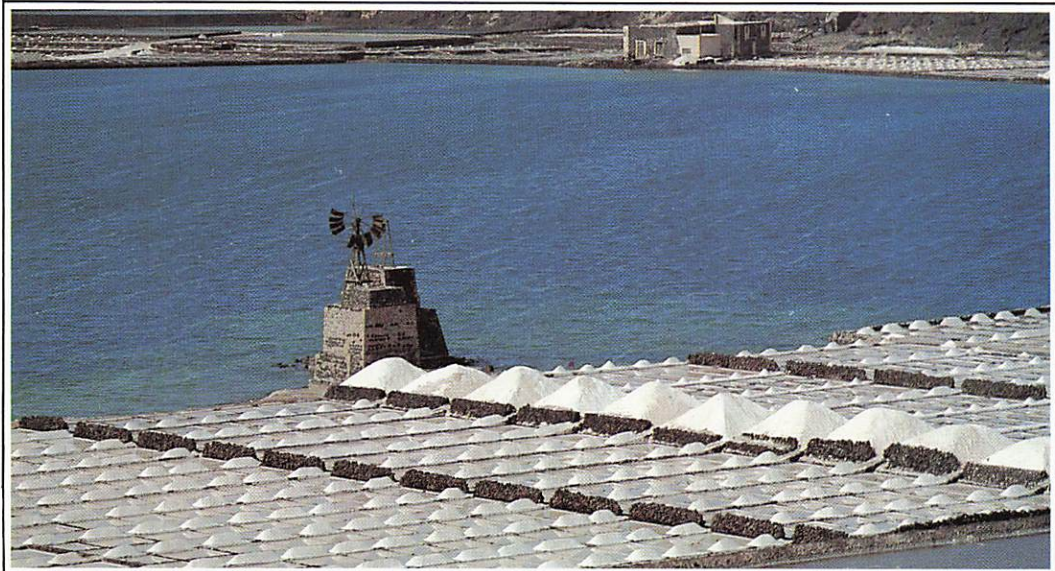
The island's economy is by tradition based on agriculture (onions, grapes, potatoes, tomatoes) and fisheries. This ensures a steady fresh supply of basic food for the increasing number of visitors.

Lancarote is a free port, an added attraction for tourist and business men alike.

In the past few years tourism has become an important source of revenue for the islanders.

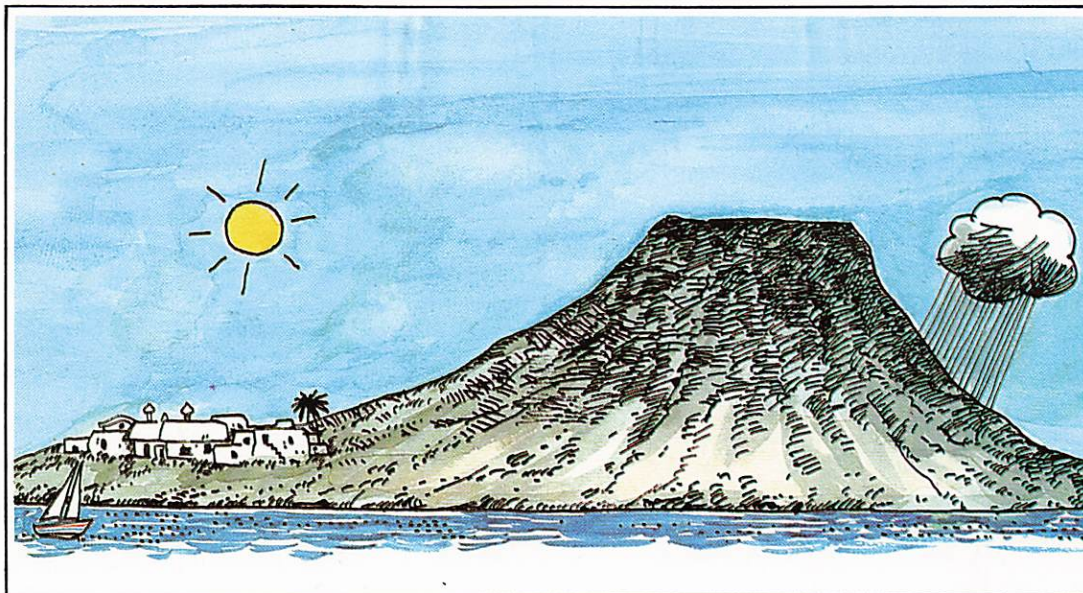
The population has succeeded in maintaining their traditions in spite of this slowly changing source of income.

Lancarote's urban areas are well served with banks, shopping centers and speciality stores of all types.



Climate

The Gulf-stream and the trade winds ensure a constant climate throughout the year, with almost perpetual sunshine, – particularly on the southern end of the island. Day-time temperatures on the island



average between 23° and 29°C (73,5° and 84,3°F). The average number of hours of sun each month ranges from 190 hours in December to 300 hours in July. The water is clean, and as there is virtually no industry on Lanzarote, the air is unpolluted.



Communication

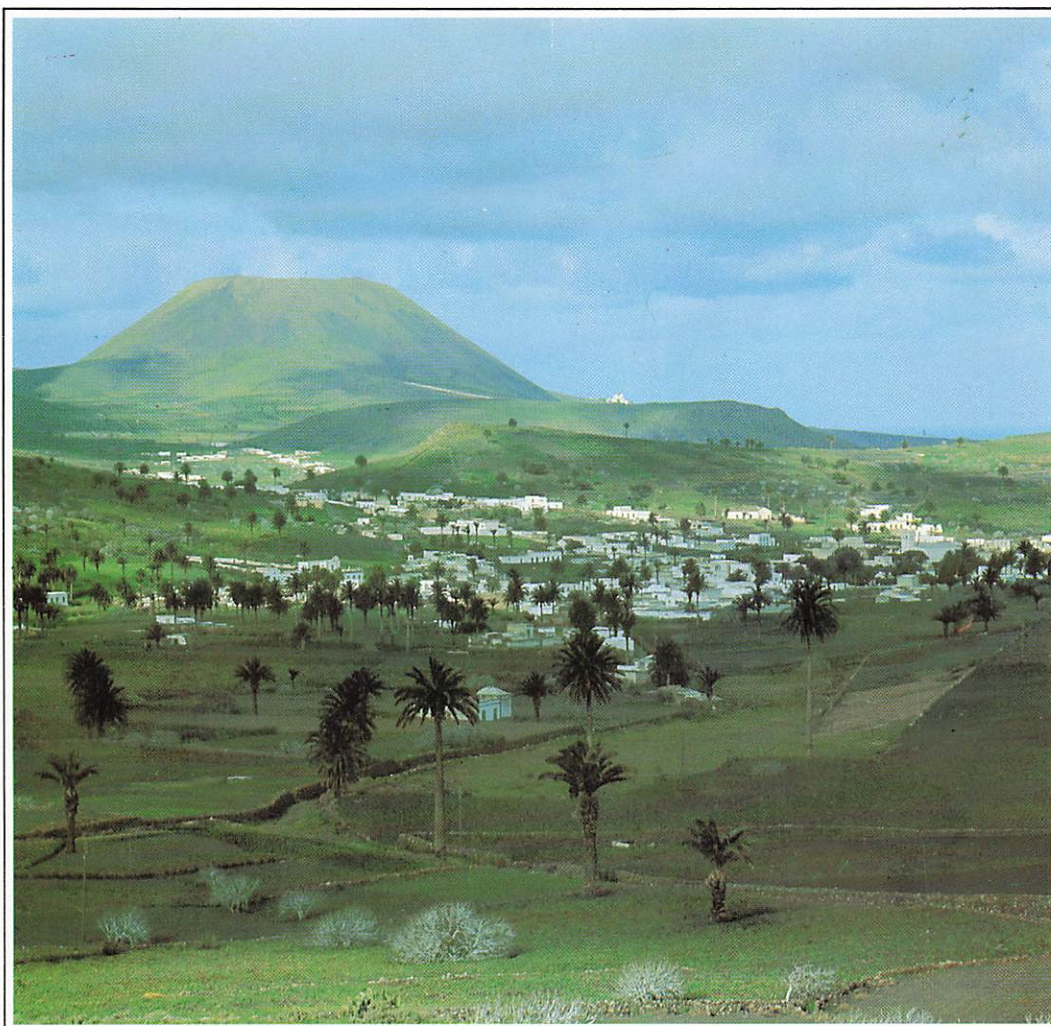
Lanzarote has an international airport 34 km (21 miles) from the site, which handles a large number of charterflights to the mainland of Europe, as well as scheduled flights. It is a short flight to Gran Canary with its excellent international connections.

Ships from major European ports make regular calls at the island.

The telephone-, telex- and telegraph network is well developed with direct international connections.

Public utilities

The road network, water, electricity and gas supplies are adequate to support a large scale development.



Maps

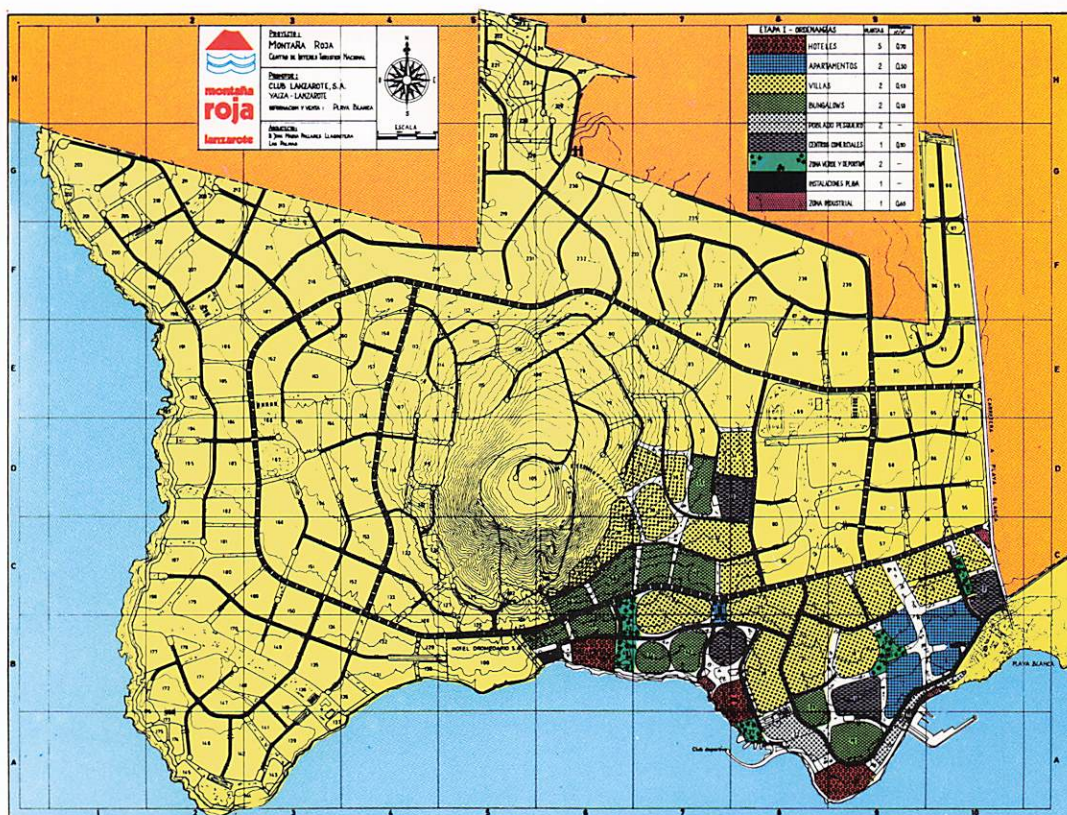
Club Lanzarote, S.A. has excellent maps over the whole area. The maps have been elaborated by the Swedish company «Kjessler och Mannerstråle AB», according to aerial photos (flying height 750 meters) and have the following specifications:

- Original maps, Coronaffex UC4, scale 1:1000
- Contourlines, each meter (maximum deviation $\pm 0,25$ m).
- 45 triangulation points, with coordinates in meters (3 decimals).

Deviation: Angles 20 cc
Length 2 cm/km
Height 2 cm/km

Because of the high standard of the existing maps, no extra mapping will be needed for future planning.

The approved «Plan Centro Turístico» has been made according to the mentioned maps.



Montaña Roja

