

**PHA BOARD MEETING
JULY 14, 2008
MINUTES**

MEMBERS PRESENT

Julio Bagué
Jaime Morgan-Stubbe
Rita Molinelli
Servando Díaz
Félix Santoni
Luis Rodríguez
Victor Nieto
Eric Grafals
Daniel Vasse
Alberto Rivera
Raúl Rivera

OTHERS PRESENT

Antonio Maldonado
Daisy Díaz

MEMBERS EXCUSED

Walter Fournier
Edd Siler

I. CALL TO ORDER

Mr. Julio Bagué, President, called the meeting to order at 8:45 a.m. Mr. Bagué began the meeting by congratulating Mr. Jaime Morgan, Mr. Jeff Willenberg and the PCCI staff for the exceptional manner in which the Member/Guest Tournament was ran and the excellent activities held as part of the tournament.

II. APPROVAL OF MINUTES

| [The M](#)minutes of the meeting held on May 16, 2008 were unanimously approved upon a motion by Mr. Servando Díaz seconded by Mr. Eric Grafals with the following change on page 5, first paragraph, line 2:

| -replace word “~~advantage~~” ~~with~~ [with](#) “the opportunity”.

III. PRESIDENT'S REPORT

A. Status of Marbella Lawsuit Negotiations

Mr. ~~Julio~~ Bagué asked Mr. Jaime Morgan for a status report on the Marbella lawsuit negotiations. Mr. Morgan reported that discussions continue among lawyers trying to iron out differences and to reconcile outstanding issues. In reference to the two outstanding items of the negotiations (title representations and transfer of the Forest to third parties), Mr. Morgan indicated that wording on title warranties is being ironed out using different language on the document. Regarding PHA position of not accepting the transfer of the Forest to a third party in the event PHA does not qualify as a Conservation Easement, a meeting was held between PDMPI lawyers with PHA attorneys to clarify this matter. PHA position on this matter is that, according to the Restrictive Covenants, the Forest is a nature preserve that must be eventually transferred to PHA; therefore, considering the transfer to a third party is not acceptable. PDMPI attorneys are waiting for a response from PHA lawyers following a clarification meeting where it was pointed out that PHA interpretation of the Covenants on this point is incorrect. According to Mr. Morgan, in this regard the PHA Covenants have not changed since the very beginning.

Mr. Morgan also informed that PHA and PDMPI lawyers acting on a mutual accord requested a postponement of the pre-trial hearing scheduled on July 16, 2008 because they feel they are getting closer to an agreement. However, it has been learned that the Court has denied the request. The lawyers are coordinating a common position to present before the Court at the hearing to demonstrate that progress is being achieved in the negotiations and that both sides should be given the opportunity to reach an ~~satisfactory~~ agreement.

Mr. ~~Julio~~ Bagué commented that, regarding title issue, PHA is contracting a person to conduct a title ~~search~~ study of the properties to be transferred and where permanent easements are to be established. Regarding the Forest, Mr. Bagué added that PHA insists that PDMPI ~~erred in withdrawing should not have withdrawn~~ this land from the Covenants. According to Mr. Bagué, the Forest is a nature preserve and as such is not land that could be developed. The Covenants authorized the Master Developer to withdrawing undeveloped land under and the assumption is that such land will be commercially developed at a future date given point. However, this is not the case with the Forest, as well as the green areas because they are not lands that could be commercially developed at a future date. Based on legal advice, this. Therefore they should have not been withdrawn from the Covenants and that is the PHA position on this matter as well as the PHA attorney's position.

Mr. Morgan pointed out that the problem with such position is that it keeps PDMPI from transferring the Forest to third parties for tax credit purposes. He feels that a decision from the P.R. Treasury Department qualifying PHA for as a recipient of a Conservation Easement for tax credit purposes to PDMPI will resolve ~~move~~ this problem. He is

hopeful that a favorable decision could be granted soon. An unfavorable decision would complicate matters as it forces PDMPI to explore other options for tax credit purposes which is at odds with PHA position.

Both, Mr. Bagué and Mr. Morgan, remain optimistic that the outstanding issues will be resolved in a satisfactory manner and negotiations will be successfully concluded.

B. Beach Erosion Committee

PHA asked Frank Torres to conduct an assessment on the viability of having sand pumped from the ocean to the beach. This will require assessing the location of sand, quality and amount of sand available relatively close to the beach. ~~He~~Mr. Torres informed that this assessment can be done rather quickly; however, he has been in Vermont since May and will not have his proposal ready until he gets back. ~~We~~PHA will then look into potential contractors, cost estimates and permit requirements to perform this task.

The proposed meeting with Zenon Industries to explore the possibility of bringing sand from Punta Arenas is still pending coordination by Walter Fournier, who has also been traveling. Regarding the Chair of the Beach Erosion Committee, Mr. ~~Julio~~ Bagué will assume that position. The members of the Committee are: Julio Bagué, Jaime Morgan, Rita Molinelli, Luis Rodríguez, Raúl Rivera, Tony Maldonado, Frank Torres, Tony Vázquez, Rafael Santos del Valle, ~~CK~~ukito Muñiz and Peter Palermo.

C. Beach Access

PHA is still working on the plan for the construction and landscaping of the small parcel LC-1 at the entrance to the Solarea/Crescent Beach Access. Crescent Beach refused to allow PHA to connect the parcel drainage basin to its closest storm catch basin. The street storm water line in the area has been identified as a possible hook-up point. ~~and p~~ Engineering drawings have been modified and resubmitted to the ARB for approval. PHA is also waiting for a cost estimate for this modification.

Regarding the Solarea access there has been no change. The turnabout ~~W~~work by Solarea at the end of the beach assess is not complete; neither is the landscaping.

The installation of the gate at the easement between Plaza del Mar and Pump Station no. 1 is complete. Additionally, the old Palmas Inn construction fence is being removed; however, the area has been blocked to keep golf carts and vehicles from entering the beach area behind this parcel.

D. Children's Park

The equipment and matting installation work in the Children's Park is complete. Minor landscaping work remains in progress. Formal inauguration of the park is planned for this coming Saturday at 10 a.m. The community can feel proud of this significant

community achievement. The cost of the park is going to be \$193,000 of which PDMPI contributed \$50,000, ~~and the other~~ sources of funds to cover ~~this~~ all cost ~~associated with this project~~ ~~overrun~~ have been identified within the current budget. Next phase such as gazebos and additional chairs and ~~benches~~ ~~are~~ ~~is~~ already being planned. The initial community reaction has been extremely favorable.

Mr. Raúl Rivera indicated that the codes for public playground areas require that children areas be physically separated by age. Such divisions could be made by any type of fencing. However, in this case, plastic-covered cyclone fencing was used because if it consonant with the adjacent Tennis Center environment ~~next to it~~ which uses the same type of fencing.

E. Club Amigos Hacienda Candelero

PHA wrote to Club Amigos de Hacienda Candelero supporting their petition to ride along certain streets and common areas with some restrictions as discussed at the last Board meeting. In its last letter to the Club, PHA requested certain insurance and hold harmless requirements recommended by its insurance broker and attorneys to address the safety considerations discussed at the last Board meeting. However, PHA requirements for insurance and hold harmless releases were ~~considered onerous~~ ~~rejected~~ by the Riding Club, ~~and~~ Also, they are ~~also~~ challenging the PHA Board's authority to regulate the use of streets and common areas within Palmas.

PHA has a legal opinion from its attorneys addressing this issue that clearly establishes PHA authority on this matter. PHA has also acted in accordance with the recommendations from its insurance broker with the best interest of PHA/PDMPI and the Riding Club in mind. As stated before, PHA supports the petition but whatever is done, must be done in compliance with PHA rules and taking in consideration the safety ~~of and well being of the community in general~~ ~~everyone who could be impacted by this type of activity~~.

A meeting is pending to continue discussions on this matter, ~~and~~ Mr. Bagué is confident that a satisfactory agreement can be reached.

F. Equestrian Center

The deed placing the Equestrian Center under the PHA Covenants was signed on May 20, 2008. PHA is now working with Dr. Benítez ~~on the~~ ~~and~~ issue pertaining to the assessments for this parcel, ~~since, after~~ PHA had signed an agreement with Dr. Benítez on June 2007 ~~him~~ pertaining to the effective date and the amount ~~assessments of assessments~~ to be paid. Now, ~~he~~ Dr. Benítez wants to revisit the issue. Mr. Bagué expects ~~ed~~ to meet this ~~week~~ with Dr. Benítez ~~in the near future~~ ~~to iron out any differences~~.

G. ARB Codes

After the modifications committee review of the ARB codes last year with Luis Rodríguez, PHA completed its review of such codes. A committee consisting of Raúl Rivera, Gabriel Espasas, Tony Maldonado and Julio Bagué worked on the design guidelines draft submitted to PHA by Luis Rodríguez. PHA did a thorough review of all aspects of the codes and made space provisions dedicated for alternative energy sources. PHA believes the revised code came out to be-is a good product. The document was sent back to Luis Rodríguez for the final ARB review.

Mr. Bagué added that he is hoping to have the new document be signed by August 2008 which is the Fifth anniversary of the previous ARB guidelines edition.

Mr. Luis Rodríguez indicated that the ARB is reviewing PHA Committee recommendations and will submit its review reaction to PHA.

IV. TREASURERS REPORT ~~MR. SERVANDO DIAZ~~

Mr. Servando Díaz discussed the PHA financial statements as of the end of May covering the significant variances contained in the report. Such variances respond particularly to timing in terms of revenue and expenses. PHA is remaining within its budgeted programs. Income is being affected by the timing of payment of road repair fees and some quarterly homeowners' assessments falling in arrears. However, collection efforts have been ~~very~~ aggressive and thus, positive results are already ~~being~~ seen.

Mr. Julio Bagué requested for the next Executive Committee Meeting a budget presentation showing actual expenditures vs budget by line items and a revision of the budget forecast for year ~~end~~.

Mr. Díaz also informed that PHA has received three quotations for audit services. This proposal will be reviewed and a recommendation will be made to the Board to select a replacement for Deloitte & Touche, who have audited PHA for the past nine years.

As recommended by the PHA Executive Committee, Mr. Díaz asked the PHA Board to approve the use of funds earmarked in the 2008 Budget for the Forest to be used to complete the funding for the Children's Park. No work on the Forest is now being anticipated in 2008. Upon a motion by Ms. Rita Molinelli seconded by Mr. Daniel Vasse, the Board unanimously approved a resolution authorizing the use of Forest funds in the 2008 budget for the Children's Park project.

V. PHA EXECUTIVE DIRECTORS REPORT

Mr. Maldonado reported as follows: ~~MR. ANTONIO MALDONADO~~

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A. Perimeter Surveillance System

The loan for the acquisition and installation of the Perimeter Surveillance System was closed with the Oriental Bank at very favorable terms. The contract for this project has been signed with Virtual Eyes Surveillance, Inc. The project will take approximately two months to complete.

B. Community Activities

The Walkers and Runner will be holding its third meeting. The first was held on May 3rd, the second on June 14 and the third is scheduled for July 19. The activity has had great enthusiasm and interest with an average of 20 participants.

The ~~bird watch~~birds watch activities have exceeded PHA expectations. The next bird watch is scheduled for August 16. The first watch was held on February 16 and the second on April 19. There have been over 30 participants in each of ~~the~~these activities ~~watches~~.

The PHA Movie Nights opened with an inaugural premier on July 5th. Over 60 homeowners and their guests attended a grand opening~~beginning~~. The movie nights will be held every first Saturday of the month. The next movie screening is scheduled for August 2.

Other activities that were offered and deemed enjoyable were the Latin Chi night on June 20 and the Reef Awareness Conference on May 17.

The Kids Aboard Summer Boatbuilding Workshop will be starting on July 14 with a program aimed at kids ages 8 to 17.

The Fourth "Recordar es Vivir" event will be held at the Humacao Public Plaza on July 19, 2008. This is an activity coordinated between PHA and Club Aries de Humacao. The objective is to bring all Humacao neighborhoods ~~to~~ include Palmas, together. There will be a classic cars exhibition, music and folkloric shows, artisans, typical food kiosks, dance competition, etc. Flyers with detailed information will be distributed to the community.

Finally, PHA and the Business Association are collaborating in the planning of two ~~back to school~~ community events to be held on August 23 and August 24, 2008. The first, which is a typical music concert, will be held at Palmanova Plaza. The second will be a picnic-type activity to be held at the Villa Franca community center which will also feature entertainment with Luis Vigoreaux and Tavín Pumarejo.

C. Incidents Review

The 4th of July weekend transpired without major incidents in spite of a large number of visitors and people in the community. The biggest problem was graffiti vandalism at the beach access between Solarea and Crescent Beach and an inordinate number of young people driving around in golf carts until early hours of the morning. The contingency plan implemented for the weekend worked well. There was excellent support received from the state and municipal police. Extra efforts and planning were put in effect to control Palmanova Plaza with excellent results.

In terms of security incidents the situation in Palmas has remarkably improved since April 2008 following the implementation of added security resources and control measures at the gates. During the month of June there was no major criminal activity. There were twelve (12) illegal appropriations ranging from golf cart registration stickers to construction tools. Four of these illegal appropriations took place in residential areas. Three burglaries were reported to Palmas Security as well as to the Police (one each in Villa Franca, Club Villas and at the Beach Bohio). One vehicle was stolen from the Club Cala area and subsequently recovered. Thirty (30) individuals were intervened and eleven (11) of these detained and escorted out of Palmas or turned over to the Police. Forty two (42) fines were issued to golf carts totaling 305 for the year. Three individuals were rescued from drowning by the Beach Patrol bringing the total to 32 per year. In 2007 there were 19 rescues during the entire year.

The State Police and the Municipal Police continue to work closely with Palmas security providing excellent support. PHA is working closely with the municipality in the enforcement of the Municipal Code to have commercial establishments close as required by the code.

Lt. Miguel Velázquez from the Police Criminal Investigation Corps (CIC), Humacao, Division, informed the Security Committee that violent crimes in the Humacao region have escalated substantially during the past two months. There were 17 homicides during the 4th of July weekend; five of them in Humacao. Ages of victims were all under 25 and mostly 18 and under. Armed robberies in Puerto Rico have also increased significantly (approximately 30 per month). His concern is that armed robberies could lead to more homicides.

Lt. Velázquez feels that Palmas is relatively secure in view of what is happening outside of the Palmas complex. People committing burglaries are being chased away from Palmas and the measures implemented by Palmas security in checking all vehicles and intervening with people are paying off. According to Lt. Velázquez there are no indicators that will lead him to think that the situation in Palmas will worsen or that violent crimes as witnessed outside of Palmas may occur in the complex.

D. Stray Dogs

PHA continues to work the problem of stray dogs very aggressively. An agreement has been reached with Dr. Edwin Serrano of Humacao Animal Shelter Inc. to assist in capturing the pack of aggressive dogs that have been running through Palmas. These dogs have proven extremely elusive to the traps and traditional methods used by PHA to capture dogs. Dr. Serrano will use a tranquilizer dart gun to capture these dogs. The charge for each dog captured is \$140.00. Meanwhile PHA will also continue its efforts with other stray dogs with the trap program throughout the community.

V.VI. OLD BUSINESS

A. Mandarin

Mr. Morgan reported that the P project continues to move forward. PDMPI is working with bank adjustments in changes and construction costs. The target is to break ground in September 2008.

B. Electrical Problems

Meetings are being coordinated with PRASA to discuss latest electrical problems experienced at Palmas del Mar. It seems that such problems should not take place after the new Palmas dedicated substation was built. The explanations given by PRASA on these outages are not acceptable to PHA, make little sense.

C. Traffic Circle Fountain

Mr. Morgan does not have anything ~~Nothing~~ new to report. A temporary fixture has been installed to have a water spray pattern more attractive than what was initially installed.

D. Rumors

The Board was informed that there are persistent rumors ~~spreading~~ around Palmas circles about a possible bankruptcy by Juan R. Zalduondo. This could affect PHA directly since he owes PHA approximately \$1760,000 from all his Palmas projects and properties. Also, if it materializes, it could have a serious negative impact in the Palmas real estate market and the completion of other projects owed by Mr. Zalduondo in Palmas del Mar. PHA has a collection effort legal case against Mr. Zalduondo in court.

VI.VII. NEW BUSINESS

A. Beach Erosion

Mr. Victor Nieto indicated that during a recent visit to Rome he could observe the development of great artificial reefs in beach areas along coastal zones. He remains very concerned with the beach erosion at Palmas caused by the waveswave's effect and feels action such as hardening the shoreline, as done in the Beach Club, should be implementeddone. Also, he thinks that the installation of T-groins jetting out to the sea should be considered. He realizes that permits for this type of solutions are required and obtaining such permits is not an easy process. Mr. Nieto indicated that he read the studies made by Dr. Alfredo Torruellas carefully and believes something closer to the shore should be done rather than placing a super-structure 400 meters away from the shore as proposed by Dr. Torruellas.

Mr. ~~Julio~~ Bagué pointed out that Palmas del Mar has lost more than five (5) acres in Punta Candelerero since 1970. The change in the coastal area at Palmas has been dramatic. The solution to the problem, in Mr. Bague'sBagué's view, will require three phases:

1. Short term solutions to protect the current shoreline must be done by the property ownerswhat you have such as hardening the shoreline as it was done at the Beach Club.
2. Intermediate solutions to restore beach areas by pumping sand from the ocean or bring it by barge from elsewhere. To do this you must determine the location and how much beach you wish to restore. This solution must be a PHA sponsored project. Funds to effect this solution will have to be identified
3. Long-term solutions by constructing permanent structures such as artificial reefs and break-walls. Both Federal and State Governments involvement in all aspects of this solution will be required.

This is a very complex issue that requires a permitting process with difficult regulatory agencies. Also, solutions are extremely expensive and there are no guarantees that they will work in view of Mother Nature's unpredictable behaviorability.

B. Delegates Committee

Mr. Servando Díaz indicated that there were no motions or resolutions from the Delegates requiring action by the PHA Board. Mr. Carlos García had suggested that the PHA building be named after Mr. Agustin Cabrer, first PHA President.

The PHA Board discussed Mr. García's suggestion and concluded that the PHA Building already has a name: Palmas Del Mar Homeowners Association Building. However, the PHA Board will study the suggestion and will consider naming one of the rooms after Mr. Cabrer and/or after other deserving community leaders who have made a difference in the life of the Palmas community.

C. T.V. Channel

Mr. Servando Díaz informed the Board that he met with Mr. José Alegría of Liberty Cable and discussed the possibility of establishing a T.V. channel for Palmas del Mar. Such a channel and the supporting hardware/software will be installed free of charge; however, any revenues could be split on a 70/30 (PHA/Liberty) basis. Advertisement could be sold and managed by PHA.

A Committee headed by Mr. Servando Díaz with Julio Bagué, Daniel Vasse, Tony Maldonado and other homeowners experts in this field such as Santiago Rubin will be asked to join the Committee and assist in this effort.

The PHA Board enthusiastically and unanimously supported this initiative. A meeting with Mr. Alegría will be coordinated by Mr. Díaz to discuss this initiative in detail.

VII.VIII. ADJOURN

The PHA Board adjourned at 10:30 am upon a motion by Mr. Félix Santoni seconded by Mr. Daniel Vasse.