

**PHA BOARD MEETING
AUGUST 17, 2007
MINUTES**

Members Present

Julio Bagué
Jaime Morgan-Stubbe
Salvador Ramos
Edd Siler
Servando Díaz
Victor Nieto
Walter Fournier
Manuel Morales Jr
Daniel Vasse
Raúl Rivera
Luis Rodríguez
Félix Santoni

Other Present

Antonio Maldonado
Daisy Diaz
Shirley Morales
Alfonso Lozada
Angel Serrano
Roberto Moscoso
José González, Esq.

Members Excused

Rita Molinelli
Mr. Victor Nieto

I. CALL TO ORDER

The meeting was called to order at 8:45 am by Mr. Julio Bagué, President. Mr. Bagué welcomed Ms. Alfonso Lozada, Mr. Angel Serrano and Mr. Roberto Moscoso from Marsh-Saldaña insurance brokers, and Mr. José González , PHA collections attorney.

II. APPROVAL OF MINUTES

The minutes of the PHA Board meeting held on June 15, 2007 were unanimously approved upon a motion by Mr. Walter Fournier seconded by Mr. Raúl Rivera with the recommendation that the President's report be written in third person language for consistency purposes.

III. PRESIDENTS REPORT- MR. JULIO BAGUÉ

a. PHA Insurance Program

Mr. Julio Bagué introduced Mr. Alfonso Lozada, Marsh-Saldaña Executive Vice-President, to present a stewardship report of PHA insurance program, services provided, case management and future outlook.

Mr. Alfonso Lozada provided an overview of Marsh Saldaña's corporate structure, services and resources available to its customers. Mr. Lozada also discussed in detail PHA's insurance program, claims experience, actual case-load and general services being provided to the Association. It was pointed out that Marsh-Saldaña has collaborated closely with PHA and its management in developing a comprehensive risk management program and modifying it to satisfy the evolving needs of the Association and the community. Special services being provided to PHA include trend analysis, third party claims management, management and resolution of PHA claims against non-PHA insurance companies, contract review and risk management analysis.

It was noted that over the past three years Marsh-Saldaña has aggressively worked the insurance industry and has managed to lower PHA previous costs by approximately 45 percent. It is anticipated that in 2008 premiums will remain at the existing level, or experience a slight decline.

The PHA Board expressed its appreciation to Mr. Lozada and his team for the excellence in services being provided to PHA and the rapid response it has provided the Association when called upon for consultations on policy matters or potential risks assessments. Mr. Antonio Maldonado asked Mr. Lozada to convey to his staff, particularly to Mr. Angel Serrano, Rut Martínez and the Marsh-Saldaña's Legal Department, his appreciation for the manner in which it has assisted PHA in claims involving non-PHA insurance companies and third party claims. Mr. Maldonado also complemented the Marsh-Saldaña team for the timely advice provided during contract reviews and the evaluation of risks for new PHA programs.

b. Marbella Lawsuit

Conversations continue with Candelero Point Partners (CPP), Marbella Club and PDMPI trying to reach a possible settlement on the Marbella Lawsuit. Following a series of meetings with Mr. James Harvie and some Marbella representatives there was an exchange of letters whereby CPP/Marbella Club accepted PHA proposals regarding improvements required at the Marbella Park. Based on this exchange PHA gave instructions to its attorney to draft a settlement agreement to present to CPP/Marbella Club.

However, subsequent to these actions, Mr. Harvie has indicated that some Marbella residents are having second-thoughts about PHA proposal and would like to meet again for further discussions. Mr. Bagué informed Mr. Harvie that he has no problem in meeting again; however, PHA position remains unchanged and if not acceptable PHA will pursue in court the demands stated in the lawsuit.

Regarding negotiations with PDMPI, lawyers have been instructed to develop a draft MOU for approval by the PHA and PDMPI Board of Directors. The MOU is based upon

the agreement in principle reached between Mr. Julio Bagué and Mr. Jaime Morgan to create a Forest Trust with PHA as its administrator, the transfer of approximately five (5) acres adjacent to the Forest, the general transfer of green areas and the creation of easements for the use of parking spaces next to PDMPI Executive Offices and at the 923 entrance to Palmas del Mar.

c. Traffic Study

A meeting has been scheduled on August 27, 2007 to bring together PHA and PDMPI consultants and see if this matter can be brought to a close.

D. PHA Building

Construction is undergoing final stages. Electricity connections between primary lines and the PHA building were finished last week. Carpet and furniture installation is in progress. Paving of parking areas has been delayed by rain. Internal telephone and data cabling is complete. Target is to be operating out of this building by end of September 2007. Once the move to the new building is completed, the trailers will be removed and work will commence on the front parking area.

E. Artificial Reef

Mr. Luis Rodríguez reported that nothing has taken place in DNR with the review of the project by the technical staff. Every project in DNR is suffering from what appears to be an unexplainable slow down in resolving pending action items by the agency. Mr. Rodriguez indicated he will personally visit the agency to find out what is the problem. Mr. Rodríguez also indicated that, according to information received from people working at DNR, the staff is aware of the project and there seems to be a very positive attitude in favor of it.

Mr. Maldonado informed that the people from Del Valle Group have not submitted any new proposals reflecting all costs related to the project to have a better idea of the total magnitude of costs. Also, they never came back to Dr. Torruella to reconfirm their rock tonnage calculations which appeared to be off by half. Engineer Humberto Reynolds from the Del Valle Group advised that they are still working on an overall cost figure but have not completed their estimates.

Regarding the under water borings study to determine the amount of rock or Artificial Reef material settlement or displacement, Mr. Frank Torres is working with Mr. Checa Agrelot for a proposal. Mr. Agrelot has experience in this type of work and is familiar with the Palmas area. His initial reaction is that there could be as much bottom settlement as one meter during the placement of the reef material. The settlement will affect the calculations of materials needed to build the reef. In reference to the Core-lock option, Dr. Alfredo Torruella continues to work with Mr. Rafael Semidey to obtain a proposal for the construction of the reef using this technology.

Regarding PDMPI possible contribution to this project, Mr. Jaime Morgan indicated it is PDMPI position at this time to contribute to this project in the same proportion as any other homeowner. As more precise numbers in terms of costs are developed PDMPI position can be revisited. However, currently PDMPI is focused on other key company projects and does not foresee a major investment in the Artificial Reef at this time.

F. Palmanova Park

The parcel was transferred to PHA free of cost on July 17, 2007. The \$5,000 deposit was returned and will be used for site improvements. Mr. Danny Torrellas from PDMPI is collaborating with Mr. Maldonado during the site clean up and development phase. Mrs. Eva Cueto from City Parks has been contacted for a proposal on equipment, installation and lay-out recommendations. She has already visited the site and intends to submit three options. Mr. Jaime Morgan has confirmed that PDMPI will include in its 2008 budget \$50,000 in matching funds for this project.

G. Beach Access

Discussions continue between PHA, PDMPI and the Solarea developer trying to find an adequate option for establishing an interim beach access between Solarea and the Beach Club. Ms. Rita Molinelli also met with Mr. Carlos Lázaro from Muñíz & Zavala to discuss possible improvements to the new beach access between Crescent Beach and Solarea. Possible improvements discussed include widening of the turn-around circle, replacing rocks placed at the end of the access with concrete bollards, establishing bathroom facilities, installation of landscaping and construction of the wall separating the access from Solarea. On behalf of PDMPI, Mr. Jaime Morgan offered to donate a small remnant of land near this access entrance for use as additional golf cart parking.

H. Equestrian Center

The Equestrian Center has paid its PHA assessments and its owner has accepted placing the parcel under the PHA Covenants. Mr. Jaime Morgan indicated that the deed encumbering the property under the PHA Covenants is being prepared.

I. ARB Review Rates

Mr. Walter Fournier reported that the Committee has not met since May 2007. The Committee is scheduled to meet on August 20, 2007.

IV. TREASURER'S REPORT – MR. SALVADOR RAMOS

Mr. Salvador Ramos, PHA Treasurer, discussed PHA financial statements and position as of June 30, 2007. The Association remains in a solid position. Total revenues year to date are tracking well above budget by approximately \$200,000 while total expenses are

below budget by \$98,000 giving PHA an increase in net assets of nearly \$300,000 over budget. Mr. Ramos also conducted a detailed year-by-year analysis of account receivables and the collection of past debts as requested at the last PHA Board meeting. This included commercial accounts, individual accounts with multiple properties, individual with single properties and road repair fee receivables. It was noted that as Palmas has grown so has the past debts. The uncollectible accounts provision is determined by the auditors.

Mr. Bagué requested Mr. Ramos to expand the analysis of the commercial accounts in the same manner as the individual accounts were presented. Mr. Ramos promised to send the information in the weeks to follow.

Mr. Walter Fournier expressed his satisfaction with Mr. Ramos presentation of past receivables as it meets the criteria contained in his motion approved at the last Board meeting.

The Treasurer's report was approved upon a motion by Mr. Servando Díaz seconded by Mr. Jaime Morgan.

Following the Treasurer's Report attorney José González provided a status report and an explanation of procedures being followed to collect accounts in arrears. Procedures include legal actions in accordance with Law 60 and lien procedures as authorized in the PHA Covenants. Mr. González pointed out that since May 2007 he has initiated in 122 cases totaling \$120,000 of which he has collected \$20,000 already. He is in the process of filing another 66 collection lawsuits.

Mr. González indicated he has been working with Mr. Maldonado and some of the credit agencies to consider referring cases submitted to legal action to these agencies. A policy supported by the PHA Covenants should be adopted by PHA whereby all the cases referred to attorneys for collection actions should be automatically submitted to the credit agencies. In accordance with the PHA Covenants such a policy should be notified to the homeowners prior to implementation. Both PHA management and the PHA Executive Committee concur with this recommendation as it may be a very strong incentive for homeowners to keep their assessments accounts up to date. Also, the PHA Executive Committee has recommended that the PHA Board ratifies the PHA policy adopted in 1999 of referring for legal action accounts in arrear by one year plus a quarter. This recommendation is consonant with the PHA annual audited reports.

Mr. Walter Fournier presented a motion requesting that the PHA Board passes a resolution to adopt a policy whereby all cases referred for legal action be also submitted to credit rating agencies and to ratify the PHA policy adopted in 1999 of referring for legal action, to include placing liens on property, all PHA assessment accounts in arrear by one year plus a quarter.

The motion was seconded by Mr. Jaime Morgan and approved unanimously by the PHA Board.

V. EXECUTIVE DIRECTORS REPORT – MR. ANTONIO MALDONADO

A. PHA Security Services

As approved by the PHA Board of Directors, a two-year contract was signed with St. James Security as provider of general security services at Palmas del Mar. Changeover of security providers took place on July 21, 2007, ten (10) days ahead of time, due to violation of contractual clauses by Palmas Security and Protection Services such as its inability to maintain its license to operate as a security service agency as required by Public Law 108. A pre-selected number of guards that were working for Palmas Security Company were retained by St. James. These guards were personally interviewed by the PHA Executive Director and the PHA Security Director. As agreed upon between PHA and St. James salaries for security guards will be above the federal minimum to stimulate retention and to attract well qualified recruits. All security personnel has received a comprehensive training/retraining course based upon standing operating procedures and a new scope of work developed for each position. New vehicles equipped with first-aid kits and road assistance and emergency equipment to help other persons or vehicles have been deployed to Palmas del Mar.

PHA is already receiving positive feedback from the community regarding the new services. Change in uniform and in the attitude is noticeable. Officers look very sharp and have become very proactive with the community. PHA management is also very pleased with the high level of cooperation given by St. James senior officers and with the quality of the supervisors assigned to Palmas del Mar.

B. Security Summary

Year to date there has been a decline in burglaries and illegal appropriations. Interventions and individuals detained and turned over to the police has increased. No homicides, sexual aggressions, aggravated assaults or car thefts have been reported. Three (3) robberies have been reported so far in 2007.

During the month of July there were no major crimes reported. There were six (6) burglaries (three in Harbor lights) and seven illegal appropriations reported. A trend in burglaries has been identified in Harbourlights an immediate action has been initiated. According to CIC investigations it appears that most perpetrators are coming from nearby Parcelas Martinez and some of these have already been identified. PHA has assigned tactical resources to the area and has cleaned-up vegetation and trees close to the perimeter fence. Meetings with victims are being conducted by the PHA Security

Director to provide additional guidance and individual property protection recommendations. Frequency of patrols by the Police and PHA Security has increased.

Ten rescues were performed by the Beach Patrol saving 13 persons from drowning. Nearly 100 golf cart fines were issued during the month of July. It was noted that in spite of a very busy summer with an extraordinary number of visitors and guests of Palmas, there were no major problems or incidents reported in residential or commercial areas associated with his high level of activity.

C. Hurricane Contingency Plan

The Hurricane Contingency Plan has been activated to deal with the threat of Hurricane Dean. Coordination meetings are being held with key Palmas organizations. Pre-positioning of emergency personnel and equipment in preparation for a possible emergency is complete. It is anticipated Hurricane Dean will pass approximately 175 miles south of Puerto Rico; however, heavy rains and heavy seas with waves as high as 14 feet have been forecast. PDMPI, PCCI, PDMU, DCI, ARB, Hotel Four Points and construction sites have already completed initial emergency actions to include securing property.

D. Cart Path Illumination

This project is included in the 2007 budget. Installation plans and technical data have been submitted to the ARB for review and approval. Equipment is on order and arrival is expected by the end of September.

E. Signage

Signs indicating location of beach accesses and beach hours of operations have been posted. Large trashcans were installed at the Solarea beach access and at the access between Plaza del Mar and the old Palmas Inn parcel.

F. Youth Programs

The Youth Committee was very active this summer. An excellent program was put together to include the use of a temporary hire to direct the summer activities. These activities included field trips, hiking, arts and crafts, beach sport activities and community service events. The activities planned were based on inputs provided by Palmas Academy students through a survey.

A youth sailing program is being coordinated by Dr. and Mrs. Ivan Aponte. The Academy has already incorporated this program into its after school program. The sailing school will operate out of Anchors Village from 3:15 pm to 6:00 pm Monday through Thursday.

VI. NEW BUSINESS

A. PHA North and South

The creation of a separate homeowners association for Palmas North and Palmas South independent from PHA was recently brought to PHA's attention by Jaime Morgan. New residential areas to be developed, such as PP-9 parcel, will be outside of the PHA Covenants and under the new structure. PHA needs to evaluate how this new arrangement will impact the Association and its governance structure. Also, the impact on major projects such as the artificial reef where a major contribution is expected from every Palmas property owner now and into the future. It is uncertain at this time what service expectations people who move into those areas may have from PHA as the organization who takes care of the core, the services and the amenities in Palmas as known today.

Mr. Bagué informed that he has requested that PDMPI reconsiders this decision and proceeds to place PP-9 under the PHA covenants. He added that Mr. Morgan's position is that this is a none issue at this point in time and that any discussions should be held in abeyance until PP-9 is at a stage when cost sharing of services may be required. However, such an arrangement is not contemplated in the new covenants. Any payment, contribution or cost-sharing type arrangement should be agreed upon now and included in those covenants so that homeowners will be obligated to comply.

Mr. Bagué further pointed out that he will evaluate the document that establishes PHA North carefully and will continue to discuss this matter with PDMPI to insure that, from the homeowners perspective as well as PDMPI perspective, is the right thing to do. The goal here is to make sure Palmas remains an attractive community to live and invest and that the values of our properties, the amenities of the community and the expectations of everyone who buys at Palmas do not suffer.

Mr. Morgan indicated that the development of PP-9 has no impact at this time since it is a project approximately two-years away which gives time to further evaluate this matter. Mr. Morgan added that the objective of separate covenants for the development of parcels in the north side of Palmas is that the Master developer wishes to retain control of these projects to the very end. Mr. Raúl Rivera replied that since these parcels are becoming privately owned, in essence their development should work like any other regime built by a private developer whereby at a given point in its development it is placed under the PHA Covenants. According to Mr. Rivera it makes little sense to create a new Master Association when there is already one who can accommodate the services those future residents may require and, at any rate, will have to depend on the existing Association (PHA) for such general services. It is difficult to foresee what general services a new master association will provide to those homeowners. Mr. Morgan again indicated that this development still out in the future and there is ample time to re-evaluate and, if appropriate, reconsider this matter.

B. Alternate Energy Sources Committee

The Committee remains very active and met for the last time in August 10, 2007. The Committee is focusing on strategies to identify opportunities to reduce energy consumption or to improve efficiencies on consumption. An educational plan is being developed to raise awareness of the benefits of using alternate and renewable energy sources. A meeting is being planned to present renewable energy alternatives to the community. The Committee believes that design alternatives must be introduced in the Palmas Design Guidelines to allow for the incorporation of new energy sources technologies. The Committee is planning to represent the Palmas del Mar community lobbying in favor of legislation that will allow government to pass the Net Meter Law (Ley de Medición Neta) and in support of any legislation activity that will allow the sale of renewable energy to PREPA.

C. Common Areas Bathrooms

As part of the development of new accesses to the beach it has been proposed that bathroom facilities be installed in these areas as well as in the Marbella Park. Ms. Rita Molinelli has approached Mr. Carlos Lázaro from Muñíz & Zavala asking that the installation of such facilities be considered in the access between Solarea and Crescent Beach. Mr. Bagué also supports this initiative and has included this item in his negotiations on the Marbella Park with Candelero Point Partners and the Marbella Club. Mr. Raúl Rivera supports this initiative.

Mr. Jaime Morgan indicated that such an initiative should be carefully evaluated particularly for beach easements. Experience shows that the installation of such public facilities in common areas become a maintenance and vandalism problem as they are difficult to control and to keep under supervision. Mr. Servando Díaz and Mr. Manuel Morales concurred with Mr. Morgan as in our desire to provide these facilities for the community a bigger problem may be created. They anticipate that the primary users to such facilities may not be necessarily Palmas residents but by the general visiting public and workers. Mr. Morgan believes that in general Palmas community residents will not favor using such facilities.

D. Signage

Mr. Julio Bagué informed that there is need to have nice large signs identifying beach accesses. Mr. Daniel Vasse indicated that signage across the board is a matter that needs a broad review and reorganization. Existing signage no longer meets Palmas del Mar needs.

Mr. Bagué appointed a sub-committee consisting of Mr. Raúl Rivera, Mr. Daniel Vasse and Mr. Edd Siler to address this matter and to make recommendations to the Board. Recommendations should address aspect of signage for beach accesses.

Mr. Vasse cautioned about promoting beach access too much as there is a potential problem of parking for outside visitors and the community in general.

E. Traffic Circle

Mr. Jaime Morgan shared with the PHA Board two proposals for the art work to be placed at the traffic circle water fountain in Palmas Drive. One of the renderings was prepared by Luis Torruella and the other was prepared by William Quetzalcoatl. These renderings are among others that have been considered by PDMPI. No final decision has been made as Mr. Morgan will continue to work with artists refining the proposals. Mr. Walter Fournier suggested the name of Mr. Andres Soler as another possible artist while Mr. Raúl Rivera suggested the name of Ms. Ines Blondet to Mr. Morgan as another artist that can be contacted for a proposal. Of the two renderings presented by Mr. Morgan, Mr. Raúl Rivera favored Mr. Luis Torruella for his well-known work island-wide and his stature among the art community.

F. Regime Approval of Projects

Mr. Walter Fournier asked if the ARB rules had changed regarding requesting regime approval for projects within a specific regime. It was pointed out that, although this is not a requirement contained in the Design Guidelines or codes, it is a requirement contained in the ARB review checklist and is a requirement normally contained in the Covenants applicable to particular regimes. Mr. Fournier then pointed out that, if such is the case, a project in Seascape has been approved by the ARB without the regime's approval.

Mr. Luis Rodríguez indicated that the ARB has requested that the Seascape Association reviews the project but until now it has not done so. The problem is that the Seascape Covenants do not require the regime's approval for a project to be developed in that area; thus, the proponent is not legally bound to submit it to that particular association for approval. Mr. Fournier pointed out that regime association should be involved in such an approval even if it is not contained in the regime Covenants. Therefore he would like the PHA Board to express itself on this matter. It was then suggested that PHA seeks a legal opinion on this matter to establish if this is a requirement already covered by the PHA Covenants.

Mr. Raúl Rivera recommended that PHA adopts a policy to promote neighborhoods involvement in the process of approving internal projects. This is consonant with the spirit of the recommendations approved by the PHA Board and adopted by the ARB of making neighborhoods aware of projects that may impact their communities. Mr. Rodríguez restated that the particular community involved in the situation brought forth

by Mr. Fournier has already been contacted and asked to comment on the matter. The ARB has not acted on this matter.

Mr. Julio Bagué deferred this subject to the ARB since it is an on-going process being addressed by that organization and is pertinent to a specific project within a particular residential area.

VII. ADJOURN

The PHA Board of Directors adjourned at 11:50 am upon a motion by Mr. Edd Siler seconded by Mr. Daniel Vasse.