

**PHA BOARD MEETING**  
**JUNE 15, 2007**  
**MINUTES**

**Members Present**

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

**Other Present**

Antonio Maldonado  
Daisy Diaz  
Shirley Morales

**I. CALL TO ORDER**

The meeting was called to order at 8:50 am by Mr. Julio Bagué, President. Mr. Bagué gave a warm welcome to Mr. Servando Díaz and to Mr. Victor Nieto who were attending their first Board meeting following their election as Directors representing District Three (3) and District Four (4), respectively. Mr. Bagué also thanked the Board for the vote of confidence in electing him as President of PHA and provided the Board with insight of his work ethic and style.

**II. APPROVAL OF MINUTES**

The minutes of the PHA Board meeting held on April 13, 2007 were unanimously approved upon a motion by Mr. Manuel Morales seconded by Mr. Daniel Vasse.

**III. PRESIDENTS REPORT- MR. JULIO BAGUÉ**

**a. Traffic Study**

At the last Board meeting it was reported that the end of April had been established as a deadline to receive PDMPI's comments and bring this subject to a close. Subsequently, Mr. Morgan asked for an extension of this deadline to the end of the first week of June. That deadline has passed and nothing was received. At the Executive Meeting held on Wednesday, June 13<sup>th</sup>, Mr. Morgan again asked for more time to provide inputs because this is something he wants to do personally. We suggested and he agreed to let the experts work out among themselves any differences and produce a report.

Mr. Jaime Morgan informed that he had discussed the matter with Chris Squires, Traffic Engineer from Kimley Horn, a PDMPI consultant firm, and it was agreed that he would write a letter to Mr. Morgan providing his inputs. Mr. Morgan will review Mr. Squires comments and will then forward this letter to PHA or to Mr. Parejo's consideration. In Mr. Morgan's view was that there is nothing happening at this time that may affect the timing of the recommendations contained in the study.

Mr. Bagué pointed out that this matter is well past due to bring to a close and PHA has been very patient and has afforded PDMPI every opportunity to provide anything that may alter the results of the study conclusions and recommendations. The study was finished in August 2006 and copies of the study were given to PDMPI from day one. Mr. Morgan apologized for the length of time it has taken to provide the information but hopes to submit the inputs by next week so that this matter could be closed as soon as possible.

**b. PHA Building**

The PHA Building is coming along beautifully and on time. I have toured the facilities and I am truly impressed with the design and the quality of work that has gone into this facility. I am sure it will be the envy of any master planned community here in Puerto Rico or in the States. All the required furniture and equipment to complete the project is on order.

At the PHA Executive Committee meeting we reviewed a comprehensive financial analysis of this project put together by our Treasurer Salvador Ramos, Tony Maldonado, Shirley Morales and Alex De Jesús who tract the building loan disbursements and all associated business expenses very closely. This analysis was a reconciliation exercise to determine if additional funds were needed to complete all aspects of the project. A copy of the analysis, with the Treasurer and the Executive Committee recommendations, was distributed to all the members of the Board.

Mr. Salvador Ramos then proceeded to recap the analysis which included a summary of projected costs for the building and the uses and sources of cash. Mr. Ramos pointed out that because of the time it took to agree on the hard costs and approval to obtain financing, changes in design, increases in the price of certain items such as Municipal Construction Tax (\$24,000), engineer inspector requirements (\$58,000), payment and performance bond; interest cost during construction, generator requirements (\$80,000), landscaping expenses (\$60,000) and an unpredicted IVU not included in the original cost estimates, PHA would need to tap into its cash reserves or seek to increase the loan amount by approximately \$260,000. Banco Popular has already informed that they are willing to increase the loan by as much as \$300,000 under the same terms and conditions of the original loan. This will increase the original loan payment by \$2,500. The additional funds will allow completing all aspects of the project comfortably including the acquisition of the emergency plant generator, the landscaping, internal data/telephone cabling and pay for change orders. Mr. Ramos added that a 10% increment in the

original cost estimates for the reasons given and taking in consideration that the construction cost estimates were right on target, is considered very reasonable for this type of project.

Authority to finance the PHA Building was overwhelmingly given by the PHA Membership directly consulted on this matter in 2000. No amount limitation was placed on this authorization. In year 2005 construction costs were estimated at \$2 million and the original loan request was based on this estimate. The PHA membership has been kept apprised of the construction progress and expenses through reports rendered at the 2005, 2006 and 2007 annual meetings.

Upon a motion by Mr. Walter Fournier seconded by Mrs. Rita Molinelli the PHA Board unanimously approved a resolution expanding the PHA construction loan by \$300,000 and empowering Mr. Julio Bagué, President and Mr. Salvador Ramos, Treasurer, to sign any documents related to such a transaction. Also, upon a motion by Mr. Walter Fournier seconded by Mr. Jaime Morgan the PHA Board approved a resolution authorizing Ms. Rita Molinelli's signature on PHA checks and for the cashing of certificates of deposit pertaining to PHA Building loan disbursements.

Mr. Julio Bagué commended PHA's management and the PHA Building Committee for an extraordinary job in keeping construction costs within reasonable budget limits and minimizing change orders. A 10% increase at a time of fast economic changes which is severely impacting construction costs and the purchase of equipment and services is justified and well within the expected cost parameters for this type of project.

### **c. Artificial Reef**

A meeting of the Artificial Reef Committee has been schedule for June 20<sup>th</sup>, 4 p.m., at PHA to review status of project and a construction proposal from Del Valle Group/Caribbean Marine Consortium. This proposal places construction costs at about \$12.5 million; however, it appears there are several hidden costs not contemplated such as marine insurance, inspection costs, payment and performance bonds, municipal taxes, etc. that could increment the cost of the project substantially.

Mr. Antonio Maldonado reported that Mr. José Martínez Laboy, who is retired from the Corps of Engineers and is well experienced in working with federal and state agencies on this type of projects, has joined the Artificial Reef Committee and has been retained as a consultant to assist in the permit and the financial scheme process.

Mr. Luis Rodríguez informed that the presentation to the heads of the Department of Natural Resources (SNR) and the Environmental Quality Board (EQB) as suggested by Mr. Raúl Rivera is still pending. Also, the meeting with the DNR technical staff to evaluate the project has not been scheduled. He will continue to pursue this meeting with the DNR administration. Mr. Raúl Rivera added that he will pursue the joint meeting with the heads of DNR and EQB.

Mr. Jaime Morgan suggested to bring Mrs. Lesbia Montero on board to insure she supports the project. Mr. Maldonado indicated he will contact Mrs. Montero.

Mr. Bagué added that he has asked Mr. Morgan for a statement from PDMPI regarding their financial commitment to this project. Mr. Morgan indicated he will consult MAXXAM and will inform Mr. Bagué the corporate's position on this matter. He added that PDMPI will continue to support the project as it has done until now regardless of its final outcome. Mr. Morgan also pointed out that it is difficult to specify any tangible commitment to this project at a time when its projected costs are yet to be defined. Additionally, he questioned why PDMPI participation position on this project would have precedence over anyone else who could benefit from this project. He feels other developers and regimes benefiting the most should be asked for participation on this project.

Mr. Bagué replied that he values PDMPI joint efforts along PHA to see this project get off the ground. However, he feels that PDMPI as the Palmas del Mar Master Developer should have a primary role in the development of the biggest community project undertaking ever seen at Palmas del Mar. PDMPI participation in the financial scheme of the project is crucial to encourage other developers and individual homeowners contribution. Without a significant participation from the Master Developer it will be very difficult to convince others to participate. Mr. Bagué feels that the interests of the community and the Master Developer should coincide in this project. It was always envisioned that this project's financial scheme would include a significant contribution from PDMPI, homeowners and government. It will be very difficult to see this project through without a significant participation from PDMPI.

Mr. Daniel Vasse indicated that before asking the community for a major participation on this project, they will need to be assured that they will have a good access to the beach so they may enjoy the results of such a major investment. Such access should be well defined, with adequate parking and walking paths along the beach. It will be very difficult to ask or even obligate homeowners to pay a significant special assessment if they will not able to take advantage of such a monumental beach improvement. This project, including its financial scheme, needs to be well organized before approaching homeowners.

Mr. Walter Fournier indicated that this project should be weighted and portrayed against the effects of global warming. Palmas will be the first community attacking this problem. From a public relations perspective this effort has a tremendous value that should not be lost. PDMPI as well as PHA should focus on this aspect to generate broad public and government support. Also, Mr. Fournier pointed out that this problem and the project must be approached as an emergency. Otherwise the PHA Board may not have the tools to deal with the situation.

Mr. Luis Rodríguez indicated that the project meets the regulatory public need requirement as it protects life and property. Thus this information should be incorporated

into Mr. Fournier's suggestion to exploit the broad benefits of the project through a public campaign.

Mr. Manuel Morales suggested that in evaluating its participation on this project, PDMPI should consider how Palmas del Mar will look like without a beach and how will that impact the value of any future developments and the value of existing properties. This is a pressing problem and the PDMPI Board should recognize the emergency nature of the situation and address it from that perspective.

Mr. Morgan replied that he recognizes this is a pressing issue and for years PDMPI has been working on the problem. The special permit and the work done at the Beach Club as well as the proposed T-heads for Candelero Point are examples of this effort. Mr. Morgan further asked if a special assessment for the Artificial Reef will be established depending on property location. He added that it will be very difficult for PDMPI to pre-determine a monetary amount contribution for this project at this stage. He added that any commitments of this nature may affect PDMPI financial statements. There is a Board of Directors and stockholders to respond to. Nevertheless, he will continue to work with his Board to obtain clear direction on this matter. He asked that the PHA Board takes in consideration that MAXAM and PDMPI are currently focused on the most important project occurring at Palmas in more than 30 years. That is the development of a \$200 million Mandarin Hotel Project. Thus it will be difficult to make commitments to any other project at this time.

Mr. Julio Bagué indicated that the Artificial Reef Project is one that will benefit all Palmas residents. Thus he feels that every homeowner should be treated equally as far as any special assessments that may be required to support this project. Mr. Edd Siler added that the Covenants are very clear on how special assessments are levied and paid. There is a 25% limit on the current year assessment for non-emergency events. Anything above 25% will have to go to the membership. Any special assessment must be in the same proportion as the regular annual assessment. Mr. Antonio Maldonado indicated that, although the covenants spell out clearly how special assessments may be levied, this does not preclude or places any monetary limits on any entity, organization or individual, such as PDMPI or a government agency or a homeowner, from making a particular contribution to a community project.

#### **D. Marbella Lawsuit**

Due Diligence continues, meanwhile, the door has been opened to pursue separate settlement options with PDMPI and Candelero Point Partners (CPP) and Marbella Club.

Regarding conversations with Candelero Point Partners and Marbella Club both represented by Jim Harvie, a proposal was received that was totally unacceptable. A counter proposal was sent back outlining our requirements. Basically we are asking CPP/Marbella Club to install significant improvements to the park such as ample parking for golf carts, bathroom facilities, additional bohios and playground equipment and thorough landscaping of the entire area. We proposed that the area will be divided in

two. That is, a passive park area adjacent to the beach and a non-passive park at the entrance next to Maralago for small children, both with rest rooms. So far no response has been received either from CPP or Marbella Club. We are prepared to continue the litigation in court as outlined in our lawsuit and have advised our lawyers to do so in view of the lack of response from CPP/Marbella.

Regarding negotiations with PDMPI, we have discussed the possibility of a settlement in brought terms along the following lines:

- The establishment of a conservation trust (Fideicomiso de Conservación) for the restoration, maintenance and management of the Palmas del Mar Forest to include remnant green areas around the forest.
- The bordering forest areas, remnants from previous segregation/projects, exceeding 3.2 acres, will be transferred to PHA for conversion into a passive park supporting the forest activities. This is to satisfy the request by PHA to be provided with an area at least equal to the space at the Candelero/Marbella Park.
- A parking easement by public deed will be established to allow the use of PDMPI executive office parkings by visitors to the park. This will preclude using green areas being transferred to build additional parkings for the visitors to the forest.
- PDMPI will expedite the transfer to PHA of all green area within the core of Palmas to PHA.
- PDMPI will provide 50 spaces at the 923 employee parking to satisfy PHA Municipal Ordinance No. 7 requirements.

These are preliminary discussions and the details of each part of the proposals are being examined by PDMPI. Once they reach a decision as to how they would like to proceed on each of these items we will come together again for further discussion and the drafting of a Memorandum of Understanding to be approved by the PHA and PDMPI Boards.

This is just to keep you informed as to where we stand on this matter. Of course, this is not to say that we will not continue with our due diligence to have our rights prevail in court should negotiations not yield the desired results. However, I believe there is good disposition from both parts to negotiate in good faith and we should pursue every opportunity to do so.

#### **E. Palmanova Park**

We have reviewed the draft documents of the Deed of Transfer of the Palmanova Park Parcel to PHA. We are hoping to have the documents signed by the end of the month. We have requested PDMPI to participate in the development of the children's park with

\$50,000 in matching funds. Mr. Morgan added that he will review PDMPI 2007 Budget to see if request can be accommodated. If not, he will consider it in the 2008 Budget.

#### **F. Beach Access**

We continue conversations with PDMPI to determine where and when will the temporary easement between the Beach Club and the Solarea Project be established. We would like to see that temporary easement done as soon as possible as the new easement established by the Solarea developer next to Crescent Beach is not sufficient to access the entire beach in the Candeleró Point area.

Recently, Mr. Antonio Maldonado and Mr. Danny Torrellas visited the area to assess the situation and make recommendations as to the possible location. There are some other factors, such as the release of the area by the ICP due to archaeological investigations, that may influence in the timing for establishing the easement.

We realize that it may be premature to talk about a permanent easement since that may depend on the development and the final configuration of the Beach Club expansion. That is why when we talk about this subject we are using the word temporary easement. Mr. Morgan and I, accompanied by Mr. Gabriel Espasas and Mr. Danny Torrellas will also visit the site to consider a possible route for the temporary easement.

Mr. Morgan added that PDMPI is committed to provide this access but the question is where and when. There are some matters concerning the Solarea project, safety issues having to do with the embankment between the road and the parcel that may require a permanent ramp and how to stay clear for the archaeological investigations.

#### **G. Traffic Circle**

I reviewed with Mr. Morgan artistic renderings that have been submitted to him for consideration. So far nothing presented blends well with the community. My suggestion has been to make it simple but attractive.

Mr. Morgan added that Jaime Suarez has not responded and he is looking for other options. Mr. Raúl Rivera suggested to consider Carmen Inés Blondet. He will provide Mr. Morgan with the contact information.

#### **H. ARB Finances**

Mr. Walter Fournier attended the last meeting where an ARB committee addressed the revision of the ARB fee schedule. Mr. Fournier provided positive feedback reporting that the committee seems to be working well and focused in the right direction.

Mr. Fournier added that he as well as Mr. Edd Siler attended the meeting. The current fee structure was analyzed and it was determined that it can be improved to cover ARB budget deficiencies. There is another meeting scheduled to continue to analyze the new

structure. This was a positive meeting and he feels optimistic that the new rates will alleviate the ARB financial position while being fair to individual homeowners and major project developers.

Mr. Edd Siler added that Mr. Fournier's participation in the Committee was very good and appreciated. The fees were reviewed in 2005 and increased substantially. The average expenditures for legal fees constitutes the main shortfall of the ARB financial situation. It was recommended that the recovery of legal fees and unpaid fines imposed on construction rules violations be tied to the PHA Covenants. Wording will be placed on letters and forms warning people of the consequences of not complying with the Design Guidelines or ARB rules since they constitute a violation of the PHA Covenants.

Mr. Maldonado pointed out that he has already met with Mr. Wilfredo López and wording to be placed in letters and ARB documents has been drafted. Mr. Fournier asked that the Security Committee looks into the procedures to ask people for permits when arriving at Palmas with construction materials. This may be helpful in cutting down on illegal remodelations or projects without ARB authorization. Mr. Maldonado indicated he will discuss this matter at the Security Committee. It was also pointed out by some Board members that individual regime boards and administrators can also help the ARB enforcing the rules. No construction should be allowed without the ARB permit prominently displayed as required by the ARB construction rules.

Regarding the ARB request for PHA to help with the funding of an additional PHA inspector, Mr. Bagué pointed out that this matter is still on the table awaiting for the ARB Fee Structure Committee to finalize its findings.

#### **I. Parcels outside of PHA Covenants**

I have discussed this matter with Mr. Jaime Morgan, particularly, the Equestrian Center and the Beach Club. A meeting will held with Dr. Benítez on June 27, 2007 to discuss placing this parcel back on the PHA Covenants. Regarding the Beach club, PCCI will voluntarily pay the PHA assessments for the Beach Club beginning in January 2008 in exchange for normal PHA services to include beach raking. In relation to other parcels not placed under the PHA Covenants such as PP-9 sold to Mr. Luis Muñíz, we will address this subject in depth at a meeting on August 8, 2007.

Mr. Morgan commented that the Equestrian Center was kept out of the Covenants to save Dr. Benítez money and help him get the project underway. PDMPI can place the parcel back into the PHA Covenants but will consult Dr. Benítez before doing so. Mr. Morgan added he will sit down with Dr. Benítez and Mr. Maldonado to work out the details.

Regarding the Beach Club, Mr. Morgan indicated that the Country Club and the Beach Club parcels are not encumbered by the PHA Covenants due to certain collateral restrictions imposed through the AFICA that financed these projects. However, the Country Club has been paying PHA assessments and, as indicated by Mr. Bagué, the Beach Club will also begin paying assessments in January 2008.

#### **IV. TREASURER'S REPORT – MR. SALVADOR RAMOS**

Mr. Salvador Ramos discussed PHA financial position as of May 2007. Financial statement for the month of May reflect revenues and expenses better than budget by \$300,000. In terms of cash available, the Association ended May with \$642,808 in cash operating funds and \$1,257,777 in restricted funds to include \$479,520 cash in the bank pertaining to the PHA Building loan. Overall, according to the financial statements, PHA remains in a very solid financial position. There are no significant variances shown in the report.

Mr. Walter Fournier questioned accounts receivable going back several years versus the amount reserved for uncollectible accounts. It was explained that PHA policy is to place liens on properties for past due accounts as authorized by the PHA Covenants. This policy has worked well as nearly 100 percent of accounts in arrears are paid along with late charge fees and legal expenses. This policy has been reviewed as an acceptable practice noted by the auditors in the annual audit reports. Regarding the amount reserved for uncollectible, the figure is provided to PHA by the auditors once they review accounts on arrears as part of their annual audit process.

Mr. Walter Fournier made a motion to have any receivables over one year considered as long term receivables and identified appropriately in the financial statements. Mr. Manuel Morales seconded the motion and it was unanimously approved by the PHA Board.

#### **V. EXECUTIVE DIRECTORS REPORT – MR. ANTONIO MALDONADO**

##### **A. Security**

Although at the height of the summer, from a security standpoint, the community remains quiet and delinquency has been dramatically reduced compared to previous years. No major incidents or criminal acts have been registered except for the armed robbery at the 16<sup>th</sup> green of the Flamboyant Golf Course. In this specific incident four players were robbed of money and jewelry at gunpoint. Suspects were subsequently detained by the police but not processed due to inability of victims to positively identify the perpetrators.

Four burglaries were reported during the month of May. Two of them in residential areas, one at the Beach Bohio and one at Palmas Realty. Also, two illegal appropriations were reported; one in Beach Village and one in Costa Verde. Three individuals were arrested by Palmas Security and processed by the Police.

A summer security contingency plan was implemented beginning on May 15, 2007 and is working well. Additional resources such as bike patrols, vehicle patrols and tactical personnel were added over the summer months.

**B. New Services**

Emergency Medical Services and Beach Patrol Rescue Service programs approved at the last PHA Board meeting have been implemented and running smoothly.

**C. Graffiti**

Action has been taken to clean up graffiti. Meetings have been held with the Academy to solicit their help in curbing this problem. Articles are being placed in the PHA Newsletter. Also, meetings were held with the parents of two youngsters apprehended in the act.

Mr. Julio Bagué suggested the problem must be addressed from two perspectives. One is prevention and the second corrective action. Painted areas should be cleaned quickly in order not to encourage others to do the same.

**D. Easement Signs**

Signs have been posted at the easement between Crescent Beach and Solarea project establishing beach access hours, to provide sea turtle nesting warnings and to ask people not to park in the turn-around circle.

**E. Youth Summer Program**

The Youth Summer Program recommended by the Youth Committee has been implemented. A temporary hire, expert in this area, was contracted to run the program. Activities include field trips, sporting events, dances and community activities. These activities are planned based upon inputs provided by Academy Students through a survey given to 164 students ages 12 through 19.

**F. Hurricane Contingency Plan**

The 2007 Hurricane Contingency Plan has been distributed. An initial meeting with all the principal organizations of Palmas was held to review the plan and to coordinate mutual support areas. The plan will be placed in motion upon receipt of a weather warning indicating a possible storm or hurricane impact on Puerto Rico.

**G. Cart Path Illumination Program**

This project was approved last year and is included in the 2007 Budget. Equipment is on order and installation plans and supporting technical data is being submitted to the ARB for approval. Equipment is expected to arrive in August with the installation to follow thereafter.

## **H. Tree Prunning**

A program to trim all trees blocking street light illumination is being carried out by PHA. This work will be accomplished during June 18 through June 22.

## **I. Trashcans**

Additional trashcans have been installed along cart paths. A large trash container will be placed near the PDMU Pump Station no. 1 where an inordinate amount of trash, mainly from construction people in nearby areas, seems to accumulate.

## **VI. OTHER BUSINESS**

None brought forth.

## **VII. ADJOURN**

The PHA Board adjourned at 11:40 am upon a motion by Mr. Walter Fournier seconded by Ms. Rita Molinelli.