

**PHA BOARD MEETING
APRIL 21, 2006
MINUTES**

DIRECTORS PRESENT

Luis Lomba
Jaime Morgan-Stubbe
Manuel Morales
Edd Siler
Salvador Ramos
Frank Bonnelly
Luis Rodriguez
Félix Santoni
Lilliam Morales
Raúl Rivera
Alfonso Lozada

DIRECTORS EXCUSED

Juan Walker
Julio Bagué

OTHERS PRESENT

Antonio Maldonado
Daisy Díaz

I. Call to order

Meeting was called to order at 8:40 am by Mr. Luis Lomba, President.

II. Approval of Minutes

Minutes of the March 17, 2006 meeting were approved with corrections as indicated below upon a motion by Mr. Félix Santoni seconded by Mr. Alfonso Lozada. Corrections are as follows:

--On page 2, Item G, line 4, change word "expectacular" to "spectacular".

--On page 4, second paragraph under Main Gate Upgrades should be the second paragraph under the 923 project, same page.

--On page 6, second paragraph, line one, the word "comments" should be change to "use of word irregularities".

--On page 6, paragraph six, second line, the words "It was" should be changed to "Mr. Maldonado".

--On page 7, second paragraph a second and third sentence will be added to read as follows: "Mr. Morales explained that contemporary corporate governance, as exemplified by the Sarbanes-Osley Act of 2002, requires Board of Directors to fund legal, accounting and /or consulting services needed by Directors in fulfillment of their duties and responsibilities. Mr. Lomba noted Mr. Ramos and Mr. Morales' comments for the record".

--One page 8, item D, Safety Issue, last sentence of first paragraph on this item should read: "Mr. Morgan suggested that this type of remedy must meet government highway authority approved standards".

III. President's Report

- A. **Marbella Park** – since our last meeting the temporary easement for golf cart access to the park has been opened this past weekend. However, we noticed that there is parking space set up for only three golf carts and where this parking is located is quite a distance from the park itself. I was surprised to see that the park consist of a single Bohio and a single set of children playground equipment. It has no sanitary or running water facilities. I understood the park has been finished now for quite some time but it is obvious it was built for a few home owners and not for a community of our size.

The reaction of many homeowners who visited the park over the weekend was one of disappointment to say the least.

At the Delegates meeting held on Wednesday night a motion was made by the Delegates regarding the park might as well discuss that now.

Mr. Lomba then asked Mr. Antonio Maldonado, in the absence of Julio Bagué, to provide the information discussed at the Delegates' meeting. Mr. Edd Siler intervened and indicated that he thought that there was no quorum at the Delegates meeting thus the motion presented by Mr. Miguel Santiago should not have been approved. Mr. Maldonado informed that there was a second call at the meeting and at that time there was quorum in accordance with the Delegates Committee Rules and Regulations document. Mr. Alfonso Lozada pointed out that, since he had seconded the motion presented by Mr. Miguel Santiago at the Delegates meeting, he would make the motion presented by Mr. Santiago at the Delegates meeting his motion at this PHA Board meeting.

Mr. Santiago's (now Mr. Lozada's) motion read, " I request that a resolution be passed to instruct our legal counsel on this matter not only to review the Deed of Transfer, but also that in doing so he considers such matters as the Covenants, the Master Plan and the applicable resolutions of the Puerto Rico Planning Board regarding dedication of the parcel, size, accessibility, beach access, facilities, etc. and, if necessary, go before the court of law to insure that the interests of the Palmas del Mar Homeowners and of the public in general are protected on this matter".

The motion was seconded by Mr. Félix Santoni and approved unanimously by the PHA Board.

Clarifications note:

In accordance with the PHA Board of Directors Delegates Committee Rules and Regulations as approved by the PHA Board on September 16, 2005, Section 8, states in part:

“...in order to approve a recommendation or pass a resolution a quorum of at least 50% plus one (1) of all Delegates is required. In the event that this quorum requirement is not met at the beginning of the meeting, a second call to order will be made 30 minutes after the initial call and at that time the presence of at least 40% of the Delegates will be considered quorum in order to approve a recommendation or to pass a resolution. Once quorum is established a majority vote is required to approve committee resolutions or recommendations”.

As reflected in the Minutes of the Delegates Committee meeting held on April 18, 2006 a first call was made at 6:30 pm and no-quorum was noted. A second call was made at 7:00 pm and quorum was noted at 41% with sixteen (16) of forty (39) regime Delegates present.

B. PHA Building

Construction is finally on its way. As reported to you at the last Board meeting the loan to finance the construction was closed on March 17th. In 14 months from now we should be having this meeting at the new facilities. Most of earth movement is done. Working with subcontractors to get best deal.

C. Antenna Parcel

As promised by PDMPI the antenna parcel was transferred to PHA two weeks ago. The golf cart parking is already finished and the landscaping part should start next week. I want to thank Jaime for his diligent efforts on this matter.

D. Artificial Reef

Dr. Quintero has reported that the Thalasia study and report is nearly finished. He has one more day of activities which he expects to complete this weekend. He indicates that results favor the installation of the artificial reef as initially proposed by Dr. Torruellas as most of the bottom where the foot print of the reef will be located consist of sand and micro-algae. The thalasia and corals found are close to the Punta Candelerio Reef and should not interfere with the proposed structures.

E. Punta Candelerero

We noticed that the Punta Candelerero area is being enclosed and that archaeological investigations are on-going at this time. We have received assurances from Cuquito Muñíz that he will maintain two temporary accesses open so that the community may continue to access the beach for the time being. Once a project is developed it is his intention to provide permanent access as required by law. We have no details as to his future plans in that area.

Mr. Jaime Morgan clarified that one of these temporary accesses is being provided by PDMPI through PDMPI's 2-acre parcel between the Beach Club and Mr. Muñíz parcel.

F. Annual Meeting

We are set to go for the annual meeting. Please be there on time as registration starts at 8:00 am and the meeting will start promptly at 9:00 am.

IV. TREASURERS REPORT

Financial statements for the month of March are not ready. However, Mr. Salvador Ramos, pointed out that the Association continues on a solid financial footing and there are no problems to report. A comprehensive report including end of the year financial situation, the 2005 audit and the 2006 budget will be presented at the Annual Meeting. This report is being distributed ahead of time to the PHA Board.

V. Executive Director's Report

a. Security

Easter holidays brought a very large number of visitors to the complex as well as many seasonal homeowners. In spite of big crowds the holidays passed without major incidents or problems registered within Palmas del Mar.

During the month of March no major crimes such as homicides, rapes, robberies or vehicle thefts were reported. However twenty three (23) illegal appropriations and eight (8) burglaries were recorded. Only six (6) of these illegal appropriations and three (3) of the burglaries took place in residential areas. Most delinquent activity took place in commercial areas, construction sites and their associated parkings. PHA Security intervened with twenty three (23) individuals and one was arrested and turned over to the Puerto Rico Police. This individual was caught in the act of stealing and electrical power plant from the HarbourLakes construction site. This same individual was being sought for two of the three burglaries reported above. Unfortunately, after his arrest the individual was released after the District Attorney Prosecutor failed to submit the case before the magistrate. This is a result of the recent changes in the Puerto Rico penal code

which has softened the threshold for crime prosecution; thus, more criminals are being released from jail and fewer criminals are being prosecuted.

Mr. Félix Santoni inquired into the lack of a public relations response by PDMPI or Palmas Realty to counteract the negative publicity given to Palmas as a result of a recent major drug cache discovered at Palmas Plantation. He feels that there might be a negative perception Palmas must deal with.

Mr. Morgan replied that there was no contact between the press and Palmas representatives and very little time to react. Only the San Juan Star gave prominence to the event. The strategy assumed was one to let the news die down since the information was already out in the media and that there was little that could be done immediately. Also, there was some concern about the protection of the people who made the initial discovery that led to the bust. The case is in DEA hands now.

Mr. Santoni suggested that future Palmas public relations campaigns should underscore how safe is the Palmas community in order to dispel any negative impressions that may exist among the general public and/or potential Palmas customers.

B. Main Gate Upgrades

The installation of new luminaries is complete. Work continues on the landscaping. The cascade around the Ceiba tree is complete except for illumination. The new AVI system is on order and should be installed by the end of May.

C. Antenna (CATV) Parcel Project

Asphalt is being laid in the golf cart parking area. Landscaping and clean up of the entire easement will follow.

D. Traffic Study

The traffic study is on-going at the present time. Report should be ready in about six (6) weeks.

E. 923 Service Entrance

Final contract is expected to be issued by the middle of May and construction is to begin by the end of May. Eng. Danny Torrellas is working the finishing touches of the contract. It appears that more money may have to be added by PHA and PDMPI to finish the project as planned.

A meeting was held with representatives of the Palmas Community Church and an agreement was reached regarding access to the PHA parcel and to the church parcel in order not to alter the 923 project. A document is being prepared to outline the terms of this agreement.

F. Horses in common areas

Concern has been raised through the PHA Security Committee and the PHA Delegate Committee regarding horses on golf cart paths, green areas or Palmas streets. The concern is that horses in cart paths are not consistent with the use and design of such paths. The cart-paths were specifically designed to be used by golf carts. Use was expanded to bicycles, joggers and walkers. In addition to the excrement deposits that horses leave behind, they could create a hazardous situation with the potential for injury to cart-paths users and the horse riders themselves. There is concern about destruction of green areas caused by the movement of horses over these areas. Furthermore, the Security Committee feels that Palmas del Mar are already congested with traffic. To allow horses in the streets will only aggravate the situation. There is also concern that the practice of riding anywhere in the community could invite people from outside to come into Palmas and do the same.

As a result of an incident with a couple of individuals riding horses in the cart path along Palmas Drive, a letter was written by Mr. Maldonado to Dr. José Benítez who runs the Horse Riding Club. The letter asked Mr. Benitez to inform the members of the riding club of restrictions in the use of cart-paths, green areas and in the streets of Palmas. Dr. Benítez has requested a meeting between Mr. Maldonado, Mr. Lomba and representatives from the riding club to discuss the matter. No incidents have been registered since the letter was sent.

Mr. Jaime Morgan explained that an agreement was established between PDMPI and the stables specifying the trails to be used for horse-back riding. These trails were recently cleaned and refurbished. The riding club is responsible for cleaning and maintaining these trails. Mr. Morgan indicated he sees no reason for horses to be riding, except on special occasions with prior PHA coordination, outside of those trails. In this regard he concurs with Mr. Maldonado that there is a potential for problems and liabilities should horses be allowed to ride freely in cart-paths or outside of established trails.

The PHA Board concluded to uphold its policy prohibiting, except on special occasions with prior PHA approval, horse-back riding in Palmas common areas such as cart-paths, green areas and Palmas roads/streets.

VI. Old Business

Mr. Alfonso Lozada indicated that now that he has been a member of the PHA Board for several months, having gone back through the PHA Board minutes of the last three years and as a long time resident of Palmas, he senses a continuing state of animosity between PHA and PDMPI that does not permit the organizations to work together on every issue for the benefit of the community. Mr. Lozada used the traffic study, the forest and the Candelero Park topics to illustrate his views. To him it seems that on these matters the Master Developer and PHA should have been able to work hand-in-hand for the benefit

of the community. Instead distrust is generated toward each other and threats of legal action seem to be the order of the day to get anything done. It seems that great opportunities are being missed to work together for the benefit of the whole community.

Mr. Jaime Morgan replied that he is willing to meet with Mr. Lozada and go over the background of some of the issues he has referred to since it is difficult to get the whole story from simply reading the minutes. In regard to the Candelero Park, Mr. Morgan indicated that what was done in terms of its development and transfer was done in good faith; nevertheless, it seems it is being turned into the opposite. As he suggested at last Board, if PHA is not satisfied with this situation it should discuss it with the Marbella developer and Mr. Morgan will support the outcome of such discussions.

Mr. Morgan also pointed out that PHA and the company have been able to work together in many areas. PDMPI is in the business of creating value and adding value to its properties. The Company does more than sell land. It is a land planner and a land developer and those who develop land in Palmas del Mar build according to the company's specifications.

Mr. Lozada suggested that in those discussions that will develop the Company should include the community concerns and their desires or so that those things may also be taken in consideration. In doing so you will have a supportive community because their needs and views are not being ignored. According to Mr. Lozada, the way things are done today is that the company negotiates with potential developers and introduces changes to what was already approved in the Master Plan to accommodate those negotiations often disregarding the community needs. This has been the case with beach easements, public parking and the development of common areas such as the Candelero Parking for the enjoyment of the general community. Because these things are happening that is why we have to depend on lawyers to sort things out and then go to the court to settle things when it should not be that way. Why is it that we cannot sit down before every project or transaction and see if the community will be affected and if so, work out agreements or solutions to those potential problem areas or effects.

Mr. Morgan indicated that in the case of the Candelero Park he had suggested that we get together with Mr. Harvie and try to iron things out before having to resort to legal action.

Mr. Santoni pointed out that he served on the PHA Board several years ago and it seems that certain things do not change. He agrees with Mr. Lozada that unnecessary friction is being created by the way the Company looks at Palmas. As the Company's vision of Palmas changes it needs to bring the community into that change so we may share the vision or at least make reasonable accommodations if there are differences in that vision.

Mr. Lozada indicated that when problems surface they should be discussed and resolved immediately and not procrastinated over the years. That is why, in his motion regarding the Candelero Park, he wants legal counsel to iron out everything and then take it to the ultimate consequences if necessary. There is no need to come back to the Board to continue talking about a problem that it is obvious it will not be resolved at this level.

There is a community that depends on this Board to resolve things and that is what we should do. The Company sits at the PHA Board because it has a vested interest in the community. Conversely, Mr. Lozada pointed out; PHA also has an interest on what the company does and will like to participate in that process.

Mr. Manuel Morales indicated that, similarly to what Mr. Lozada did, he also went back in PHA's history to have a better understanding of Palmas and why things are the way they are. He said that one of the things that he was very interested in learning was about the Palmas Master Plan. However, when he asked about it he was referred to a zoning chart in the wall and to a bunch of resolutions from the Planning Board. He had expected to see a comprehensive planning document.

Mr. Morales proceeded to explain that to him a plan is far more than that. It contains a vision, objectives, goals, time tables and is full of specific projects outlined in detail. Also, it is a document where you could track its history and evolution as it changes and evolves. It should be presented in a manner so that everyone understands it. However, to understand the Palmas Master Plan you must be an expert planner or researcher that can go through all of its iterations and every planning board resolution and then try to conclude what it means. In his view, that is not the way to do any sort of planning. That only breeds confusion and differing interpretations which in turn leads to the problems of the type that are being discussed at this Board. As a result of this confusion, PHA had to go back to the Planning Board to interject itself into the Master Plan process to stay abreast of the changes, to keep the community informed and to look after the community's interests. It should not have occurred that way if the Master Developer had kept the community informed and made them part of that planning process from the very beginning.

Mr. Manuel Morales made reference to a recent article in the Caribbean Business that mentioned how wonderful is Palmas is maintaining the environment and how beautiful is Palmas forest. It is interesting to read this article while at the same time hearing that PDMPI does not have a \$100,000 to dedicate to the restoration of the forest. According to Mr. Morales, it seems what is lacking here is a true interest from the developer to make the forest a true Palmas amenity. Mr. Morales further added that, such contrasting view is what leads the community and the Board members to be suspicious of hidden agendas and to wonder "where does the rubber meet the road".

Board members concurred that the Forest represents a tremendous amenity that should be fully enjoyed by everyone. Mr. Lomba expressed PHA willingness to accept the transfer of the forest and to restore it for the enjoyment of the entire community.

VII. New Business

A. Palmas Academy

Ms. Lilliam Morales informed that the ARB has approved the restoration of the rest of Palmas Academy building. Construction should start in the near future. Once building is

finished the school facilities plan is to grow to 700 students from the current 510. Ms. Morales thanked Mr. Lomba, Mr. Maldonado and Mr. Morgan for their continued support. In particular she thanked Mr. Lomba for his key role in the success of the recent Academy golf tournament. Such an event brought in over \$100,000 to provide 20 students with a full academy scholarship.

Ms. Morales also inquired about the plans for a youth center/pavilion. Mr. Maldonado indicated that the time is right for both organizations to begin working together to identify a possible location and to start working some preliminary plans. There is a lot of community interest on this matter and broad support is anticipated to such an initiative.

B. Academy Bridge

Mr. Alfonso Lozada inquired into the plans for the Academy Bridge which appears in a poor state of repairs and seems somewhat dangerous. Mr. Maldonado indicated that the replacement of the bridge is part of the Master Plan development for the Candelero River Parkway. Such a replacement is not anticipated in the near future. However, PDMPI as owners of the bridge has included in its budget provisions for the maintenance and repairs of the bridge.

C. PREPA

Mr. Félix Santoni inquired into the status of the meeting with PREPA officials PHA had attempted to arrange several months ago. Mr. Maldonado indicated that the meeting never took place. Now that PHA is in the process of updating the Electrical Study, once complete, PHA/PDMPI should meet with the PREPA Executive Director to discuss the results of the study and, hopefully, come out with an action plan to address deficiencies.

D. Illumination of Cart-Paths

Mr. Alfonso Lozada discussed the situation of darkness along the cart paths particularly in the Candelero area. Mr. Maldonado indicated that he is working with the solar illumination consultants to assess the situation and develop a proposal with options to address the problem. The proposal will look at all areas covered by cart-paths. This matter was brought up at the last Delegates meeting.

E. Landfill

Mr. Manuel Morales asked if any one had noticed the landfill smell reported by Mr. Hector Robles from Montesol. None of those present indicated having noticed the smell. However, it was pointed out that the land fill side nearest to Palmas is the one being worked now. Thus, there is a possibility that such a smell could reach the community during a wind change.

VIII. Adjourn

Mr. Luis Lomba thanked Mr. Frank Bonnelly and Mr. Juan Walker for their outstanding service to the community as members of the PHA Board of Directors. This is Mr. Bonnelly's and Mr. Walker's last Board meeting since they complete their terms at the Annual Meeting on April 22, 2006.

The PHA Board of Directors adjourned at 10:30 am upon a motion by Mr. Alfonso Lozada seconded by Mr. Félix Santoni.