

Playa La Jolla Owners Association Emergency Meeting Minutes, May 26, 2002

Thank you to all homeowners who attended the meeting.

The meeting was convened and OA Board President, Bill Robert gave his State of the Beach address on the following issues.

The purpose of the meeting was to inform the owners that Fiesta Properties, the current developer, notified the board in April that it would withdraw from its development and management activities of the property effective May 1, 2002 and requested from the board a transition plan for the Owners Association to take over operation of the community.

The status of development and developers was reported on and discussed. Fiesta Properties, owned by Cameron Truesdell, succeeded Playa La Jolla SA as the Master Developer has run the property but done little or no development in the way of infrastructure, improvements or lot sales. Fiesta Properties is currently involved in another Puerto Penasco development on which it is focusing is marketing and development efforts.

Three other developers/investors were identified who also have a stake in project. Danny Brown former partner in Playa La Jolla is thought to own a group of lots. Gus Brown owns a group of lots and Sam Sidhom is developing the Villas on the property. Scott Potauraski on behalf of his Coastal Corp attended and is engaged with these investors including Fiesta Properties in trying to develop a marketing plan.

The status of the OA forming a Mexican Corporation was discussed. Much research has been done by the Owners Board on this issue with proposals and input from as many as 10 Mexican Attorney's. There was again a consensus that the formation is necessary and that research would need to be concluded. Legal Services quotes have ranged from \$5000-25,000+. The Board was been cautious in committing money that we don't have.

The status of services was discussed. The board negotiated a 30-60 day extension where services are continuing to be provided by Fiesta Properties on a paid basis. Services including water delivery, trash collection, security and pool maintenance continue. The ability to maintain the pool remains a significant challenge in light of aging and failing equipment and a replacement generator that is undersized. Some investment will be required to return it to an acceptable level of operation.

Financial Statistics were reported by Board Member Bill Bosmeny. Recent stats show that Fiesta Properties has collected on average \$4000-5000 monthly from dues. Expenses in the same time frame have run on average \$8000-10000. This operating loss has been paid by Fiesta Properties.

Community Statistics were also reported by Bill. Stats show that with participation on the part of all owners including all 4 developer/investors the community could be in far better financial stead. The board identifies 283 properties in the development. 34 are improved lots, 61 are unimproved lots owned by individuals, 6 lots are dedicated to common areas, 182 lots are in the hands of developer investors or their ownership is unknown. The Board and the Membership Committee is working on ways to improve financial participation both on the part of individual owners and developer/investors. A report is being compiled on owners in good standing, vs owners not in good standing regarding dues.

A Special Assessment was discussed in the range of \$1000-2000 for improved lot owners and \$200-500 for unimproved lot owners with the balance of their assessment due upon groundbreaking for construction. The special assessment funds would be expressly for the purpose of paying legal fees, corporate formation expenses payment and other expenses as approved by the board.

Representatives from Playa Encanto's Owners Association were kind enough to join us. Our joint project with them regarding road maintenance was discussed. Using PLJ equipment the Encanto OA has assumed responsibility for grading the road 1 time/week, usually on Fridays. Everyone agreed the road showed great improvement. Encanto's representatives also overviewed their process of contracting for services and the idea of an integrated security patrol was discussed.

Our Plans for the Future were discussed. The board made the strong point that without the financial participation of ALL owners, the financials of the Association don't appear to be viable. The options were:

1. To disband completely, leaving each owner on their own, or
2. Pull together and try and continue to realize the dream of Playa La Jolla, even if that meant increased costs to the owners.

After discussion, the consensus was that retaining services and maintaining amenities is a worthwhile goal and one within reach. The Board will continue the research to pursue becoming a legal entity, a Mexican Corporation, for the purpose of functioning to provide services and security for the community. It is certain that a special assessment will be required to accomplish that step.

The board is in active negotiations with the 4 major landowners to include their lots in the new Association, and have received preliminary commitments from the major landowners for their financial participation and ongoing commitment. These commitments were discussed with a major point of contention being how and when the financial participate would come. Initially the major landowners are agreed to pledge a portion of lot sales as participation others are offering in kind payments. In response the Board re-emphasized the immediacy of the community's cash flow needs and asked for further consideration on that point.

The meeting was adjourned and lunch was served.

Playa La Jolla Owners Board

Bill Bosmeny

Dave Crum

Bill Robert

David Livingston (Membership Rep.) phone 623-486-8440 x11

John Specht (Membership Rep.) phone 303-373-2679 x207