

PALMAS DEL MAR HOMEOWNERS ASSOCIATION, INC.

CONFLICT OF INTEREST POLICY

Article I

Purpose

Palmas del Mar Homeowners Association, Inc. ("Organization") is a not for profit corporation organized pursuant to the laws of Puerto Rico.

The purpose of this Conflict of Interest Policy ("Policy") is to protect the Organization's interest (including its tax exempt status to the extent applicable) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the organization or might result in a transaction that provides for unfair benefits to an Interested Person (as defined below). This Policy is intended to supplement but not replace any applicable state and federal laws or regulations governing conflicts of interest applicable to nonprofit and charitable organizations (whether now existing or hereafter enacted or adopted).

It is the policy the Organization that no conflict of interest be allowed between the corporation, its officers and directors unless specifically regulated herein.

Article II

Definitions

1. Interested Person


Any (a) director of the Organization's Board of Directors (the "Board") or any committee to which the Board has delegated has delegated authority ("Committee"), (b) officer of the Organization, or (c) any other person in a position to exercise substantial influence over the Organization, and who has a direct or indirect Financial Interest (as defined below), is an "Interested Person."

2. Financial Interest

A person has a "Financial Interest" if the person has, directly or indirectly, through a business, investment, or family relationship:

- a. An ownership or investment interest in any entity with which the Organization currently has a transaction or arrangement,
- b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

 A Financial Interest is not necessarily a conflict of interest. Under Article II, Section 2, a person who has a Financial Interest will be treated as having a conflict of interest if the Board or appropriate Committee concludes that a conflict of interest exists.

Article III **Procedures**

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an Interested Person must disclose the existence of the Financial Interest and be given the opportunity to disclose (and must so disclose) all material facts to the Board or applicable Committee considering the existing or proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists


After disclosure of the Financial Interest and all material facts, and after any review with, and questions for, the Interested Person, he/she shall leave the Board or Committee meeting while the determination of a Conflict of Interest is

discussed and voted upon. The remaining Board or Committee members shall decide if a conflict of interest exists (by a majority vote).

3. Procedures for Addressing the Conflict of Interest

a. An Interested Person may make a presentation at the Board or Committee meeting, but after the presentation (and any related questions being addressed), he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of Interest.

b. If the Board or Committee determines that a Conflict of Interest exists, the Board or Committee will undertake either or both of the following actions: (i) designate a disinterested person or committee to investigate whether modifications or alternatives to the proposed transaction or arrangement are appropriate, and (ii) after exercising appropriate due diligence, determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.



c. If modifications or alternatives are suggested pursuant to (b)(i) above, or it is determined that a more advantageous transaction or arrangement may be possible pursuant to (b)(ii) above, the Board or Committee shall appropriately pursue such modifications or alternatives.

d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a Conflict of Interest, the Board or Committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable (considering appropriate comparability or other data). In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy

a. If the Committee has reasonable cause to believe a person has failed to disclose actual or possible conflicts of interest, it shall inform the person of the

basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.


b. If, after hearing the person's response and after making further investigation as warranted by the circumstances, the Board or Committee determines the person has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action including but not limited to the removal of such member from its position.

Article IV

Records of Proceedings

The minutes of the Board and all Committees shall contain:

a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the Financial Interest, any action taken to determine whether a Conflict of Interest was present, and the Board or Committee's decision as to whether a Conflict of Interest in fact existed.

 b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, a summary of the discussions (including any discussions relating to modifications or alternatives to the proposed transaction or arrangement or a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest), and a record of any votes taken in connection with the proceedings.

The minutes shall be circulated and approved at the next meeting of the Board or Committee that took action.

Article V

Compensation

a. A voting member of the Board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.

b. A voting member of any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.

c. No voting member of the Board or any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information on compensation to authorized persons or entities.

Article VI

Annual Statements

All existing Interested Persons shall within 30 days after the date hereof, and anyone who hereafter becomes an Interested Person shall within 90 days thereafter, sign a statement which affirms such person:

a. Has received a copy of this Policy.

b. Has read and understands this Policy.

c. Has agreed to comply with this Policy.

d. Understands that the Organization is a tax exempt, not for profit organization, and complying with this Policy is in the best interest of the Organization (and may now or in the future serve to protect its tax exempt status).

Article VII

Periodic Reviews

To ensure the Organization operates in a manner consistent with its charter and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

a. Whether the Organization and Interested Persons have complied, and are continuing to comply, with this Policy.

b. Whether compensation arrangements and benefits are reasonable, based on competent information and the result of arm's length bargaining.

c. Whether partnerships, joint ventures, contracts, and other arrangements with other persons, organizations and entities conform to the Organization's written policies, are properly recorded, and reflect fair and reasonable investment or payments for goods and services.

Article VIII


Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.



CERTIFICATION

The undersigned being of legal age and currently the Secretary of the Organization hereby certifies that the foregoing is a true and exact transcript of the Organization's Conflict of Interest Policy adopted by the Board by a unanimous vote at a meeting held on May 14, 2015 at Palmas del Mar, Humacao, Puerto Rico.



Carlos Garcia

Secretary