



Rebuilding a Strong Administrative Foundation for PAC's Future

Behind every great member experience lies disciplined administration.

Slide 1

Since 2023 PAC has undergone a comprehensive review of its financial and administrative systems. Although much of this work happens behind the scenes and is not visible in the day-to-day member experience, it is fundamental.

The quality of our golf course, athletic facilities, services, staffing, and operations ultimately depends on the discipline, transparency, and governance practices supporting them.

Over the past few years, PAC's Administration, Board of Directors, volunteers, staff, professional advisors, and committees have worked collaboratively to restore order, rebuild compliance, and modernize PAC's governance framework.

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PAC has grown from 300 member Mom & Pop Club to a 1,300 member \$10M a year business. Growth unfortunately sometimes comes with growing pains.

As you all know in 2022 PAC discovered a \$1.1M fraud that was perpetuated by one of PAC's employees. In 2023, PAC had auditors come in and perform a Forensic Audit that came back with many suggestions as to how PAC could revamp its Administrative Framework, in order to prevent similar future situations. Besides looking into all our administrative procedures we also did a review of all our tax and compliance matters.

Tonight, we want to share with you all our findings during the past few years and what PAC has done to correct any deficiencies and establish a disciplined healthy administration.

Administrative Work Gaps Identified

Key Governance & Compliance Gaps Identified

Significant tax liabilities could accumulate unnecessarily, restricting PAC's ability to invest in member experience. PAC needed updated administrative practices to meet the standards of a modern institution.

Tax Exemption Decree

Tax Exemption Decree expired in 2021 and was not renewed.

Loss of 90% exemptions on income, property, and municipal license taxes.

Financial Statements

PAC had never conducted audited financial statements, despite legal and bylaw requirements.

Tax filings relied on compiled, not audited, financial statements.

PAC operated without the basic financial safeguards required of an institution of its size.



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One of the major findings was that PAC's Tourism Tax Exemption Decree had expired in 2021 and the same had not been renewed. This meant that until the Tax Exemption Decree was renewed PAC would no longer enjoy a 90% income, property and municipal license tax exemption. So, instead of being taxed on 10% of its taxable income PAC became taxable on 100% of its taxable income. This GAP in Governance exposed PAC to significant tax liabilities.

Also, for a myriad of reasons, Audited Financial Statements, although required by law and by PAC By-Laws, had never been done. Tax filings had relied on compiled financial statements not Audited Financial Statements.

Incomplete Filings & Missing Operational Documentation

PAC risked penalties, interest, surcharges, possible operational disruptions, and further financial exposure.

- No income tax paid nor returns filed since 2018.
- No personal property or municipal license taxes paid nor returns filed since 2018.
- Municipal returns prior to 2019 incorrectly claimed 100% exemption rather than 90%.
- PAC had been Operating without a Use Permit.

Restoring compliance was essential to protect PAC's operational and financial stability

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Based on our findings, since 2018 PAC had not filed Income Tax, Real Property Tax nor Municipal License Tax Returns nor had it paid the appropriate taxes.

Real Property taxes and Municipal License Taxes prior to 2019 had been erroneously calculated assuming a 100% tax exemption when our Tax Exemption Decree only allowed for a 90% tax exemption.

Also, PAC had been Operating Without a valid Use Permit and was in non-compliance with fire, safety and health codes.

Years of unfiled taxes, missing permits and non-compliance with fire, safety and health codes created material operational and financial risks and exposed PAC to penalties, interest, surcharges and possible operational disruptions.

Restoring Compliance was essential to protect PAC's Operational and Financial Stability.

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Before we go to the next slide and show you what PAC's possible tax liability was because of the tax exemption and non-compliance issues. I want to let you know that the number you are going to see has been substantially decreased by work that has already been done and work that still is ongoing.

PAC's Financial Exposure related to ADM Gaps

Financial Exposure Resulting from Compliance Gaps

Understanding the full exposure required PAC to act strategically and responsibly.

\$3.31M

Estimated Total Exposure

Due to expired Tax Exemption Decree, years of unfiled tax returns, and incorrect municipal filings

Estimated exposure of **\$3,312,485** due to:

- Expired Tax Exemption Decree
- Years of unfiled tax returns
- Incorrect municipal filings

This liability could have severely impacted operations, dues, capital projects, and long-term sustainability.

▣ The scale of exposure made corrective action not only necessary but urgent.

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Based on the numbers in the Audited Financial Statements and those filed in the Bankruptcy Court by our attorneys and accountants, PAC's tax liability due to the expired Tax Exemption Decree and years of incorrect or unfiled tax returns is estimated to be around \$3.31M (without considering possible interests, penalties and surcharges).

This liability could have severely impacted operations, dues, capital projects and long-term sustainability.

The scale of the exposure made corrective action necessary and urgent.

Following we will share with you the efforts we have made and the ones that are ongoing to substantially reduce this exposure and to make PAC tax compliant.

What Has Been Done

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As mentioned above, the efforts of many have been essential in restoring PAC's Administrative, Operational and Financial Compliance. A lot has been done, and a lot has still to be improved and worked on. This has been a monumental task, and it is an ongoing task. Having said that, thanks in great part to the efforts of our GM Hector Rosario, his administrative team and our advisors, 2025 was a year of a lot of work, challenges, breakthroughs and results.

Restoring PAC's 90% Tax Exemption

Renewing the decree protects PAC's financial future.

Data:

- All documentation required for renewal submitted.
- Decree expected before the end of the year.
- 90% exemption anticipated for 2024 onward; potentially 2023.

Without the decree, PAC would continue incurring significant and unnecessary tax burdens.

Reinstating the decree is essential for PAC's financial well being



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All documentation required to restore PAC's Tax Exemption Decree has been filed. The 90% exemption should apply for sure for taxable years 2024 and onward. We have raised some legal arguments to have the same apply also to plan year 2023, but this is a little more uphill. We have heard from the head of the Government Office in charge of issuing the Tax Exemption Decree and he informed us that the same should be approved before the end of the year. Reinstating the Decree is essential for PAC's Financial wellbeing.

Establishing Financial Transparency Through Audits

Audited statements restore trust and discipline



Audits Completed

Audits completed for 2022, 2023, and 2024.



Future Engagement

Engagement signed for 2025 audit beginning January 2026.

Without audits, financial reporting risked errors, penalties, and reduced credibility.

□ PAC now operates under professional financial standards

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For the first time PAC has Audited Financial Statements.

Audited Financial Statements for 2022, 2023 and 2024 were completed and are available.

The engagement letter for the 2025 Audit has been signed and the auditors are scheduled to be in PAC's office January 2, 2026 to start the 2025 audit.

As part of the reorganization and requirements from our auditors, a Valuation of PAC's assets, was also done.

PAC is now complying with its By-Laws and the law.

Bringing All Income Tax Filings Current

Filing past-due returns eliminates major compliance risks



2019–2021

Returns filed with compiled statements. Payments completed.

Unfiled returns could expose PAC to interest, penalties, surcharges, and legal complications.



2022–2024

Returns filed with audited statements. Payments pending reorganization and tax exemption negotiations.

Unfiled returns could expose PAC to interest, penalties, surcharges, and legal complications.

We have moved from incomplete filings to a fully transparent and organized compliance structure

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2019-2021 Income Tax returns were filed with compiled financial statements and payments for such years were made.

2022-2024 Income Tax Returns were filed with Audited Financial Statements. Tax payments have not been made pending reorganization and tax exemption negotiations, as explained later.

PAC has moved from incomplete filings to a fully transparent and compliant tax structure.

Restoring Compliance in Personal Property Filings

Accurate filings prevent unnecessary penalties

- Returns for 2019–2021 filed (compiled).
- Returns for 2022–2024 filed (audited).
- Payments pending negotiation under reorganization.

Incorrect or missing filings could significantly increase assessment values and penalties.

PAC is now fully compliant in personal property tax reporting

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2019-2021 Personal Property Tax returns were filed with compiled financial statements.

2022-2024 Personal Tax Returns were filed with Audited Financial Statements.

Tax payments have not been made pending reorganization and tax exemption negotiations.

Real Property Taxes

Closing historical gaps reinforces institutional stability

2021–2023

Not covered by Tax Exemption

2024

Should be 90% Exempt

Payments

Pending negotiated resolution

Growing liabilities could limit PAC's ability to invest in facilities and improvements.



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2021-2023 Real Property taxes may not be covered by the Tax Exemption.

2024 Real Property taxes should be covered by the renewed tax exemption decree.

Tax payments have not been made pending reorganization and tax exemption negotiations.

Reinstating PAC's Municipal License

Operational legitimacy depends on complete filings



- 2019–2021 and 2022–2024 returns filed.
- Partial payment made to reinstate license.
- Final amounts pending reorganization
And Tax exemption decree outcomes.

Without a valid license, PAC could face business interruptions or restrictions.

PAC's municipal license is active again, ensuring full operational standing.



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2019-2024 Municipal License Tax Returns have been filed. 2022-2024 with Audited Financial Statements.

Partial payment of the taxes owed were paid to ensure the issuance of the required Municipal License. The taxes paid will be subject to the final assessment and negotiations coming from the reorganization and the tax exemption decree negotiations. At such time we will pay de difference or get a credit for any taxes paid in excess.

PAC has obtained its Municipal License and is now compliant and in good standing with the Municipality of Humacao.

Securing PAC's Use Permit & Required Safety Upgrades

Compliance protects members and operations



Use Permit Issued

Use Permit (Permiso Único) issued.



Safety Upgrades

Fire, safety, and health upgrades completed.

Lack of a Use Permit could jeopardize access to facilities or trigger shutdowns.

☐ PAC now meets essential operational and safety standards required by law

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PAC had been Operating without a valid Use Permit (Permiso Unico) and was in non-compliance with fire, safety and health codes.

PAC now has a Use Permit, has made many fire, safety and health upgrades and is in compliance.

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As you can see PAC is now in compliance with its Financial Audit Requirements, has filed all outstanding tax returns, has obtained the required licenses and permits and should be receiving its renewed Tax Exemption Decree before the end of the year.

We are currently negotiating thru the reorganization and awaiting the Tax-Exempt Decree to determine our correct tax liability and exposure.

A lot of work has been done and the ground work has been established so that PAC, with a proper administration, can remain in compliance with all legal, administrative, compliance and operational requirements.

Financial Exposure of What has been Done

Using Reorganization to Protect PAC's Future

Without this mechanism, PAC could face full exposure with limited negotiation flexibility.

- Reorganization enables PAC to address historical liabilities at fair and manageable levels.
- Supports reduction of exposure linked to expired exemption and missing filings.

Reorganization provides PAC with a controlled and responsible path to financial recovery

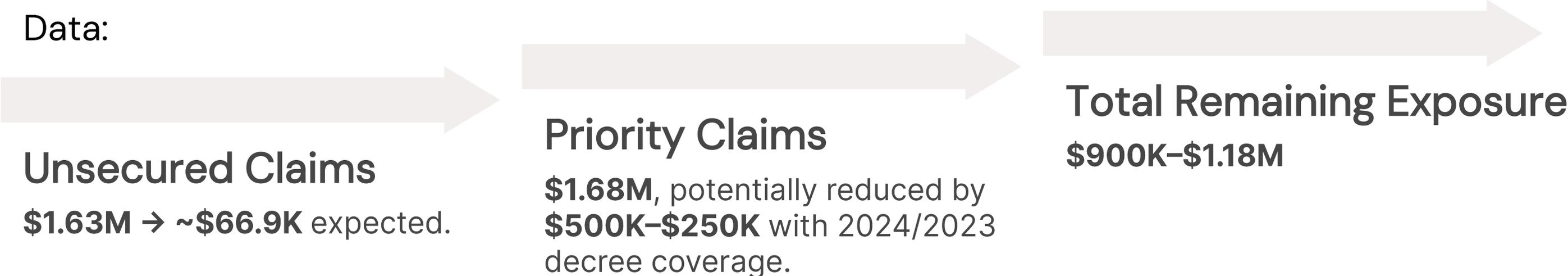
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The reorganization is not only a legal strategy being used to position PAC to acquire the debt. It is also a tool that will help PAC substantially reduce the tax liability incurred because of the administrative gaps mentioned above.

Reducing Exposure from \$3.31M to a Manageable Range

Disciplined governance has transformed PAC's financial outlook

Data:



Through disciplined, coordinated efforts, PAC has significantly reduced its financial risk



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In the reorganization the \$3.31M financial exposure is divided between unsecured and priority claims. Based on our legal and accounting counsel's opinion, the unsecured claims would represent \$1.63M and the priority claims \$1.68M.

The \$1.63M unsecured claim, thru the reorganization process, is expected to be reduced to \$66K. Substantially reducing PAC's potential tax liability in over \$1.5M.

The \$1,68M priority claim would not be reduced because of the reorganization process but when the new tax exemption decree is issued the priority claim may be reduced by around \$500,000.00 if we only get the tax exemption decree to cover 2024. If the decree also covers 2023, the tax exposure could be reduced by around an additional \$250,000.00.

These numbers are all educated approximates. The final numbers will be clear once the negotiations are complete. The tax liability reductions will be substantial. However, instead of a tax liability of around \$331K if we had not lost our Tax Exemption, we will still be liable for around \$900k - \$1.18M. (This does not include interests, penalties and surcharges that will also be negotiated if possible).

So unfortunately, even after all our efforts the additional tax liability incurred because of allowing the Tax Exemption to expire and the non-filing or improper filing of tax returns will end up costing PAC around an additional \$1M. These amounts will be paid based on multi-year payment plan to be negotiated with the proper taxing authorities. This is why one of PAC's main concerns should always be to invest in a professional, tax and operationally compliant administration. Without that, the well-being of our facilities is in jeopardy.

PAC's Current Financial Position

From Financial Disruption to Institutional Stability

- Despite significant inherited financial challenges, PAC has taken decisive corrective action.
- Once the reorganization process is completed and the tax exemption decree is secured, PAC will be positioned to operate from a place of financial strength and long-term stability.

PAC is a financially solid institution,
generating approximately **\$10 million in annual gross income**, now
supported by disciplined financial management and improved governance practices.

PAC is moving from financial disruption to a stable and sustainable operating position.

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Despite significant inherited financial challenges, PAC has taken decisive corrective action. Once the reorganization process is completed and the tax exemption decree is secured, PAC will be positioned to operate from a place of financial strength and long-term stability. PAC is a big business that needs to be administered and operated as such.

Strengthening Liquidity and Operating Performance (2025)

As of November 30, 2025, PAC's financial position reflects meaningful improvement:

\$6.0M

Cash on hand

vs. \$4,604,763 as of 11/30/2024

\$9.5M

Total Revenues

\$1.7M

Net Income

These results were achieved despite extraordinary, non-recurring expenses, including legal fees and UBS-related payments associated with the reorganization process.

PAC delivered strong liquidity and profitability even while absorbing exceptional costs.

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PAC is a solid business that with proper administration will thrive and provide a top-notch experience to our members. PAC is financially healthy.

As of Nov 30, 2025, PAC had \$6M in its bank accounts. Compared to \$4.6M as of Nov 30, 2024. PAC's Gross Revenue year to date as of Nov 30, 2025 was around \$9.5M. Compared to \$7.8M as of Nov 30, 2024.

PAC's Net Income as of Nov 30, 2025 was \$1.7M, despite having extraordinary non-recurring expenses due to the reorganization process.

The Administration and cost savings adjustments that have been made have also reduced our expenses.

PAC is moving in a Financial correct and healthy direction because of improved and sound administrative and financial actions.

Operational Discipline Driving Financial Results

PAC's 2025 performance is the result of comprehensive administrative and operational reforms, including:



Cost containment and savings initiatives



Structured purchasing and approval procedures



Reduction and elimination of unnecessary inventory



Workforce adjustments focused on efficiency



Stronger administrative controls and accountability

These measures have permanently improved PAC's financial structure.

Operational discipline has translated into sustainable financial improvement.

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PAC, following the suggestions in the Forensic Audit done in 2023 and following the advice of our financial and legal professionals. has established many administrative and financial safeguards that have greatly improved PAC's financial structure and secured PAC's assets. Currently, we are in the process of a second audit, conducted by the same CPA Firm that did the Forensic Audit, which is examining the procedures that PAC has established and giving PAC a status of what we have done right and what can be improved.

Capacity to Manage Debt Within the Reorganization Plan

Based on current financial results and the professional opinions of PAC's **legal counsel, accountants, and financial advisors**, PAC's financial advisors, PAC's financial position supports:

- The acquisition of existing debt
- The assumption of the required debt service

All actions are fully aligned with the reorganization plan submitted to the Court.

PAC has the financial capacity to responsibly manage its obligations and move forward.



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Based on our current financial results and the professional opinions of PAC's **legal counsel, accountants and financial advisors**, PAC's financial position allows PAC to acquire the debt and repay the debt service, as shown in the reorganization plan filed by PAC in the Bankruptcy Court.

Our financial position will allow us to acquire the debt and repay the same, as long as we continue with the administrative safe guards that are being established.

A Stronger, More Resilient PAC Through

Executing	A disciplined strategic plan, with visible, measurable results already underway.
Building	The strong administrative backbone required for a club of PAC's scale, complexity, and significance.
Empowering	A committed team of volunteers, staff, board members, and professionals who lead with integrity, rigor, and purpose.
Elevating	The member experience while strengthening the long-term value and desirability of every property in Palmas del Mar.
Driving	Momentum through continuity, stability, and unified community support.
Securing	Your vote and confidence to advance PAC's strategic vision and long-term objectives.
Affirming	PAC as a true community institution, shaping the legacy and future of Palmas del Mar together.

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PAC is moving forward with clarity and discipline. The work done this past year proves that we are not only correcting past mishaps, but building a framework worthy of a 1,300-member, multi-million-dollar institution. The administrative and financial order we are restoring is what makes every member experience possible, from golf and athletics to safety, infrastructure, and long-term planning.

This transformation is driven by our Administrative Staff, volunteers, board members, and professionals who are working tirelessly, often behind the scenes, to elevate PAC to the level our community expects and deserves.

Your support is key. The continuity of this effort matters. By uniting behind this strategic plan, members empower the team to continue improving operations, protecting assets, and building a club that strengthens the value and identity of Palmas del Mar as a whole.

We all should be proud of how PAC started as a small community effort and has grown to a \$10M a year/1300 member club. We all should be proud of the facilities we have been able to maintain even thru the hurricanes and economic perils that we have had to manage. We should be proud of the efforts PAC is making to acquire the debt in order to make us the best self- sufficient Club we can be. We should be proud of the caring and vibrant member community that we have. Yes, we should be proud but not satisfied.

This is just the beginning!

Remember, PAC belongs to all of us. And together, we are shaping what it will be for decades to come.