

## ANNUAL MEETING OF MEMBERS

April 17, 2004

The Annual Meeting of Members of PDM Utility Corp., a nonprofit corporation duly organized under the laws of the Commonwealth of Puerto Rico (herein the "Corporation") was held, in Palmas del Mar, Humacao, Puerto Rico, on April 17, 2004 at 3:00 p.m. pursuant to Notice of Annual Meeting of the Members of the Corporation dated March 17, 2004.

### CALL MEETING TO ORDER

Mr. James D. Shanks, President of the Board of Directors, called the meeting to order, welcomed all present and asked the Secretary if there was quorum.

Mr. Lawrence Perry, Secretary of the Corporation, reported that quorum was established with 60.56 percent present and by proxy. Mr. Perry noted that Quorum consists of members and/or proxies entitled to fifty five percent of the total vote of the Corporation.

### ROLL CALL OF DIRECTORS

Mr. Shanks introduced himself as President of the Palmas del Mar Utility Corporation, the Board Members and the guests who were present. He introduced Mr Lawrence Perry, Secretary of the Board; Edd Siler, Director; Julio Bagué, Director and Executive Director of the Corporation; David Suson, Vice-president; Luis Rodriguez, Director; Ricardo González, Director and Luis Lomba, Director.

Then, he introduced Mrs. Carmen Rosich representing PDMU's auditing firm, Ernst & Young and Attorney Myriam Fernández, who has been handling the rate case at the Public Service Commission.

### APPROVAL OF THE MINUTES OF THE LAST ANNUAL MEETING

Annual Meeting of Members – April 26, 2003

The minutes of the annual meeting of April 26, 2003 were circulated with the Notice of Meeting dated March 17, 2004. Mr. Perry suggested that such minutes should be considered as read and recommended a motion to proceed with their approval. Having been seconded, the motion was adopted unanimously.

### ELECTION OF DIRECTORS

The President announced that this year there is one Type "A" Director who will be replacing Mr. Perry, whose second three-year term is expiring at this meeting. According to the By-Laws of the Corporation, a Type "A" Director may not be elected more than two consecutive three-year terms.

The Type "B" Directors are appointed by PDMPI in accordance with the By-Laws, while the Type "A" Directors are elected by the Type "A" members present or by proxy. The five type "B" Directors appointed by PDMPI are: James D. Shanks, David Suson, Luis Rodríguez, Edd Siler and Francisco de Jesús Schuck.

The President reported that in accordance with the By-Laws, the nominations committee unanimously nominated three well-qualified candidates: Messrs. Mathias Erismann, Antonio Maldonado and Otto Nadal to serve an initial three-year term, which would expire at the annual meeting in 2007. He then asked if there were any other additional nominations from the floor. Having none, a motion by Mr. Perry to close the nomination was passed by unanimous approval.

Mr. Perry, then read the results of the election: Mr. Erismann received 122 votes; Mr. Maldonado received 161 votes; Mr. Nadal received 63 votes. Therefore, Mr. Maldonado was elected as a Director to serve a term of three years ending in 2007.

Mr. Shanks congratulated the new Director, even though he was not present at the meeting.

#### APPOINTMENT OF ERNST & YOUNG

Mr. Shanks proceeded with the ratification of the appointment of Ernst & Young as independent certified public accountants for fiscal year ending December 31, 2003. Mr. Perry informed that Ernst & Young has been ratified as the independent certified public accounts by a majority vote.

Then, Mr. Shanks, introduced to the Assembly the new President of the Palmas del Mar Homeowners Association, Mr. Manuel Morales.

#### PRESIDENT'S REPORT

Mr. Perry stated that the President's Report was circulated in the package that was sent to all members with the Notice of Meeting dated March 17, 2004. The report should be considered as read, and recommended to proceed with the approval of the President's Report as presented. Hearing no opposition the report was considered as read and having no comments, it was approved by unanimous vote.

#### TREASURER'S REPORT

Mr. Perry stated that the Treasurer's Report was circulated in the package that was sent to all members with the Notice of Meeting dated March 17, 2004. The report should then be considered as read, and recommended to proceed with the approval of the Treasurer's Report. Hearing no opposition, the report was considered as read and having no comments, it was approved unanimously.

#### NEW BUSINESS

Mr. Rafael Méndez, Fairlakes 672, brought to the attention of the Board of Directors his concern on the water reserve during emergency situations since he considers that every time that we have a water shortage, the reserve lasts just for a few days. Mr. Méndez suggested that the water rate should be adjusted upwards during these periods to stimulate water conservation among the users.

Mr. Shanks explained to Mr. Méndez that the water rates are regulated by the Public Service Commission (PSC) and that the company could not make any adjustments to the rates whatsoever, without seeking approval of the PSC. Nevertheless, the Board stated that they are working towards trying to reduce the water supply dependence from PRASA to make sure that Palmas del Mar Community has a good constant supply of potable water.

Mr. Mathias Erismann, Fairway Courts 794, suggested to the Board that in order to reduce the cost of energy in the water pumping system toward the Harbourlights' tanks, PDMU should use the water pressure from PRASA.

Mr. Bagué explained to Mr. Erismann, that the water goes first to the users and the remnant then goes to the Harbourlights tanks. Then, Eng. Silva stated that the water pressure from PRASA is 25psi which pressure is too low for the water to reach the tanks. Mr. Manuel Morales, President of PHA, recommended a communication program on the water availability, taking into consideration that this is a political year and that the Palmas del Mar Community does not need additional exposure with these type of problems. Mr. Bagué explained to Mr. Morales that PDMU published a new pamphlet explaining "how the system works" that will be sent to the subscribers with the April 2004 billing statement.

#### ADJOURNMENT

There being no further new business, the meeting was adjourned at 3:35 pm. Submitted by, Lawrence Perry, Secretary.