

PDM Utility Corp.

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PDM UTILITY CORP.

Annual Meeting of Members

March 29, 2008

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 at the conference room in the Palmas del Mar Homeowner Association Building at Palmas del Mar, Humacao, Puerto Rico, on March 29, 2008 at 3:00 p.m. pursuant to the Notice of the Annual Meeting of the Members of the Corporation dated February 28, 2008.

CALL MEETING TO ORDER

Mr. David Suson, Vice-President of the Board of Directors, called the meeting to order, welcomed all present and asked the Secretary, Mr. Antonio Maldonado, if there was quorum.

Mr. Maldonado reported that quorum was established with 62.24% of the voting members present and/or by proxy. Mr. Maldonado noted that quorum consists of members present and/or represented by proxies entitled to fifty five percent (55%) of the total vote of the Corporation.

ROLL CALL OF DIRECTORS

Mr. Maldonado introduced the Board Members of the Corporation as follows: Mr. Julio Bagué, Treasurer; Gabriel A. Espasas, Director; Mr. David Suson, Vice-President; Mr. Edd Siler, Director; Mr. Luis Rodríguez, Director; and himself as Secretary.

Mr. Suson excused Mr. James Shanks, President of the Board who was unable to be present during the meeting due to personal circumstances. Mr. Suson introduced the Corporation's staff: Mr. Reynaldo Encarnación, Executive Director/General Manager; Ms. Nelly Arroyo, Human Resources Manager and Ms. Wanda Gerena, Accounting Manager. Also, Mr. Suson introduced Mrs. Carmen Rosich representative from Ernst & Young. Mr. Suson noted that the meeting would be recorded to preserve the accuracy of the discussion.

Mr. Suson proceeded to inform the assembly that the negotiation with Puerto Rico Aqueduct and Sewer Authority (PRASA) to reduce the rate applied by the Agency to the Corporation continues. He stated that Mr. Encarnación recently held a meeting with PRASA officials to further the efforts. Mr. Suson indicated that the expectations are that the case will be settled this year.

Mr. Suson informed the assembly about the operational improvements performed over the past year in the following areas: infrastructure, equipment upgrades, completion of the installation of electronic meters which resulted in a significant water loss reduction as well as planning for future growth. As a point of interest, Mr. Suson informed the assembly that the efforts to reduce the water losses, by the PDMU staff over the past couple of years since Mr. Encarnación came on the Board as Executive Director/General Manager resulted in reducing water losses to 7%. This was defined by Mr. Suson as a major improvement in operations, as well as a benefit of the company's financial results.

APPROVAL OF THE MINUTES OF THE LAST ANNUAL MEETING

Annual Meeting of Members – April 14, 2007

Mr. Maldonado indicated that the minutes of the annual meeting of April 14, 2007 were circulated with the Notice of Meeting dated February 28, 2008. Therefore, Mr. Maldonado recommended that the minutes be considered as read. Consequently, Mr. Suson made a motion to approve the minutes as presented. Mr. Maldonado seconded the motion, hearing no opposition the motion was unanimously approved by the assembly.

ELECTION OF DIRECTORS

Mr. Suson announced that this year there is the election of one Type "A" Director and the Type B Directors will be appointing four Type B Directors. The Type B Directors are appointed by Palmas del Mar Properties, Inc. ("PDMPI") in accordance with the By-Laws, while the Type A Director is elected by the Type A members, present or by proxy.

The four Type "B" Directors appointed by PDMPI are: Messrs. James D. Shanks, Luis Rodríguez, David Suson and Edd Siler.

Mr. Suson reported that in accordance with the By-Laws, the Nominations Committee nominated Messrs. Julio Bagué and Luis Lomba as candidates for the position of Type A Director to serve for a term of three years ending at the Annual Meeting of 2011. Mr. Suson asked the Secretary for the voting results.

Mr. Maldonado announced to the assembly that after finishing the validation of all the votes received just prior to the meeting the results revealed that Mr. Julio Bagué was elected as Type A Director for a three year term that expires on April 2011.

Mr. Bagué thanked the community for their support and congratulated Mr. Luis Lomba for making him work hard to obtain the reelection. He stated that he commits to meet the expectations of those who voted in his favor.

APPOINTMENT OF ERNST & YOUNG

Mr. Maldonado proceeded to inform the assembly that according to the proxy votes received, Ernst & Young was ratified by the membership as independent certified accountants for the fiscal year ending December 31, 2008.

Mr. Maldonado informed the assembly that according to the proxy cards received, the membership has appointed the Board of Directors to vote using its best judgment and discretion as to any other business brought by the members at the annual meeting.

PRESIDENT'S REPORT

Mr. Maldonado stated that the President's Report was circulated in the package that was sent to all members with the Notice of Meeting dated February 28, 2008. Subsequently, Mr. Maldonado indicated that the report should be considered as read and recommended to proceed with the approval of the President's Report. Mr. Carlos García, Palmas Reales 31, made a motion to approve the President's Report as presented. Mr. Larry Perry, Beach Village 88, seconded the motion. Hearing no opposition the motion was unanimously approved by the assembly.

TREASURER'S REPORT

Mr. Maldonado stated that the Treasurer's Report was circulated in the package that was sent to all members with the Notice of Meeting dated February 28, 2008. Mr. Maldonado further stated that the report should be considered as read and recommended that the Board proceed with the approval of the Treasurer's Report. Mr. Tom Doyle, Crescent Cove 74, made a motion to approve the Treasurer's Report as presented. Mr. Mike Ratner, Fairlakes 627, seconded the motion. Hearing no opposition the report was unanimously approved by the assembly.

NEW BUSINESS

Mr. Larry Perry, Beach Village 88, expressed his concern with the procedure followed to present the candidates for the position of Type A Director to the membership. Mr. Perry explained to the Board members that the nomination committee is comprised of two members from the homeowners and one Type B member. The committee is responsible for the election of a member to be nominated for membership's consideration, but he is of the opinion that allowing anyone to come forward and put their name as candidate after the nomination from the committee, is an abdication of the committee's objective. Mr. Perry stated that he wrote the By-Laws and pointed out that the Committee was not created with that intention.

Mr. Maldonado clarified that the By-Laws grants 45 days prior to the annual meeting to receive nominations to be considered by the Nominations Committee. Once the members of the Committee pass judgment of those candidates, they include in the proxy card those candidates that they choose. Mr. Maldonado stated that in this specific case, the Committee reviewed the two candidates and decided to accept and include both of them in the proxy in accordance with the By-Laws.

Mr. Doyle, Crescent Cove 74, asked to the Board about the Corporation's responsibility when a failure in the infrastructure causes water loss or damages to a customer. Mr. Doyle brought the issue to the Board since approximately three years ago the main regulator of the Crescent Cove project that regulates the pressure into the complex failed causing damages to the irrigation pipes and toilets. Mr. Encarnación informed Mr. Doyle that that the Corporation evaluates the cases individually to verify what really happened and the location of the specific failure in the infrastructure, since PDMU is responsible up to its meter. He also stated that the Corporation does have insurance. Mr. Encarnación also informed the assembly that regarding the specific issue with the high water pressure in Palmas, the Corporation decided to incorporate as part of the design requirements, the installation of a water pressure regulator in every regime and new developments.

Mr. José Morales, Crescent Beach 225, expressed his opinion regarding the rules to conduct the meeting that were distributed at the meeting and stated that the same were very nonspecific. Mr. Morales recommended that for the next year meeting the membership should be provided in advance with a document that specifies the rules of conduct for the meeting so they can be prepared to obey the rules.

Mr. Morales stated that a few years ago he expressed his concern about approving new connections to the system without having enough water for the people currently living in Palmas as occurs during the drought that affected the water supply of Palmas. According to Mr. Morales, the answer at that time from the Board was that the Corporation has about two to three days of water storage capacity to supply the community. Mr. Morales informed the Board that there are plans to connect the water line that comes from the Río Blanco area to the Roosevelt Road and asked if there are steps being taken by the Palmas community to avoid it suffering from another drought or loss of water.

Mr. Encarnación informed Mr. Morales that PRASA has approximately three different strategies and action plans to make sure that this region does not suffer the same problems of the past. One of the

action plans that PRASA has shared with the public is the construction of the Río Blanco Reservoir and the Valenciano Reservoir.

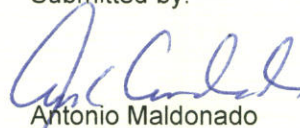
Mr. Doyie indicated that he was informed by the contractor that has the reservoir project, that the same should be finished by December 2008 and that the reservoir should supply enough water for six months even if does not rain a drop.

Mr. Perry congratulated Mr. Encarnación for the achievement of reducing the water loss to 7% and emphasized to the Board that the proxy count process and the nominations committee issue are two issues that should be addressed by the Board.

ADJOURNMENT

Mr. Carlos García made a motion to adjourn. The motion was unanimously approved and the meeting was adjourned at 4:51pm.

Submitted by:


Antonio Maldonado
Secretary

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