



**Annual Meeting of Members**  
April 6, 2024

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 April 6, 2024 at 2:00 PM pursuant to the Notice of the Annual Meeting of the Members of the Corporation dated March 7, 2024.

**CALL MEETING TO ORDER**

Mr. Félix Morales, President of the Board of Directors, called the meeting to order and welcomed all present.

**QUORUM**

Mr. Gómez, Secretary of the Board, stated that according to the By-Laws, quorum consists of members present and/or represented by proxies entitled to fifty one percent (51%) of the total votes of the Corporation. Mr. Gómez reported that quorum was 5%; therefore, there was no quorum to proceed.

Mr. Morales adjourned the meeting and reconvened it for 2:30 PM and informed that the procedure being followed was included in the notice of meeting distributed to the subscribers on March 7, 2024.

**SECOND CALL MEETING TO ORDER**

Mr. Morales proceed to call the meeting to order at 2:30 PM.

**ROLL CALL OF DIRECTORS/QUORUM**

Mr. Gómez proceeded with the roll call of Directors as follows: Mr. Félix Morales, Mr. Erasmo Reyes, Mr. Otto Nadal, Mr. Harry Cook, Mr. James Shanks, and himself, Mr. Luis Gómez. Mr. Gómez informed Mr. Morales that the roll call of Directors was completed and that there was quorum to proceed.

Mr. Gómez clarified that according to Article VIII, Section 8.7 of the By-laws, if the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the giving of proper notice, and the required quorum at such subsequent meeting shall be the presence of those members and/or proxies or present at the meeting. Mr. Gómez, proceeded to certify, as Secretary of the Board, that the required quorum exists to proceed.

Mr. Morales continued with the presentation of the Board of Directors as follows: he introduced himself, Félix Morales, as President; Mr. Erasmo Reyes, Vice-President; Mr. Luis Gómez, Secretary; Mr. Otto Nadal, Treasurer; Mr. Harry Cook, Director; and Mr. James Shanks, Director.

Mr. Morales, also introduced Eng. Daniel Torrellas, PDMU Executive Director and Attorney Juan Carlos Gómez Escarce, PDMU Legal Counsel. Mr. Morales noted that the meeting would be recorded to preserve the accuracy of the discussion.

## **PRESENTATION OF PRIOR ANNUAL MEETING MINUTES**

### **Annual Meeting of Members – April 15, 2023**

Mr. Gómez informed that the minutes of the Annual Meeting of April 15, 2023 were published on the internet and copies distributed to those present during the meeting. Therefore, Mr. Gómez indicated that the minutes should be considered as received and read.

Mr. Morales indicated that considering that the minutes were previously published, he made a motion for the minutes to be considered received and read. Mr. Reyes seconded the motion, hearing no opposition the motion was approved unanimously.

## **BOARD OF DIRECTORS ELECTION**

Mr. Gómez informed that according to the amended and restated By-Laws of the Corporation, the Board should be comprised of seven directors. According to Mr. Gómez, five of the directors shall be elected by a plurality of votes of the members present or by proxy, who are not delinquent in payment for services and are eligible to vote. Two directors are appointed by Palmas del Mar Properties, Inc. (PDMPI). They will serve until the water and sewer system is completed and the Palmas del Mar development is properly serviced by the Corporation or otherwise. The two directors appointed by PDMPI are Mr. Harry Cook and Mr. James Shanks.

According to Mr. Gómez, the nomination and election of directors, other than the PDMPI Directors, shall be administered by a Nominations Committee comprised of three directors, other than the PDMPI Directors. Mr. Gómez indicated that the Nominations Committee shall nominate candidates to replace directors whose seats become vacant at the annual meeting or who is serving as replacement director until the next annual meeting.

Mr. Gómez informed the subscribers that this year the Nominations Committee unanimously agreed to nominate Mr. William Carrión and Mr. Eugenio Vives, for a first three-year term that will expire in 2027. According to Mr. Gómez, the candidates were nominated to fill the seat left by Mr. Pedro Ortiz at the end of his first term in 2023 and the vacant that is being left by Mr. Morales since he completes his second three-year term, and by prohibition established in the Bylaws, Mr. Morales is not eligible for a third term.

Mr. Morales made a motion to close the nomination, Mr. Gómez seconded the motion. Mr. Morales informed that the motion was approved unanimously.

Mr. Gómez reported that Mr. Carrión and Mr. Vives, were elected as Directors of the Board for a three-year term. Mr. Gómez indicated that, in accordance with the proxy cards received, the subscribers had appointed the PDMU Board of Directors to vote using their best judgment and discretion as to any other matters properly presented by the members at the Annual Meeting.

Mr. Morales proceeded to congratulate Messrs. Carrión and Vives.

## **PRESIDENT'S REPORT**

Mr. Gómez stated that the President's Report was published on the internet and copy distributed to those present and as such should be considered as received and read.

Mr. Morales asked for questions or comments on the President's Report.

Mr. Morales made a motion to consider the report received and read. Mr. Reyes seconded the motion, hearing no opposition the motion was approved unanimously.

Before continuing with the next item on the agenda, Mr. Morales proceeded to highlight and summarize some of the most significant issues mentioned in the President's Report. The following is a summary of the most relevant issues presented by Mr. Morales:

**Customer Service** – The first phase of the replacement of the electronic meters was launched in 2023, the second phase will take place this year, and the last phase in 2025. The importance of this project lies in the fact that the new meters will allow to obtain reliable readings in less time, reducing the billing cycle. Last year, website was updated with relevant information for subscribers, such as account balances, making payments, downloading forms and corporate documents, among other functions. Although the time that water service was interrupted was minimal during the past year, communication with the community was more effective and we were able to reach more customers through the use of various media.

**Regulatory Compliance** – PDMU has complied with the conditions established in the applicable operating permits.

**Finance Position** – PDMU submitted to the CDBG-MIT Program a request for infrastructure projects for a total amount of \$4.3 million, but the request was denied a few weeks ago. PDMU is submitting a reconsideration as the infrastructure projects are of great importance to PDMU. If the federal funds are not approved, PDMU would have to prioritize and fund the projects.

**Franchise Extension** – Mr. Morales informed that the Franchise was issued by the Public Service Commission for 50 years and expires in May 2024. Mr. Morales indicated that PDMU submitted to the Department of Transportation and Public Works (DTOP), the Agency now in charge of the franchise, a request to renew and extend the franchise. According to Mr. Morales, it was necessary to create a team to evaluate a proposed amendment to the law that could allow PDMU to obtain an extension for the same number of years as the one originally created. In March 2024, the Governor of P. R. signed Law 60-2024, which authorizes the DTOP to approve the renewal of any franchise for

non-PRASA systems for a term equal to the one requested, but never for a term longer than fifty (50) years.

**Amendment to the Franchise** – Mr. Morales reported that PDMU filed a motion with DTOP to modify the franchise to redefine who will be responsible for the construction and financing of new systems and required infrastructure to support new development (master developer or new developers). The motion was approved by the regulatory compliance agency, however, since the agency did not follow the administrative protocol and procedures, an interested party filed a case in court and the court's decision was to revoke the resolution due to failure to follow administrative protocol. PDMU is now negotiating with the interested party before resubmitting to the agency the amendment to the franchise related to the financial model for the new infrastructure.

**Rate Increase** - According to Mr. Morales, the water rate has not been revised since 2004, other than the increases received by subscribers in their bills corresponding to the pass-thru each time PRASA increases its rate. Mr. Morales reported that the amendment to the franchise to increase the rate was submitted, but that does not mean that the proposed increase will be approved by DTOP. PDMU presented DTOP a detailed proposal to be evaluated. In addition, the subscriber would have the opportunity to participate in a public hearing to express their arguments against the increase.

At the request of Mr. Julio Bague, CP-B3, the Board members agreed that the information used to determine the rate increase will be sent to him for his evaluation.

Mr. Bagué also questioned if the Board has considered requesting financing to make the required infrastructure improvements and Mr. Morales informed him that the first time PDMU went to see how much money PDMU can get from the banks, it was found that the bank will only lend if PDMU deposits the same amount of the loan in an escrow account to guarantee the loan.

#### **TREASURER'S REPORT**

Mr. Gómez stated that the Treasurer's Report was published on the internet and copy was distributed to those present during the meeting. Subsequently, Mr. Gómez indicated that the report should be considered as received and read and recommended to proceed with the approval of the Treasurer's Report.

Mr. Morales asked for additional comments on the Treasurer's Report and there was no comments or questions from the subscribers. Mr. Morales made a motion to approve the Treasurer's Report as presented. The motion was seconded by Mr. Reyes, hearing no opposition the motion was approved unanimously.

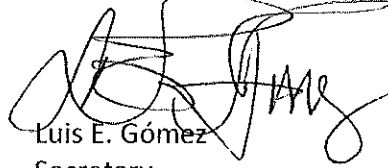
#### **NEW BUSINESS**

No new business was presented.

## ADJOURNMENT

Mr. Gómez made a motion to adjourn the Annual Meeting of Members of 2024, hearing no opposition the motion was approved unanimously. The meeting adjourned at 3:07 PM.

Submitted by:

A handwritten signature in black ink, appearing to be 'Luis E. Gómez', written over a horizontal line.

Luis E. Gómez  
Secretary