

SHOREWOOD FOREST UTILITIES, INC.

425 Utility Dr.
Valparaiso, IN 46385
219-531-0706

BOARD OF DIRECTORS MEETING

President, Greg Colton
Vice President, Dan Clark
Secretary, Ken Buczek
Director, Terry Atherton

Meeting of May 18, 2017

NOTE: All minutes are summarized to give the community the essential information of what has taken place at meetings and what votes were taken. Board discussions and public comments are not presented verbatim.

Pursuant to the call of the Board of Directors of Shorewood Forest Utilities, Inc., Board President Greg Colton called the May 18, 2017 meeting to order at 7:02 p.m. in the Shorewood Forest Club House. Directors Greg Colton, Dan Clark, Terry Atherton, and Ken Buczek were present. Also attending were Forest Ash, Plant Manager, and 27 members of the Utility.

Mr. Colton welcomed everyone to the meeting, and asked the Board of Directors to introduce themselves.

Dan Clark said he has lived in Shorewood for two years and two months. “My wife and I live on Scarborough along with my newly born twins. I am an engineer, and I work with underground piping along with controls. I had come to some of the Board meetings with only two or three people in attendance, one of the Board members resigned. I asked if they were looking to fill the position, after I filled out the application they appointed me on the Board.”

Ken Buczek stated... “I live in Arbor Lakes; please don’t throw any stones! I came on the Board just short of two years ago. Why am I on the board? Evidently, no one else wanted the position. I am retired. I spent 35 years in the water industry. I was a Vice President of Gary Hobart Water Corporation, if you remember that name. It became Indiana American Water Co. around 2001. I have spent most of my life in the utility industry. I am a civil engineer by trade. I also spent five years as a consulting engineer doing water and wastewater work. I came on the Board thinking I could do some good with my background.”

Terry Atherton added... “I joined the Shorewood Forest Board in 2008. Before that I spent 45 years in water and wastewater utilities in Indiana, and Florida. I was director in Fort Wayne for about 28 years. I left to go to West Palm Beach, Florida as the assistant administrator of public utilities. I came back to Indiana and went to work for Indiana American Water Co. I retired from Indiana American Water. The town of Chesterton had some issues and I agreed to give them two years to help them. We were able to get them back on line, I found them a new superintendent, and I am now trying to enjoy my retirement.”

Greg Colton stated... “I have a utility law background. I was with the Indiana Regulatory Commission for 12 years. I moved from Indianapolis to work for NIPSCO, and worked for them for seven years. I have been on the Board since 2013. It is a pleasure working with these guys and to see how a utility operates. I have been enjoying this up until recently.”

Forest Ash added... “I am your plant operator. I have been dealing in wastewater for 22 years. I have been with Shorewood for about 19 ½ years. I am a Class 3 operator; your facility requires only a class 2. I have the time and experience to be a Class 4, however because I only operate a Class 2 facility, IDEM will not allow me to excel to a Class 4.”

Approval of Prior Minutes:

Board President Colton asked if there were any questions concerning the minutes from the previous Board meeting of April 20, 2017. There were none. The minutes of the Board of Directors Regular Meeting of April 20, 2017 were then accepted and approved.

Shop Report:

A copy of the March 14, 2016 through April 17, 2017 Shop Report, prepared by Forest Ash, Plant Manager, was distributed to all Members who were present, and is summarized as follows:

Shop Report

April 18th through May 16th, 2017

Main Plant:

1. Permit capacity is 450,000 GPD. We had an average flow of 223,900 GPD and our high flow was 476,600 GPD. We treated a total of 6.7 million gallons of wastewater last month, or 50% of our permitted capacity. The following percentage rates are an indication of how efficiently the plant is operating: 99.6% removal of BODS; 99.6% of Suspended Solids; 99.6% of Ammonia; and 97.1% of Phosphorus (80% minimum).
2. On April 25th, we walked to the creek for our normal monthly inspection.
3. On April 24th, microscreen 2 called for auger VFD failure. We turned the other microscreen and cleaned out the auger.
4. We have gone 12 months without a violation.
5. On May 9th, we noticed the fan in the microscreen building making noise. We found the belt was worn and loose and replaced it with a new belt.
6. We have had to reset the SCADA twice due to it not calling under alarm conditions. We have also asked GG Net to give us a price for a new computer for the SCADA system. It is approximately 10 years old and needs replaced.
7. We have been scraping the final filters from chipping paint and rust in preparation of painting.

Lift Stations:

1. Lift station pump run times from April 1 - 30, 2017

Station	Cycles	Run Time (hrs)	Station	Cycles	Run Time (hrs)
Sagamore	757	40.6	Nature Preserve	1707	217.2
Pixley	464	29	Devon	2048	60.9
Edgewood	505	70.1	Main	7918	186.3
Surrey Hill	494	27.4	Wessex	582	71
Wexford	497	34	Scarborough	560	14.4
Amhurst	1450	136.5	Shorewood ct.	1440	157.8
Roxbury	2176	82.7			

On May 4th, Nature Preserve did not transfer power back after the generator ran. We reset the power and put it back in service.

On May 10th, we went to Sagamore 2 and removed the spark plugs from the generator and sprayed penetrating oil in the cylinders in preparation for a startup.

On May 16th, we pulled pump 1 at Shorewood Ct. We removed rags and put the pump back in service. The pump failed again the same day.

Sewer Lines & Manholes:

No issues this month.

Other:

We put cold patch on a hole in the driveway.

CJ from Nexom called and informed me that the company has agreed to give us the new clam shell screen at the end of the augur. They will ship it to us as soon as it is made.

Submitted By
Forest W. Ash

Questions on Shop Report:

Mr. Colton asked if there were any questions on the Shop Report. Mr. Atherton asked if we are planning on repairing or sealing the driveway to the Utility anytime soon. Mr. Ash stated that he is going to put it into next year's budget. Mr. Atherton then asked if we were going to charge the POA for half the repairs since it is in their lease agreement. Mr. Ash stated that he was going to talk to Julie and let her know that she needs to allocate funds for the repair in her budget next year.

Mr. Clark asked, when the VFD failed was it a jam alarm or a false alarm? Mr. Ash explained that when the auger jams, it trips the VFD and that gives us the alarm. Mr. Clark stated that it was an overload alarm then. Mr. Ash stated that was correct.

In response to a question, Mr. Ash stated that the clam shell for the microscreens was now going to be free of charge rather than at the 50% discount that Nexom previously offered. Mr. Ash stated that he talked to CJ concerning the issue, and told CJ that since it was Forest's idea along with other ideas we have given Nexom, that they ought to just give the clam shell to us. Mr. Ash also asked Tony from McMahon to follow up with Nexom. As a result, it is free of charge.

Mr. Colton asked how we determined that the SCADA system was not communicating. Mr. Ash explained that when we come in, the first thing we do is to look at the SCADA system. There were a couple of times that were in a state of alarm, but it did not dial us. We would have to reset the CPU to get it to communicate. Mr. Colton asked if it was a software or a hardware issue. Mr. Ash stated that he felt it was an old computer issue. Mr. Colton asked if there was any way to determine what the issue was. Mr. Ash stated that he could ask the question but the computer is 10 years old and needs to be replaced. Mr. Clark asked if it was a model XP or Windows 7. Mr. Ash stated that it was an XP, and that he had contacted Wonderware, which is the program we have for SCADA, and they have stated that the software will work on Windows 7 but not Windows 10. Mr. Clark stated that in his field he runs into the same problem with software, and that the Utility has had good service out of the machine and it is just time for a replacement.

Mr. Colton asked if there were any other questions. There were none.

Treasurer's Report:

Director Terry Atherton gave the financial report: Restricted Bonds total \$133,201; Debt Service Reserve of \$288,037 with a Debt Service Reserve target of \$325,920, leaving an amount still owed of \$37,883. Capital Replacement Fund totaled \$810,939; Construction Funds totaled \$163,725; Capacity Fees totaled \$358,371; and Restricted Investments totaled \$1,333,034. The Utility currently has Total Operating Funds of \$291,977 and 4.9 months of cash on hand. We have \$864 of payables and \$118,659 in receivables. We had a total income of \$306,358 and expenses of \$108,236; leaving a net Operating Income of \$198,123 for the year to date. Bond payments totaled \$113,438, resulting in an Income after Bond Payments of \$84,685. The Debt Service Coverage Ratio is 1.71. The Utility is required to maintain a Debt Service Coverage ratio of 1.25.

Mr. Colton asked if there were any other question. There were none.

Old Business:

Mr. Colton reminded everyone that we had a CTA expansion vote last month and the tally was as follows: inside Shorewood Forest there were 204 "yes" and 186 "no" votes; outside Shorewood Forest there were 72 "yes" and 14 "no" votes. With the regard to the expansion there are a couple of steps remaining to be addressed and that includes submitting the CTA expansion

request to the IURC for approval. The IURC has legal authority over CTA expansions and we cannot expand unless they tell us we can. We have not submitted a request to the IURC yet. We would also have to get a commitment from the developer in the form of a contract, and we have not done so as yet. The Board is considering when and how to do that in light of the fact that there has been a law suit filed against the Board, so it now requires careful consideration on how to proceed. We do currently have counsel representing the Board, however we do not know who the counsel will be during the litigation process, since that will be determined by our insurance carrier. We do have a Directors' and Officers' insurance policy in place. When we get into litigation, the insurance should pick up the associated costs. However people need to know that we have already had to use counsel and as of today we have experienced about \$10,660 in legal fees.

New Business:

Mr. Colton asked Mr. Ash to discuss the copier machines that we are considering acquiring. Mr. Ash stated that all the machines were comparable to each other, that they all have the same warranty and that he would rather go with the refurbished machine from AT Business since they are a local company and Mr. Buczek has had some experience with them. There was a discussion on the purchase of a new machine vs. the purchase of the refurbished machine. Mr. Buczek made a motion that if the copy count on the refurbished machine was not high, we should purchase the refurbished machine. It was agreed that Forest would get the copy count and email it to the Board for a decision. Mr. Clark seconded the motion and the motion passed.

Mr. Colton then asked Mr. Ash to discuss the upgrade on the CPU. Mr. Ash said we have received a quote from GG Net, our IT people. They are looking at two options. One option is to replace the SCADA system computer. The second option is to replace Mr. Ash's computer and then use his computer for operating the SCADA system. Mr. Ash recommended that we just replace the SCADA computer, because we are on a tight budget and since this is not a capital expense, it will go against our expense budget. Mr. Atherton made a motion to accept the bid to replace the SCADA computer. Mr. Buczek seconded the motion. Mr. Colton asked if there was any discussion, there was none. A vote was taken and all were in favor. The motion passed.

Mr. Colton stated that the Board election was coming up in July for three positions, and there also was currently one open position on the Board. The election will be held on July 20, 2017, and the Candidates' Night will be held on June 15, 2017. The Utility has received nine applications, but there is an issue concerning some of the applications. The Utility's Bylaws and the Application Form itself state that the candidates and their sponsors must be in "good standing." The Board has referred the matter to its attorney for a legal opinion but has not received an answer as of yet. All of the applicants will be contacted once we receive the decision from our attorney. Mr. Colton said the reason we are not going to recognize the candidates tonight is we do not want to publicly reveal the names of those who may not be in "good standing." We do not publicly discuss the standing of any resident with anyone. Therefore, if a person is not in "good standing," they will be personally notified by the Board of their status. If you would like to know who is running, it will be posted on our web site.

With the regards to the lawsuit, Mr. Colton stated we have created a segregated account to keep track of the associated costs. The membership needs to know the costs that will be

incurred as a result of the lawsuit. Mr. Colton then stated that we have received a bill as of now for approximately \$10,660 in legal fees and asked the Board to make a motion to pay the bill. Mr. Atherton made the motion and Mr. Buczek seconded. All were in favor and the motion passed.

Mr. Colton asked if there were any comments from the Board. Mr. Colton stated that he had one. There is a lot of interest in the expansion of the CTA, and there is from the Board's perspective a lot of misinformation that has been floating around out there. The Board commissioned a capacity study in 2014 from an engineer that works in the sewage treatment field. The results of that finding will be posted on the web page for all to see. We also provided that information to the lawyers that have filed the suit. On June 8, 2017, we will have another informative meeting. The Utility's engineer will be present to discuss the study and to answer questions concerning the plant's treatment capacity.

Mr. Colton then asked if there were any comments from the membership.

James Korienek lot # 95 asked if the Board can make a comment on the law suit. Mr. Colton stated that he will make one comment on it. If you would look at paragraph 51 through 53 of the Complaint and compare it to the capacity report, you will see a big difference, and that might best summarize the differences in opinions here. You can get a copy of the suit as a public record at the Porter County court house.

Greg Schafer lot 196 said he wanted to put on the record that he submitted a candidate application on May 14th about 10 am and asked Forest if he would certify the application. Forest stated that he could not certify the application and it would be sent to the Board for approval. Mr. Schafer said he came in on the next day to see if the application had been verified. He was told it had not been verified at that time, and that there were nine other applications. Mr. Schafer said he was notified today by Mr. Ash that he had an outstanding bill that was 40 days old, which he paid within 20 minutes. Mr. Schafer also pointed out that at the last election the Board used a 2-month cycle for people being in good standing to vote. He stated he just wanted to put it on the record that he was looking for the certification of his application. Mr. Colton stated that Mr. Schafer's comment will put on the record and that Forest did tell the Board, so we are aware of what transpired.

Tom Szeffc, lot 878 noted that the Shop Report shows the Utility has a permitted capacity of 450,000 gallons a day, but the high flow was 476,000 gallons a day. Where did that other 26,000 gallons go? Mr. Ash stated that the plant is rated at 450,000 gallons a day but you have a hydraulic flow capacity of about 1 million gallons a day. Mr. Colton said to Mr. Szeffc that if you will come to the meeting we are going to have on June 8th, the engineer will go over all of this.

Mr. Szeffc continued, when we are talking the 450,000 gallons a day permitted capacity are we including Tank 2 in this equation? Director Mr. Atherton stated when we are talking 450,000 gallons we cannot get caught up with gallons in the tank, it is not about the volume of the tank. The volume of the tank does not equal the plant's capacity to treat the sewage. When you read the report, you will see how the capacity is calculated. You will also find that, per that study, we can treat another 716 homes with our current capacity. When McMahon did the study

existing Tanks 1 and 2 were eliminated from the capacity evaluation. We do have the capacity, but we do not have the redundancy needed to ensure reliable operations.

Paul Seamon, lot 347 said you must understand my total knowledge of this comes from the attorneys' meeting. One question is that the Board agreed with the attorneys not to count the vote. Why was it decided to count the vote, and why did you violate the agreement? Mr. Colton replied that you are asking a question that is in litigation and I cannot answer that, but I will tell you this: I was sitting next to our attorney and told him that we did not have an agreement. The opposition was to send us a document with the understanding that it would be turned around and an agreement would have to be finalized by 1 pm the following day, and that did not happen. We told them that we did not have an agreement around 2:50 pm. Since there is interest, I will tell you that at that Wednesday night meeting with the attorneys they had about a thirty-page complaint naming us. The meeting lasted for 4 hours. This whole CTA expansion process started in December. We had meetings in December and January. Letters were sent out. The night before the ballots were to be counted we were told to show up for that meeting or we were going to be sued. We showed up; it was not a good meeting.

Dawn Vician, lot 277 said what I am hearing from you is that there was no agreement. What I understand from talking to the attorneys is that there were six attorneys that left believing that there was a 30-day stay. When they found out late the next day, three or four of the attorneys ran to the court house with a motion to stop the vote. Your attorney was sitting in the judge's chamber, and they would not open the door so they could file the motion. Can you respond to that? Mr. Atherton stated that it was categorically untrue, and it will come out at the trial. Mrs. Vician asked, were you there? Mr. Atherton stated that he talked to his attorney, the one that was sitting in the judge's chamber. Mr. Atherton then stated that we are not going to discuss this and it will come out in court. Mrs. Vician stated that is fine I just want people to know what is going on.

Director Dan Clark stated that he was also at the meeting and that the Board never stated that they had an agreement, what they said is that they would consider staying the vote.

Mr. Colton stated that we would like to stay away from the he-said-she-said allegations. Are there anymore clarifying questions?

John Bullock, lot 929 said that back in December or January information was circulated concerning the CTA expansion. It showed the Shorewood subdivision and the connection for the new proposed subdivision. Where did the map come from? Mr. Colton stated that it came from the developer, Don Blum. Don Blum spoke up and stated that the map that was sent out was approved by Indiana DNR and Indiana American Water. Mr. Blum commented that we cannot take water out of the Lake Michigan water shed and Indiana American Water will not service us if we are out of the water shed. There was further discussion concerning the map and watershed.

Gary Maxwell, lot 87 had a general comment. He said it is a shame to me from what I hear, one party states that they are going to stay and then doesn't. This Board because you did not want to stay, is going to cost us a lot of money. Mr. Colton replied let me say this: we received a notice from Susan Vitello asking if we wanted to talk. Our lawyer responded on I

believe Tuesday, saying yes we would like to talk. They filed suit on Friday. Mr. Maxwell stated that there should have been a red flag that went up, since you ignored it this Board is going to cost us a lot of money through attorney fees. Mr. Colton stated we can turn that statement around.

An unknown member asked if we are in a contract with the developer? Mr. Colton responded as of right now we are not in a contract. There is an obligation to move forward as a majority of the members voted to expand the CTA. There was a discussion again concerning the lawsuit. Mr. Clark stated that we would like nothing better for this to go away, that is why we are having the informative meeting. We invite the lawyers to come, let's discuss this, and become more educated on the issues at hand.

Wessel Bengston, lot 721 said I am just a stupid CPA. I have read a little bit on the class action suit. If there are any damages that are awarded, do the fice attorneys collect their part? I have written a lot of checks to attorneys. There was a discussion concerning attorney's fees, and that Shorewood Board is the only one paying attorney fees. Mr. Atherton stated that it is unfortunate that we should pay anything, however; we were not the ones that started this. All we are doing is defending ourselves; ourselves meaning Shorewood Forest Utilities, Inc. and we have a right to defend ourselves individually as well. We decided per the Bylaws to put the CTA expansion up for a vote by the Utility membership. Mr. Atherton noted that previously, prior to the change of the Bylaws of 2012, a previous Board made a unilateral decision to expand the CTA. It was done for Sagamore; it was done for Arbor Lakes, Edgewood, and Shellbourne and the membership had nothing to say about it. So now we are here to expand the CTA for the first time since we changed the Bylaws. We put it up for a vote by the membership, and we did it exactly the way the Bylaws state we have to do it. Word for word, step by step, and the majority of the people said yes. I would be just as happy if they would have said no.

Jim Carson, lot 69 said I give a lot of praise to the people that give their time to volunteer to be on the Board. I went to the meeting with the attorneys, and there was a lot of credibility sitting at the table, I thought that I had made a right decision. But now these people who brought this credibility to the table have brought some concerns that have me and a lot of other people nervous. It certainly sounded like legitimate concerns. They stated that they do not want this to happen until they got the information. I thought that they were going to come to you, they were going to get the information, and then we would talk about it and perhaps have a revote. Once all the information is out let us review it, we are not going to be convinced by the lawyers. We will be persuaded by the information. What we want from you is to tell us you are not going to make a commitment. Tell us you will get the information out and then have another vote.

Mr. Colton stated that the key issue is the capacity. Please go to the website and read the capacity study. That will help inform you. There was further discussion concerning the information that was sent, and the residents' concerns.

Mr. Clark stated that he is writing questions and answers to be posted on the web page.

There was a discussion concerning eminent domain. It was stated that all utilities have that provision in their bylaws, and it has been in our Bylaws since 1972. Shorewood Forest

Utilities has never exercised eminent domain and has no intent to do so. We have plenty of property to expand into if needed.

Mr. Colton closed the meeting at 9:00 pm.

Respectfully submitted,

Secretary Ken Buczek