

Attendees: Russell Tanner (former Director); Steve Muretta (Director); Mike Hondorp, Mike Williams and Doug Allen (new Directors-elect)
Absent: Ed Caudill (new Director-elect)

The meeting was called to order at approx. 4:05 PM by former Board President Tanner at the offices of Prudential Canterwood Realty. Tanner explained that the meeting was organizational/informational in nature due to the July 2011 Board member election. He indicated that he had received the election ballots and that the five nominated candidates were deemed elected. No formal vote tally was provided by Tanner, but this will be done at a future regular meeting to conform to Association By-laws.

Tanner provided a meeting agenda and an informational packet containing Association background data such as By-laws, Articles of Incorporation, CC&Rs, and a financial report dated July 31, 2011. Hondorp provided data on current member delinquent receivables and the latest Excise Tax Return (6/2011) that he had received that day from Debbie Rench at Kalles Community Mgmt. Tanner asked the members to familiarize themselves with the data provided when time permits.

There was general discussion at the outset concerning the recent large spike in bi-monthly sewer fees as a result of increased system flows to the City of Gig Harbor. Tanner briefly discussed how the STEP system functions and the need to address increased flows that may be the result of excess runoff water or other intrusions that aren't readily apparent. He said that the system flow meter near the Baker Way gate is owned by the Association, but that the readings are taken by City staff. He also said that it would be advisable to discuss the concerns about flows and billings with the City staff to see if there is a better way to determine more accurate flows and, perhaps, a more equitable way to assign system usage to individual households through water readings from Peninsula Light. Various members had questions for Tanner on system operations and other business issues. All agreed that time was of the essence in moving forward due to concerns over rising costs.

Focus then turned to determination of Board officer designations and roles. Former Board President Tanner explained that henceforth he would function as Advisor to the Board and would assist fully in transitional and system operations matters. Hondorp suggested that carry-over member Muretta be appointed Board President and it was the consensus of the group that Doug Allen be Vice President, that Mike Williams be Board Secretary, and that Ed Caudill be Treasurer. Hondorp, who has a financial background, agreed to be Asst. Treasurer to support Caudill and would also perform some Secretary duties; however, since Hondorp is out-of-state about five months of the year, he was reluctant to hold a "full-time" titled position on the Board. There was no formal vote taken on such interim appointments pending further organizational meetings.

Tanner suggested that each member assume a primary role in the transition process to move things along. Muretta will be involved in operations and possible new system drain field development issues; Williams will work with Tanner on approaching the City about flows and rate issues; Allen will be involved in operations; Caudill and Hondorp will be involved in financial matters. Hondorp suggested that the Board try and meet monthly initially to speed up the orientation and organizational process, but no vote was taken on a meeting schedule.

There was brief discussion of financial matters, mainly the listing of delinquent accounts receivable over 120 days totaling nearly \$12,000. The Association has engaged an attorney, Scott Alexander, to assist in collecting amounts due, but those efforts have not yet commenced per Tanner. Hondorp questioned why the Association must pay the utility excise tax to the state and he would like to ascertain that it is required for a STEP like Canterwood's. Allen said he knew someone who might be able to answer that question. Hondorp also said that Kalles is not accounting for the excise tax payments as an expense of

the year incurred and that an adjustment may be required that would increase the current year's net loss by such deferred tax expense (nearly \$16,000 as of July 31, 2011).

Next steps were discussed. Tanner will work with various members on transition matters such as: emergency contacts list; financial transition and banking matters, including tax filings; operational issues, including insurance coverage. He will notify Caudill of his designation as Treasurer and will work soon with Caudill and Hondorp on checking account and banking issues. He will notify Kalles of the changes as well and the need to interact with the new Board designees. The new Board members were particularly interested in documentation of system operations and other institutional knowledge possessed solely by Tanner at this time.

A second special meeting was scheduled for the same location on August 24 at 4:00 PM for purposes of touring the system and continuing the discussions of operational and other organizational matters.

The meeting was adjourned at 5:40 PM.