

Attendees: Steve Muretta, Mike Hondorp, Mike Williams, Doug Allen and Ed Caudill (Directors); Russell Tanner (Canterwood Development Co.)

The meeting was called to order at 3:00 PM by Board President Muretta at the offices of Prudential Canterwood Realty. He made reference to the agenda and copies of other handouts, most of which had been previously e-mailed to all Board members.

The Board moved, seconded and unanimously approved the minutes of August 12 and August 24, 2011 special organizational Board meetings.

The Board received the report of the July Board election results, as prepared by former Board President Tanner, which showed that candidates Muretta, Hondorp, Williams, Allen and Caudill received the highest number of votes from the STEP members who voted. The results were deemed official and final by the Board pursuant to Article IV, Section 3.3 of the STEP Association By-laws.

The Board moved, seconded and unanimously approved the designations of Board officers specified during the August 12, 2011 organizational meeting pursuant to Article VII of the By-laws, as follows: President: Steve Muretta; Vice-president: Doug Allen; Secretary: Michael Williams; Ed Caudill and Mike Hondorp: Co-treasurers.

Hondorp and Tanner discussed their visit to Columbia Bank to change the signatories on the STEP checking account from former President Tanner to one or more members of the current Board. Hondorp outlined the information needed by the bank from directors who will be authorized signers on the bank account. It was decided that the President and the Co-treasurers would be the initial signatories. Due to the urgency of getting this process completed, Muretta, Hondorp and Caudill all agreed to get their personal information to the bank in the next day or two. The Board moved, seconded and unanimously approved that the Board President and the Co-treasurers be authorized check signing authority on the Association's bank account at Columbia Bank, Gig Harbor branch.

In response to a question, Tanner briefly discussed how new accounts are added to the STEP system once building has been completed. He introduced Susan who handles such paperwork at Canterwood Development Co. She showed the group a system map, a Fees and Procedures list and other documents that deal with new hookups, all of which are kept on file in her office. Muretta asked that e-copies of such paperwork be sent to all Board members.

Muretta indicated that he had signed the Association's annual Not-for-Profit filing with the state and sent it to Debbie Rench at Kalles Community Management (Kalles) to be filed.

There was a brief discussion of insurance coverage matters, including director's liability coverage. Tanner said he had sent such information out previously, but some had not received it so he said he would resend it to all. Allen said he would look at the insurance coverage and report his findings at the next Board meeting.

The Board then discussed financial matters. Hondorp said that the un-reconciled August 31, 2011 statements provided at the meeting appear to properly reflect the needed adjustment to record Utility Excise Taxes paid in 2011 of about \$6500 as an expense. He also stated that about \$9000 of such payments prior to December 31, 2010 were recorded as an expense of 2010 by Hurley & Co. CPAs during the recent preparation of the 2010 income tax return. Tanner reported that he had just signed and mailed the 2010 tax return to the IRS. That return requests a refund of \$346, with \$50 left on hand for future tax obligations if any.

There was brief discussion about whether the Utility Excise Tax is required to be paid by the Association and, if so, if it is being calculated properly based the inflated revenues the STEP must collect from members to pay the City of Gig Harbor for treatment services. Allen is working on this issue and he said it may require the assistance of an attorney. Hondorp asked Tanner if he could contact Rush Construction to see how it handles this matter for the Division 12 STEP it manages and Tanner said he would.

As to cash on hand, Hondorp asked Tanner if the STEP had any formal requirement to maintain cash reserves at a certain level. Tanner said there was no such requirement, but that it was good business practice to have sufficient reserves for system emergencies and major maintenance costs. The Board generally agreed that it would be helpful to clarify what constitutes a reasonable reserve level, as well as a cash management policy. This may take some time to develop based on past costs and experience, not to mention estimated system component life cycles.

The Board then discussed the status of delinquent accounts receivable, in particular those which are very old and of large amount. Allen indicated that he already had some discussion with Debbie of Kalles about such accounts, although no collection efforts by Scott Alexander, Esq. have yet commenced. The Board discussed various cost-effective options for notifying members in arrears that their accounts would be pursued via collection, liens or both. Tanner indicated that some of the existing delinquent accounts may have already had liens filed and that delinquency letters had also been sent to some members. It was agreed that Allen will work with Debbie to develop options for prompt notices of delinquencies and pro-active collection efforts, including using Scott Alexander. Allen will report to the Board on these matters at the next meeting.

With respect to Operational issues, Tanner is still working on obtaining member water usage reports from Peninsula Light. He also said that it may be useful for him and Mike Williams to meet soon with Darrell from the City of Gig Harbor treatment plant to talk about effluent levels and the City's long overdue report to the Association on that subject. There were no main system matters to discuss.

Most agenda matters under Projects were covered as part of other discussions. The Board did spend a few minutes discussing the approach to considering the community drain field alternative. Allen said he would talk to consultant Eva Hill about a proposal outlining the requirements, costs and timeline for such an effort. That may eventually include preliminary discussions with a firm such as Northwest Cascade, as well as other parties such as Rush Construction and the new owners of Canterwood Country Club.

There was limited discussion about the preparation of a master contacts listing for the various vendors and professional consultants that serve the Association. Tanner will take the lead on the development of such a listing based on the draft prepared and distributed by Hondorp. He indicated that the STEP currently pays Canterwood Development Co. \$205 a month for various administrative support services.

Muretta discussed the draft letter to the STEP membership that would be included in the next Bi-monthly invoices to be mailed in early October by Kalles. Aside from a few minor edits, it was the consensus of the Board that the letter was ready to go once Muretta had finalized and signed it. He said he would get it to Debbie for the mailing.

Muretta then showed the group the web site he was developing for the STEP. It would contain a great deal of useful information for the members on how their systems function, as well as information on STEP business activities, including Board meetings. The members complimented Muretta on his efforts and it was moved, seconded and approved unanimously that Muretta continue developing a STEP web

site and that he be reimbursed for his out-of-pocket costs to secure and register the site. He said he would keep the Board informed as his development efforts progress.

Finally, the Board set Thursday, October 6 at 4:00 PM as the next meeting date and time, with the location unchanged. Furthermore, the Board agreed to hold future regular meetings at 4:00 PM on the first Thursday of each month unless otherwise changed by the circumstances.

The meeting was adjourned at 4:30 PM.

Note: These minutes were unanimously approved by the Canterwood STEP Association Board on September 7, 2011 via e-mail.