

The meeting was called to order at 4:05 PM at the offices of Canterwood Commercial.

Attendees: Doug Allen, Mike Williams, Ed Caudill and Michael Hondorp (Directors)

A quorum of the Board was present. Hondorp asked that the process of adding new STEP members be added to the agenda and the others concurred.

The minutes of the meetings of May 31 and June 11, 2012 were unanimously approved by the Board as written. Board advisor Russell Tanner had previously informed the attendees that he would have the delayed minutes for the April 19 meeting prepared after talking to President Muretta about the matter.

The committee then moved to financial matters. Co-Treasurer Hondorp indicated that the May, 2012 financial reports were a revised version that he had requested from Debbie at Kalles due to problems in the original statements with missing depreciation expense for May and a needed reclassification of LOSS excavation costs to deferred charges. Hondorp indicated that the ongoing problem with the amounts of beginning retained earnings and annual net income still exists in the balance sheets. Therefore, he will continue to work with Debbie to ensure that the proper corrections to the statements are made in the future.

Hondorp then discussed his request of Kalles to have a reference to the STEP's Recurring Footnotes to Unaudited Financial Statements added as a footer or header to the monthly balance sheets and income statements going forward (the footnotes themselves are to be posted in the Financial Reports section of the web site for members' information). Jennifer Landon had advised him that Kalles could not include such footnote references in those statements without the help of the financial software vendor. She had been advised that it could take a couple hours at \$85 per hour for the vendor to accomplish the requested changes. The group unanimously concurred with Hondorp's recommendation that requested footnote references be added to the STEP's balance sheets and income statements henceforth so long as the vendor programming cost does not exceed \$200. Hondorp said he would advise Ms. Landon accordingly and request that any billing and payment for such work be detailed for the Board.

Hondorp advised the group that, for control purposes, he had recently asked that Tanner, who often serves as project middleman for the STEP on operational matters such as the Magmeter installation, to copy Board members on all invoices and payment requests that he submits to Kalles for such projects. In that way, all directors know what payments have been requested and it helps insure that such costs ultimately get accounted for properly. Tanner told Hondorp that he agreed with the request.

Vice-President Allen, who oversees receivables and legal issues, led a discussion about large delinquent accounts receivables and related collection or legal actions to which he is aware. Allen noted that while the Board had authorized collection attorney Scott Alexander to take legal action against the four largest delinquent accounts at the April 19 meeting, Allen was unaware of any such actions by the attorney. In addition, Caudill said he had heard that one of the four properties subject to lien (Deeth) had been recently sold, although it isn't evident in the receivables detail that the STEP has received any of its long-overdue assessments on that property. Caudill said he would check with Tanner, and if necessary Kalles, to ascertain the status of the Deeth property and large receivable. Allen said he had a discussion with Bob Finch of the Canterwood HOA about the possibility of combining the resources of the HOA and STEP to take strong legal actions against members of both organizations who owe large amounts of unpaid fees. It was also noted that there are several rapidly increasing delinquent receivables that now should be considered for lien pursuant to the STEP's financial policy.

Hondorp asked Allen if he could talk to Kalles about specific demand letters and other recent collection efforts Kalles has made on the various large balance delinquent receivables on the receivables aging as of May 31, 2012. The status of those efforts would dictate whether or not new liens should now be filed by Alexander. Also, Hondorp asked Allen to request that attorney Alexander attend the Board's regular July meeting to report on his efforts to date to file lawsuits, liens and to collect from STEP members in arrears. Allen said he would handle these matters.

Hondorp briefed the group on recent problems he had discovered with the preparation of Excise Tax filings for March and May 2012 by Debbie of Kalles. He reported that the overpaid taxes from the March return greatly reduced the amount that had to be paid with the recent May filing.

With respect to the Request for Refund of \$26,600 (of overpaid excise taxes since January 2008) that he had prepared and submitted on May 10, 2012 to the Dept. of Revenue, Hondorp said that he had again contacted the DOR auditor this week as to the status of the matter. He was told that the auditor had proposed excluding a few hundred dollars of requested refund for the January 2008 filing due to the disallowance of some of the City of Gig Harbor costs claimed in that one filing period. Other than that one item, that auditor said she had no other proposed adjustments to the refund request, but that the matter was now in supervisory review. She thought it could still take a couple weeks for the process to be completed and a refund issued.

Discussion then switched to operations matters, mainly the status of the new Magmeter project. Tanner, who is overseeing this effort, had by e-mail on this date informed the Board members that the meter had arrived and was being checked out for completion of all needed parts and materials. It was his hope that the installation could now be completed by the end of June or early July. With respect to the special June 11 Board meeting on the LOSS project, it was noted that since then the authorized agreement addendums with LOSS consultants Eva Hill and David Jensen had been completed in amounts of \$1500 and \$500, respectively.

There was a brief discussion of the status of the draft contract with Kalles. Hondorp indicated that he had submitted the Board's numerous edits to Jennifer Landon of Kalles so that a "clean draft" version can be prepared by Kalles. These edits included a required monthly billing detail requirement of Kalles and a "no charge for Kalles rework clause". Jennifer indicated to Hondorp that the agreement, as revised, must be approved internally by Kalles management and Hondorp said he had informed her that the Board plans to have the STEP's business attorney look it over as well. Since submitting the proposed edits a few days ago, Hondorp said he hasn't heard back from Jennifer with any questions on the edits. All present were anxious to get the contract matter moving again.

The final matter of regular business was the added agenda item pertaining to the new STEP member process. Hondorp indicated that a new member had contacted him a couple days ago about billing and other matters that he couldn't easily answer. He said he was able to put the new member in touch with Debbie of Kalles to resolve the billing issue, but that the contact left him uncertain as to exactly what information new Canterwood residents (who are on the STEP system) actually receive about the STEP. It also raises questions about the documentation of the process that Kalles uses to handle STEP account close outs and new account set ups. Hondorp wondered whether a STEP "package" is prepared or provided for escrow purposes and, if so, what it actually consists of. All directors felt that this was an important topic to pursue given, for example, the aforementioned reference to a possible sale of the Deeth property already subject to lien. Caudill and Williams agreed to talk to Tanner, Susan Anderson, Debbie from Kalles and others to better document the communication process to new STEP members and to ascertain if it, and other account controls, are sufficient or need improvements. They will report back on these efforts at the July Board meeting.

Prior to adjournment, there was brief discussion on a couple of the items shown on the Existing Projects/Pending list at the bottom of the agenda. Allen said that the STEP's insurance policy renewals are coming up in July. Accordingly, he has instructed the broker to search for the best rates and coverage in the circumstances. Since a decision on the policy renewals may need to be made prior to the next Board meeting, it was moved, seconded and unanimously approved to authorize Allen to bind the STEP for the required renewal policies as he deems fit. Allen agreed to report back at the July meeting on this matter, or sooner, if something unusual or urgent arises in the interim.

The next regular Board meeting is Thursday July 19, 2012 at 4:00 PM.

The meeting was adjourned at 5:15 PM.