

**The meeting was called to order at 10:00 AM at the offices of Canterwood Commercial.**

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

A quorum of the Board was present. President Muretta chaired the meeting.

It was moved and seconded to approve the August 24 meeting minutes and the motion was unanimously approved.

Financial related issues were then addressed. Hondorp indicated that August financial statements looked generally fine to him and that various errors or concerns he had raised previously about problems in prior monthly reports (such as retained earnings flow problems and differences between amounts in the monthly reports) had been addressed to his satisfaction in the August reports. He mentioned that he has asked Debbie Rensch from Kalles to reclassify some admin. expenses in the income statement to "management fees" to better classify and track such amounts in the future. He also said he has prepared both a detailed Retained Earnings Flow Analysis and a Reserve Account Analysis in order to constantly monitor these key accounts over time. It was also noted that a copy of the August excise tax filing had just been provided by Debbie and Hondorp said he would check it later for accuracy.

Hondorp informed the group that he had received feedback yesterday from the WA DOR that the pending excise tax refund could be expected in the following week. He said that he was told that DOR had exceeded the 90 day period for processing the claim for refund due to internal staffing issues, but that the STEP would be paid interest on the refund requested.

Hondorp also advised the group that he had not yet heard back from Jennifer Landon of Kalles regarding the latest proposed edits to the draft services contract with the firm, as shown in handout at the provided. Everyone agreed that it would be nice to get the matter resolved, but it was more important to have a fair and accurate contract. Hondorp also provided some fee data he had received from a local CPA that indicated that the base management fee that Kalles charges the STEP is quite reasonable in the circumstances.

The Board acknowledged receipt of the September 20, 2012, LOSS Project status memo from consultant Eva Hill. Since the memo indicated that more soil analysis work would be proceeding by WA DOH once the rainy season started, the group didn't feel there was a need to conference call Eva into the meeting. It was also noted that the \$439 billing for backhoe services required for the WADOH site analysis was being submitted to Kalles for payment.

Since Tanner had to leave the meeting at 10:45 AM, he was asked to update the group on other operational issues prior to his departure. He reported that the issue of getting the "totalizer" reading function to work properly was being addressed with the help of a Canterwood resident knowledgeable with the equipment. He said that the State had raised an issue with UL certification during its electrical permit review and that the matter is being looked into by the equipment vendor. Finally, security fencing (gate and side panels) is being installed to restrict access to the metering equipment and solar panels. In response to a question about venting the equipment box to prevent ozone gas buildup, Tanner stated that he would see that it is accomplished. Tanner was asked to update the total cost summary of the Magmeter project for the fencing and any other non-maintenance costs once all such work has been concluded.

Discussions then turned to the status of delinquent receivables and accounts in collection. Allen reviewed the listing of accounts in arrears and discussed significant changes since the last meeting. It was noted that new liens had been obtained on several member properties in the past month and that some members previously in arrears had paid all or some of their delinquent amounts due the STEP. Paperwork was provided showing that the largest member debtor's home is now in foreclosure. Allen indicated that he has been told by collection attorney Scott Alexander that another very large debtor may soon be paying the STEP their entire arrearage, totaling about \$4700. Caudill asked Allen to request that Alexander to clarify whether the STEP has rights to collect amounts due from member debtors who file bankruptcy if the STEP makes a creditor claim timely.

Hondorp provided the group with a handout of a Statement of Collection Policies that he had drafted for the Board's consideration and, hopefully, adoption at the October meeting. He asked all members to review it and send him their feedback. He also agreed to send it to Debbie and Scott Alexander for their input. He mentioned that he has asked Tanner to provide the Board with anything he can find in past STEP minutes pertaining to collection policies and fees so that everyone knows how the current practices came about. Muretta said that the Board would take the collection policy matter up at the next meeting.

Caudill explained that the effort to develop a STEP information packet for new members that he and Williams have been working on was nearly done, pending Muretta's review and approval of a welcoming cover letter. Caudill indicated that much of the packet paper material had been removed at the group's request during the last meeting since most of that information was already on the web site. It was hoped that the packet could be presented in final form for approval at the October meeting. There was also a brief discussion about the advisability of the Board identifying one or more vendors who understand STEP systems and could provide annual inspection/repair services to members for an agreed upon and reasonable rates. This matter was deferred for future consideration.

Hondorp asked about the control procedures that exist to ensure that all new members of the STEP, either from new builds or resale's of existing homes, are identified timely in order for Kalles to get such new members into the STEP billing system without exception. He said that this issue was what actually commenced the new member information project. The group agreed that it would be helpful if Tanner and Susan Anderson could touch base with someone at the HOA office and Debbie at Kalles about the new member identification control procedures (incl. how escrow allocations of assessments get made between new and former members) and then write up the processes for the Board's review at the October meeting. The best manner for distribution of new member welcome packets can then be determined based on the process as outlined.

With respect to Board calendar items for the balance of the year, Hondorp provided several handouts. First, he reminded everyone of the set dates and times for the meetings as follows: Oct. 19 at 2:00 PM; Nov. 15 at 4:00 PM; and Dec. 13 at 6:00 PM (the annual membership meeting, followed by a short regular Board meeting).

Hondorp then discussed the package he had drafted for the annual membership meeting consisting of a meeting notification letter to members and various attachments such as an activities and accomplishments memo, a draft 2013 budget, and a sample director election ballot. There was brief discussion of these items, including a need to correct the names on the ballot. Hondorp asked that everyone provide him with input on the materials as soon as possible. He indicated that Tanner has agreed to let Susan Anderson assist him in getting the entire annual membership meeting packages sent out in late November. He also reminded all of the importance of the November regular meeting to adopt proposed operating and capital budgets for 2013 to put before the membership in December. He

said he would be working on the proposed numbers in conjunction with Debbie prior to that meeting so that everyone could discuss the budgets knowledgeably.

The next item discussed was a draft Statement of Reserve Policies that Hondorp had prepared. He briefly discussed the document's contents and his reasoning for establishing such a formal policy, such as meeting the director's fiduciary responsibilities for prudent financial oversight and to provide the membership with a sound basis for any assessments for capital reserves. The group concurred with the need for such a policy and Muretta said it would be taken up for action in October. In the meantime, Hondorp asked all to give him input on the proposed language so he can ready a final version for the next meeting.

Prior to adjournment, there was brief discussion led by Muretta of the number and nature of STEP e-mails among directors, the volume of which is sometimes a bit overwhelming. All agreed that there are often many such e-mails, although most all felt it was good that everyone on the Board is kept in the loop as to what the other directors are doing for the STEP between regular monthly meetings. Allen and Muretta each suggested that e-mails of urgency or those of importance requiring prompt attention or feedback be so denoted in the message subject line to help everyone sift through the volume. All were in general agreement that such an approach would probably be useful in the future.

At the very end of the meeting, Muretta commented about the high amount of the most recent City treatment invoice. All wondered why the billings are continuing to spike, particularly since the new Magmeter equipment isn't recording proper readings yet. It was felt by all that the City billing matter requires further analysis and Muretta said he would follow up on it.

The next regular Board meeting is Friday, October 19, 2012 at 2:00 PM.

**The meeting was adjourned at 12:00 PM.**