

The meeting was called to order at 2:05 PM at the offices of Canterwood Commercial.

Attendees: Steve Muretta, Doug Allen, Mike Williams and Mike Hondorp (via Skype) (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 September 21, 2012 meeting minutes and the motion was unanimously approved.

Financial related issues were then addressed. Hondorp indicated that September financial statements looked generally fine to him, although he noted and advised Debbie Rench from Kalles that she had failed to record treatment facility depreciation expense or amortization of prepaid insurance for September. He advised her to "double up" on such standard entries in the October financials. He also informed the group that the STEP's retained earnings flow was properly stated at September 30.

Discussions then turned to the status of delinquent receivables and accounts in collection. Allen indicated that he had called Debbie earlier in the week for information on the past due accounts at the end of Sept., but that she had not returned his call. Hondorp pointed out several anomalies in the past due aging listing since the prior month for Allen to discuss with either Debbie or collection attorney Alexander, including the status of the large debtor who was supposedly going to "settle up" very soon. Allen indicated that he would follow up on such matters and report back.

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 were shown in handout provided at the last meeting. He indicated that once he gets the latest draft version back from Kalles, he will forward it to Allen so that the STEP's business attorney, Mark Roberts, can review it for legal form, prior to its signing.

Hondorp informed the group that the September excise tax refund from WA DOR of \$27,769, including interest, reflected an audit disallowance of a few hundred dollars from what was originally requested in the STEP's refund request. Hondorp indicated that, nevertheless, the audit result was excellent and the STEP should be pleased with the recovery. However, since the STEP has the right to appeal the audit results within 90 days, Hondorp recommended that the Board take formal action to accept the audit results and the refund as was received. It was moved and seconded to accept the refund and not appeal the DOR excise tax audit results and the motion was unanimously approved.

As an additional financial matter, Muretta mentioned that the manner of bi-monthly billing tends to confuse some members, particularly when a property is sold within a billing cycle. It was acknowledged that billings used to be for recovery of costs already incurred, although that distinction was made moot in 2012 when the Board adopted new standardized bi-monthly billings based on total budgeted operating costs for the year. It was agreed that Debbie from Kalles needs to pro-rate STEP assessment obligations, when requested by escrows, between the old and new members whenever a property sale closes within a bi-monthly billing cycle.

With respect to operations matters, Tanner discussed the problems experienced in recent months attempting to use solar power for the Magmeter equipment. It was agreed that the poor results with solar demonstrated that a dedicated power line from Peninsula Light was needed. Tanner discussed the

estimated costs to install a dedicated power line across Baker Way, as well as his planned efforts to get PenLight to agree to a modest monthly charge to power the meter equipment. It was moved and seconded that up to \$6000 would be spent on this effort and the motion was unanimously approved. Tanner will be responsible for advising the Board on progress and for updating the total cost summary of the Magmeter project for the electrical and any other non-maintenance costs once all such work has been concluded.

With respect to the recent theft of solar panels and batteries for the Magmeter equipment, it was felt that it wasn't advisable to make an insurance claim for such stolen property due to the \$1500 deductible in place. Furthermore, the options to provide physical security for the remaining meter equipment, including fencing, were felt to be premature until the new power line is installed and the final box location and configuration is determined. The group agreed to evaluate appropriate site security options in the future.

The group spent time discussing the extremely high billings recently received from the City for treatment services, as well as options to address such high charges. Muretta mentioned the somewhat confusing billing explanation he had received from Lisa Krasas of the City that he forwarded to all Board members via e-mail on Sept. 26. Allen pointed out that although the size of STEP membership has remained stable in recent years, the City's treatment charges have grown dramatically. Hondorp noted that while the STEP's 2012 budget for City charges factored in a ten percent hike compared to 2011 charges, the actual 2012 charges to date are well beyond the amount budgeted for the year which seems implausible. After further discussion, it was agreed that a contingent of the Board, as well as Tanner, needs to meet in person with appropriate City officials as soon as possible to discuss the accuracy and justification of the City's billings to the STEP. Tanner indicated that he would see that such a meeting is scheduled.

With respect to the LOSS project, the group was reminded that consultant Eva Hill had indicated last month that more soil analysis on the target site would be proceeding by WA DOH once the rainy season started. This matter was deferred until more activity has occurred.

Hondorp provided the group with a brief overview of the resolutions he had drafted for the Board's consideration to adopt statements of policies and procedures pertaining to collections, reserves, budgets and bad debts. After discussion, it was moved and seconded to approve all four resolutions and the motion was unanimously approved. Hondorp indicated that the four new policies and procedures will be incorporated into the STEP's comprehensive financial policies and procedures document and that revised document will be considered at the November Board meeting.

Williams explained that the STEP information packet for new members that he and Caudill have been working on was complete, pending Muretta's review and approval of a welcoming cover letter. He said that the information will be provide to Debbie from Kalles so that it can be sent to all new STEP members with their first billing or when they are added to the STEP billing roster by Debbie, as appropriate.

Hondorp asked again 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. Tanner said that problems sometimes occur when banks sell foreclosed properties outside normal escrow processes. It was the consensus of the group 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 and then write up the processes when time permits for the Board's future review.

The next regular Board meeting is Thursday, November 15, 2012 at 4:00 PM.

Hondorp reminded everyone that the November meeting will address several important matters, including the proposed annual operating and capital budgets for 2013 and the materials for the annual membership meeting on December 13, 2012. He indicated that he will be sending out a draft meeting agenda and other materials for consideration well in advance of the next meeting.

The meeting was adjourned at 3:55 PM.