

PINE MEADOWS COUNTRY CLUB ESTATES
MINUTES OF THE BOARD OF DIRECTORS MEETING

September 16, 2023

OPEN MEETING

The Regular Board of Directors Meeting was held on September 16, 2023, at the Heber-Overgaard Fire District Station, located at 2061 Lumber Valley Road, Overgaard, Arizona 85933.

1. President Bill Johnson called the meeting to order at 9:00 a.m.
2. Board Members present were Bill Johnson, Bill Kelley, Mike Finney, Mark Clennan, Joe Studnek (via telephone) and alternate Jeff Ford. All five directors being present, the Secretary declared a quorum was present.
3. Also present at the meeting were Dodi Bailey, Assistant to the Treasurer, and Gale Lewis, Assistant to the Architectural Committee.
4. Appearing telephonically was Steve Feola, Counsel to the Board.
5. There were approximately twelve other guests/members present.
6. The first order of business was the approval of the Minutes of August 19, 2023. The Minutes were unanimously approved.
7. Bill Johnson introduced Dodi Bailey and highlighted her credentials/qualifications to act as assistant to Treasurer Lori Hughes.
8. The second order of business was a review of the Treasurer's Report prepared by Dodi Bailey, which included the following: 1) HOAMCO Beginning Balances from HOA 3/31/22 - Balance Sheet; 2) End of Fiscal Year 3/31/23 - Balance Sheet and Income Statement; 3) Moved to Operating Equity Account with 4/1/23 Closing Entries - Balance Sheet; 4) Activity (Income Statement) 4/1/23 - 9/15/23 Net Income; and 5) Balance Sheet as of 9/15/23. Dodi Bailey provided an explanation to the Board Members regarding the documents.
9. Discussion was held with respect to the funds held in reserve and the need to increase that amount by possibly raising the HOA dues each year.
10. Discussion was held regarding 3 lots in the community that are delinquent on their HOA dues. Bill Johnson advised the Board the homeowners have been notified and the issue is being addressed.
11. Bill Kelley raised the issue of renewing the vote for the appointment of a property management company. There was no discussion nor comment.

Steve Feola indicated that if there are huge repair costs associated with the sewer, that ultimately get passed on to the homeowners, there may be some rights the Board has to control the sewer assessment and Patrick Black could be of assistance in that respect.

It was noted the current sewer assessment is \$160.00 per quarter.

Steve Feola affirmed the sewer company is a for-profit company and the Saiz' could charge the property owners any amount, as there are no limitations on the for-profit motive.

Bill Kelley inquired of Steve Feola as to the issue of a letter originally signed by the Homeowner's Association at the time the sewer contract was entered.

Steve Feola indicated there was a letter, which he has a copy of, that was recorded in Navajo County in approximately 2001. Steve Feola further indicated he did not believe the letter made any mention of Pine Meadows Homeowner's Association. The letter only stated the sewer could not be expanded without the approval of Overgaard Springs Ranch. Steve Feola further indicated that he was not aware of anything set forth in the letter with respect to rate increases.

Steve Feola provided a very lengthy and detailed history as to the ownership of the golf course and sewer plant.

Jeff Ford raised the issue of the function and cost of the sewer plant due to deferred maintenance. Jeff Ford suggested putting together a work group to detail a long-term financial plan for the sewer plant. A lengthy discussion ensued regarding the issue.

Steve Feola responded advising the Consent Decree will have two parts, with one being a deterrent portion. Steve Feola advised that it is likely the higher the financial assessment incurred by Dr. Saiz, the higher the financial assessment that will be passed on to the homeowners. This may be an area that Patrick Black could assist with should the Board desire.

Steve Feola indicated there have been no counter or crossclaims filed by the Saiz'.

Jeff Ford raised the issue of a long-term solution for the sewer plant and the possible need to re-channel funds into the treatment plant.

Steve Feola recommended the Homeowner's Association stay out of the litigation with respect to the sewer plant.

Jeff Ford raised the issue of risk versus opportunity with respect to contacting ADEQ or the AAG with respect to the sewer plant. Jeff Ford again proposed that a work group be established to provide suggestions as to a long-term solution for the sewer plant.

Bill Kelley raised the idea of an exploratory committee hiring a person to come in and evaluate the sewer and the costs associated with operating the plant. Bill Kelley raised the possibility of approaching the Saiz' to take over ownership of the sewer plant. A lengthy discussion ensued regarding the issue.

12. Bill Johnson moved to approve the Treasurer's Report. Upon unanimous vote of the Board, the Treasurer's Report was approved.
13. Steve Feola, Counsel to the Board, appeared telephonically to provide the Board and the guests/members an update on the pending litigation of State of Arizona versus Gina's Gold Canyon Resort LLC, et al., filed in Maricopa County Superior Court on June 12, 2023. The State of Arizona is represented by Assistant Attorney General (AAG) Jeffrey D. Cantrell. The Saiz' are represented by counsel, James M. Cool.

Steve Feola indicated that Pine Meadows Homeowner's Association previously sought to have litigation filed regarding the constant and consistent breakdown of the sewer system. Steve Feola further indicated that during his initial involvement he encouraged Dr. Saiz to maintain and repair the sewer system but was unsuccessful in that attempt.

Steve Feola further indicated that due to a Sanitary Sewage Overflow (SSO), that was caught by the Arizona Department of Environmental Quality (ADEQ), the litigation was subsequently brought by the Arizona Attorney General's Office against the Saiz'.

Steve Feola further indicated that Pine Meadows Homeowner's Association does not now nor has ever had any ownership interest in the golf course or the sewer plant.

Steve Feola advised the Evidentiary Hearing previously set in the matter on September 7, 2023, was vacated upon stipulation of the parties, as they are working together to finalize a Consent Decree. The settlement and draft of the Consent Decree is being circulated for review and signatures. Steve Feola further advised that said Consent Decree will set forth two sections, i.e., a compliance section, which details the obligations that must be met to operate and maintain the sewer plant and a punitive section, which will include any fines and assessments imposed.

Steve Feola further advised that he offered Gale Lewis' contact information to Assistant Attorney General Jeffrey Cantrell should he need any detailed information as to the future needs of the sewer plant.

Steve Feola explained the sewer plant has two sewage trains. Train 1 was installed in 1986 and Train 2 was installed in 2007. The plant is currently operating on Train 1, as Train 2 is not operational. The State is requiring that both trains be operational and functioning. The cost to Dr. Saiz could be as much as \$200,000.00 to bring both systems to operating condition.

Steve Feola advised that Pine Meadows Homeowner's Association has no power to guide or influence the course of the repairs to the sewer, other than any input the State might request from Gale Lewis. Steve Feola further advised the Homeowner's Association to wait and see what is outlined in the Consent Decree.

Steve Feola recommended that Attorney Patrick Black of Fennemore Craig, a utilities attorney, could be contacted by the Board should it need any assistance in the future with respect to the sewer plant.

Steve Feola indicated the issue of easements would need to be addressed, if that were to happen, and the costs associated with that could be substantial.

Bill Johnson inquired as to what options the Homeowner's Association might have with respect to contacting ADEQ or the AAG. Steve Feola again recommended the Homeowner's Association should not be perceived as taking sides and should stay out of the pending litigation. Discussion again ensued regarding the risk versus opportunity that could result with respect to making such contact. No risks were identified with respect to reaching out to ADEQ.

Further discussion ensued regarding the sewer plant. Gale Lewis outlined the daily costs associated with maintenance, testing and replacement parts.

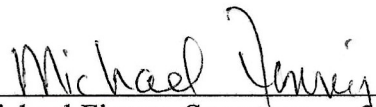
Discussion ensued regarding Jeff Ford reaching out telephonically to Attorney Patrick Black.

14. Bill Johnson moved to have Jeff Ford contact Patrick Black telephonically to obtain general information for further consideration by the Board. Neither authorization to expend HOA funds nor any specific limitations were included in this motion or discussion. Upon unanimous vote of the Board, the Motion was approved.
15. The Architectural Committee had no report to provide.
16. Mark Clennan inquired as to how and why Gale Lewis was appointed to the Architectural Committee. Bill Johnson explained that there are always 3 people on the committee.
17. With respect to unfinished business, Bill Johnson inquired as to whether the Compliance Committee had made telephonic contact with the heirs and/or beneficiaries of the vacant property (Lots 78 & 81) located at 2249 Double Bogey Way. Jeff Ford advised that he did not make telephonic contact, as he was not provided with the contact number. Further, Jeff Ford indicated it was his belief there was never an approved motion ordering this done.
18. Bill Johnson moved for the Compliance Committee to telephonically contact the heirs and/or beneficiaries of the vacate property located at 2249 Double Bogey Way to provide a schedule for effecting repairs, or the Board will be compelled to hire someone to complete the repairs and bill the heirs and/or beneficiaries. Jeff Ford was authorized to do whatever was necessary to obtain the telephone number and it was suggested that Lori Hughes may have the contact information. Upon unanimous vote of the Board, the Motion was approved.
19. Discussion was held regarding future sewer bills. The Board noted that no invoices have been sent out. This may be a conversation that could be addressed with Patrick Black in the future.
20. With respect to new business, Bill Kelley raised the issue of having an attorney on retainer. This is an issue to be discussed further at the next meeting.

21. Jeff Ford addressed the issue of streaming HOA meetings over the internet and the possibility of having members attend by way of Zoom calls. This issue will be discussed further at the next meeting.

22. The next Board Meeting is scheduled for October 21, 2023, at 9:00 a.m. at the Heber-Overgaard Fire Department, located at 2061 Lumber Valley Road, Overgaard, Arizona 85933.

There being no further business to be brought up before the open meeting portion of the Board of Directors Meeting, upon motion and unanimous vote, the meeting was adjourned.



Michael Finney, Secretary
Pine Meadows Homeowner's Association