

Prairie Wood Development Association, LLC

October 2nd, 2011 Meeting Minutes

All board members present with the exception of David Litzinger.

President Jim Cooley called the meeting to order.

Prior Meeting Minutes were read by Secretary Mark Greicar, approved by Deb Kleven and seconded by Dan Rustvang.

Old Business

Prairie Wood Lane

To determine the classification of Prairie Wood Lane the board members throughout the summer met twice with the Lohnes Township Board, met with the Benson County Board, and spoke with Benson County's attorney Jim Wang. It was determined that the current status of Prairie Wood Lane is neither private nor township. It is currently only classified as a public right of way, and to become private would require tribal consent.

The board members made a formal written request dated September 18, 2011 to the Lohnes Township for Prairie Wood Lane to become a township road. Shari Gisvold, a Lohnes Township board member, reported that the township board voted to approve Prairie Wood Lane as a township road. She also indicated that some road repairs are scheduled for this fall, along with the posting of four speed limit signs and either a stop or yield sign at the west end junction.

The board requested that mail boxes not in use during the winter months be removed to allow the snowplow more access for pushing snow off the road.

Wood-Rutten Road

On the Benson County side crossing the lake, the road will be raised to 1464 feet this spring. There is no report of work scheduled on the Ramsey County side at this time; the board will continue to contact Ramsey County.

LLC

Sandra Dittus the attorney who handled the LLC formation was present to answer questions.

Q. Please recap the components of forming an LLC.

- A. An LLC makes the association an entity which provides:
- Liability protection for members.
 - The ability to own common areas. Without being a legal entity such as an LLC, the association cannot own property.
 - Certification with the Secretary of State providing a state ID #, and a federal tax ID#.
 - The Member Control Agreement to define member and governor rights and regulations for the benefit of all members or the best interest of the majority.

- The Contribution Agreement to put the association funds and equity into one entity, the LLC.

Q. What if some people choose not to sign up for the LLC?

A. Current association members are not required to become LLC members. However, all new Prairie Wood lot owners will automatically become members. There will continue to be one organization, one board and one set of regulations and rights for LLC members and non-LLC members alike. Non-LLC members will continue to pay dues to the LLC but those funds will not be used for matters that are distinctly for the LLC. There will be two set of accounting books to maintain this separation. Non-LLC members will continue to have the same involvement and voting rights within the LLC organization. However, the non-LLC members will not participate in or vote on matters that are distinctly for the LLC.

Q. Why can't we slow down with the formation of the LLC?

A. The LLC was formed by a majority vote on August 20th at the association meeting. When board members came to me and were interested in forming an LLC and as an attorney knowing the legal ramification to individuals in the Prairie Wood Development and especially to the board members by not having liability protection, I advised them to proceed to protect everyone's personal assets.

Q. Can individuals become members of the LLC but not take part in all aspects of the LLC membership, allowing classes to be created within the LLC membership?

A. I am 99% sure classes are not allowed within an LLC.

The board members pointed out the advantage of the Prairie Wood Development Association, LLC continuing with the policy the association has been functioning by; Individuals should not be provided a menu of services from which to decide what they would like to pay for. As an example, the people who do not come to the development in the winter still contribute to snow removal, and people who don't have homes in the development still contribute to bug spraying.

Q. Why was the board given added authority? For example being able to set the yearly dues amount?

A. I used the powers of the board from the current covenants and added a monetary limitation. The board has the authority to assess dues, hire services, pay bills, expend funds not in excess of \$2,000 and enforce the covenants and/or declarations of record. There is not a change in the way the board runs, the board continues to pay bills and maintain what the group has already set up. For something new, the board does the investigating and presents to the association, and the majority decides how to proceed.

Jim Cooley read from the current covenants under the board of directors section, number 8, which states that the board of directors currently has the power to assess dues. The board members stated that the covenants and LLC governing language can be modified to fit the organizations needs and that developing the LLC is a step-by-step process.

Q. Could you explain the tax status of Prairie Wood Development Association, LLC and how profit or loss is reported for tax return purposes?

A. Prairie Wood Development Association is a “not-for-profit” LLC. This is different from a non-profit LLC such as a church or charity organization. Operating profit or loss generated from the development, LLC is reported on its own tax form and does not pass through to its members.

Q. Can a person withdraw from the LLC?

A. Yes, if the board of directors consents.

Sandra cautioned that in the case of a lawsuit pertaining to the Prairie Wood Development, individuals not in the LLC would be responsible for hiring their own attorney, and their personal assets would be at risk. Unlike people in the LLC who will hire an attorney as a group and only the Prairie Wood Development Association, LLC assets would be at risk, not their personal assets.

Sandra’s parting words: She will answer all future questions through the board members. Please do not call her directly. Lastly, the LLC governing language was developed as an initial draft and can be changed to work towards the membership goals.

Marina lot purchase for boat landing and parking lot proposal

The lot is located next to the current boat landing at the marina. The lot size is 3.83 acres, 300 feet wide by 580 feet long. A map showing the location was presented. The purchase price is \$80,000, which includes \$25,000 seller concessions for development of road and boat landing. Any portion of the \$25,000 that is not used for development is to be returned to the seller. A preliminary sample of financing details was provided.

Opposition to and support for the marina was discussed.

Street light proposal

Due to feedback from association members, the lights would only be operating during the late fall and winter months. Nine street lights with cobra heads would be installed at existing electrical boxes. The installation cost is \$5,000 with a monthly utility cost of \$8.50 per light. The money for this project will come from the association’s budgeted cash flow at the current dues assessed.

Voting Ballots for the marina lot and street lights will be mailed within the next two weeks.

Treasurer Report

The treasurer presented the balance sheet, income statement and cash flow report, with actual and projected figures for 2011 and budgeted for 2012.

Jim made a motion to adjourn the meeting, Deb Kleven approved and Shelly Roerick seconded the motion.

These minutes are pending approval at the next meeting.