

Prairie Crossing Homeowners Association

Explanatory Notes to Budget for 2006 Operating Costs

- a. Assumes that sale of six condo units is completed by the end of the second quarter 2006 and the sale of six additional units is completed by the end of the third quarter 2006.
- b. Fee to Independent Auditor for annual audit or review of Association accounts and financial records, and for preparation of Association's tax return.
- c. Principally represents the cost of a recording secretary for taking minutes at Board and Architectural Review Committee (ARC) meetings, and for assisting with Board and ARC correspondence.
- d. Contract with a property management firm (Summit Management Specialists - SMS) to furnish information for billing and collecting assessments, provide complete accounting services, oversee maintenance contracts, pay bills, keep records, furnish information required for closing real estate transactions, and to provide other management services. The management fee is based on the number of lots in the Association.
- e. Contract with an environmental management consultant to develop and implement an environmental management plan for the year. The plan, among other things, identifies prairies to be burned, trees and plantings to be maintained, actions and precautions to be taken to maintain water quality in ponds and the lake, invasive weed control measures to be used, and provides for systematic evaluations of all environmental measures taken. The consultant also drafts specifications for work to be done, writes RFP's, evaluates proposals, evaluates work performed, keeps environmental management related records, and contributes to educating interested homeowners about managing and maintaining our local environment. In 2006, the environmental consultancy will be provided by a joint venture of Prairie Holdings Corp. and the Liberty Prairie Conservancy.
- f. Cost of liability, property and fidelity bond insurance.
- g. Cost of compiling, editing, printing, and distributing monthly newsletter to Prairie Crossing homeowners.
- h. Part of the cost of the reserve study conducted by Reserve Advisors Inc. was included in 2005. The study will not be repeated in 2006.
- i. PCHOA has entered an agreement with Prairie Holding Corp. under which PHC offers the Association and its members the following services:

- up to two acres of farmland subdivided into garden plots for use by residents for growing flowers and vegetables
 - a place to store composted piles of soil and woodchip mulch for the non-commercial use of residents
 - a place to dispose of kitchen-type compost
 - a place to dispose of soil, brush, and tree trimmings
 - a place to store wood for the fire pits
 - a place to store trailers and boats owned by residents
 - a place to store PCHOA owned vehicles, raft, tools, fence posts and rails, and other maintenance equipment or supplies
 - access to farmland open areas for activities such as walking and skiing
 - access to the farm for educational opportunities of accompanied resident children
 - a venue for community activities
 - a destination for bringing family, young children and guests to see animals (chickens, goats) and plants and plantings in a farm setting
 - a permanently protected open space and landscape buffer
- j. Cost of operating the Fitness Center includes regular cleaning, maintenance of equipment, and rent to Byron Colby Barn for the space occupied by the Center.
- k. The irrigation system maintains the water level in the pond below Lake Aldo Leopold and pumps water for irrigating common area turf in the Village Green and at the Jones Point Road entrance to Prairie Crossing.
- l. Contract with a lake management company (Integrated Lakes Management - ILM) for lake monitoring, water quality monitoring, fish management, and selected weed management of Lake Aldo Leopold and associated ponds.
- m. Contract with an environmental management company (Applied Ecological Services) for weed control, prescribed burns and selected mowing of restored prairies and wetland areas.
- n. Contract with a landscaping company (Landscape Concepts) for fertilization, weed control, and mowing of turf in the Common Area, and for maintenance of trees and plantings.
- o. Contract labor to perform a variety of small but important maintenance services such as, among other things, trash pickup, emergency watering of landscapes, small scale maintenance of trails, playgrounds, and beach, selected mowing in native areas, and fence repair. In 2005, the Association had a cost-effective arrangement for sharing labor with Prairie Holdings; this arrangement may not be available in 2006.

- p. Annual transfer of operating funds to build up or replenish capital reserves that provide funds for the periodic restoration or replacement of Common Area features such as playgrounds, ornamental lighting, fences, etc., and other Common Area restoration projects. The Association's reserve provisions need to be increased following an evaluation of our provisions by, Reserve Advisors Inc., a consultant with expertise in this matter.
- q. The Declaration of Covenants for Prairie Crossing requires that, at the time each residential lot is sold by the developer, each purchaser shall pay to the Association an amount equal to one-sixth of the then annual Assessment, which amount shall be used and applied for start-up costs and as a working capital fund. At the end of 2005, all P.C. residential lots were purchased by homeowners and no further working capital will accrue to the Association.