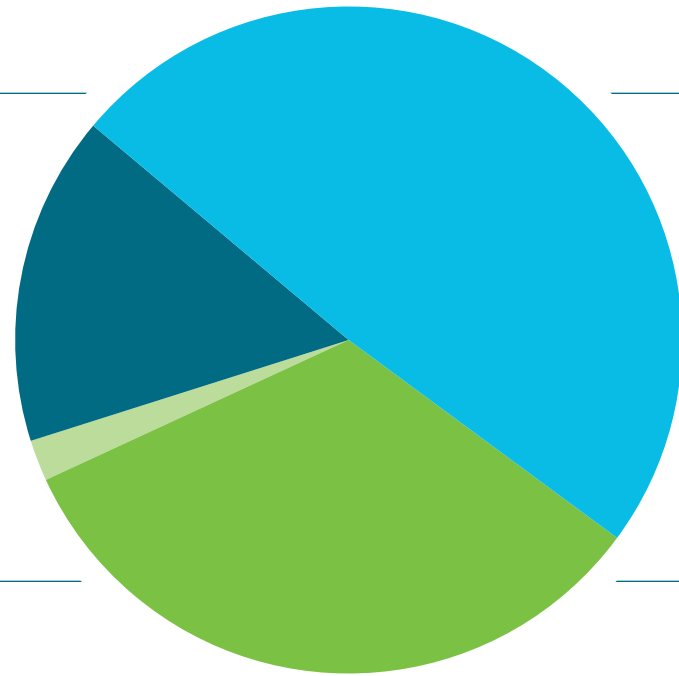


TAHOE DONNER ASSOCIATION 2018 ANNUAL ASSESSMENT

\$1,900 PER PROPERTY

- OPERATING FUND - 49% (\$940)
- REPLACEMENT RESERVE FUND - 33% (\$620)
- NEW MACHINERY & EQUIPMENT FUND - 2% (\$30)
- DEVELOPMENT FUND - 16% (\$310)



November 17, 2017

Dear Tahoe Donner Association Owners,

Over the last few months, management worked with the Finance Committee to develop the 2018 Annual Budget. The budget was approved by the board on October 28, 2017. This follows a Finance Committee approval recommendation and several open meetings where many financial and economic factors were discussed and analyzed. The result of this process, which directly impacts each owner, was the establishment of our 2018 Annual Assessment at \$1,900 per property, no increase over 2017 or 2016. **The 3rd year in a row at the same total assessment.** This mailing contains your 2018 assessment invoice, due January 1, 2018. Please refer to the enclosed invoice for important details regarding payment.

As illustrated above, the assessment consists of an **Operating Fund** portion and three **Capital Fund** portions.

The **Operating Fund** covers the annual net operating cost of running our association, and provides us with our amenities, customer services, and association administration. The Operating Fund revenue requirement is \$18.5 million, with budgeted operating revenues funding 67% and Annual Assessment revenue funding just the remaining 33%. For 2018 the Operating Fund portion of the assessment amount has been decreased by \$35 (4%) to \$940. This decrease in assessment is driven primarily by strong actual operating revenues the past two summer and winter seasons, increasing the budgeted operating revenue assumptions for 2018. On the expense side, the increased regulatory costs involving increases in the California minimum wage, health insurance, and liability insurance costs amount to a \$57 per owner cost impact, which was fortunately more than offset by the operating revenue growth. Bottom Line: A \$35 decrease for the operations portion of the assessment.

The 2018/2019 recreation fee of \$270, reflects no increase over the current year, three years flat at \$270.

The **Capital Fund** allows the association to maintain our current assets (Replacement Reserve), purchase new assets to meet new needs (New Machinery and Equipment), and provide capital to expand and/or replace aging infrastructure (Development). Failure to adequately fund these components ultimately impacts the overall value of our association and the value of each individual owner's property. With this fiduciary responsibility in mind, we have increased the contribution to the Replacement Reserve by \$25 (4%) and Development by \$10 (3%) for 2018. These increases conservatively keep the association financially healthy and protect our association's aging assets. Bottom Line: The Capital Fund portion of the assessment increased \$35 and amounts to \$960 per property (51% of the assessment).

As you enjoy our numerous recreational opportunities, we trust that you continue to see the increasing value of your ownership reflected in this year's Annual Assessment. The diversity of the association is reflected in the complexity of our annual budget. The comprehensive 2018 Budget Report will be provided in the December 2017 issue of *Tahoe Donner News*, our official communication medium. You may view this report and other financial information at www.tahoedonner.com.

Sincerely,

Jeff Bonzon
Treasurer

Michael R. Salmon
Director of Finance & Accounting



2016 ASSESSMENT: \$1,900
2017 ASSESSMENT: \$1,900
2018 ASSESSMENT: \$1,900
THREE YEARS, NO CHANGE.

\$270 RECREATION FEE
NO CHANGE, 3RD YEAR IN A
ROW AT \$270

\$12.5 MILLION
TOTAL OPERATING REVENUES

ASSESSMENT GROWTH RATES

COMPOUNDED ANNUAL GROWTH RATES TO 2018

	5 YEAR	10 YEAR	20 YEAR
Operating	3.5%	3.6%	4.3%
Capital	6.1%	6.9%	7.9%
Combined Total	4.8%	5.1%	5.8%

PHOTO CREDIT: KATHY ENGLAR

Photo submitted for the 2017 Tahoe Donner Photo Contest depicting the monumental 2016/17 winter. Strong winters generate strong financial returns, a key factor in allowing the association to keep the Annual Assessment fee flat for three years running.



TAHOE DONNER ASSOCIATION

2018 Budget - Per Member Annual Assessment of \$1,900 Distribution



INTRODUCTION

2018 Annual Assessment of \$1,900 reflects no change from 2017 or 2016.

- The \$960 Capital Funds portion was increased \$35 to fund future capital needs of our aging assets.
- The \$940 Operating Fund portion was decreased \$35 due primarily to improved three-year operating revenue trends coming off record seasons.
- The optional Recreation Fee remains unchanged at \$270, with increased sales volumes and visitations offsetting increases in operating costs.

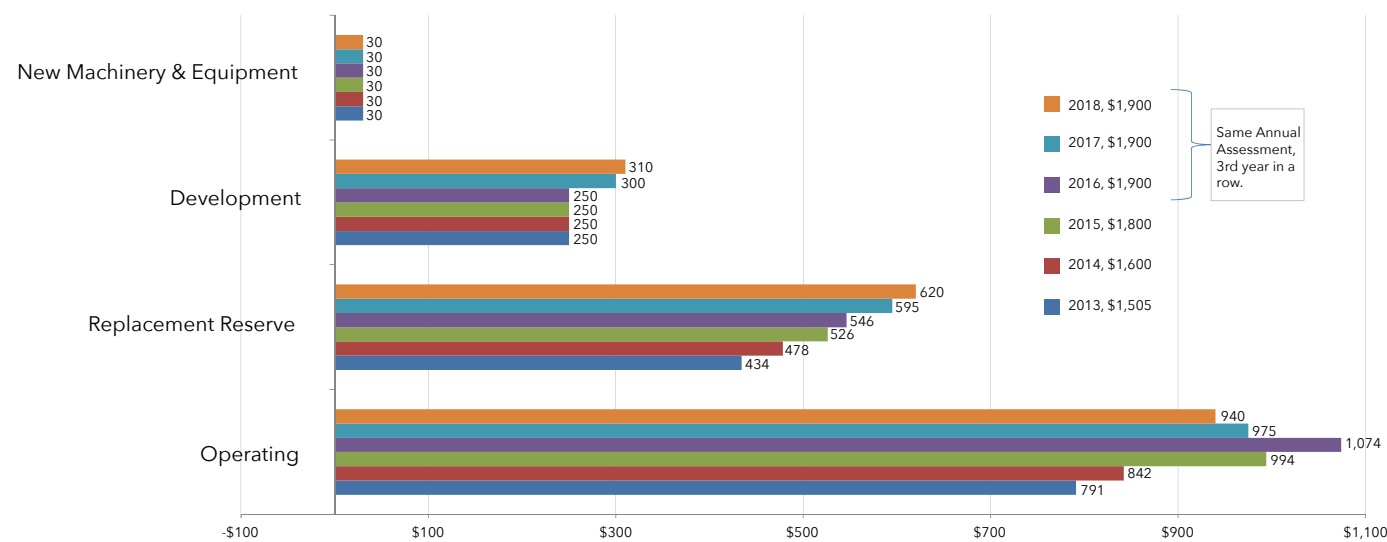
Tahoe Donner Association (the Association) prepares its annual revenue and expense budget in accordance with applicable laws, its

own governing documents and budgetary policies and procedures. The Association's approved budget also reflects the fiduciary responsibility of the Board and management, in protecting all owners' investment in the Association, both for the 2018 budget year and into the future.

The process begins with general direction from the Board of Directors regarding influential factors, such as the level of service to be provided, new community projects, economic conditions and changes to business operations. Capital and equipment expenditure budgets are formulated to determine the funding needs for the Replacement Reserve Fund, the New Machinery and Equipment Fund and the Development Fund. The operating budget is traditionally developed with attention to historical trends in revenue generation,

ANNUAL ASSESSMENT PER OWNER:

2018 ANNUAL ASSESSMENT IS \$1,900 PER PROPERTY OWNER, NO CHANGE FROM 2017 OR 2016. THE ASSESSMENT CONTRIBUTION BY FUND IS ILLUSTRATED BELOW:



TAHOE DONNER ASSOCIATION

2018 Annual Budget - Public Amenities - Net Operating Results per Member



consideration of economic factors that may influence revenue or expenses, achievable cost reductions across all departments, service levels to be achieved and staffing levels required. The Finance Committee participates in reviewing the budget prior to submittal to the Board of Directors and offers input for the Board's consideration. The General Manager and Director of Finance and Accounting then present the staff-recommended budget for Board review. The Board subsequently directs staff to incorporate revisions it feels are appropriate. The 2018 Budget approved by the Board is summarized in this report.

Sincerely,

Jeff Bonzon
Treasurer

Michael R. Salmon
Director of Finance and Accounting

OPERATING FUND

The Operating Fund accounts for the revenue and expense activities of our amenity and homeowner association service functions. This fund is for non-capital or major equipment expenses essential to our operation, including amenities. Capital-related expenditures are held in other funds. Operating Fund budgets for all departments were prepared with an emphasis on managing operating costs efficiently, while continuing to provide consistent levels of service. Detailed analyses of each department were prepared and evaluated by senior management before the budget was reviewed by the Finance Committee and the Board. Methods for optimizing revenue while maintaining favorable property-owner access and rates were also examined.

IN TOTAL, THE 2018 ASSESSMENT CONTRIBUTION TO OPERATIONS IS \$6,085,000 OR \$940 PER MEMBER-PROPERTY, A DECREASE OF \$35 FROM 2017. THE 2018 AMOUNT REPRESENTS A 3.6% 10-YEAR COMPOUNDED ANNUAL GROWTH RATE.

The total revenue requirement for a balanced 2018 Operating Fund budget is \$18,545,000. Operating revenues generated by users of \$12,460,000 fund 67% of the requirement. The necessary funding level for operations from the Annual Assessment is \$6,085,000 or 33% of the requirement. This assessment represents the shortfall of non-assessment revenue versus operating costs in the Operating Fund budget. Refer to page 6 for budget summary by activity.

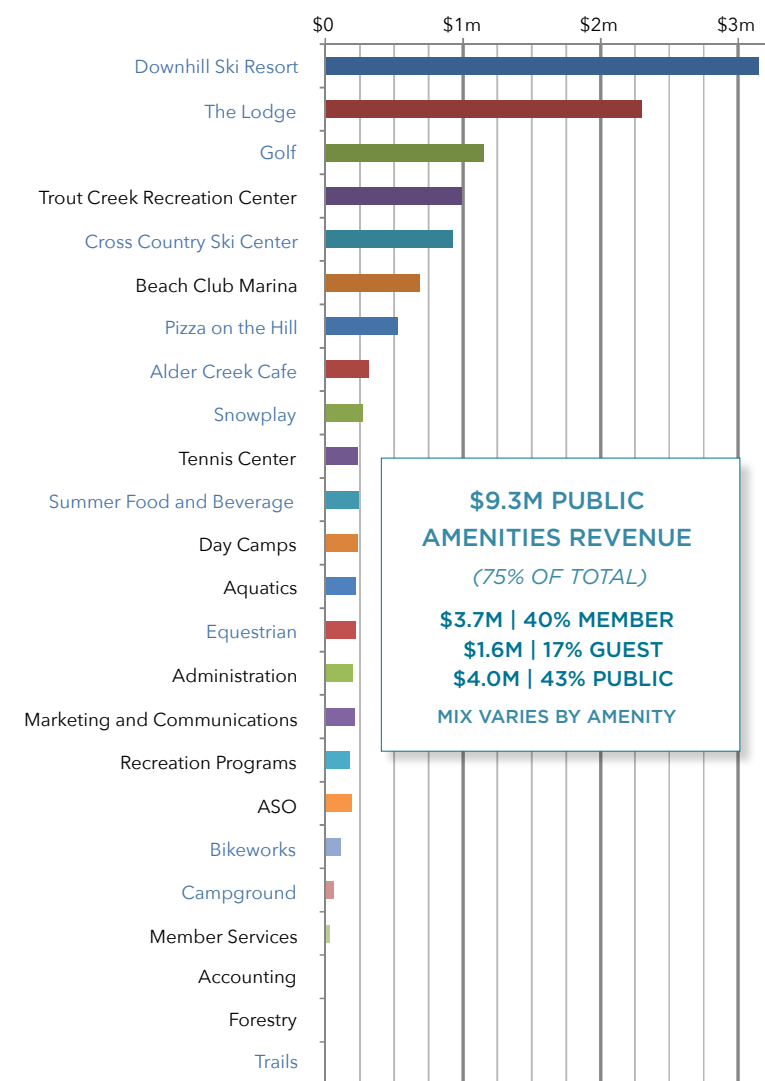
OPERATING REVENUE Budget of \$12.5m, excluding assessment, has increased \$1,460,000 or 13% more than the 2017 Budget and represents a decrease of \$508,000 or 4% less than the 2017 Forecast. Operating revenues are subject to significant volatility due to weather. Accordingly, we have utilized multi-year averages in establishing volume expectations. The record winters 2015/2016 and 2016/2017 have increased winter amenity revenue budgets for 2018, while the majority of the other amenities have seen consistent revenue and visitation growth. Our \$1.3 million investment in snowmaking at the Downhill Ski Resort has also been factored. We have attempted to be financially conservative in our revenue projections while still capturing visitation trends, capital, marketing, and price initiatives impacts.

OPERATING PAYROLL Budget of \$12.5m represents 67% of total operating costs and reflects an increase of 7% over 2017 Budget and an increase of 4% over 2017 Forecast. A key element of any large-scale common interest development is the employees who operate and manage our amenities, support departments and administration. Operating payroll costs include wages, salaries and the associated costs of payroll taxes, workers compensation, retirement savings plans, and health insurance benefits. The increase is driven primarily by the CA minimum wage increase effective 1/1/2018, a merit wage increase average of 3%, health care costs increase of 7%, and more personnel to service the increase in revenue. The increase was favorably partially offset by a 21% decrease in our workers compensation insurance costs due to improved incidents experience ratings.

OPERATING EXPENSE Budget of \$4.5m represents 25% of our total operating costs and reflects an increase of 6% to 2017 Budget and a decrease of 3% to 2017 Forecast. For operating expenses, 84% of the total amount falls into nine categories, as follows. Utilities represent \$995,000 or 22% of operating expenses. Repair & Maintenance materials costs represent \$799,000 or 18% of operating expenses. Insurance represents \$480,000 or 11% of operating expenses. Government taxes, licenses, permits, fees, audit and legal costs represent \$497,000 or 11% of operating expenses. Employee-related expenses represent \$285,000 or 6% of operating expenses. Forestry contract services represent \$205,000 or 5% of operating expenses. Credit card merchant fees represent \$250,000 or 5% of operating expenses. Printing and postage costs represent \$145,000 or 3% of operating expenses. Fuel costs represent \$145,000 or 3% of operating expenses.

COST OF GOODS SOLD Budget of \$1.5m represents 8% of our total operating costs. Cost of Goods Sold represents the wholesale cost of retail, food and beverage product.

2018 Budget Operating Revenue of \$12.5 Million - By Department



REPLACEMENT RESERVE FUND

The Replacement Reserve Fund is used to account for the financial resources designated for the repair, restoration, replacement or maintenance of major common area components of the Association. Although building component replacements are included in the Replacement Reserve Fund plan, complete structure replacement is not. Funding for structure replacement is discussed below in the review of the Development Fund.

In accordance with state law and sound business practices, it is the policy of the Association to fund a reserve program that will adequately provide for repair and replacement of existing community-owned assets. A 30-year reserve funding and expenditure plan is produced every three years, and updated annually, for the purpose of scheduling and analyzing the Association's funding needs. **OVER 2,000 INDIVIDUAL ITEMS ARE TRACKED IN THIS PLAN, WITH A CURRENT REPLACEMENT VALUE OF APPROXIMATELY \$51 MILLION.** Each item is evaluated by average useful life, present age, projected remaining useful life, and estimated replacement cost. A full review of the plan was performed in 2016. Updates are conducted each year and another full review of the plan will be performed in 2019.

ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY

(CA CIVIL CODE SECTION 5570)

The current regular assessment per ownership interest is \$1,900 per year. The updated 30-year funding and expenditure plan, utilizing a 3% annual inflation of repair and replacement costs, requires a contribution to the reserve fund of \$620 per property for 2018 - an increase of \$24 or 4% over 2017. This amounts to a 2018 contribution to the reserve fund of \$4,013,000. There are no additional regular or special assessments anticipated for the reserve program or for other purposes, at this time.

Based upon the most recent reserve study and other information available to the board of directors, the currently projected reserve account balances will be sufficient at the end of each year to meet the Association's obligation for repair and/or replacement of major components during the next 30 years. This projection is principally based on the future funding plan, which requires a minimum 4% annual increase to the contribution until the fund achieves a percent funded level minimum of 25% and until the fund balance is equal to or exceeds 10% of Net Replacement Reserve Assets (as defined in Policy Resolution 2013-3).

All major components are included in the reserve study and are included in its calculations. Components with an estimated remaining useful life of more than 30 years are not included in the reserve calculation. The Development Fund section of this report contains additional information.

Based on the method of calculation in paragraph (4) of subdivision (b) of CA Civil Code Section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$30,846,974*, based in whole or in part on the last reserve study and update prepared by management and Hughes Reserves & Asset Management, Inc. as of October 2017. The projected reserve fund cash balance at the end of the current fiscal year is \$10,006,000, resulting in reserves being 32.4% funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is \$10,006,000; this alternate method being the threshold pooling method. This difference (\$20.8 million) equates to an estimated \$3,220 per member-property.

* This amount is calculated based on a straight-line method, wherein each component must stand alone, not utilizing the cash flow method of funding, also known as the pooling method.

Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is \$30.8m 2018, \$30.1m 2019, \$32.0m 2020, \$33.1m 2021, \$34.0m 2022, and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is \$7.8m 2018, \$8.4m 2019, \$8.3m 2020, \$8.1m 2021, \$7.2m 2022, leaving the reserve at 21% funded in 2022. If the reserve funding plan approved by the Association is implemented, the projected reserve fund cash balance in each of those years will be \$7.8m 2018, \$8.6m 2019, \$8.8m 2020, \$9.1m 2021, \$8.9m 2022, leaving the reserve at 26% funded in 2022.

The Replacement Reserve Fund Analysis on page 5 summarizes the component values by area and the projected available funding for repairs and replacements. The full reserve study plan with a more detailed listing of the individual plan components is available to any member upon request.

The association has no outstanding loans.

Note: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 2% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 3% per year.

REPLACEMENT RESERVE FUND ANALYSIS

Tahoe Donner Association 2018 Budget	Total Current Replacement Cost	Range of Remaining Life (years)	Range of Useful Life (years)	Allocation of Accumulated Funds (12/31/17)	100% Funded Allocation (12/31/17)
Golf Complex	\$ 10,795,888	0 to 30	1 to 30	\$ 2,473,032	\$ 6,251,333
Downhill Ski Resort	9,206,992	0 to 30	1 to 30	1,936,149	5,069,611
Administration/MIS	5,140,083	0 to 30	1 to 30	1,013,375	2,993,822
General & Building Maintenance	3,988,496	0 to 30	1 to 30	664,802	2,936,249
The Lodge	3,560,927	0 to 30	1 to 30	673,820	2,906,451
Trout Creek, Pools & Recreation	5,142,305	0 to 30	1 to 30	1,055,703	2,625,465
Cross Country Ski Center	3,973,751	0 to 30	1 to 30	515,269	2,580,603
Tennis Complex	1,822,234	0 to 30	1 to 30	439,444	1,058,344
Trails	1,523,575	0 to 30	1 to 30	252,253	900,194
Vehicle Maintenance	1,531,467	0 to 30	1 to 30	276,851	812,634
Forestry	1,064,168	0 to 30	1 to 30	155,918	710,680
Marina	1,213,054	0 to 30	1 to 30	252,885	668,471
Equestrian	804,209	0 to 30	1 to 30	77,470	604,421
Campground	613,962	0 to 30	1 to 30	127,268	444,469
Pizza on the Hill	458,578	0 to 30	1 to 30	85,380	271,197
Bikeworks	30,473	0 to 30	1 to 30	6,381	13,030
Totals	\$ 50,870,162			\$ 10,006,000	\$ 30,846,974

Note: Projected accumulated funds at 12/31/17 equal approximately 32.4% of the 100% funded total based on the method of calculation in Section 1365.2.5(b)(4) of the Civil Code. The financial representations set forth in this summary are based on the best estimates of the preparer at this time. The estimates are subject to change.

REPLACEMENT RESERVE EXPENDITURES

The reserve plan schedules funding for replacement, repair and/or enhancement of the Association's existing capital investments. In the year 2018, budgeted reserve expenditures total \$6.4 million, including carry-over approved projects. Components scheduled for 2018 may not necessarily be expended, based on individual review. The following outlines notable 2018 budget year expenditure budget items:

DOWNHILL SKI RESORT, \$2,218,000: Includes replacement of Snowbird lift, snow groomer, rental equipment, building components, lift components, food service equipment, summer trails grooming, groomer components, and snowmobile.

TROUT CREEK RECREATION CENTER, \$1,684,000: Includes building remodel, exercise equipment replacements, parking lot asphalt overlay, and significant pool and spa related projects (coping and tile replacements).

CROSS COUNTRY SKI CENTER, \$515,000: Includes replacement of snow groomer, snow blower, summer trails grooming, asphalt sealing, and signage.

TRAILS, \$333,000: Trail remodels in eight locations throughout the Association, Glacier Way trailhead parking asphalt overlay, Trout Creek and Glacier Way trailhead remodels, and wildland borders perimeter fencing.

MIS, \$312,000: Includes replacement of hardware and software, fiber optic and software leases, VoIP hardware, and miscellaneous network and other equipment.

GOLF COURSE, \$229,000: Includes course bridge replacements, range cart and range balls replacements, maintenance mowers and other equipment replacements, course irrigation items, and pathway asphalt repairs.

MAINTENANCE AND VEHICLES, \$193,000: Includes two trucks, building painting, asphalt repairs, boat/RV storage lot asphalt overlay, mailbox repairs, software, and loader plow blade replacements.

FORESTRY, \$128,000: Mastication and chipper equipment replacements and asphalt sealing.

EQUESTRIAN, \$92,000: South arena footing, tack sheds painting, horse and equipment replacements.

MARINA, \$72,000: Includes furniture and rental equipment replacements, asphalt sealing, and state lands lease.

NEW MACHINERY AND EQUIPMENT FUND

The New Machinery and Equipment Fund (NMEF) is used to acquire new items identified as necessary to be more efficient in operations, or to provide new services to the membership. The 2018 assessment contribution to the fund totals \$194,000, or \$30 per property owner, consistent with the 2017 contribution. Fund expenditures are budgeted at \$213,000 and include new amenities and maintenance equipment, HVAC for Mezzanine meeting room at Northwoods Clubhouse, software, and recreation equipment. The fund is projected to have a 2018 year-end balance of approximately \$47,000 after budgeted contributions and expenditures.



2018 BUDGET SUMMARY - OPERATING FUND

of Properties = 6,473

Tahoe Donner Association	Operating Revenue (REV)	Operating Costs Total (OCT)	Net Operating Result (NOR)	Operating Fund 2018 Budget per Property		
				REV	OCT	NOR
PRIVATE AMENITIES						
Trout Creek Recreation Center	\$ 994,000	\$ (948,300)	\$ 45,700	\$ 154	\$ (147)	\$ 7
Beach Club Marina	686,000	(451,300)	234,700	106	(70)	36
Tennis Center	235,000	(212,800)	22,200	36	(33)	3
Aquatics	218,000	(279,400)	(61,400)	34	(43)	(9)
Recreation Programs	175,000	(230,000)	(55,000)	27	(36)	(8)
Day Camps	234,000	(204,200)	29,800	36	(32)	5
Total Private Amenities	2,542,000	(2,326,000)	216,000	393	(359)	33
PUBLIC AMENITIES						
Downhill Ski Resort	3,152,000	(2,681,000)	471,000	487	(414)	73
Cross Country Ski Center	925,000	(798,000)	127,000	143	(123)	20
Snowplay	269,000	(164,800)	104,200	42	(25)	16
Equestrian	222,000	(309,000)	(87,000)	34	(48)	(13)
Campground	61,000	(70,900)	(9,900)	9	(11)	(2)
Golf	1,150,000	(1,248,000)	(98,000)	178	(193)	(15)
Trails	1,000	(148,600)	(147,600)	0	(23)	(23)
Bikeworks	109,000	(107,800)	1,200	17	(17)	0
Summer Food and Beverage	242,000	(385,800)	(143,800)	37	(60)	(22)
Alder Creek Cafe	313,000	(429,300)	(116,300)	48	(66)	(18)
The Lodge	2,300,000	(2,454,000)	(154,000)	355	(379)	(24)
Pizza on the Hill	524,000	(581,800)	(57,800)	81	(90)	(9)
Total Public Amenities	9,268,000	(9,379,000)	(111,000)	1,432	(1,449)	(17)
Total Amenities	11,810,000	(11,705,000)	105,000	1,825	(1,808)	16
HOMEOWNERS ASSOCIATION SERVICES & AMENITIES SUPPORT						
General	-	(847,800)	(847,800)	-	(131)	(131)
Marketing & Communications	213,000	(723,600)	(510,600)	33	(112)	(79)
Facility Admin & Risk Mgmt	-	(330,300)	(330,300)	-	(51)	(51)
Administration	202,000	(754,900)	(552,900)	31	(117)	(85)
Information Technology	-	(655,000)	(655,000)	-	(101)	(101)
Accounting & Finance	5,000	(797,400)	(792,400)	1	(123)	(122)
Human Resources	-	(382,200)	(382,200)	-	(59)	(59)
Architectural Standards Office	193,000	(420,600)	(227,600)	30	(65)	(35)
Member Services	32,000	(266,000)	(234,000)	5	(41)	(36)
Forestry, Defensible & Open Space	5,000	(870,200)	(865,200)	1	(134)	(134)
Maintenance	-	(792,000)	(792,000)	-	(122)	(122)
Total Homeowners Association	650,000	(6,840,000)	(6,190,000)	100	(1,057)	(956)
TOTAL OPERATING FUND	\$ 12,460,000	\$ (18,545,000)	\$ (6,085,000)	\$ 1,925	\$(2,865)	\$ (940)

Net Operating Result (NOR) is defined as the net result of Operating Revenue less Operating Costs (cost of goods sold, payroll, and expenses). NOR for each department does not include any allocated overhead or capital costs.

Individual amounts may not sum to total due to rounding.

2018 BUDGET SUMMARY - BY FUND

of Properties = 6,473

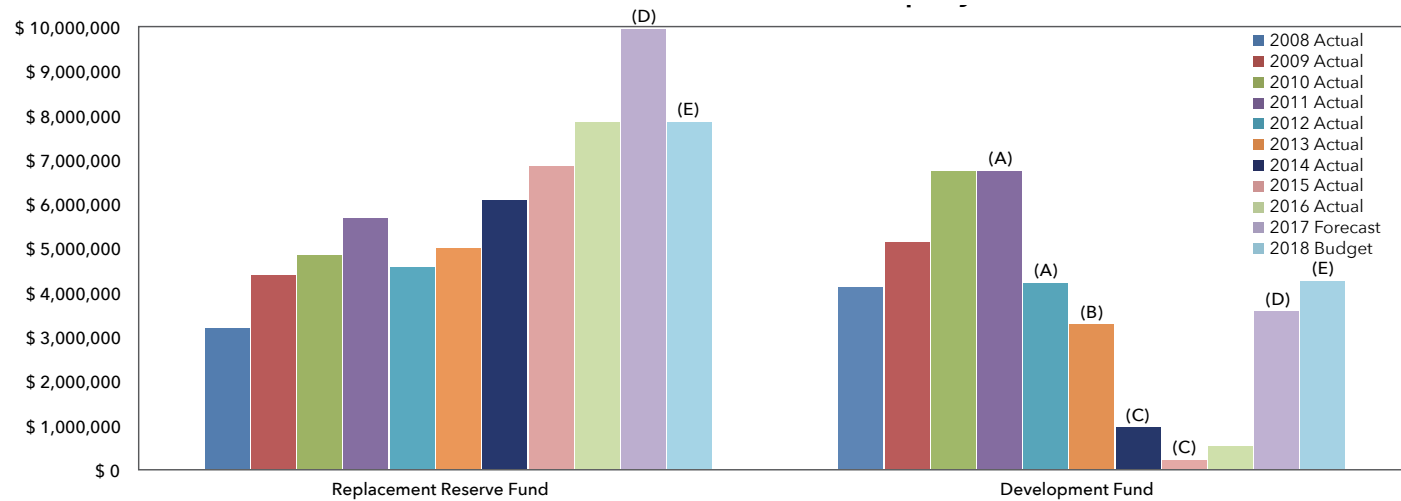
Tahoe Donner Association	2018 Budget	\$ per Property (6,473)
OPERATING FUND		
Beginning Balance, start of year	\$ 2,059,000	\$ 318
Assessment Contribution	6,085,000 A1	940
Net Operating Results	(6,085,000)	(940)
Operating Fund, Year End Balance	\$ 2,059,000	\$ 318
REPLACEMENT RESERVE FUND		
Beginning Balance, start of year	\$ 10,006,000	\$ 1,546
Assessment Contribution	4,013,000 A2	620
Interest Income	155,000	24
Salvage Receipts	30,000	5
Income Tax and Other Expense	(24,000)	(4)
Expenditures for Capital Additions	(5,419,000)	(837)
Major Repairs, Maintenance & Lease Expenses	(935,000)	(145)
Replacement Reserve Fund, Year End Balance	\$ 7,826,000	\$ 1,209
NEW MACHINERY AND EQUIPMENT FUND		
Beginning Balance, start of year	\$ 64,000	\$ 10
Assessment Contribution	194,000 A3	30
Interest Income	2,000	0
Expenditures for Capital Additions	(213,000)	(33)
NM&E Fund, Year End Balance	\$ 47,000	\$ 7
DEVELOPMENT FUND		
Beginning Balance, start of year	\$ 3,600,000	\$ 556
Assessment Contribution	2,007,000 A4	310
Interest Income	80,000	12
Income Tax and Other Expense	(14,000)	(2)
Expenditures for Capital Additions	(1,408,000)	(217)
Development Fund, Year End Balance	\$ 4,265,000	\$ 659
Combined CAPITAL FUNDS ACTIVITY		
Expenditures for Capital Additions	(7,040,000)	(1,088)
Major Repairs, Maintenance & Lease Expenses	(935,000)	(144)
Combined CAPITAL FUNDS ACTIVITY - Total	\$ (7,975,000)	\$ (1,232)

2018 Annual Assessment Recap

Operating Fund	\$ 6,085,000 (A1)	\$ 940
Replacement Reserve Fund	4,013,000 (A2)	620
New Machinery and Equipment Fund	194,000 (A3)	30
Development Fund - Regular designated	2,007,000 (A4)	310
Capital Funds, subtotal	6,214,000	\$ 960
2018 Annual Assessment - Total	\$ 12,299,000	\$ 1,900

Members Equity Beginning Balances are based on Forecasted 2017 results, not Actual. Actual results may vary from Budget. This Fund Summary excludes the Property Fund which accounts for the Association's investment in property & equipment. The Property Fund activities include capitalization of property and equipment purchased and depreciation expense.

KEY FUND BALANCES RESERVED FOR FUTURE CAPITAL NEEDS OF THE ASSOCIATION Members' Equity (as of December 31)



(A) Expenditures include the Euer Valley Land purchase in 2011 & 2012.
 (B) Expenditures include The Lodge expansion.
 (C) Expenditures include the Alder Creek Adventure Center building construction in 2014 and 2015. Snowmaking in 2015.
 (D) Balance includes Operating Fund transfers in of \$1.5 million to Replacement Reserve Fund and \$1.8 million to Development Fund.
 (E) For 2018 Capital Expenditure discussion; see page 5 for Replacement Reserve Fund analysis.
 The 2018 Budget expenditures for Development Fund are \$1,408,000 and for Replacement Reserve Fund are \$6,354,000.

DEVELOPMENT FUND

The Development Fund was established as authorized in governing documents to accumulate funds for large-scale projects identified as necessary due to the new capacity requirements, or changing needs of the Association. In order to facilitate the future use of Development Fund assessments toward the funding of large-scale projects, each year projects are identified as eligible for such future funding. Projects designated as eligible, though not approved, to receive funding from future assessment contributions include building replacements, amenity expansions and additions, and recreational land and infrastructure improvements.

The 2018 Annual Assessment contribution to the Development Fund totals \$2,007,000, or \$310 per member-property, an increase of 3% over 2017. Budgeted expenditures from this component for 2018 total \$1,408,000 and include Trout Creek Recreation Center remodel/expansion, Downhill Ski Resort, Equestrian Center phase 3 completion, and feasibility studies for priority one projects. The budgeted ending balance for Development Fund is \$4,265,000.



NEIL BRYDON

POLICIES AND PROCEDURES REGARDING DELINQUENT ASSESSMENT ACCOUNTS

The Annual Property Owner Assessment is due January 1, and becomes delinquent January 15 of the year of that Annual Assessment. Special Individual Assessments (Architectural Standards, Covenants and Forestry Assessments, Fines and Inspection Fees) are due thirty (30) days after invoicing and delinquent fifteen (15) days thereafter. Delinquent accounts are subject to the following schedule of procedures and charges. (The actions indicated below will not be taken until at least the date specified, but may occur at a later date due to scheduling considerations.)

ANNUAL ASSESSMENT

March 1: DELINQUENCY FEE (10 PERCENT OF ASSESSMENT BALANCE) is charged to the account; also, interest equal to the maximum allowed by law (currently 12 percent per annum) begins to accrue on the delinquent assessment balance.

April 1: Notice of pending suspension of membership rights (eligibility for candidacy to serve as a director, to vote in any election, to access the amenities as a member) for failure to pay the assessment and of the member's right to a prior hearing thereon, and notice of intent to record a lien against the member's property to secure amounts owed, is sent to Owner(s) of Record via certified mail.

April 15: Assessment Lien recorded against property; LIEN FEE OF \$185 is charged to the account; approximate effective date of suspension of membership rights, which shall remain in effect until the account is brought current; if requested, hearing on pending suspension of membership rights must be completed at least five days prior to the suspension's effective date; interest begins accruing on Delinquency Fee.

May 1: Interest begins accruing on Delinquency Fee.

June 15: Delinquent accounts become subject to all appropriate collections/legal recourses, including FORECLOSURE of the assessment lien, to recover amounts owed. All costs and fees related to such actions, including attorneys' fees, become the property owner's obligation.

July 1: Interest begins accruing on Lien Fee.

SPECIAL INDIVIDUAL ASSESSMENT(S)

60 days after invoicing: DELINQUENCY FEE (10 PERCENT OF ASSESS-

MENT BALANCE) is charged to the account; also, interest equal to the maximum allowed by law (currently 12 percent per annum) begins to accrue on the delinquent assessment balance.

120 days after invoicing: If applicable, Assessment Lien recorded against property; LIEN FEE OF \$185 is charged to the account; approximate effective date of suspension of membership rights, which shall remain in effect until the account is brought current or compliance is achieved; if requested, hearing on pending suspension of membership rights must be completed at least five days prior to the suspension's effective date; interest begins accruing on Delinquency Fee.

165 days after invoicing: Delinquent accounts become subject to all appropriate collections/legal recourses, including FORECLOSURE 105 days after invoicing: If applicable, Assessment Lien recorded against property; LIEN FEE OF \$185 is charged to the account; approximate effective date of suspension of membership rights, which shall remain in effect until the account is brought current or compliance is achieved; if requested, hearing on pending suspension of membership rights must be completed at least five days prior to the suspension's effective date; interest begins accruing on Delinquency Fee.

165 days after invoicing: Delinquent accounts become subject to all appropriate collections/legal recourses, including FORECLOSURE of the assessment lien, to recover amounts owed. All costs and fees related to such actions, including attorneys' fees, become the property owner's obligation.

180 days after invoicing: If applicable, interest begins accruing on Lien Fee.

RECEIPT, APPLICATION OF PAYMENTS AND PAYMENT PLANS

Timeliness of payments in relation to the imposition of penalties, etc., in accordance with this schedule shall be determined by:

Official USPS postmark date appearing on the envelope in which a payment is received through the mail (private postage meter dates are ignored). Any other method of delivery (i.e. hand-delivered payments, overnight services, electronic payments) are considered delivered on date of receipt of payment. Send payments to: Tahoe Donner Association, ATTN: Accounting, 11509 Northwoods Blvd, Truckee, CA 96161.

It is the Association's policy to apply payments received as follows: First, to the oldest unpaid Assessment. Second, to the Interest and Penalties (Delinquency Fee, Lien Fee, costs of collection, etc.) related to that oldest unpaid Assessment. Next, to the second-oldest Assessment, followed by the Interest and Penalties related to that second-oldest Assessment. This sequence continues until the most recent Assessment is paid, the Interest and Penalties related to that most recent Assessment are then paid.

An Assessment payment plan can be established with the association, the plan length terms do not extend beyond the end of the applicable assessment year for payment in full; including delinquency fee, finance charges, and any other charges, as applicable.

Civil Code Section 5310 requires the following notices:

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

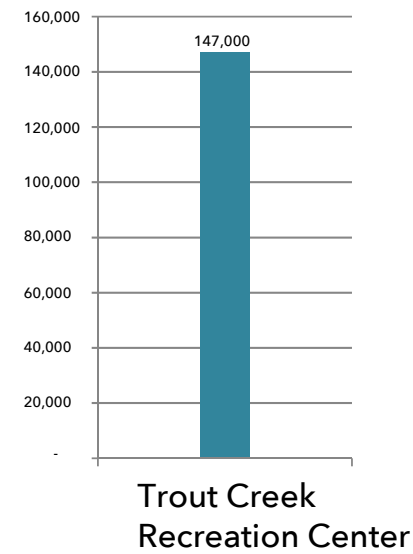
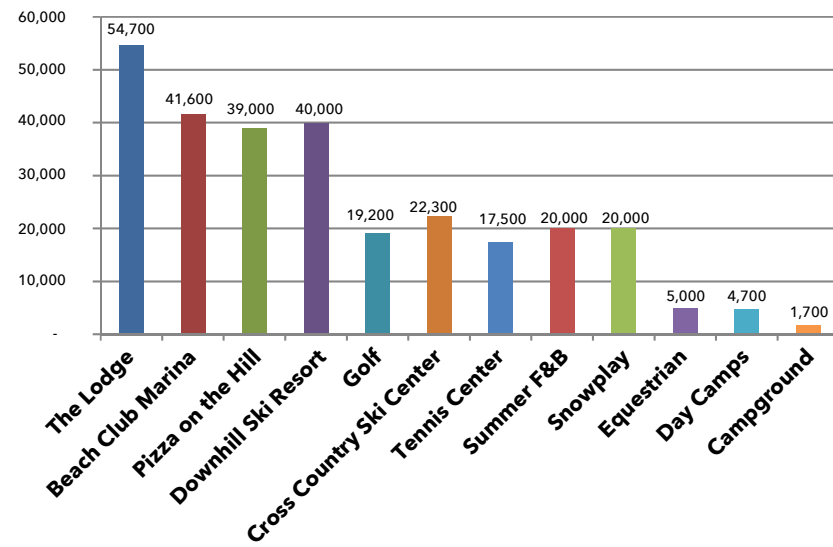
Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay Association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the Association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the Association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The Association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

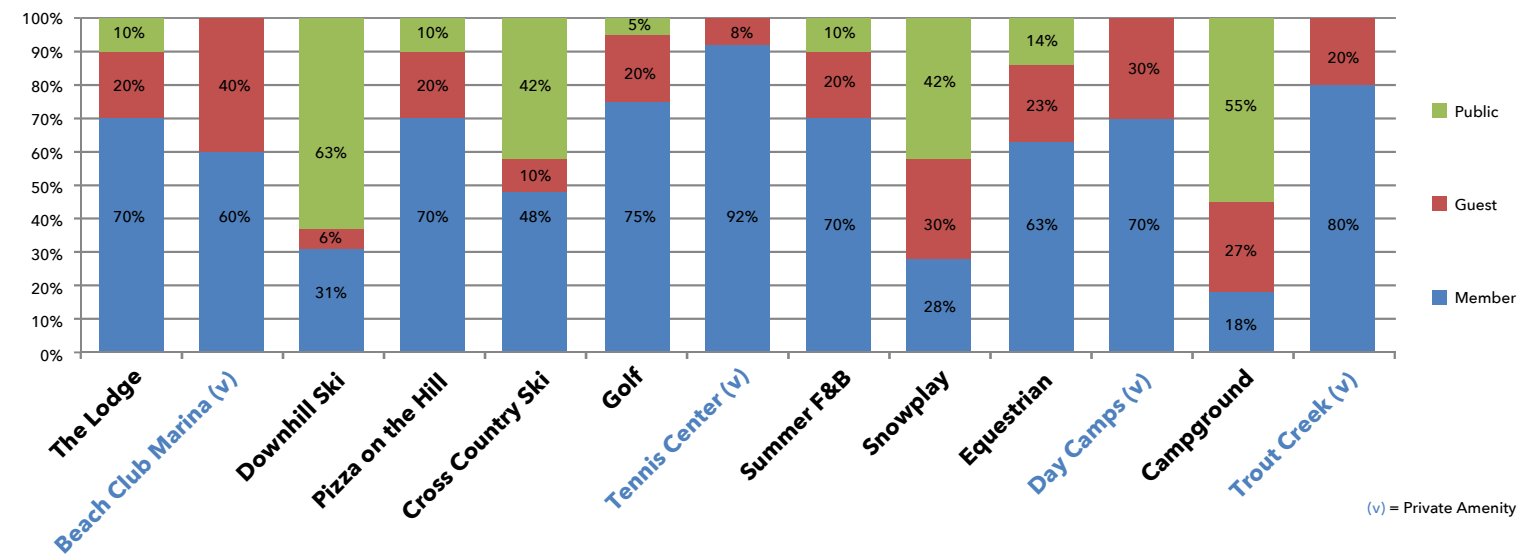
The Association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments.

If the Association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the Association. (Section 5675 of the Civil Code)

2018 Budget - Amenity Visitation Metrics



2018 Budget - Visitation Mix (estimated)



At least 30 days prior to recording a lien on an owner's separate interest, the Association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the Association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

ASSESSMENTS AND FORECLOSURE, CONTINUED

The collection practices of the Association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, he or she may request a receipt, and the Association is required to provide it. On the receipt, the Association must indicate the date of payment and the person who received it. The Association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code). In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the Association intends to initiate a judicial foreclosure. An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a timeshare may request the Association to consider a payment plan to satisfy a delinquent assessment. The Association must inform owners of the standards for payment plans, if any exist. (Section 5665 of the Civil Code)

The board of directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the Association, if they exist. (Section 5665 of the Civil Code)

NOTICE OF RIGHTS AND OBLIGATIONS RELATING TO GOVERNING DOCUMENT ENFORCEMENT: The provisions of Tahoe Donner Association's Governing Documents (Declaration of Covenants and Restrictions, Bylaws, Articles of Incorporation, and Association Rules) may be enforced by the Association or by any owner, and the prevailing party in such an action is entitled to an award of reasonable attorney's fees and costs. However, before most Governing Document enforcement actions may be taken to court, Civil Code Section 5935 requires the initiating party to serve a Request for Resolution (the "Request") upon the other parties to the dispute. The objective of the Request must be to encourage the recipient opposing parties to agree to resolve the matter through arbitration, mediation, or some other form of alternative dispute resolution ("ADR"). The form and details of the ADR process, and whether its result will be binding or non-binding on the parties, must be agreed upon by the parties. If you receive a Request, you have 30 days to either accept or reject the ADR proposal. If you do not respond to the party issuing the Request within that time, you will be deemed to have rejected the proposal. If the Request is rejected, the other party may file a suit. You should be advised that failure by any member of the Association to comply with the pre-filing requirements of section 5935 of the Civil Code may result in the loss of your rights to sue the Association or another member of the Association regarding enforcement of the Governing Documents. In a Governing Document enforcement lawsuit, the court may also consider a party's refusal to participate in ADR in determining an attorney's fee award. With regard to internal dispute resolution, Tahoe Donner Association follows the process described in section 5915 of the Civil Code. For more information, please contact the Association offices.

As required by California Civil Code section 5300(b)(9), the following is a summary of Tahoe Donner Association's insurance coverages:

PROPERTY INSURANCE POLICY: Granite State Insurance Co.; Limit - \$57,320,850; Deductible - \$5,000 per occurrence for buildings, contents, lifts, moveable equipment etc., and \$1,000 per occurrence for golf carts and tee to greens.

GENERAL LIABILITY POLICY: Granite State Insurance Co.; Limit - \$1,000,000; General Aggregate - \$1,000,000 per occurrence; Deductible - \$10,000 per occurrence.

EXCESS LIABILITY (UMBRELLA) POLICY: New Hampshire Insurance Co. Limit - \$25,000,000; General Aggregate - \$50,000,000; Deductible - \$10,000 per occurrence. Additional excess liability coverage over the current Umbrella; Torus National Insurance Co.; Limit - \$15,000,000; Aggregate - \$50,000,000; Navigators; Limit - \$9,000,000.

CRIME POLICY: Granite State Insurance Co.; Limit - \$500,000; Deductible - \$5,000 per occurrence; Additional excess crime coverage; Travelers; Limit - \$1,000,000; Deductible - \$505,000 per occurrence.

EARTHQUAKE AND FLOOD INSURANCE POLICY: Granite State Insurance Co.; Limit - \$3,000,000 per occurrence; Earthquake Aggregate - \$3,000,000; Deductible - \$100,000; Flood Deductible - \$50,000.

INLAND MARINE: Granite State Insurance Co.; Limit - \$7,611,388; Deductible - \$5,000 per occurrence.

DIRECTORS AND OFFICERS LIABILITY INSURANCE: Navigators; Limit - \$5,000,000; Deductibles - Non-Indemnifiable Loss: None; Indemnifiable Loss: \$50,000.

BOILER & MACHINERY COVERAGE: Granite State Insurance Co.; Limit - \$45,901,562; Deductibles - \$5,000 minimum for compressors, motors, pumps, equipment generating electricity, and property damage; Deductible - \$2,500 minimum for consequential spoilage.

BUSINESS AUTOMOBILE: Granite State Insurance Co.; Limits - \$1,000,000; Deductibles - \$3,000 for vehicles and \$5,000 for large vehicles and equipment per occurrence; No deductible, if claim against us.

DIGITAL RISK: Hiscox 100% Lloyd's; Limits - \$1,000,000; Deductible - \$5,000 per occurrence.

THE CIVIL CODE REQUIRES THAT THE FOLLOWING STATEMENT APPEAR:

"This summary of the Association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage." In fact, since all of our common areas and facilities are owned solely by the Association as a corporate entity, and not by the Association's individual members, the insurance carried by the Association insures only the Association, and only with regard to its actions and its property. It does not insure individual members, their property (individual homes and lots) or their actions."

NEWS YOU CAN USE

\$1,900
Annual
Assessment
(PER OWNER PROPERTY)
(DUE 1/1/2018)

**VERSUS 2017,
NO CHANGE IN TOTAL ASSESSMENT AMOUNT**

- + \$25** Increase Reserve funding: to ensure adequate funds to replace aging infrastructure of the Association, protecting your home values
- + \$10** Increase Development funding: to address the changing needs of the members and eventual building replacement needs
- + \$57** Regulatory cost increases from California minimum wage, insurance and health insurance renewal
- \$75** Operating revenue growth driven by record summers, and record winters 2015/2016 and 2016/2017 favorably impacting assumptions
- \$24** Workers compensation insurance decrease, favorable incidents trend
- + \$7** All other changes, net increase

\$0 TOTAL CHANGE IN ANNUAL ASSESSMENT

\$270
Recreation
Fee
(EFFECTIVE 5/1/2018)

NO INCREASE FROM THE 2016/2017 RECREATION FEE. WHY?

The optional, yet ever-popular, Recreation Fee (valid for up to 4 individuals) equates to as low as \$5.63 per person per month for unlimited access to all private amenities and Snowplay.

The Recreation Fee allows cardholders unlimited access to the following amenities: Trout Creek Recreation Center, Beach Club Marina, Northwoods Pool, Tennis and Snowplay.

Sales of the recreation fee and daily entry fees and visitation have increased sufficiently to offset increased operating costs.

Private Amenity Daily Entry Fees

(EFFECTIVE 1/1/2018):

- * Daily Entry Fees, Member (non-Recreation Fee) - \$6, no change
- * Daily Entry Fee, Guest (with Member) - \$8, no change
- * **Daily Entry Fee, Guest (without Member) - \$12 (guest on guest card)**

**Daily Entry
Fees**
(EFFECTIVE 1/1/2018)

**Facts + Figures
About Your
Association**

ESTIMATES AS OF NOVEMBER 2017 /
SUBJECT TO CHANGE

- 6,473 member property owners
- 25,000 members
- 84% 2nd homeowners
- Established 1971
- 90% built-out
- Owned & managed by the property owners
- \$24.8 million budget for 2018
- \$61 million in total assets
- 7,000 acres
- 26 buildings
- 120,000sf of conditioned space

Own & Operate:

- Golf Course
- Beach Club Marina
- Downhill Ski Resort
- Cross Country Ski Center
- Snowplay Area
- Equestrian Center
- Tennis Center
- Pools
- Recreation Center
- Day Camps
- Restaurants
- Retail Shops

- 2,500 trees planted in 2017
- Over 55,000 trees planted in past decade
- 68 miles of paved public roads
- 60 miles of trails (and more planned)
- \$3.7 billion estimated Tahoe Donner community real estate value

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• Custom Shutters • Roman Shades

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Christmas GIFT

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SAVE

20% OFF

ONE HOME DECOR, INDOOR FURNITURE OR HOLIDAY DECOR ITEM

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Happy Holidays From Our Family to Yours! Now is the best time to shop our beautiful holiday & home decor collections including indoor furniture. Check off your gift list or accent your mountain home for the holidays. Offer ends 12/31/2017 and is good at both our Truckee locations: **Main Showroom** 11403 Brockway Rd; **Downtown** in historic Loading Dock building 10115 Donner Pass Rd. www.MountainHomeCenter.com

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