

\$15.1 MILLION
TOTAL OPERATING
COSTS (UP 7%)

\$9.6 MILLION
TOTAL OPERATING
REVENUES (UP 8%)

\$8.5 MILLION
TOTAL CAPITAL INVESTMENT

\$1,600 ASSESSMENT
INCREASE OF \$95 (UP 6%)

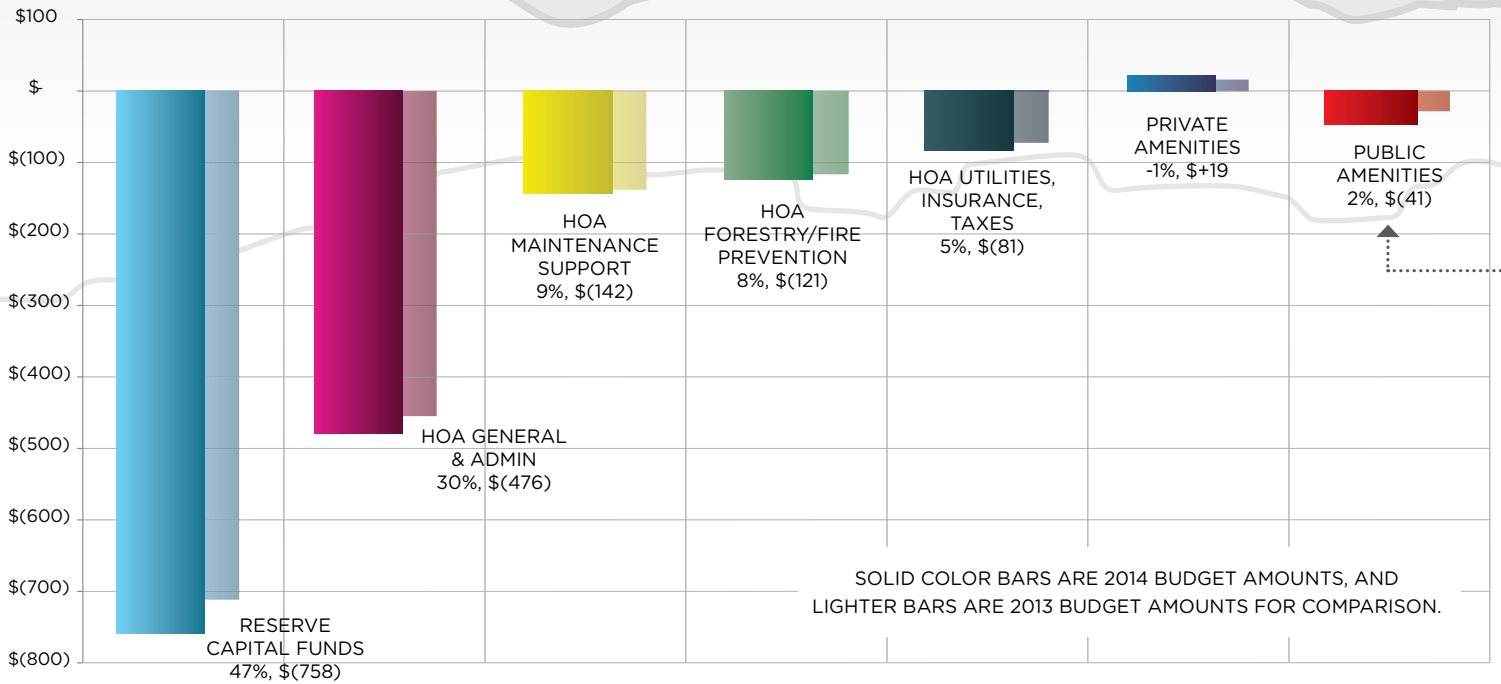
2014

BUDGET

REPORT



DISTRIBUTION OF 2014 ANNUAL ASSESSMENT OF \$1,600 PER OWNER



INTRODUCTION

2014 Annual Assessment of \$1600 reflects a \$95 or 6% increase compared to 2013.

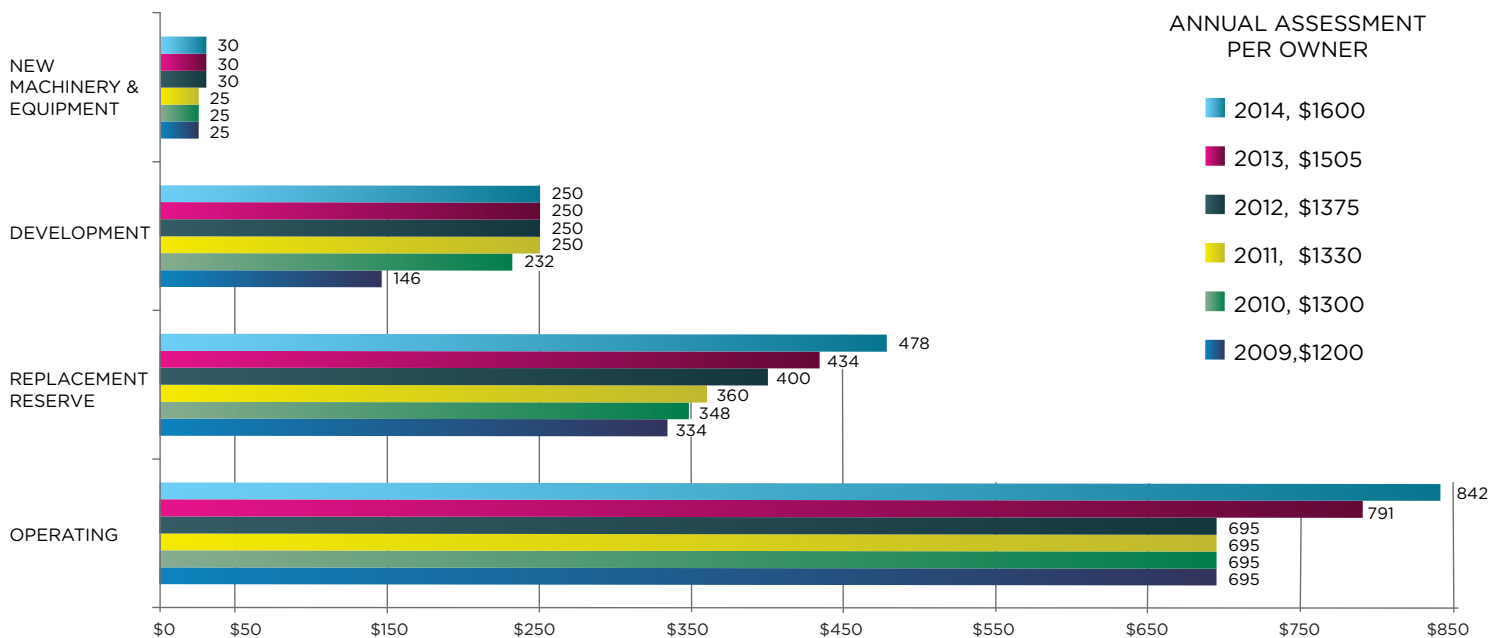
- *The \$758 Capital Funds portion was increased \$44 to fund future capital needs of our aging assets.*
- *The \$842 Operating Fund portion was increased \$51 due primarily to increased operating costs.*
- *The optional Recreation Fee was increased \$20 to \$245 in order to offset increases in operating costs.*

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

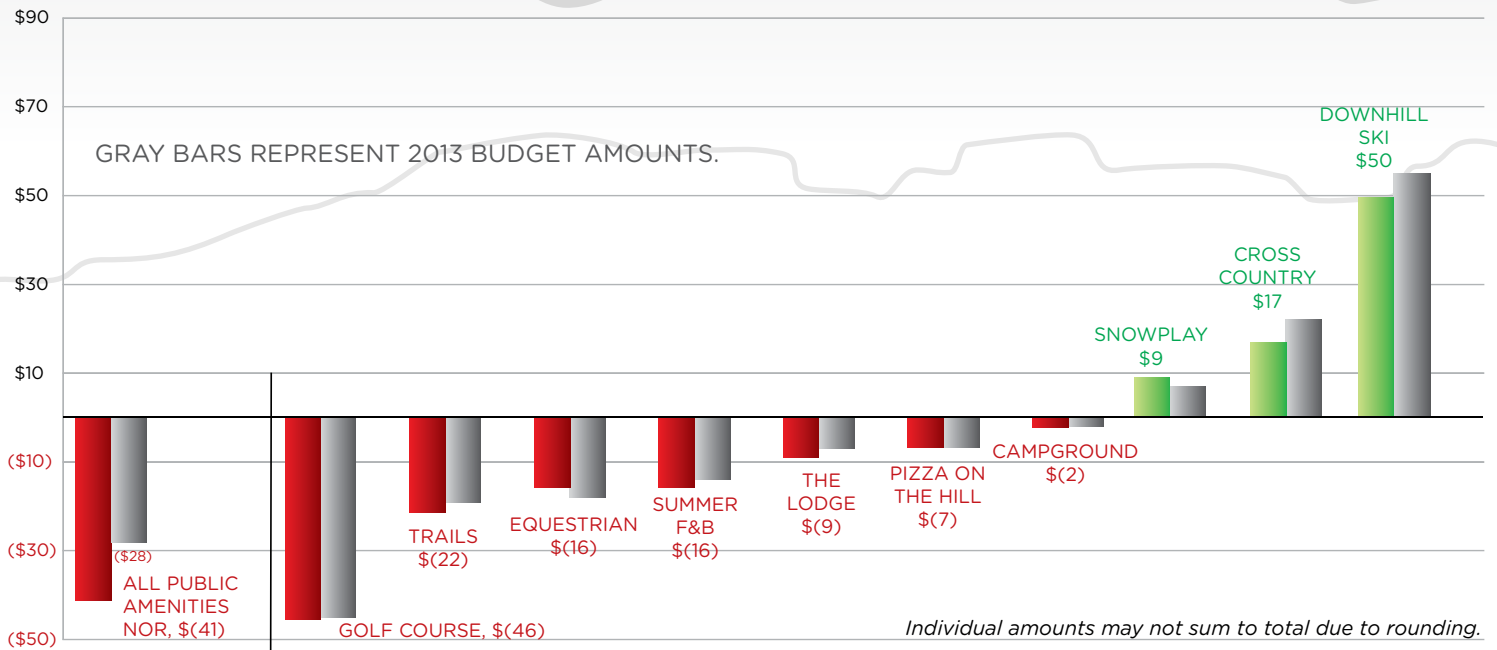
governing documents, and budgetary policies and procedures. The Association's approved budget also reflects the fiduciary responsibility of the Board, management, and all owners in protecting our investment in the Association, both for the 2014 budget year and into the future.

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 the following: historical trends in revenue generation, consideration of economic factors that may influence revenue or expenses, achievable cost

2014 ANNUAL ASSESSMENT: 2014 ANNUAL ASSESSMENT IS \$1,600 PER PROPERTY OWNER, AN INCREASE OF \$95 OR 6% COMPARED TO 2013. ASSESSMENT CONTRIBUTION BY FUND IS ILLUSTRATED BELOW:



2014 BUDGET NET OPERATING RESULTS (PER OWNER) FOR PUBLIC AMENITIES



reductions across all departments, and 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 2014 Budget approved by the Board is summarized in this report.

Sincerely,

Stephen M. Miller, Treasurer

Mike 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 2014 ASSESSMENT CONTRIBUTION TO OPERATIONS IS \$5,450,000 OR \$842 PER MEMBER-PROPERTY, AN INCREASE OF \$51 OVER 2013. THE 2014 AMOUNT REPRESENTS A 3.9% COMPOUNDED ANNUAL GROWTH RATE SINCE 2009 (2009 THE FIRST OF FOUR CONSECUTIVE YEARS AT \$695).

The total revenue requirement for a balanced 2014 Operating Fund

budget is \$15,070,000. **Operating revenues generated of \$9,620,000 fund 64% of the requirement.** The necessary funding level for operations from the annual assessment is \$5,450,000 or 36% 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 \$9.6m, excluding assessment, has increased \$695,000 or 8% over the 2013 Budget and represents a decrease of \$180,000 or 2% under 2013 forecast. Operating revenues are subject to significant volatility due to weather. Accordingly, we have utilized multi-year averages in establishing volume expectations. We have attempted to be financially conservative in our revenue projections; while still capturing visitation trends, capital, marketing, and price initiative impacts.

OPERATING PAYROLL Budget of \$9.9m represents 66% of total operating costs and reflects an increase of 9% over 2013 Budget and an increase of 7% over 2013 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 plan, and health insurance benefits. The increase is driven primarily by workers compensation costs increasing 40%, a merit wage increase average of 2.5%, and an increase in California minimum wage of 13%.

OPERATING EXPENSE Budget of \$4.0m represents 27% of our total operating costs and reflects an increase of 3% to 2013 Budget and a decrease of 2% to 2013 forecast. For operating expenses, 76% of the total amount falls into 10 categories, as follows. Utilities represent \$883,000 or 22% of operating expenses. Repair and Maintenance materials costs represent \$590,000 or 15% of operating expenses. Insurance represents \$400,000 or 10% of operating expenses. Forestry contract services represent \$276,000 or 7% of operating expenses. Government taxes, audit and legal costs represent \$313,000 or 8% of operating expenses. Printing and postage costs represent \$200,000 or 5% of operating expenses. Fuel costs represent \$186,000 or 5% of operating expenses. Credit card merchant fees represent \$185,000 or 5% of operating expenses.

COST OF GOODS SOLD Budget of \$1.1m represents 7% of our total operating costs. Cost of goods sold represents the wholesale cost of retail, food and beverage product.

2014 BUDGET OPERATING REVENUE OF \$9.6 MILLION - BY DEPARTMENT

ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY

(CA CIVIL CODE SECTION 1365.2.5)

The current regular assessment per ownership interest is \$1,600 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 \$478 per property for 2014 – an increase of \$44 or 10% over 2013. This amounts to a 2014 contribution to the reserve fund of \$3,094,000. 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.

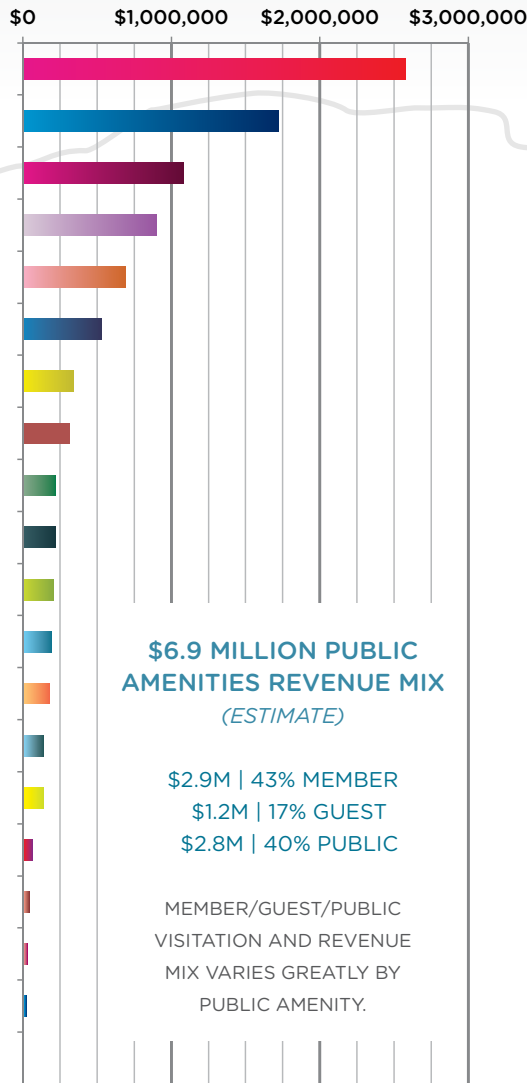
Based on the method of calculation in paragraph (4) of subdivision (b) of CA Civil Code Section 1365.2.5, the estimated amount required in the reserve fund at the end of the current fiscal year is \$26,699,088*, based in whole or in part on the last reserve study and update prepared by management and Hughes Reserves & Asset Management, Inc. as of October 2013. The projected reserve fund cash balance at the end of the current fiscal year is \$4,650,000, resulting in reserves being 17.4% funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is \$4,650,000; this alternate method being the threshold pooling method. This difference (\$22 million) equates to an estimated \$3,407 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 1365.2.5 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is \$26.7m 2014, \$27.4m 2015, \$27.9m 2016, \$28.5m 2017, \$29.8m 2018, and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is \$3.6m 2014, \$2.4m 2015, \$1.4m 2016, \$0.979m 2017, \$2.1m 2018, leaving the reserve at 6% funded in 2018. If the reserve funding plan approved by the Association is implemented, the projected reserve fund cash balance in each of those years will be \$3.6m 2014, \$2.7m 2015, \$2.4m 2016, \$3.0m 2017, \$5.5m 2018, leaving the reserve at 17% funded.

The Replacement Reserve Fund Analysis on page 5 summarizes the component values by area and the projected available funding for repairs and replacements. A more detailed listing of the individual plan components is available upon request.

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.



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 1,600 INDIVIDUAL ITEMS ARE TRACKED IN THIS PLAN, WITH A CURRENT REPLACEMENT VALUE OF APPROXIMATELY \$41 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 2013. Updates are conducted each year and another full review of the plan will be performed in 2016.

REPLACEMENT RESERVE FUND ANALYSIS

Tahoe Donner Association 2014 Budget	Total Current Replacement Cost	Range of Remaining Life (years)	Range of Useful Life (years)	Allocation of Accumulated Funds (12/31/13)	100% Funded Allocation (12/31/13)
Golf Complex	\$ 9,876,541	0 to 30	1 to 30	\$ 1,120,434	\$ 6,433,240
Downhill Ski Area	6,060,649	0 to 30	1 to 30	687,544	3,947,699
Administration/MIS	5,205,737	0 to 30	1 to 30	590,559	3,390,838
Trout Creek, Pools & Recreation	3,783,144	0 to 30	1 to 30	429,175	2,464,210
The Lodge	3,504,650	0 to 30	1 to 30	397,581	2,282,809
General & Building Maintenance	2,676,948	0 to 30	1 to 30	303,684	1,743,672
Tennis Complex	1,820,548	0 to 30	1 to 30	206,530	1,185,843
Trails	1,580,690	0 to 30	1 to 30	179,320	1,029,607
Cross Country Ski Center	1,425,169	0 to 30	1 to 30	161,677	928,306
Vehicle Maintenance	1,422,108	0 to 30	1 to 30	161,330	926,312
Marina	1,122,725	0 to 30	1 to 30	127,366	731,305
Forestry	1,043,541	0 to 30	1 to 30	118,383	679,727
Campground	639,374	0 to 30	1 to 30	72,533	416,466
Equestrian	416,625	0 to 30	1 to 30	47,264	271,375
Pizza on the Hill	410,951	0 to 30	1 to 30	46,620	267,679
Totals	\$ 40,989,399			\$ 4,650,000	\$ 26,699,088

Note: Projected accumulated funds at 12/31/13 equal approximately 17.4% 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 2014, budgeted reserve expenditures total \$4.2 million, including carry-over approved projects. Components scheduled for 2014 may not necessarily be expended, based on individual review. The following outlines notable 2014 budget year expenditure budget items:

ASPHALT MAINTENANCE, \$543,000: Asphalt sealing, striping, overlays, and repairs of 19 locations throughout the Association.

GOLF COURSE, \$537,000: Includes maintenance mowers and other equipment replacements, golf carts lease, rental clubs replacement, adaptive cart, course irrigation items, and design and engineering costs for future course remodel.

CROSS COUNTRY, \$485,000: Includes building components associated with building replacement construction, rental equipment, signage, groomer tillers, snowmobile, uniforms and land lease costs.

TRAILS MAINTENANCE, \$438,000: Trail remodels in 12 locations throughout the Association and replacement planning costs of the western end of South Fork Prosser Creek bridge.

MIS, \$304,000: Includes replacement of food and beverage point of sale software, accounting software, VOIP hardware, and miscellaneous network and other equipment.

DOWNHILL SKI AREA, \$279,000: Includes replacement rental equipment, lockers, building components, generator, food service area remodel, and snowmobile.

MAINTENANCE AND VEHICLES, \$155,000: Includes three truck replacements and generator replacement.

FORESTRY, \$143,000: Includes chipper, trailer, gate and HVAC replacements.

BEACH CLUB MARINA, \$87,000: Includes dock replacements, equipment replacements, and state lands lease.

TROUT CREEK RECREATION CENTER, \$71,000: Includes aerobic and weight room equipment replacements and pool and spa-related projects.

TENNIS, \$57,000: Renovations include court surfaces, fencing, and ball machine replacement.

THE LODGE RESTAURANT & PUB, \$26,000: Replacements include smallwares and kitchen equipment.

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 2014 assessment contribution to the fund totals \$194,000, or \$30 per property owner, consistent with the 2013 contribution. Fund expenditures are budgeted at \$214,000 and include a new passenger bus, new snowblower, restaurant equipment and new equipment for the marina, day camps and recreation department. The fund is projected to have a 2014 year-end balance of approximately \$30,000 after budgeted contributions and expenditures.

2014 BUDGET SUMMARY - OPERATING FUND

Number of Properties = 6472

TAHOE DONNER ASSOCIATION	Operating Revenue (REV)	Operating Costs Total (OCT)	Net Operating Result (NOR)	Operating Fund 2014 Budget per Property		
				REV	OCT	NOR
PRIVATE AMENITIES						
Trout Creek Recreation Center	\$ 901,000	\$ (829,400)	\$ 71,600	\$ 139	\$ (128)	\$ 11
Beach Club Marina	529,000	(298,300)	230,700	82	(46)	36
Tennis Center	219,000	(225,500)	(6,500)	34	(35)	(1)
Aquatics	218,000	(305,700)	(87,700)	34	(47)	(14)
Rec Programs & Day Camps	313,000	(400,800)	(87,800)	48	(62)	(14)
TOTAL PRIVATE AMENITIES	2,180,000	(2,059,700)	120,300	337	(318)	19
PUBLIC AMENITIES						
Downhill Ski Area	2,577,000	(2,255,950)	321,050	398	(349)	50
Cross Country Ski Center	690,000	(580,150)	109,850	107	(90)	17
Snowplay	140,000	(82,100)	57,900	22	(13)	9
Equestrian	141,000	(244,000)	(103,000)	22	(38)	(16)
Campground	45,000	(59,700)	(14,700)	7	(9)	(2)
Golf	1,080,000	(1,375,000)	(295,000)	167	(212)	(46)
Trails	-	(139,300)	(139,300)	-	(22)	(22)
Summer Food and Beverage	182,000	(284,000)	(102,000)	28	(44)	(16)
The Lodge	1,725,000	(1,783,000)	(58,000)	267	(275)	(9)
Pizza on the Hill	340,000	(384,000)	(44,000)	53	(59)	(7)
TOTAL PUBLIC AMENITIES	6,920,000	(7,187,200)	(267,200)	1,069	(1,110)	(41)
TOTAL AMENITIES	9,100,000	(9,246,900)	(146,900)	1,406	(1,428)	(22)
HOMEOWNERS ASSOCIATION SERVICES & AMENITIES SUPPORT						
General	-	(713,100)	(713,100)	-	(110)	(110)
Marketing & Communications	190,000	(643,700)	(453,700)	29	(99)	(70)
Facility Admin. & Risk Mgmt	-	(229,900)	(229,900)	-	(36)	(36)
Administration	205,000	(701,600)	(496,600)	32	(108)	(77)
MIS	-	(539,500)	(539,500)	-	(83)	(83)
Accounting	1,000	(724,300)	(723,300)	0	(112)	(112)
Human Resources	-	(303,900)	(303,900)	-	(47)	(47)
Architectural Standards Office	68,000	(213,600)	(145,600)	11	(33)	(22)
Member Services	26,000	(252,700)	(226,700)	4	(39)	(35)
Forestry, Defensible & Open Space	30,000	(813,000)	(783,000)	5	(126)	(121)
Maintenance	-	(687,800)	(687,800)	-	(106)	(106)
TOTAL HOMEOWNERS ASSOCIATION	520,000	(5,823,100)	(5,303,100)	80	(900)	(820)
TOTAL OPERATING FUND	\$ 9,620,000	\$ (15,070,000)	\$ (5,450,000)	\$ 1,486	\$ (2,328)	\$(842)

Individual amounts may not sum to total due to rounding.

2014 BUDGET SUMMARY - BY FUND

Number of Properties = 6472

TAHOE DONNER ASSOCIATION

**2014
Budget**

**\$ per
Property
(6472)**

OPERATING FUND

Beginning Balance, start of year	\$ 1,002,000	\$ 155
Assessment Contribution	5,450,000 A1	842
Net Operating Results	(5,450,000)	(842)
Operating Fund, year end balance	\$ 1,002,000	\$ 155

REPLACEMENT RESERVE FUND

Beginning Balance, start of year	\$ 4,650,000	\$ 718
Assessment Contribution	3,094,000 A2	478
Interest Income	10,000	2
Salvage Receipts	15,000	2
Income Tax and Other Expense	(10,000)	(2)
Expenditures for Capital Additions (see page 5)	(3,795,000)	(586)
Major Repairs, Maintenance & Lease Expenses	(410,000)	(63)
Replacement Reserve Fund, Year End Balance	\$ 3,554,000	\$ 549

NEW MACHINERY AND EQUIPMENT FUND

Beginning Balance, start of year	\$ 50,000	\$ 8
Assessment Contribution	194,000 A3	30
Expenditures for Capital Additions (see page 5)	(214,000)	(33)
NM&E Fund, Year End Balance	\$ 30,000	\$ 5

DEVELOPMENT FUND

Beginning Balance, start of year	\$ 2,910,000	\$ 450
Assessment Contribution	1,618,000 A4	250
Interest Income	7,000	1
Income Tax and Other Expense	(7,000)	(1)
Expenditures for Capital Additions (see page 8)	(4,487,000)	(693)
Development Fund, Year End Balance	\$ 41,000	\$ 6

Combined CAPITAL FUNDS ACTIVITY

Expenditures for Capital Additions	(8,496,000)	(1,313)
Major Repairs, Maintenance & Lease Expenses	(410,000)	(63)
Combined CAPITAL FUNDS ACTIVITY - Total	\$ (8,906,000)	\$ (1,376)

2014 ANNUAL ASSESSMENT RECAP:

OPERATING FUND

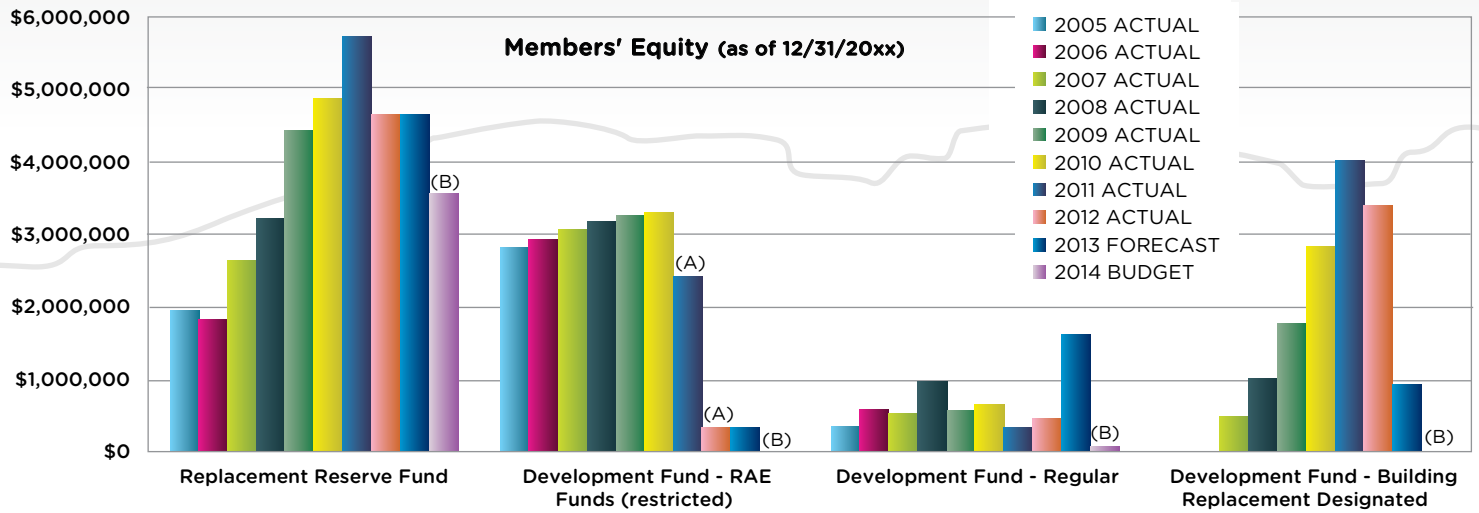
	\$ 5,450,000 (A1)	\$ 842
Replacement Reserve Fund	3,094,000 (A2)	478
New Machinery and Equipment Fund	194,000 (A3)	30
Development Fund - Regular designated	1,618,000 (A4)	250
Capital Funds, subtotal	\$ 4,906,000	\$ 758
2014 Annual Assessment - Total	\$ 10,356,000	\$ 1,600

Members Equity Beginning Balances are based on Forecasted 2013 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 and equipment.

The property Fund activities include capitalization of property and equipment purchased and depreciation expense.

Individual amounts may not sum to total due to rounding.

Key fund balances reserved for future capital needs of the Association.



(A) Euer Valley Land purchase in 2011 & 2012.

(B) For 2014 Capital Expenditure discussion; see page 5 for Replacement Reserve and page 8 for Development.

The 2014 Budget ending balance projected for Development Fund in total is \$41,000.

The 2014 Budget expenditures for Development Fund in total is \$4,487,000, which is primarily for new Cross Country building.

DEVELOPMENT FUND

The Development Fund was established to accumulate funds for large-scale projects identified as necessary due to the new capacity requirements, or changing needs of the Association. Currently, the Development Fund also includes accumulated designated funds for building replacement. 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:

Prior to 2013, the Development Fund is segregated into three components, as follows:

REGULAR – Funds accumulated for the development and addition of facilities.

BUILDING REPLACEMENT DESIGNATED – Board designated funds accumulated for the specific purpose of replacing existing buildings.

RECREATIONAL AMENITIES EXPANSION (RAE FUNDS) – Funds contractually restricted for use only in development of new recreational projects. Investment earnings are segregated and remain with each of these components of Development Fund.

Per Board-adopted policy, beginning in 2013, the fund's contribution is not segregated between regular and building replacement. Funding, expenditures, and balances by component of the Development Fund are as follows:

DEVELOPMENT FUND - REGULAR

The 2014 regular annual assessment contribution to the Development Fund totals \$1,618,000, or \$250 per member-property, unchanged from 2013. Budgeted expenditures from this component for 2014 total \$3,199,000 and include the new cross country building for \$2,591,000, new trails for \$100,000, new security systems for \$38,000, and recreation hut and Northwoods Clubhouse recreation area improvements for \$100,000. The budgeted ending balance for development fund regular funds is \$41,000.

DEVELOPMENT FUND - DESIGNATED, BUILDING REPLACEMENT

The forecasted beginning balance in this designation is \$949,000. Expenditures from this component in 2014 total \$949,000 and include \$949,000 in cross country building costs. The budgeted ending balance for building replacement funds is zero.

DEVELOPMENT FUND - RECREATIONAL AMENITIES EXPANSION (RAE FUNDS) (RESTRICTED)

The Association owned a 32-acre parcel, adjacent to but outside the Association's borders, that was held in the Development Fund. The parcel sold in 2004 and the initial net proceeds of \$2.8 million from that sale are retained in the Development Fund under the RAE Funds (Restricted) component. Investment earnings on this amount are credited to this account. The major portion of these funds was expended in 2011 and 2012 for the purchase of Euer Valley land. The 2014 Budget includes the expenditure of \$339,000 for cross country lodge building expansion, with the budgeted ending balance for this component of fund becoming zero.

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.

May 1: Assessment Lien recorded against property; LIEN FEE OF \$175 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.

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 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.

90 days after invoicing and/or notice of corrective action requirement: 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/or failure to comply with any duly-issued corrective action requirements, and of the member's right to a prior hearing thereon, and, if applicable, 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.

120 days after invoicing: If applicable, Assessment Lien recorded against property; LIEN FEE OF \$175 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 AND APPLICATION OF PAYMENTS

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

Actual date of RECEIPT of hand-delivered payments, or Official U.S. Postal Service postmark date appearing on the envelope in which a payment is received through the mail (private postage meter dates are ignored).

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.

Civil Code Section 1365.1 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

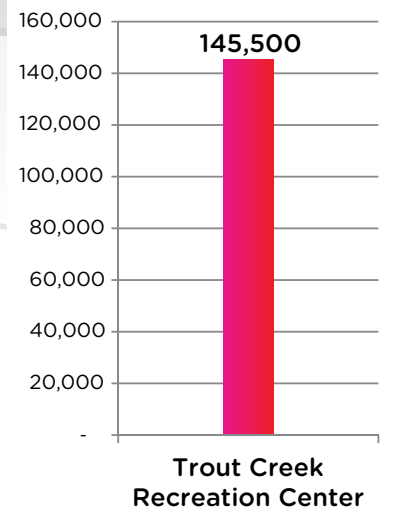
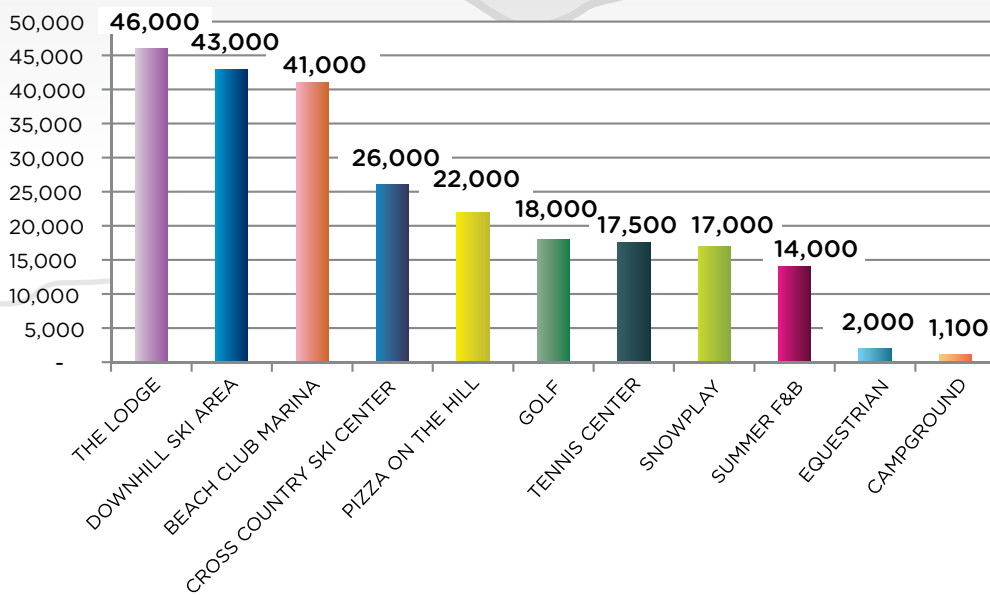
Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay Association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial 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 Section 13674 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 1366, 1367.1, and 1367.4 of the Civil Code)

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. (Sections 1366 and 1367.1 of the Civil Code)

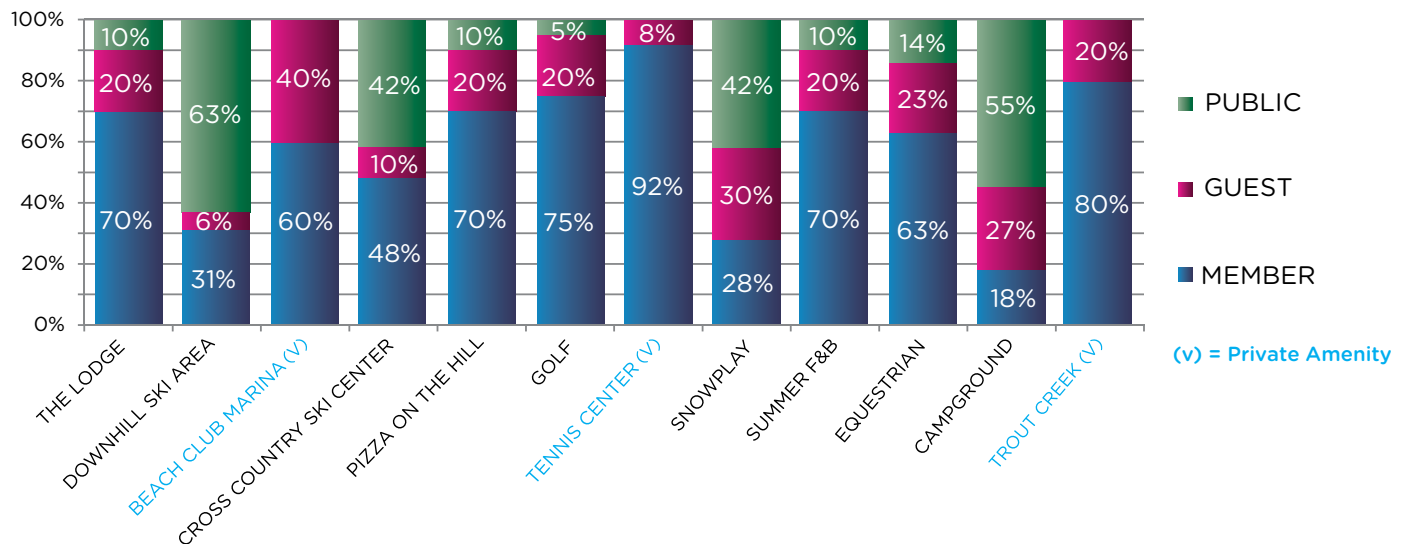
The Association must comply with the requirements of Section 1367.1 of the Civil Code when collecting delinquent assessments.

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 1367.1 of the Civil Code)

2014 BUDGET - AMENITY VISITATION



2014 BUDGET - AMENITY VISITATION MIX (estimated)



ASSESSMENTS AND FORECLOSURE, CONTINUED

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 1367.1 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 1367.1 of the Civil Code)

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 1367.1 of the Civil Code)

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the Association as set forth in Article 5 (commencing with Section 1368.810) of Chapter 4 of Title 6 of Division 2 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 2 (commencing with Section 1369.510) of Chapter 7 of Title 6 of Division 2 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 1367.1 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 1367.1 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 1367.1 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 1369.530 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 1369.530 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 1363.840 of the Civil Code. For more information, please contact the Association offices.

NOTICE REGARDING INSURANCE MAINTAINED BY TAHOE DONNERSM

As required by California Civil Code section 1365(f), the following is a summary of Tahoe Donner Association's insurance coverages:

PROPERTY INSURANCE POLICY: Granite State Insurance Co.; Limit - \$45,013,446; 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; Fireman's Fund Insurance Co. Limit - \$9,000,000.

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

CYBER LIABILITY: HISCOx; Limits - \$1,000,000; Deductibles - \$5,000

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 - \$3,260,443; Deductible - \$5,000 per occurrence.

DIRECTORS AND OFFICERS LIABILITY INSURANCE: RSUI Indemnity Co.; Limit - \$5,000,000; Deductibles - Non-Indemnifiable Loss: None; Indemnifiable Loss: \$35,000.

BOILER & MACHINERY COVERAGE: American Home Assurance; Limit - \$48,881,974; Deductibles - \$10,000 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.

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 subdivision (f) of Section 1365 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.

TAHOE DONNERSM

2014 BUDGET - NEWS YOU CAN USE

\$1600
ANNUAL
ASSESSMENT
(PER OWNER PROPERTY)
(DUE JANUARY 1, 2014)

VERSUS 2013, AN INCREASE OF 6% OR \$95 (\$8 PER MONTH)

- + \$44 Increase Reserve Funding, so we have funds to replace aging infrastructure of the Association, protecting the value of your home.
- + \$30 Payroll merit rate of pay increases (average 2.5%) impact.
- + \$29 Increased cost of Workers Compensation due to regulatory mandates.
- + \$8 California Minimum Wage increase law effective 7-1-2014 impact.
- + \$0 Health insurance premiums quoted 18% higher, \$25 per property; however, negotiated a partially self-funded model, keeping our premium the same, saving the \$25, therefore no impact on assessment.
- \$16 Net savings in assessment, all other changes.

+ \$95 TOTAL CHANGE IN ANNUAL ASSESSMENT

\$245
RECREATION
FEE
(EFFECTIVE MAY 1, 2014)

AN INCREASE OF \$20 OVER THE 2013/2014 RECREATION FEE, WHY?

- The optional yet ever popular recreation fee (valid for up to 4 individuals) was \$220 for the previous two years.
- The recreation fee increase of \$20 (\$1.67 per month) allows the users of the facilities to offset increases in operating costs (utilities, payroll, maintenance, supplies), without impacting service levels for members.
- The recreation fee allows cardholders unlimited access to the following amenities: Trout Creek Recreation Center, Beach Club Marina, Northwoods Pool, Tennis, and Snowplay Area.

FACTS AND FIGURES ABOUT YOUR ASSOCIATION

Estimates as of October 2013 / Subject to Change

6,472 MEMBER PROPERTY OWNERS | 25,000 PEOPLE
ESTABLISHED 1971 | 75% SECOND HOMEOWNERS | 88% BUILT-OUT
A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION
FEDERAL INCOME TAX EXEMPT 501c4 STATUS
OWNED AND MANAGED BY THE PROPERTY OWNERS
\$20 MILLION BUDGET FOR 2014 | \$50 MILLION IN TOTAL ASSETS
7,000 ACRES | 26 BUILDINGS | 109,000 SQUARE FEET OF CONDITIONED SPACE

OWNS AND OPERATES: GOLF COURSE, BEACH CLUB MARINA, DOWNHILL SKI AREA, CROSS COUNTRY SKI CENTER, SNOWPLAY AREA, EQUESTRIAN CENTER, TENNIS CENTER, POOLS, RECREATION CENTER, DAY CAMPS, RESTAURANTS, RETAIL SHOPS, AND CLUBHOUSE.

4,674 TREES PLANTED IN 2013 | OVER 50,000 TREES PLANTED IN PAST DECADE
68 MILES OF PAVED PUBLIC ROADS | 45 MILES OF TRAILS (AND MORE PLANNED)
\$3.0 BILLION ESTIMATED TAHOE DONNER COMMUNITY REAL ESTATE VALUE