

**\$9.2 MILLION**  
TOTAL OPERATING  
REVENUES

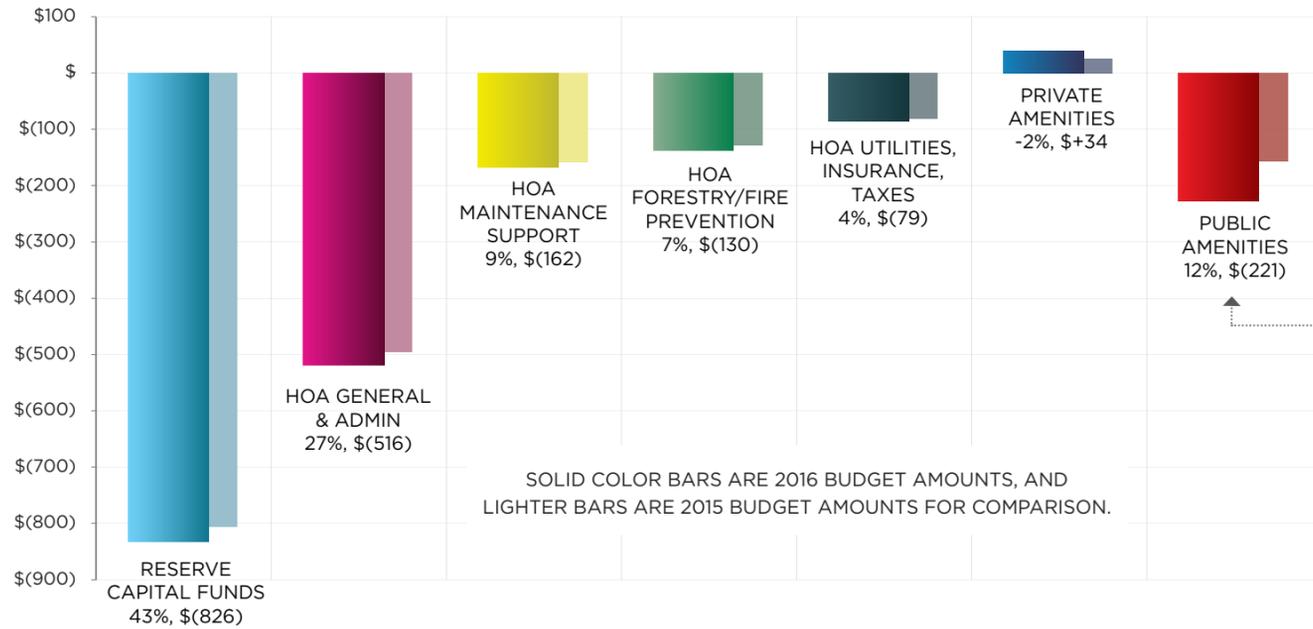
# BUDGET REPORT 2016

**\$1,900 ASSESSMENT**  
INCREASE OF \$100 (UP 5.5%)  
CAGR 4% SINCE 2006

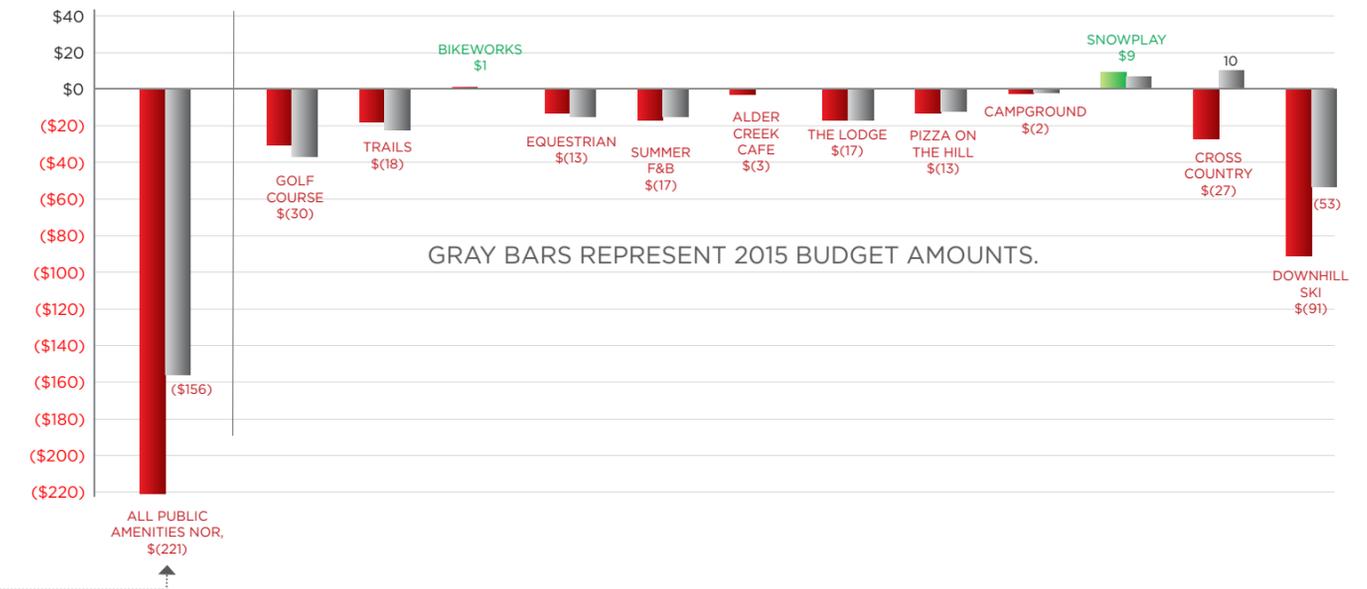
**\$16 MILLION**  
TOTAL OPERATING  
COSTS



## DISTRIBUTION OF 2016 ANNUAL ASSESSMENT OF \$1,900 PER OWNER



## 2016 BUDGET NET OPERATING RESULTS (PER OWNER) FOR PUBLIC AMENITIES



### INTRODUCTION

2016 Annual Assessment of \$1900 reflects a \$100 or 5.5% increase over 2015.

- The \$826 Capital Funds portion was increased \$20 to fund future capital needs of our aging assets.
- The \$1074 Operating Fund portion was increased \$80 due primarily to drought-driven lower revenues and regulatory cost increases.
- The optional Recreation Fee was increased \$10 to \$270 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 As-

sociation's approved budget also reflects the fiduciary responsibility of the Board and management, in protecting all owners investment in the Association, both for the 2016 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, 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 2016 Budget approved by the Board is summarized in this report.

Sincerely,

  
Jeff Bonzon  
Treasurer

  
Michael R. Salmon  
Director of Finance and Accounting

essment revenue versus operating costs in the Operating Fund budget. Refer to page 6 for budget summary by activity.

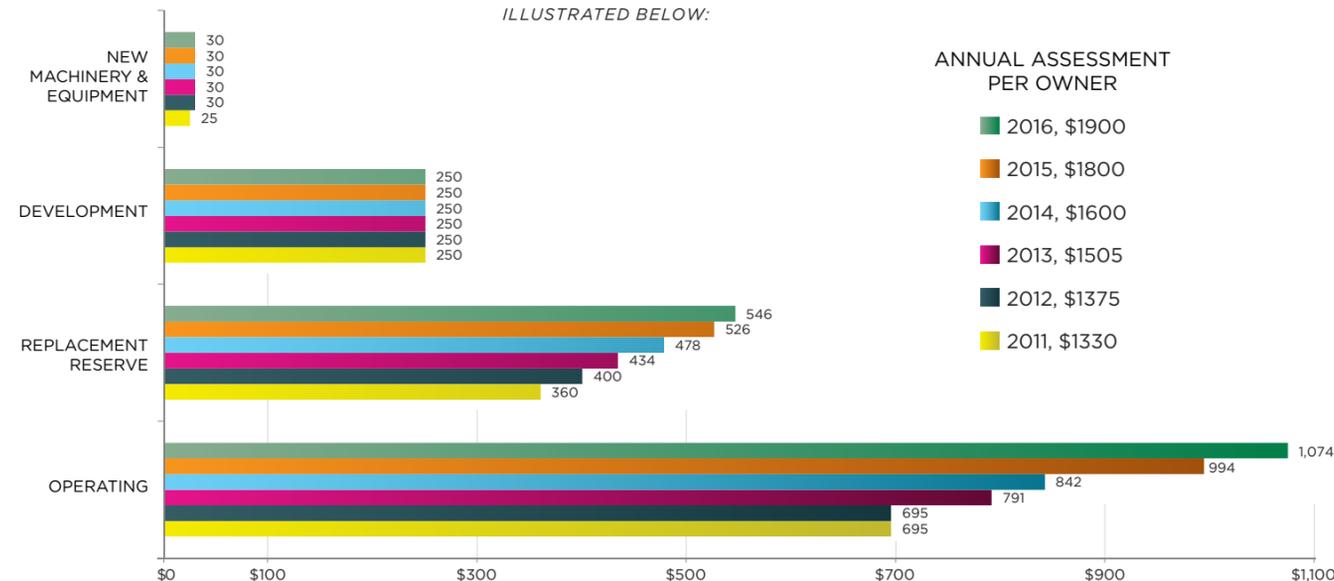
**OPERATING REVENUE** Budget of \$9.2m, excluding assessment, has decreased \$10,000 or 0% less than the 2015 Budget and represents an increase of \$1,400,000 or 18% more than the 2015 Forecast. Operating revenues are subject to significant volatility due to weather. Accordingly, we have utilized multi-year averages in establishing volume expectations. The drought of winter 2014/2015 has lowered winter amenity revenue budgets for 2016, while the majority of other amenities have seen consistent revenue and visitation growth. 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 \$10.9m represents 67% of total operating costs and reflects an increase of 4% over 2015 Budget and an increase of 16% over 2015 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 the CA minimum wage increase effective 1/1/2016, a merit wage increase average of 3%, and health care costs increase (affordable care act impacts and an insurance premium renewal increase).

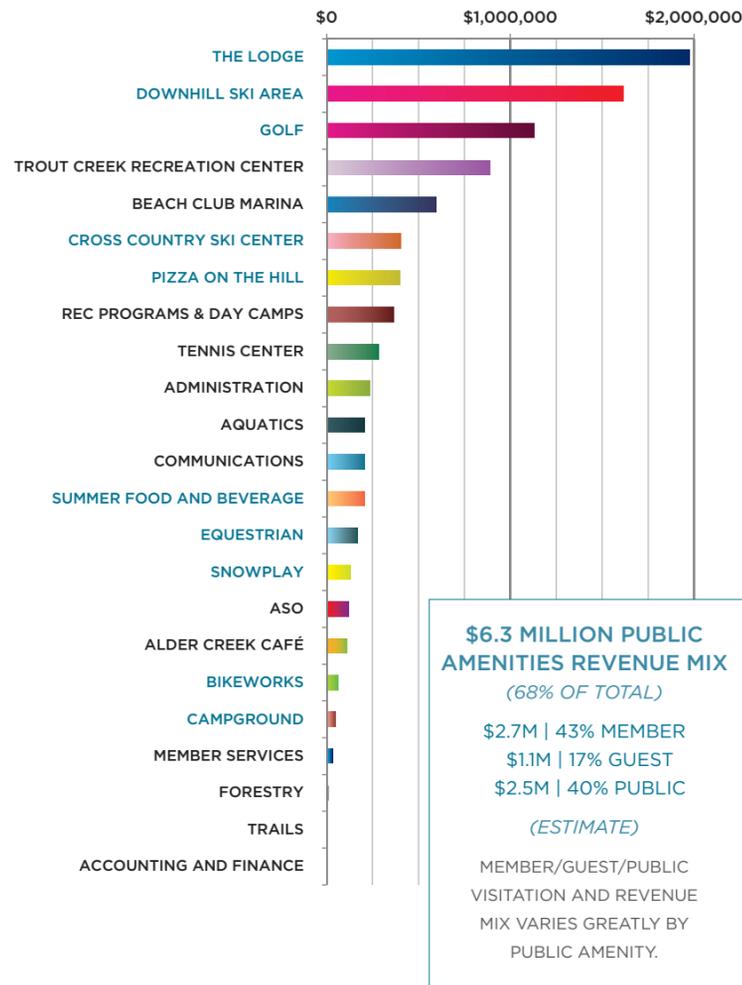
**OPERATING EXPENSE** Budget of \$4.1m represents 25% of our total operating costs and reflects an increase of 1% to 2015 Budget and an increase of 8% to 2015 Forecast. For operating expenses, 75% of the total amount falls into the 8 categories, as follows. Utilities represent \$875,000 or 22% of operating expenses. Repair & Maintenance materials costs represent \$555,000 or 14% of operating expenses. Insurance represents \$405,000 or 10% of operating expenses. Government taxes, audit and legal costs represent \$377,000 or 9% of operating expenses. Forestry contract services represent \$280,000 or 7% of operating expenses. Printing and postage costs represent \$205,000 or 5% of operating expenses. Fuel costs represent \$180,000 or 4% of operating expenses. Credit card merchant fees represent \$180,000 or 4% of operating expenses.

**COST OF GOODS SOLD** Budget of \$1.2m represents 8% of our total operating costs. Cost of Goods Sold represents the wholesale cost of retail, food and beverage product.

## 2016 ANNUAL ASSESSMENT: 2016 ANNUAL ASSESSMENT IS \$1,900 PER PROPERTY OWNER, AN INCREASE OF \$100 OR 5.5% COMPARED TO 2015. THE ASSESSMENT CONTRIBUTION BY FUND IS ILLUSTRATED BELOW:



## 2016 BUDGET OPERATING REVENUE OF \$9.2 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 1,700 INDIVIDUAL ITEMS ARE TRACKED IN THIS PLAN, WITH A CURRENT REPLACEMENT VALUE OF APPROXIMATELY \$45 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.

## 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 \$546 per property for 2016 – an increase of \$20 or 4% over 2015. This amounts to a 2016 contribution to the reserve fund of \$3,534,000. 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 \$26,204,039\*, 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 2015. The projected reserve fund cash balance at the end of the current fiscal year is \$7,000,000, resulting in reserves being 26.7% funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is \$7,000,000; this alternate method being the threshold pooling method. This difference (\$19 million) equates to an estimated \$2,967 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 \$26.2m 2016, \$27.8m 2017, \$28.2m 2018, \$29.9m 2019, \$31.4m 2020, and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is \$7.0m 2016, \$6.2m 2017, \$6.2m 2017, \$6.2m 2019, \$4.7m 2020, leaving the reserve at 15% funded in 2020. If the reserve funding plan approved by the Association is implemented, the projected reserve fund cash balance in each of those years will be \$7.0m 2016, \$6.6m 2017, \$7.3m 2018, \$8.5m 2019, \$8.6m 2020, leaving the reserve at 27% 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. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 0.5 percent per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 3 percent per year.*

## REPLACEMENT RESERVE FUND ANALYSIS

Tahoe Donner Association 2016 Budget	Total Current Replacement Cost	Range of Remaining Life (years)	Range of Useful Life (years)	Allocation of Accumulated funds (12/31/15)	100% Funded Allocation (12/31/15)
Golf Complex	10,387,078	0 to 30	1 to 30	\$ 1,618,477	\$ 6,058,662
Downhill Ski Area	6,573,119	0 to 30	1 to 30	1,024,200	3,834,024
Administration/MIS	5,203,219	0 to 30	1 to 30	810,747	3,034,977
Trout Creek, Pools & Recreation	4,197,589	0 to 30	1 to 30	654,053	2,448,405
General & Building Maintenance	3,670,602	0 to 30	1 to 30	571,940	2,141,019
The Lodge	3,388,597	0 to 30	1 to 30	527,999	1,976,529
Cross Country Ski Center	2,771,103	0 to 30	1 to 30	431,783	1,616,352
Tennis Complex	1,851,968	0 to 30	1 to 30	288,567	1,080,231
Vehicle Maintenance	1,590,143	0 to 30	1 to 30	247,770	927,512
Trails	1,370,986	0 to 30	1 to 30	213,622	799,680
Marina	1,133,668	0 to 30	1 to 30	176,644	661,255
Forestry	987,296	0 to 30	1 to 30	153,837	575,878
Equestrian	734,665	0 to 30	1 to 30	114,473	428,522
Campground	610,000	0 to 30	1 to 30	95,048	355,806
Pizza on the Hill	454,640	0 to 30	1 to 30	70,840	265,187
<b>Totals</b>	<b>\$ 44,924,673</b>			<b>\$ 7,000,000</b>	<b>\$ 26,204,039</b>

Note: Projected accumulated funds at 12/31/15 equal approximately 26.7% of the 100% funded total based on the method of calculation in Section 5570(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 2016, budgeted reserve expenditures total \$3.6 million, including carry-over approved projects. Components scheduled for 2016 may not necessarily be expended, based on individual review. The following outlines notable 2016 budget year expenditure budget items:

**TROUT CREEK RECREATION CENTER, \$656,000:** Includes aerobic and weight room equipment replacements and pool and spa related projects, and poolside restrooms remodel.

**GOLF COURSE, \$410,000:** Includes maintenance mowers and other equipment replacements, golf carts lease, course irrigation items, and pathway asphalt repairs.

**MIS, \$408,000:** Includes replacement of website software, accounting software, VoIP hardware, and miscellaneous network and other equipment.

**DOWNHILL SKI AREA, \$339,000:** Includes replacement rental equipment, groomer tiller, building components, lift components, food service equipment, and snowmobile.

**TRAILS, \$303,000:** Trail remodels in 11 locations throughout the Association and trail way finding signage throughout the entire trails network, winter and summer.

**MAINTENANCE AND VEHICLES, \$276,000:** Includes five trucks, software, and welder replacements.

**EQUESTRIAN, \$181,000:** Operations relocation, horse and equipment replacements.

**THE LODGE, \$175,000:** Replacements include flooring, furniture, and kitchen equipment replacements.

**MARINA, \$120,000:** Includes furniture and equipment replacements, and state lands lease.

**TENNIS, \$83,000:** Renovations include court surfaces and furniture replacement.

### 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 2016 assessment contribution to the fund totals \$194,000, or \$30 per property owner, consistent with the 2015 contribution. Fund expenditures are budgeted at \$170,000 and include new amenities and maintenance equipment, software, and recreation equipment. The fund is projected to have a 2016 year-end balance of approximately \$64,000 after budgeted contributions and expenditures.

## 2016 BUDGET SUMMARY - OPERATING FUND

Number of Properties = 6472

TAHOE DONNER ASSOCIATION	Operating Revenue (REV)	Operating Costs Total (OCT)	Net Operating Result (NOR)	Operating Fund 2016 Budget per Property		
				REV	OCT	NOR
<b>PRIVATE AMENITIES</b>						
Trout Creek Recreation Center	\$ 891,000	\$ (906,200)	\$ (15,200)	\$ 138	\$ (140)	\$ (2)
Beach Club Marina	595,000	(333,200)	261,800	92	(51)	40
Tennis Center	285,000	(229,800)	55,200	44	(36)	9
Aquatics	206,000	(260,700)	(54,700)	32	(40)	(8)
Rec Programs & Day Camps	366,000	(392,100)	(26,100)	57	(61)	(4)
<b>TOTAL PRIVATE AMENITIES</b>	<b>2,343,000</b>	<b>(2,122,000)</b>	<b>(221,000)</b>	<b>362</b>	<b>(328)</b>	<b>34</b>
<b>PUBLIC AMENITIES</b>						
Downhill Ski Area	1,613,000	(2,201,300)	(588,300)	249	(340)	(91)
Cross Country Ski Area	405,000	(579,600)	(174,600)	63	(90)	(27)
Snowplay	130,000	(72,000)	58,000	20	(11)	9
Equestrian	170,000	(253,200)	(83,200)	26	(39)	(13)
Campground	50,000	(64,200)	(14,200)	8	(10)	(2)
Golf	1,128,000	(1,325,300)	(197,300)	174	(205)	(30)
Trails	1,000	(117,000)	(116,000)	0	(18)	(18)
Bikeworks	65,000	(58,900)	6,100	10	(9)	1
Summer Food & Beverage	205,000	(315,400)	(110,400)	32	(49)	(17)
Alder Creek Cafe	110,000	(127,900)	(17,900)	17	(20)	(3)
The Lodge	1,975,000	(2,083,900)	(108,900)	305	(322)	(17)
Pizza on the Hill	400,000	(483,300)	(83,300)	62	(75)	(13)
<b>TOTAL PUBLIC AMENITIES</b>	<b>6,252,000</b>	<b>(7,682,000)</b>	<b>(1,430,000)</b>	<b>966</b>	<b>(1,187)</b>	<b>(221)</b>
<b>TOTAL AMENITIES</b>	<b>8,595,000</b>	<b>(9,804,000)</b>	<b>(1,209,000)</b>	<b>1,328</b>	<b>(1,515)</b>	<b>(187)</b>
<b>HOMEOWNERS ASSOCIATION SERVICES &amp; AMENITIES SUPPORT</b>						
General	—	(767,500)	(767,500)	—	(119)	(119)
Marketing & Communications	207,000	(675,300)	(468,300)	32	(104)	(72)
Facility Admin. & Risk Mgmt	—	(261,900)	(261,900)	—	(40)	(40)
Administration	235,000	(744,400)	(509,400)	36	(115)	(79)
Information Technology	—	(561,700)	(561,700)	—	(87)	(87)
Accounting & Finance	1,000	(757,500)	(756,500)	0	(117)	(117)
Human Resources	—	(318,800)	(318,800)	—	(49)	(49)
Architectural Standards Office	119,000	(315,300)	(196,300)	18	(49)	(30)
Member Services	31,000	(305,400)	(274,400)	5	(47)	(42)
Forestry, Defensible & Open Space	12,000	(855,400)	(843,400)	2	(132)	(130)
Maintenance	—	(783,800)	(783,800)	—	(121)	(121)
<b>TOTAL HOMEOWNERS ASSOCIATION</b>	<b>605,000</b>	<b>(6,347,000)</b>	<b>(5,742,000)</b>	<b>93</b>	<b>(981)</b>	<b>(887)</b>
<b>TOTAL OPERATING FUND</b>	<b>\$ 9,200,000</b>	<b>\$ (16,151,000)</b>	<b>\$ (6,951,000)</b>	<b>\$ 1,422</b>	<b>\$ (2,496)</b>	<b>\$(1,074)</b>

Individual amounts may not sum to total due to rounding.

## 2016 BUDGET SUMMARY - BY FUND

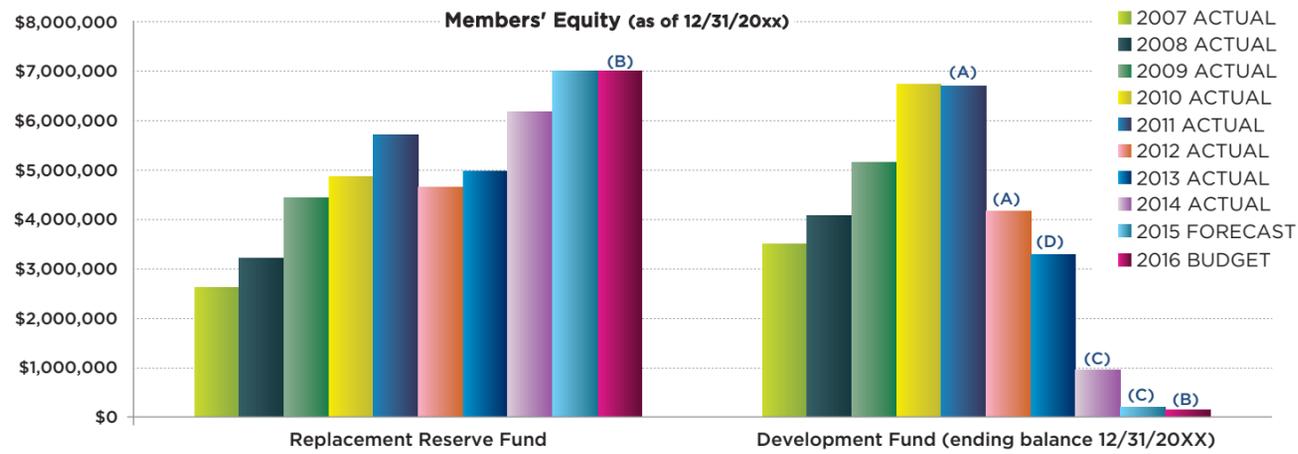
Number of Properties = 6472

TAHOE DONNER ASSOCIATION	2016 Budget	\$ per Property (6472)
<b>OPERATING FUND</b>		
Beginning Balance, start of year	\$ 1,135,000	\$ 175
Assessment Contribution	6,951,000 <sup>A1</sup>	1,074
Net Operating Results	(6,951,000)	(1,074)
<b>Operating Fund, year end balance</b>	<b>\$ 1,135,000</b>	<b>\$ 175</b>
<b>REPLACEMENT RESERVE FUND</b>		
Beginning Balance, start of year	\$ 7,000,000	\$ 1,082
Assessment Contribution	3,534,000 <sup>A2</sup>	546
Interest Income	15,000	2
Salvage Receipts	30,000	5
Income Tax and Other Expense	(10,000)	(2)
Expenditures for Capital Additions (see page 5)	(2,778,000)	(429)
Major Repairs, Maintenance & Lease Expenses	(775,000)	(120)
<b>Replacement Reserve Fund, Year End Balance</b>	<b>\$ 7,016,000</b>	<b>\$ 1,084</b>
<b>NEW MACHINERY AND EQUIPMENT FUND</b>		
Beginning Balance, start of year	\$ 40,000	\$ 6
Assessment Contribution	194,000 <sup>A3</sup>	30
Expenditures for Capital Additions (see page 5)	(170,000)	(26)
<b>NM&amp;E Fund, Year End Balance</b>	<b>\$ 64,000</b>	<b>\$ 10</b>
<b>DEVELOPMENT FUND</b>		
Beginning Balance, start of year	\$ 194,000	\$ 30
Assessment Contribution	1,618,000 <sup>A4</sup>	250
Interest Income	1,000	0
Income Tax and Other Expense	(7,000)	(1)
Expenditures for Capital Additions (see page 8)	(1,651,000)	(255)
<b>Development Fund, Year End Balance</b>	<b>\$ 155,000</b>	<b>\$ 24</b>
<b>Combined CAPITAL FUNDS ACTIVITY</b>		
Expenditures for Capital Additions	(4,599,000)	(711)
Major Repairs, Maintenance & Lease Expenses	(775,000)	(120)
<b>Combined CAPITAL FUNDS ACTIVITY - Total</b>	<b>\$ (5,374,000)</b>	<b>\$ (830)</b>
<b>2016 ANNUAL ASSESSMENT RECAP:</b>		
<b>OPERATING FUND</b>	\$ 6,951,000 <sup>(A1)</sup>	\$ 1,074
Replacement Reserve Fund	3,534,000 <sup>(A2)</sup>	546
New Machinery and Equipment Fund	194,000 <sup>(A3)</sup>	30
Development Fund - Regular designated	1,618,000 <sup>(A4)</sup>	250
Capital Funds, subtotal	\$ 5,346,000	\$ 826
<b>2016 Annual Assessment - Total</b>	<b>\$ 12,297,000</b>	<b>\$ 1,900</b>

For each fund above, the beginning and year end balance represents the fund's Members' Equity balance, as applicable. Members Equity Beginning Balances are based on Forecasted 2015 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.

Individual amounts may not sum to total due to rounding.

## KEY FUND BALANCES RESERVED FOR FUTURE CAPITAL NEEDS OF THE ASSOCIATION



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

(B) For 2016 Capital Expenditure discussion; see page 5 for Replacement Reserve and page 8 for Development.

The 2016 Budget expenditures for Development Fund is \$1,651,000 and for Replacement Reserve Fund is \$3,553,000.

The 2016 Budget ending balance projected for Development Fund in total is \$155,000.

(C) Expenditures include the Alder Creek Adventure Center building construction

(D) Expenditures include The Lodge expansion

### 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 2016 annual assessment contribution to the Development Fund totals \$1,618,000, or \$250 per member-property, unchanged from 2015. Budgeted expenditures from this component for 2016 total 1,651,000 and include snowmaking for \$750,000, new trails for \$222,000, northwoods clubhouse campus exterior improvements for \$160,000, equestrian improvements for \$97,000, and solar energy projects for \$50,000. The budgeted ending balance for development fund is \$155,000.



### 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 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 non-judicial 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)

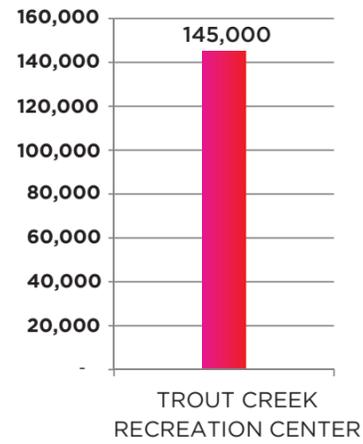
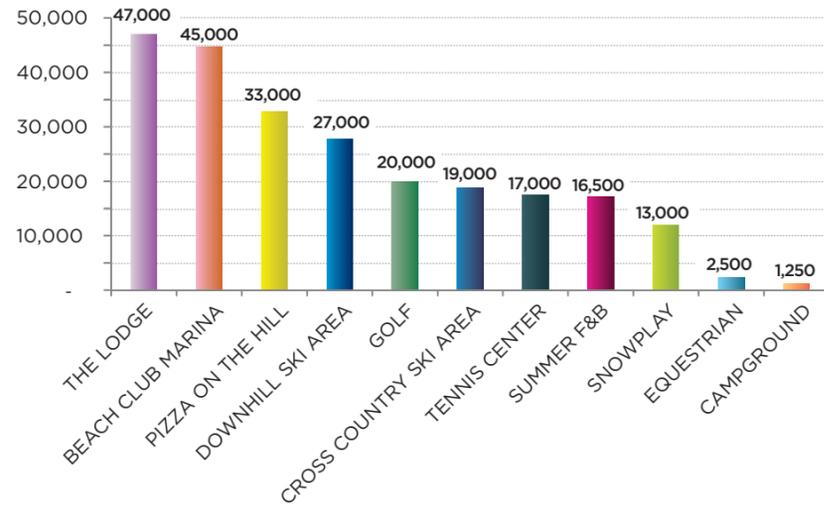
The Association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments.

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)

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)

## 2016 BUDGET - AMENITY VISITATION METRICS



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

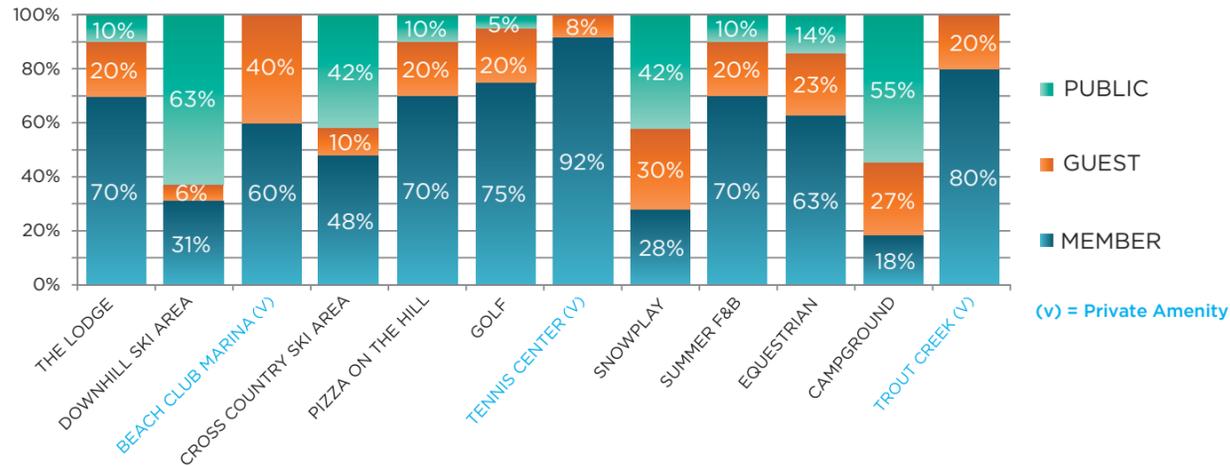
who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the Association, if they exist. (Section 5665 of the Civil Code)

### 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.

## 2016 BUDGET - AMENITY VISITATION MIX (estimated)



(v) = Private Amenity

## 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)

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the As-

sociation as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 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

### NOTICE REGARDING INSURANCE MAINTAINED BY TAHOE DONNER<sup>SM</sup>

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 - \$54,943,805; 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; Granite State Insurance Co.; 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 - \$7,246,343; Deductible - \$5,000 per occurrence.

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

**BOILER & MACHINERY COVERAGE:** Granite State Insurance Co.; Limit - \$45,649,595; 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.

# TAHOE DONNER<sup>SM</sup>

## 2016 BUDGET - NEWS YOU CAN USE

**\$1900**  
**ANNUAL**  
**ASSESSMENT**  
(PER OWNER PROPERTY)  
(DUE JANUARY 1, 2016)

### VERSUS 2015 AN INCREASE OF 5.5% OR \$100 (\$8.33 PER MONTH)

- + \$ 20 Increase Reserve Funding, to ensure adequate funds to replace aging infrastructure of the Association, protecting your home values
- + \$ 62 Drought-induced lack of snowfall, reduction in operating revenues
- + \$ 43 Regulatory cost increases from California minimum wage, Federal Affordable Care Act, and Health Insurance renewal
- \$ 25 all other changes, net reduction

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**+ \$ 100 TOTAL CHANGE IN ANNUAL ASSESSMENT,  
5.5% OR \$8.33 PER MONTH**

**\$270**  
**RECREATION**  
**FEE**  
(EFFECTIVE MAY 1, 2016)

### AN INCREASE OF \$10 OVER THE 2015/2016 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 increase of \$10 (\$0.83 per month) allows the users of the facilities fees partially offset increases in operating costs (utilities, workers comp, maintenance, supplies), without impacting service levels for our members.
- Paying the recreation fee allows those members unlimited access to the following amenities: Trout Creek Recreation Center, Beach Club Marina, Northwoods Pool, Tennis, and Snowplay.

## FACTS AND FIGURES ABOUT YOUR ASSOCIATION

Estimates as of October 2015 / Subject to Change

6,472 MEMBER PROPERTY OWNERS | 25,000 PEOPLE | 80% 2ND HOMEOWNERS  
ESTABLISHED 1971 | 89% BUILT-OUT | OWNED & MANAGED BY THE PROPERTY OWNERS  
\$21.5 MILLION BUDGET FOR 2015 | \$53 MILLION IN TOTAL ASSETS  
7,000 ACRES | 26 BUILDINGS | 120,000 SQUARE FEET OF CONDITIONED SPACE

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

5,500 TREES PLANTED IN 2015 | OVER 370,000 TREES PLANTED IN PAST 25 YEARS  
68 MILES OF PAVED PUBLIC ROADS | 45 MILES OF TRAILS (AND MORE PLANNED)  
\$3.2 BILLION ESTIMATED TAHOE DONNER COMMUNITY REAL ESTATE VALUE