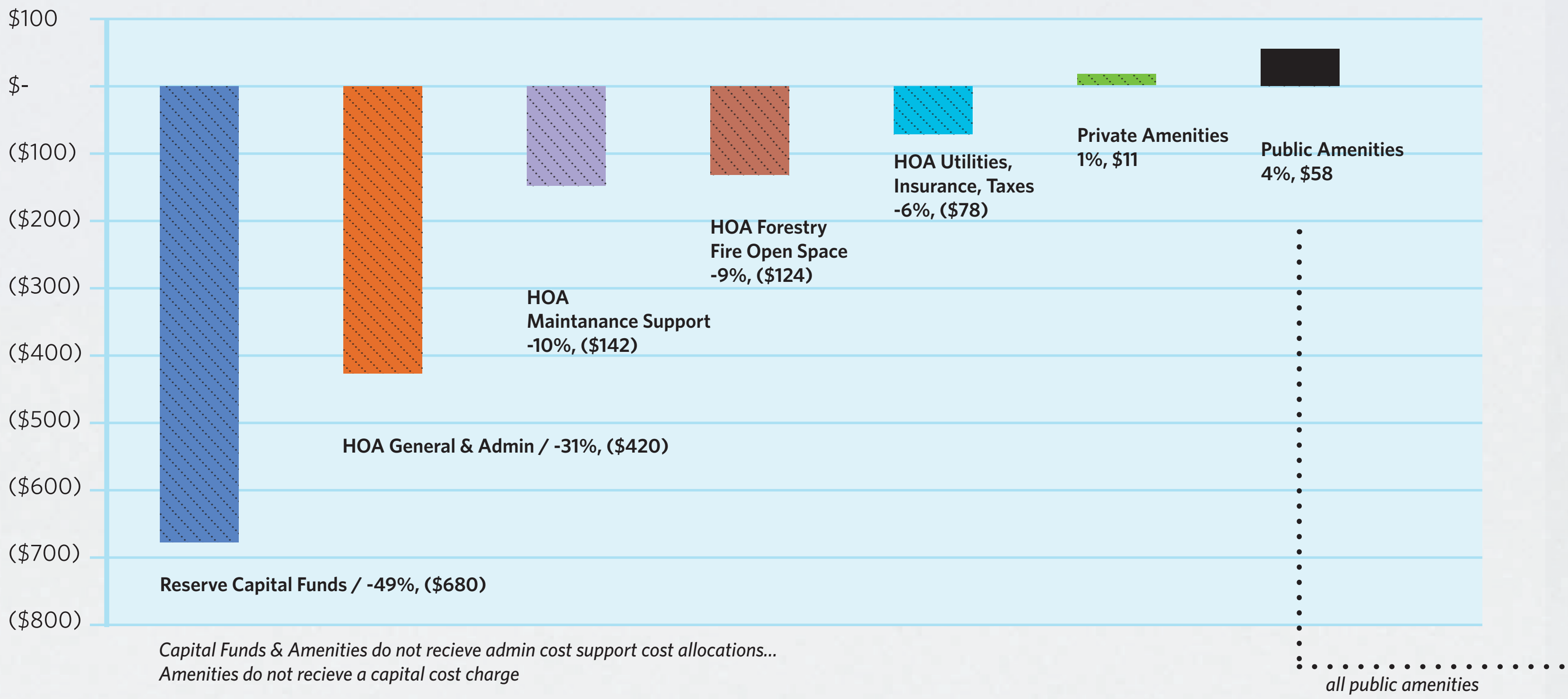
2012 BUDGET REPORT

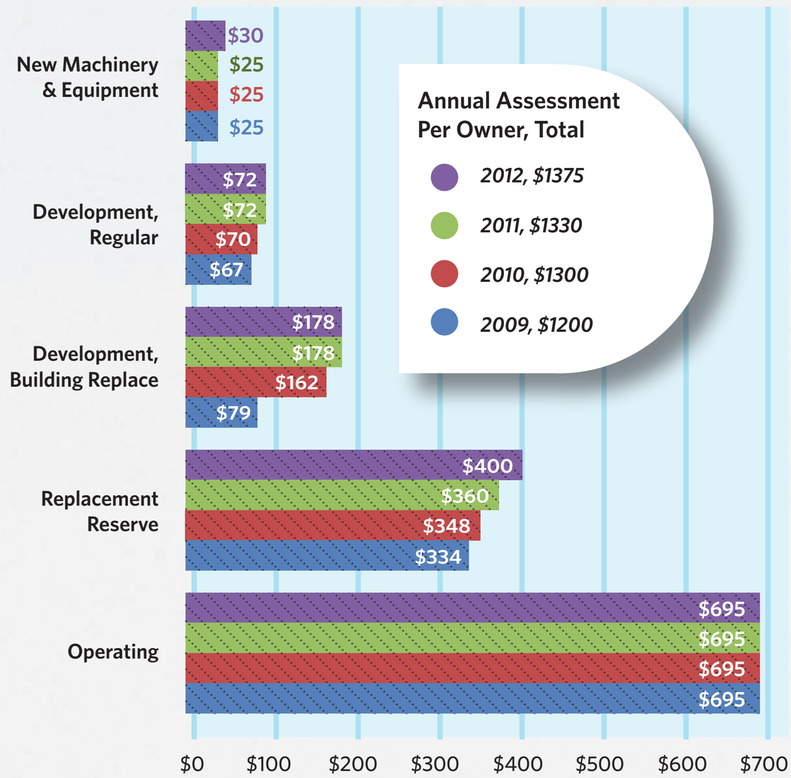
DISTRIBUTION OF 2012 ANNUAL ASSESSMENT OF $1,375 PER OWNER



Capital Funds & Amenities do not recieve admin cost support cost allocations...
Amenities do not recieve a capital cost charge

ANNUAL ASSESSMENT

2012 annual assessment is $1,375 per property owner, an increase of $45 or 3% compared to 2011. *Assessment contribution by fund is illustrated below:*



INTRODUCTION

2012 Annual Assessment of $1375 reflects a $45 or 3% increase over 2011.

- *The $680 Capital funds portion increased $45 to fund future capital needs.*
- *The $695 Operating Fund portion remains unchanged 4 consecutive years.*

2012 Recreation Fee of $225 reflects a $5 or 2% increase over 2011.

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 management, the Board and all owners in protecting our investment in the Association, both for the upcoming 2012 budget year and into the future.**

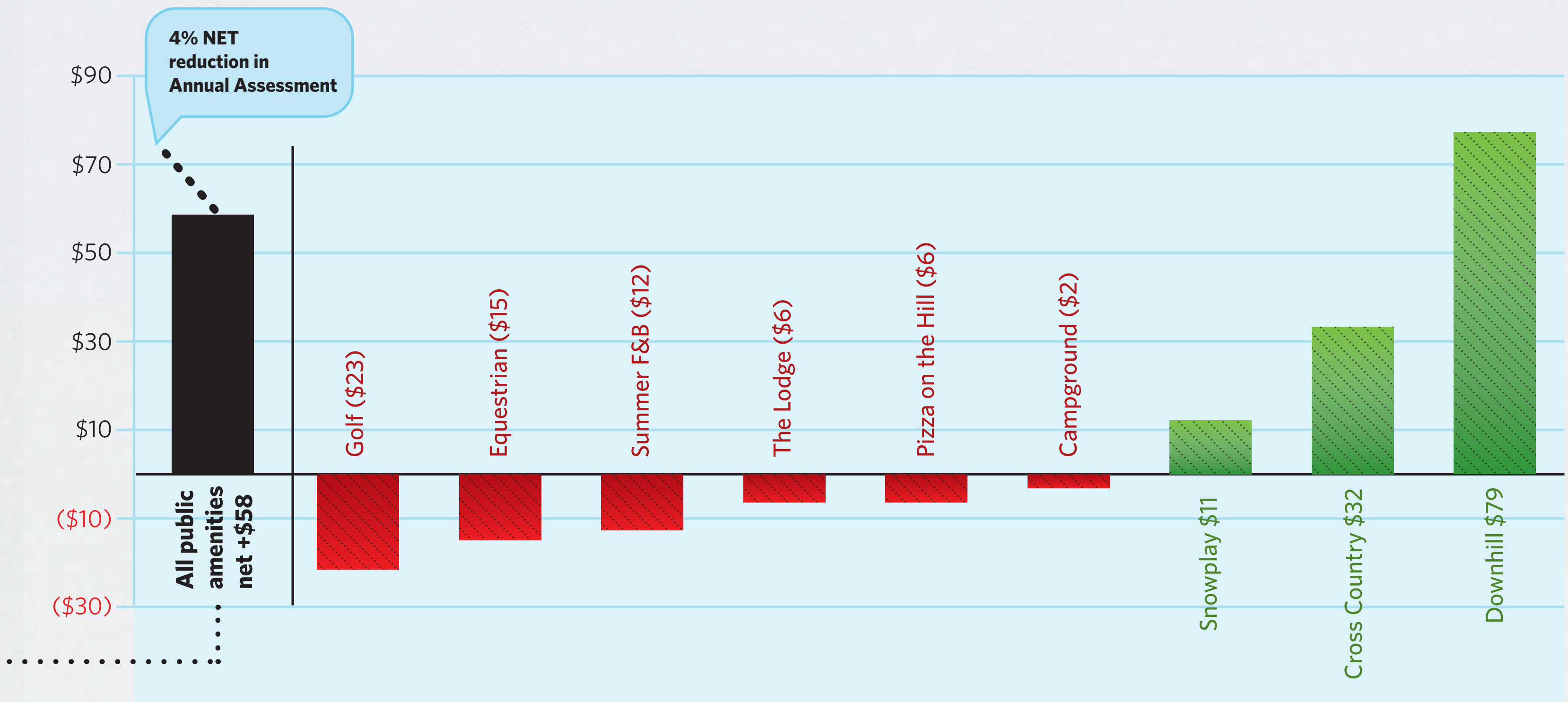
The process begins with general direction from the Board of Directors regarding influential factors, such as the level of service to be provided, new community projects, economic conditions and changes to business operations. Capital and equipment expenditure budgets are formulated to determine the funding 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 2012 Budget approved by the Board is summarized in this report.

Sincerely,

Ron Wulff, Treasurer

Mike Salmon, Director of Finance and Accounting

2012 BUDGET NET OPERATING RESULTS (PER OWNER) FOR PUBLIC AMENITIES



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.

The necessary funding level for operations from the annual assessment is $4,498,000. This represents the shortfall of non-assessment revenue versus operating costs in the Operating Fund budget. Refer to Exhibit 1 on page 6 for budget summary by activity.

IN TOTAL, THE 2012 ASSESSMENT CONTRIBUTION TO OPERATIONS IS $4,498,000 OR $695 PER MEMBER-PROPERTY, CONSISTENT WITH 2008, 2009, 2010 AND 2011.

Operating Revenue Budget of $9.3m, excluding assessment, has increased $490,000 or 6% over the 2011 Budget and represents an increase of $440,000 or 5% over 2011 Forecast. Operating revenues are subject to significant volatility due to weather. Accordingly, we have utilized multi-year averages in establishing volume expectations. Furthermore, with tough economic conditions likely to continue into 2012, we have attempted to be conservative in our revenue projections; while still capturing visitation trends, capital, marketing and price initiatives impacts.

Operating Payroll Budget of $8.8m represents 64% of total operating costs and reflects an increase of 5% to 2011 Budget and an increase of 5% to 2011 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.

Operating Expense Budget of $3.9m represents 28% of our total operating costs and reflects a decrease of 1% to 2011 Budget and a decrease of 4% to 2011 Forecast. For operating expenses, 75% of the total amount falls into eight core categories, as follows: utilities represent $824,000 or 21%, repair & maintenance materials costs represent $600,000 or 16%, insurance represents $361,000 or 9%, forestry contract services represent $300,000 or 8%, government taxes audit and legal costs represent $284,000 or 7%, printing and postage costs represent $195,000 or 5%, credit card merchant fees represent $190,000 or 5%, and fuel costs represent $170,000 or 4%. Management continuously strives to minimize costs, including bidding services and researching vendor options.

Cost of Goods Sold Budget of $1.0m represents 8% of our total operating costs. Cost of Goods Sold represents the wholesale cost of retail, food and beverage product sales. This cost generally fluctuates with sales volumes and management monitors wholesale costs to ensure budget margins are achieved.

For Private Amenities, the Recreation Fee has been increased $5 or 2% to $225. Member and guest daily entry fees to the private amenities remain unchanged for 2012, at $6 and $8 for members and guests, respectively. The private amenity access fee schedule is effective May 1, 2012 through April 30, 2013. The private amenities are budgeted to provide favorable net operating results of $74,000 or $11 per property owner. All of our private amenities continue to experience customer growth, proving to be valued assets for members and their guests.

Our Public Amenities are budgeted to provide favorable net operating results of $374,000 or $58 per property owner (see Chart page 3). The currently approved 2012 user fees, as compared to 2011, generally remain flat for members and modest increases for certain public fees.

Downhill Ski Area is budgeted for $2.8m in revenues, representing 30% of total operating revenue. Downhill is budgeted to generate net operating results of a positive $512,000 or $79 per property owner. Recent past years' capital improvements, particularly a new beginner's surface lift and rental shop remodel, as well as, the continued market niche of 'the place to begin' are projected to continue to produce solid revenue growth and net favorable results.

The Lodge is budgeted for $1.5m in revenues, representing 16% of total operating revenue. The Lodge budget Net Operating Results are a loss of ($42,000) or ($6) per property owner. Retaining current guests and increasing our guests' (you the property owners) frequency and capitalizing on the banquet events business remain core elements of the business plan.

The Golf Course is budgeted for $1.1m in revenues, representing 12% of total operating revenue. This revenue budget is 21% over 2011 Forecast and reflects an increase of 1% to 2011 Budget. 2011 Forecast is considered an anomaly, with the extreme late opening of the course in late June. The budget revenue and rounds are consistent with a 3-year average, 2008 to 2010. Golf operating costs have been reduced where practical, without sacrificing service and course quality. The Golf Course Operations Net Operating Results are a budgeted loss of ($151,000) or ($23) per property owner.

Forestry operations, which include defensible space efforts both in our common areas and throughout residential properties, continue to be a top priority within the HOA portion of the Association budget. Fire-safety inspections of our residential properties and reducing the threat of fire within our borders are regarded as critical elements of our overall fire-safety program. We have also increased our trails maintenance efforts for 2012. Forestry's Net Operating Results budget loss of ($800,000) or ($124) per unit is 6% below last year's budget due to decreased scope of defensible space work, as we near the end of major 1st cycle across the association.

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. Approximately 1,300 individual items are tracked in this plan, with a current replacement value of approximately $32.4 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 2010. Updates are conducted each year and another full review of the plan will be performed in 2013.

ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY

(CA CIVIL CODE SECTION 1365.2.5)

The current regular assessment per ownership interest is $1,375 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 $400 per property for 2012 – an increase of $40 or 11% over 2011. This amounts to a 2012 contribution to the reserve fund of $2,589,000.

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 over the next 30 years.

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 $21,458,781*, based in whole or in part on the last reserve study and update prepared by Hughes Reserves & Asset Management, Inc. as of October, 2011. The projected reserve fund cash balance at the end of the current fiscal year is $5,300,000, resulting in reserves being 25% funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is $5,300,000; this alternate method being the threshold pooling method. This difference ($16m) equates to an estimated $2,497 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 $21.5m 2012, $20.9m 2013, $21.0m 2014, $22.4m 2015, $23.1m 2016, and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is $3.9m 2012, $3.0m 2013, $3.2m 2014, $2.5m 2015, $2.0m 2016, leaving the reserve at 8% funding in 2016. If the reserve funding plan approved by the Association is implemented, the projected reserve fund cash balance in each of those years will be $3.9m 2012, $3.1m 2013, $3.5m 2014, $3.2m 2015, $3.1m 2016, leaving the reserve at 13% funding.

The Replacement Reserve Fund Analysis, Exhibit 3 located at right 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.

Exhibit 3 : Replacement Reserve Fund Analysis

Tahoe Donner Association 2012 Budget	Total Current Replacement Cost	Range of Remaining Life (years)	Range of Useful Life (years)	Allocation of Accumulated funds (12/31/11)	100% Funded Allocation (12/31/11)
Trout Creek, Pools & Recreation	$ 2,111,654	0 to 24	1 to 30	$ 351,257	$ 1,288,798
Marina	610,463	0 to 14	1 to 30	122,381	339,302
Tennis Complex	1,563,746	0 to 20	1 to 30	297,634	900,145
Downhill Ski Area	4,677,098	0 to 29	1 to 30	785,757	2,985,400
Cross Country	1,193,365	0 to 22	1 to 30	200,264	693,369
Equestrian	410,275	0 to 24	1 to 30	79,931	224,656
Golf Complex	6,674,677	0 to 23	1 to 30	1,109,779	4,225,218
Campground	204,125	0 to 16	1 to 30	41,630	119,667
The Lodge	2,762,491	0 to 24	1 to 30	348,150	2,160,695
Pizza on the Hill	444,764	0 to 30	1 to 30	48,094	303,629
Administration/MIS/ADA	3,613,782	0 to 30	1 to 30	603,200	2,322,450
Asphalt Maintenance	4,022,478	0 to 28	1 to 30	607,820	3,321,185
Forestry	975,355	0 to 30	1 to 30	95,233	850,864
General & Building Maintenance	1,895,987	0 to 30	1 to 30	391,801	1,059,134
Vehicle Maintenance	1,198,906	0 to 21	1 to 30	217,069	664,269
Totals	$ 32,359,166			$ 5,300,000	$ 21,458,781

Note: Projected accumulated funds at 12/31/11 equal approximately 25% 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 2012, budgeted reserve expenditures total $4.0m, including carry-over approved projects. The following outlines notable 2012 budget year expenditure budget items:

Asphalt Maintenance, $155,000: Asphalt sealing, striping, overlays, and repairs of 14 locations throughout the Association will total $155,000.

Forestry, $66,000: Includes trails & bridge improvements of $56,000 and picnic tables totaling $10,000.

Administration, $555,000: Includes signage replacements (all entry monuments and directionals) of $413,000, Northwoods Clubhouse HVAC replacements and building staining of $113,000, copier leases $27,000, and radio equipment $2,000.

Campground, $60,000: Includes camp site fixtures for $57,000 and miscellaneous other for $3,000.

Cross Country, $368,000: Includes rental equipment $10,000, signage $39,000, land lease costs $12,000, warming hut repairs $7,000, and snow groomer $300,000.

Downhill Ski Area, $783,000: Includes replacement rental equipment $90,000, building components painting, repaired or replaced $150,000, carpeting and flooring for $108,000, lift maintenance projects for $41,000, snow groomer for $315,000, and signage for $79,000.

Golf Course, $275,000: Includes maintenance mowers and other equipment replacements total of $24,000, golf carts lease $77,000, driving range nets and building $81,000 and course & irrigation items $93,000.

Maintenance and Vehicles, $622,000: Includes building replacement items for major renovation $296,000, bobcat with snow blower attachment replacement $53,000, replace two walk-behind snow blowers $6,000, bus replacement $62,000, dump truck replacement $102,000 and replacement of water truck for $103,000

Marina, $140,000: Includes building & dock repairs, staining and landscaping $52,000, state lands lease $6,000, signage $36,000, and rental equipment $46,000.

MIS, $303,000: Includes payroll system software and hardware $112,000, numerous workstations and related aged hardware and software will be replaced for $64,000, point-of-sale equipment will be purchased for $45,000, server specific hardware and software for $33,000, VOIP equipment and software $37,000 and miscellaneous other equipment $12,000.

Tennis, $189,000: Renovations include court surfaces and fencing for $105,000, signage for $38,000, and furniture and fixtures for $46,000.

The Lodge, $114,000: Replacements totaling $114,000 include new furniture, flooring, building staining, signage, and kitchen equipment.

Trout Creek Recreation Center, $324,000: Includes aerobic and weight room equipment replacements for $80,000, pool deck furniture for $79,000, signage for $47,000, building staining and other repairs $33,000, playground equipment $28,000 and pool and spa related projects totaling $57,000.

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 2012 assessment contribution to the fund totals $194,000, or $30 per property owner, and is an increase of $5 per owner over the 2011 contribution. Fund expenditures are budgeted at $197,000 and include new computer hardware and software, bear box and dog valet stations, and new marina and recreation equipment. The fund is projected to have a 2011 year-end balance of approximately $66,000 after budgeted contributions and expenditures.

Exhibit 1 : 2012 Budget Summary - Operating Fund

TAHOE DONNER ASSOCIATION	Operating Revenue (REV)	Operating Costs Total (OCT)	Net Operating Result (NOR)	#Properties = 6472 Operating Fund 2012 Budget per Property REV	OCT	NOR
Private Amenities						
Trout Creek Recreation Center	$ 816,000	$ (747,300)	$ 68,700	$ 126	$ (115)	$ 11
Beach Club Marina	430,000	(257,200)	172,800	66	(40)	27
Tennis Center	206,000	(208,000)	(2,000)	32	(32)	(0)
Aquatics	189,300	(259,200)	(69,900)	29	(40)	(11)
Rec Programs & Day Camps	214,000	(309,400)	(95,400)	33	(48)	(15)
Total Private Amenities	**1,855,300**	**(1,781,100)**	**74,200**	**287**	**(275)**	**11**
Public Amenities						
Downhill Ski Area	2,755,000	(2,243,400)	511,600	426	(347)	79
Cross Country Ski Area	770,000	(565,200)	204,800	119	(87)	32
Snowplay	140,000	(67,500)	72,500	22	(10)	11
Equestrian	157,000	(251,100)	(94,100)	24	(39)	(15)
Campground	41,300	(54,000)	(12,700)	6	(8)	(2)
Golf	1,140,000	(1,291,000)	(151,000)	176	(199)	(23)
Summer Food and Beverage	155,000	(234,000)	(79,000)	24	(36)	(12)
The Lodge	1,450,000	(1,491,600)	(41,600)	224	(230)	(6)
Pizza on the Hill	288,000	(324,400)	(36,400)	44	(50)	(6)
Total Public Amenities	**6,896,300**	**(6,522,200)**	**374,100**	**1,066**	**(1,008)**	**58**
Total Amenities	**8,751,600**	**(8,303,300)**	**448,300**	**1,352**	**(1,283)**	**69**
Homeowners Association Services & Amenities Support						
General	-	(604,700)	(604,700)	-	(93)	(93)
Marketing & Communications	200,000	(584,300)	(384,300)	31	(90)	(59)
Facility Admin. & Risk Mgmt	-	(231,600)	(231,600)	-	(36)	(36)
Administration	185,000	(620,000)	(435,000)	29	(96)	(67)
MIS	-	(481,900)	(481,900)	-	(74)	(74)
Accounting	1,000	(677,600)	(676,600)	0	(105)	(105)
Human Resources	-	(303,700)	(303,700)	-	(47)	(47)
Architectural Standards Office	54,000	(203,600)	(149,600)	8	(31)	(23)
Member Services	23,400	(217,200)	(193,800)	4	(34)	(30)
Forestry Mgmt, Defensible & Open Space	35,000	(835,000)	(800,000)	5	(129)	(124)
Maintenance	-	(685,100)	(685,100)	-	(106)	(106)
Total Homeowners Association	**498,400**	**(5,444,700)**	**(4,946,300)**	**77**	**(841)**	**(764)**
TOTAL OPERATING FUND	**$ 9,250,000**	**$ (13,748,000)**	**$ (4,498,000)**	**$ 1,429**	**$(2,124)**	**$ (695)**

Exhibit 2 : 2012 Budget Summary - by Fund

TAHOE DONNER ASSOCIATION		2012 Budget		$ per Property (6472)	
Operating Fund					
Beginning Balance, start of year		$ 509,000		$ 79	
Assessment Contribution		4,498,000	*A1*	695	
Net Operating Results		(4,498,000)		(695)	
Operating Fund, year end balance		**$ 509,000**		**$ 79**	
REPLACEMENT RESERVE FUND					
Beginning Balance, start of year		$ 5,300,000		$ 819	
Assessment Contribution		2,589,000	*A2*	400	
Interest Income		10,000		2	
Salvage Receipts		15,000		2	
Income Tax and Other Expense		(3,000)		(0)	
Expenditures for Capital Additions		(3,614,000)		(558)	
Major Repairs, Maintenance & Lease Expenses		(386,000)		(60)	
Replacement Reserve Fund, Year End Balance		**$ 3,911,000**		**$ 604**	
NEW MACHINERY AND EQUIPMENT FUND					
Beginning Balance, start of year		$ 69,000		$ 11	
Assessment Contribution		194,000	*A3*	30	
Expenditures for Capital Additions		(197,000)		(30)	
NM&E Fund, Year End Balance		**$ 66,000**		**$ 10**	
DEVELOPMENT FUND					
Beginning Balance, start of year		$ 4,114,000		$ 636	
Assessment Contribution - Building Replacement	$1,618.000	1,152,000	*A4*	178	$250
Assessment Contribution - Regular		466,000	*A5*	72	
Interest Income		16,000		2	
Income Tax and Other Expense		(1,000)		(0)	
Expenditures for Capital Additions		(2,116,000)		(327)	
Development Fund, Year End Balance		**$ 3,631,000**		**$ 561**	
Development Fund, YE Balance by subfund:					
Recreational Amenities Expansion (restricted) ($0 spend in B'12)		$ 327,000		$ 51	
Building Replacement ($1,710,000 projects spend in B'12)		$ 2,714,000		$ 419	$561
Regular ($406,000 projects spend in B'12)		$ 590,000		$ 91	
Combined CAPITAL FUNDS ACTIVITY -					
Expenditures for Capital Additions		(5,927,000)		(916)	
Major Repairs, Maintenance & Lease Expenses		(386,000)		(60)	
Combined CAPITAL FUNDS ACTIVITY - Total		**$ (6,313,000)**		**$ (975)**	

2012 Annual Assessment Recap:

	2012 Budget		$ per Property
Operating Fund	$ 4,498,000	*(A1)*	$ 695
Replacement Reserve Fund	2,589,000	*(A2)*	400
New Machinery and Equipment Fund	194,000	*(A3)*	30
Development Fund - Building Replacement designated	1,152,000	*(A4)*	178
Development Fund - Regular designated	466,000	*(A5)*	72
Reserve Funds, subtotal	$ 4,401,000		$ 680
2012 Annual Assessment - Total	$ 8,899,000		$ 1,375

Members Equity Beginning Balances are based on Forecasted 2011 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 activites include capitalization of property and equipment purchased and depreciation expense.

2011 EUER VALLEY ACQUISITION

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:

RECREATION PROJECTS

- Euer Valley Bridge
- Downhill Ski Area Enhancements
- New Amenities
- Park Development
- Cross Country Facility Enhancements
- Marina Enhancements
- Open Space

OTHER PROJECTS

- Maintenance Buildings
- Golf Improvements and Restoration
- Fire Trails/Roads Maintenance
- Golf Course Well and Water Storage
- Recreational Vehicle Parking

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 or expanded recreational projects.

Investment earnings are segregated and remain with each of these components of Development Fund. Below discusses key budgeted activities by component of Development Fund for 2012. Refer to Exhibit 2 on page 7 for schedule of funding, expenditures, and balances by component of the Development Fund.

Development Fund - Regular
The 2012 regular annual assessment contribution to the Development Fund totals $466,000, or $72 per member-property. This amount is consistent with the 2011 contribution. Budgeted expenditures from this component for 2012 total $406,000 and include downhill ski parking lot expansion completion for $116,000, storage facilities for $200,000, security systems for $50,000, and quick start tennis court for $40,000. The budgeted ending balance for development fund regular funds is $590,000.

Development Fund – Designated, Building Replacement
The 2012 designated building replacement annual assessment contribution to the Development Fund totals $1,152,000, or $178 per member-property. This amount is consistent with the 2011 contribution. Budgeted expenditures from this component for 2012 total $1,710,000 and include new forestry building completion for $450,000, The Lodge deck expansion and enclosure for $500,000, Cross Country Center building planning and design for $600,000, Downhill Ski building planning and design for $30,000 and capitalized payroll for building planning costs of $130,000. The budgeted ending balance for building replacement funds is $2,714,000.

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 was also credited to this account. In Forecast 2011, $3.0m of RAE funds were expended for the purchase of Euer Valley land. The 2012 Budget has no planned spending of these funds, with a budgeted ending balance for RAE Funds of $327,000.

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. 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 1367.4 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 1366, 1367.1, and 1367.4 of the Civil Code)

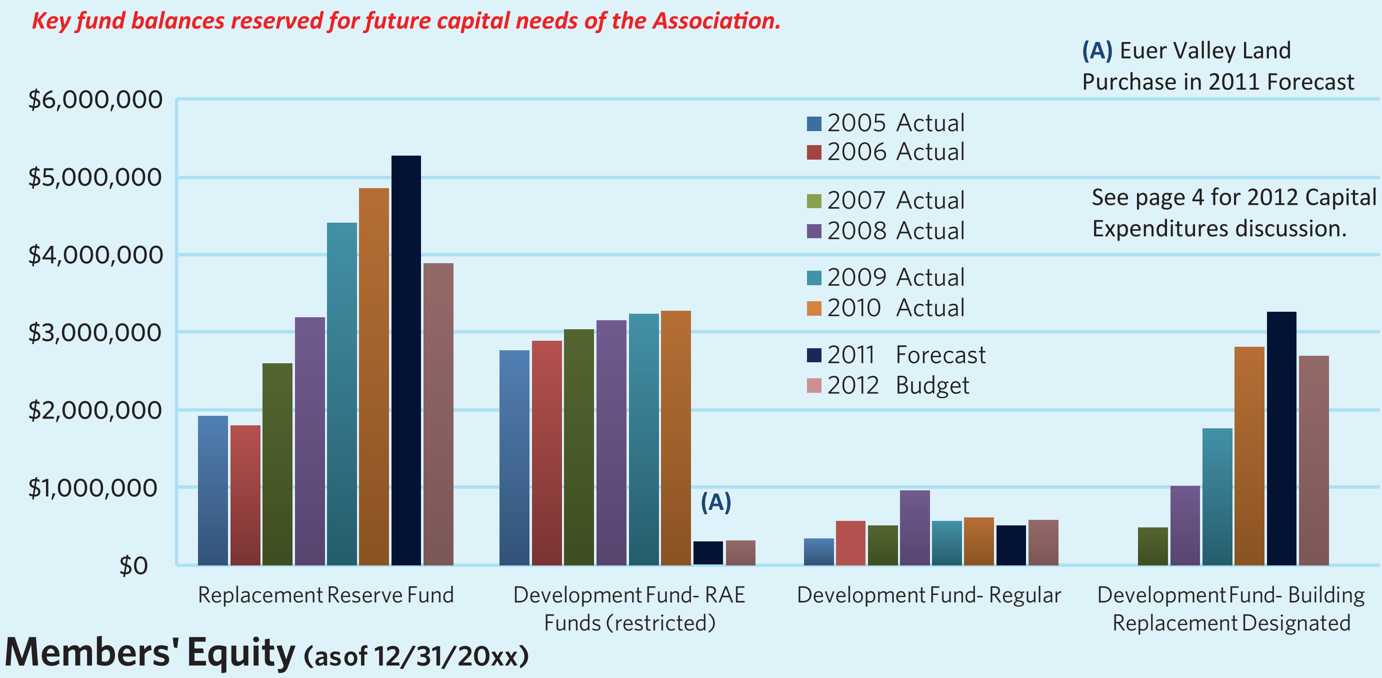
In a judicial or nonjudicial foreclosure, the Association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The Association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged 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)

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)



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 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 DONNER℠

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

Property Insurance Policy:
American Home Assurance Company; Limit – $46,802,340; 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:
American Home Assurance Company; Limit – $1,000,000; General Aggregate – $1,000,000 per occurrence; Deductible – $10,000 per occurrence.

Excess Liability (Umbrella) Policy:
National Union Fire Insurance Co; Limit – $9,000,000; General Aggregate – $18,000,000; Deductible – $10,000 per occurrence.
Additional excess liability coverage over the current Umbrella; Colony National Insurance Co.; Limit – $5,000,000; Aggregate – $5,000,000.

Crime Policy:
American Home Assurance Company; Limit – $500,000; Deductible – $5,000 per occurrence.
Additional excess crime coverage; Travelers Casualty and Surety Company of America; Limit $1,000,000; Deductible – $505,000 per occurrence.

Earthquake and Flood Insurance Policy:
American Home Assurance Company; Limit – $3,000,000 per occurrence; Earthquake Aggregate – $3,000,000; Deductible – $100,000; Flood Deductible – $50,000.

Inland Marine:
American Home Assurance Company; Limit – $1,442,462; Deductible – $5,000 per occurrence.

Directors and Officers Liability Insurance:
Federal Insurance Co.; Limit – $5,000,000; Deductibles – Non-Indemnifiable Loss: None; Indemnifiable Loss: $35,000.

Boiler & Machinery Coverage
American Home Assurance Company: Limit - $43,881,974; Deductibles – $10,000 minimum for compressors, motors, pumps, equipment generating electricity, and property damage: Deductible – $2,500 minimum for consequential spoilage.

Business Automobile
New Hampshire 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 co.

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.

OPERATING REVENUES 2012 BUDGET