



CLUB DONATELLO

***CLUB DONATELLO IS A FOUR-STAR, GOLD CROWN BOUTIQUE OWNERS CLUB
PROVIDING AN INTIMATE AMBIANCE IN THE HEART OF SAN FRANCISCO'S UNION SQUARE***

October 28, 2011

TO: Dear Fellow CDOA Owners

RE: Annual Billing Package for Dues/Capital Contributions – 2012

We are very pleased to announce that there will not be a Dues increase for 2012.

At our Annual Budget Development meeting on September 21st, your CDOA Owners serving on the Financial Management Committee, and our Executive Club Management Team, developed a balanced budget.

This is another very positive step in the ongoing commitment to strengthen the CDOA's Financial Plan as approved back in 2004. In September, via an Action Without A Meeting provision in our ByLaws, your fellow CDOA Owners serving on your Board, approved a balanced budget for the coming year.

The Annual Dues amount will be **\$795 per PIU** (Proprietary Interest Unit) for 2012. However, we are modifying the allocation of these funds so that **\$534 per PIU** will go to the Operating Funds for daily Club Donatello and CDOA operations, and **\$ 261 per PIU** will go to the Reserves/Capital Funds needed for repair and replacement, of our capital assets and equipment, including for the Donatello building under the Master Association – PPCA, of which we have a 31.986% ownership.

There are no other cost increases as part of this balanced budget process. Even though garage parking rates in San Francisco continue to go up, we will maintain the current nightly rate **at the same \$28 that went into effect as of 01/01/10**. Parking at the Donatello will remain one of the lowest in the immediate Union Square area.

The Bonus Time rate, which is for Owners only who have used all of their regular Owners Use Time in their Anniversary Year Cycle, will remain at **\$134 per night**. It is still an excellent deal and another opportunity for our Owners to stay at their Club Donatello throughout the year.

Please note that the due date for your **Dues payment is 12/1/2011** and the **Delinquency Date is 12/16/2011**, so that we can properly collect all of the 2012 Dues before the end of the year, and continue to achieve the financial management goals necessary for the stability of your Club Donatello and its Association. There is a **\$20 "convenience fee"** for Owners paying their Annual Dues by credit card, and **only VISA and MasterCard** transactions can be used for Annual Dues payments.

The Financial Plan adopted by the Board of Directors in mid-2004 is updated to reflect the ongoing improvements we have been aggressively working on since its adoption. Those Goals are:

1. That our Dues and internal income amounts would fully cover all annual operating costs for a full year, without any advancing of funds from future year Dues, the Reserves, or external lending entities. That any surplus of revenue over expenses, other than Dues during the year, goes directly into our Reserves.
2. That our Reserves funding level would be at the highest level recommended by our external Reserves analysis company, which is the Component Funding Model, as compared to the lowest level, which is the Current Assessment Funding Model.
3. That our Annual Dues would still be in a competitive position with other comparable timeshare properties in San Francisco, including the Donatello units owned by Shell Vacations Club and the SOA-West entity in the same building.

Attached is a series of informational pieces that are mandatory for this Annual Billing Package. Some are simply additional information for your awareness. We want our Owners to be the best informed possible.

Special Incentive for early payments – For the first 1,000 Owners who pay their 2012 dues before November 15th, you will receive a special certificate through the San Francisco Exchange (SFX) for a FREE 1-week stay in a studio unit worth approximately \$1,200 at any of the Grand Mayan resorts in Mexico. This will include placement at any of the Grand Mayan resorts, located in San Jose del Cabo, Nuevo Vallarta, Acapulco or Rivera Maya (Cancun). This is subject to space availability and major holidays are not included.

The certificate from SFX will be good for 1-year (2012 year), and must be used during that period of time. Please note that it may be given to a family or friend, so that you do not have to use it personally. Your name will be required by SFX when it is being booked for use through SFX for the stay at the resort property.

Online and 1-800 telephone bookings with SFX are complimentary to CDOA Owners for this incentive. Please note that the CDOA is not responsible in any way for the resort accommodations you receive, nor the trip and transportation that you use, nor the services provided by SFX, as this is a totally separate operation from the CDOA.

This is being tried as a pilot program this year, and is based on a completely voluntary offer made by Mel Grant, President & CEO of the SFX organization, while he was attending our Annual Owners Meeting in May 2011.

To see full details of this Special Offer, please go to www.sfx-resorts.com/sfxpromo

Enter Promo Code: Donatello2012

We also need more of our Owners to sign up for the Electronic Authorization Form process to receive all of your CDOA communications and voting documents electronically, as this can potentially **save our Association over \$25,000 every year**. Please sign up today! Thanks!

Sincerely,



Daryl Clark,
President & CEO



***CLUB DONATELLO IS A FOUR-STAR, GOLD CROWN OWNER'S CLUB
PROVIDING AN INTIMATE AMBIANCE IN THE HEART OF SAN FRANCISCO'S UNION SQUARE***

October 28, 2011

RE: SUPPLEMENT - ANNUAL BILLINGS STATEMENTS FOR 2012

As noted in the cover letter to this **2012-Annual Billings** package, there will **NOT** be a Dues increase this year.

For 2012, the Annual Dues amount for each PIU is **\$795.00**, of which **\$261.00** is allocated for Reserves and **\$534.00** for Operating Expenses.

December 1, 2011, is the due date, and any payments **received after December 15, 2011**, will be delinquent and subject to additional fees and charges as noted in the attached detailed documents.

Attached you will find the following documents for your review in conformance with the **CDOA CC&Rs Article V -ASSESSMENTS AND PERSONAL CHARGES**, and **Section 5.11 - Collection of Assessments and Enforcement of Liens and ByLaws Article IX – OTHER REQUIRED DISCLOSURES TO MEMBERS:**

- 1. A summary of the pro forma Operating CDOA Budget for 2012, and summary of the estimated 2012 Income and Expenses (Accrual Method)**
- 2. A summary of the CDOA's Reserves based upon the most recent independent review/study and a copy of our independent CPA Financial Review Report for the Year ending 2010**
- 3. A statement as to whether the Board of Directors has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate Reserves**
- 4. A general statement setting forth the procedures used by the Board of Directors in calculating and establishing Reserves**
- 5. An annual statement regarding Assessment Collection Policy and Notice of Assessments and Foreclosure**
- 6. A Notification to Members Regarding Insurance Coverage**
- 7. A Statement Regarding Association and Owner Dispute Resolution Procedures**
- 8. A Notice Regarding Assessments and Foreclosures (Section 1365.1 CA Civil Code)**

1. Summary of the pro forma Operating Budget for 2012, and summary of the estimated 2012 Income and Expense (Accrued Method)

INCOME:

DUES ASSESSMENTS AND CAPITAL RESERVES:	
DUES	\$1,225,530
CAPITAL RESERVES	\$598,995
TOTAL DUES AND CAPITAL RESERVES ASSESSMENTS	\$1,824,525
CHARGE INCOME (1)	\$738,359
TAXABLE INCOME SALES (2)	\$25,100
OTHER INCOME (3)	\$124,770
TOTAL INCOME	<u>\$2,712,754</u>

EXPENSES:

SALARIES AND BENEFITS	\$1,208,455
ROOM EXPENSE	\$399,496
OTHER EXPENSES (4)	\$42,000
ADMINISTRATION & GENERAL COMMON AREA (PPCA)	\$188,865
	\$542,491
REPAIR AND MAINTENANCE	\$55,160
CAPITAL ASSETS PURCHASES	\$276,287
TOTAL EXPENSES	<u>\$2,712,754</u>

- (1) Includes: Room Rentals, Parking and Telephone
- (2) Includes: Sales of Minibar, Club Souvenirs, Minibar Reimbursements and Other Taxable Sales
- (3) Includes: Interest, Late Fees and Transfer Fee
- (4) Includes: Parking, Allowance for Delinquency and Disaster Relief Fund

Civil Code Section 1365(a) permits a summary of the operating budget to be furnished to the member with a written notice that the pro forma operating budget is available at the business office of the association, and that copies will be provided upon request and at the expense of the association. If any member requests that a copy of the pro forma operating budget be mailed to the member, the association shall provide the copy to the member by first-class United States mail at the expense of the association and delivered within five days. This notice complies fully with the Civil Code, as does the Summary of the Operating Budget for 2012, as provided above.

Electronic Distribution of Documents (AB 899). Current law allows an association to electronically distribute certain documents to any member who has agreed to that method of delivery. Those documents are the Notice of Proposed Rule Changes, the Notice of Adopted Rule Changes and the Notice of The Results of An Election to Reserve A Rule Change (Civil Code §§1357.130 and 1357.140).

2. A summary of the CDOA's Reserves based upon the most recent independent Reserves review/study and a copy of our independent CPA Financial Review Report for 2012

Attached is the latest California Summary Report as prepared for the CDOA, by the independent Applied Reserve Analysis, LLC, firm based on their most recent Club Donatello off-site study and evaluation, which was completed in February 2011, for the fiscal year beginning January 1, 2012.

The latest detailed report they have prepared for the CDOA is available for review on request at the Club Donatello Administrative Office and is made up of 3 significant sections of information. These include a Current Assessment Funding Model, a Threshold Funding Model, and a Component Funding Model, with each having a separate calculation of the monthly amount required per PIU for funding of our Reserves.

From January – September 2011, the CDOA invested 602,662.05 in Repairs & Maintenance, Capital Assets & Purchases including PPCA Capital/Reserves Expenses for the Donatello building and its operations.

This Reserves management process is an integral part of the scheduled commitment in the long-term 5-7 year financial plan approved and implemented by your Board of Directors as of 1/1/05, to fully restore and rebuild our Reserves to the highest levels recommended by the independent Reserves Study organization.

The CDOA will schedule its next Reserve Study during the 1st quarter of 2012, and a summary report will be provided on the CDOA WEB site at www.clubdonatello.org following completion of that Reserve Study, and copies will be available at the next **Annual Owner's Meeting on Tuesday, June 5, 2012.**

The attached 1-page summary opinion letter from our independent CPA firm is provided covering the FINANCIAL REVIEW REPORT for 2010.

LarsonAllen[®] LLP

CPAs, Consultants & Advisors
www.larsonallen.com

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Club Donatello Owners Association
San Francisco, California

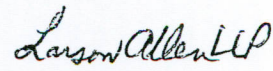
We have reviewed the accompanying balance sheet of Club Donatello Owners Association (the "Association") as of December 31, 2010, and the related statements of revenues and expenses, changes in fund balances and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles in the United States of America.

The supplementary information about future major repairs and replacements on pages 10 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have compiled the supplementary information from information that is the representation of management of Club Donatello Owners Association, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.


LarsonAllen LLP

Blue Bell, Pennsylvania
May 19, 2011

3. A statement as to whether the Board of Directors has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component, or to provide adequate Reserves.

The CDOA Board of Directors determined as part of its several last quarterly meetings the following:

That based on our review of the conditions of the CDOA's capital assets, equipment and the progress of our long-term financial recovery and strengthening plan for Reserves funds as used in prior years;

- the latest CDOA Reserves Study reports for 2010-2011 and beyond;

- the ongoing analysis and recommendations as received from our Financial Management Committee, and the Club Management Team on the effective use of Reserves funds for replacement of operating equipment in our Club Rooms, Club offices, and PPCA-related projects in the Donatello building;

There is projected to be adequate Reserves in place and scheduled for receipt as part of the 2012 Dues and the increased portion for Reserves funds, to cover the repairs, replacements, upgrading and/or restoration of major components within the purview of the CDOA, and/or to which the CDOA is an obligated party with the PPCA (Master Association) requirements during 2012.

In addition, the Board of Directors has determined that adequate Reserves may not be in place for all of the future needs and requirements of the building, and/or maintaining higher levels of Reserves for funding ratios, and/or such future projects as a total Club Room Renovations Project, or a PPCA HVAC total system replacement in the Donatello building.

However, the CDOA Board of Directors does not believe that a special or emergency assessment will be required at this time. This belief is due to the significant progress we have made with the long-range financial management plan of action that was undertaken in mid-2004, and which is currently ahead of schedule for achievement.

4. A general statement setting forth the procedures used by the Board of Directors in calculating and establishing Reserves.

Since 1994, the Board of Directors has relied annually on the professional, independent analysis of an external company specializing in Reserves Study analysis and reporting. That company is APPLIED RESERVE ANALYSIS, LLC, 4040 Civic Center Drive, Suite 200, San Rafael, CA 94903, telephone # 1.800.500.8505.

This company has conducted several onsite and in-depth analysis of both the Club Donatello and the Pacific Plaza Condominium Association here in the Donatello building. They have counted and digitally captured all of our capital assets, equipment, furnishings, operating systems, and related capital components, as part of their comprehensive services. Copies of each years report for the prior years, and the latest year of 2012 are available on request.

During the second quarter of 2011, they conducted the Reserves Study and provided their analysis and detailed backup support documentation to the CDOA. The latest California Summary Statement is attached for your reference.

The Board of Directors reviews this information quarterly during the year and oversees the management of the financial resources necessary to ensure that adequate Reserves are being accumulated, and/or utilized for the necessary repairs and replacements of capital assets and operating systems and their components regularly each year.

The Board of Directors also relies on the ongoing updated reports received from the Executive Club Management Team regarding the life expectancy, replacements, refurbishments, and/or repairs process necessary for all capital assets within the Club Donatello rooms, office/storage areas, and throughout the Donatello building, for which we have a shared ownership responsibility with the PPCA. The biweekly Management Team meetings address this issue on a consistent basis.

The Executive Club Management Team provides quarterly reports to the Board of Directors, and to the Owners serving on the Financial Management Committee, and the Risk Management Committee. These are the 2 primary working groups of Owners who are involved with the financial, safety/security, insurances and overall appearance and presentation of the Club Donatello for our Owners and Guests.

Club Donatello Owners Association
ARA-LLC • CDOA Report Information

Club Donatello Owners Association

This report has used the following information:

1. Club Donatello Owners Association contributes 31.986% (45 units x 0.7108%) to Pacific Plaza Condominium Association's reserve funds to maintain the common area.
2. Club Donatello Owners Association transfers funds annually, 30 days after the due date for dues and capital allocation collections, to the reserve account to maximize the ROI investments.
3. Club Donatello Owners Association has 45 units available for 51 weeks (2,295 unit-weeks).
4. Club Donatello Owners Association currently assesses \$261 for each of the 2,295 unit-weeks. This is a total of \$598,995. This assessment is reviewed annually by the board and is subject to change.
5. Club Donatello Owners Association's original CC&Rs are dated August 1984 and were last amended on August 19, 2011.
6. Club Donatello Owners Association is solely responsible for the interiors of all rooms on the 11th, 12th, and 14th floors, except for unit 1402.
7. The maintenance of all fan coil units is the responsibility of Pacific Plaza Condominium Association.
8. Club Donatello Owners Association units include the following: 11th floor, 1101, 1102, 1103, 1104, 1105, 1106, 1107, 1108, 1109, 1110, 1111, 1112, 1114, 1115, 1117, and 1119; 12th floor, 1201, 1202, 1203, 1204, 1205, 1206, 1207, 1208, 1209, 1210, 1211, 1212, 1214, 1215, 1217, and 1219; and 14th floor, 1401, 1403, 1405, 1407, 1408, 1409, 1410, 1411, 1412, 1414, 1415, 1417, and 1419.

Club Donatello Owners Association
San Francisco, California
ARA-LLC • Current Assessment Funding Model • Summary

Report Date	May 03, 2011
Account Number	6582
Version	18.0
Budget Year Beginning	January 01, 2012
Budget Year Ending	December 31, 2012
Total Units	2295
Phase Development	3 of 3

<i>Report Parameters</i>	
Inflation	3.00%
Annual Assessment Increase	3.00%
Interest Rate on Reserve Deposit	1.50%
Tax Rate on Interest	0.00%
Contingency	3.00%
2012 Beginning Balance	\$439,879

Actual (Current Assessment) Funding Model (AFM)

- This association is located at the intersection of Post Street and Mason Street in the City of San Francisco, California
- Unless otherwise indicated, we have used July 1984 as the average placed-in-service date to begin aging the original components examined in this analysis.
- Annually, 30 days after the deadline for dues and capital allocation collections, the association transfers funds to the reserve account.
- At the client's request, we have used the following parameters: Interest Rate on Reserve Deposits = 1.5%; and Tax Rate on Earned Interest = 0%.
- The last Applied Reserve Analysis, LLC field inspection was completed on March 6, 2008
- The December 31, 2011 estimated reserve balance was determined as follows:

Reserve Balance as of 01/31/2011	1,088,639.95
Anticipated reserve expenditures to 12/31/11	<u>-648,760.00</u>
Projected 12/31/11 reserve balance	\$439,878.95

Club Donatello Owners Association
ARA-LLC • Current Assessment Funding Model • Owners' Summary

Annual Reserve Calculations

Description	2007	2008	2009	2010	2011	2012
General Liability Insurance				\$17,187	\$18,067	
Reserve Study				\$ 2,268	\$2,400	
Labor				\$2,708		
Linen Replacement	\$16,425	\$11,925			\$15,000	
Maint & Engineering	\$56,148	\$58,097	\$46,281	\$44,002	\$46,500	
Painting			\$173	\$470	\$6,800	
Drapery & Carpet Cleaning				\$965		
Office Equipment				\$398	\$530	
PPCA R&M Expense	\$67,110	\$73,874	\$70,193	\$71,552	\$75,299	
PPCA Landscaping				\$13,146	\$14,202	
PPCA Capital Expense	\$90,256	\$63,972	\$84,091	\$93,398	\$84,337	
PPCA Utility				\$152,843	\$153,502	
R&M				\$1,411		
A/C Capital Assets	\$318	\$982		\$5,009	\$15,000	
Telecom/Pagers/Cell	\$1,434			\$4,233		
Office Software/Hardware			\$1,800		\$2,123	
Room Equipment	\$3,071		\$1,848	\$10,182	10,000	
Renovation Cost	\$1,557	\$12,578	\$2,092	\$2,510	\$205,000	
Annual Actual Cost	\$236,319	\$221,428	\$206,305	\$422,272	\$648,760	
Annual Actual Cost (Adj for Inflation)	\$244,590	\$229,590	\$213,526	\$437,052	\$671,466	
Average Annual Cost (Adj for Inflation)						\$359,162

- **NOTE:** This reserve analysis study is provided as an aid for planning purposes and not as an accounting tool. Since it deals with events yet to take place, there is no assurance that the results enumerated within it will, in fact, occur as described. A reserve analysis, to remain accurate, should be updated on an annual basis to reflect such changes as shifts in economic parameters, the addition of assets or phases, or the expenditure of reserve funds.

AFM Model Summary of Calculations

Annual Reserve Assessment Required	\$610,470.00
<i>\$266 per unit per annually</i>	
Average Net Annual Interest Earned	<u>\$ 10,367.80</u>
Total Annual Allocation to Reserves	\$620,837.80
<i>\$270.51 per unit annually</i>	

Club Donatello Owners Association

ARA-LLC * Current Assessment Funding Model /30 Year Projection/Owner's Summary

Beginning Balance: \$439,879

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditure	Projected Ending Balance	Fully Funded Reserves	Percent Fully Funded
2012	359,162.00	610,470.00	10,368.00	359,162.00	701,555.00	381,035.00	184%
2013	369,937.00	628,784.00	14,406.00	369,937.00	974,808.00	392,466.00	248%
2014	381,035.00	647,648.00	18,621.00	381,035.00	1,260,042.00	404,240.00	311%
2015	392,466.00	667,077.00	23,020.00	392,466.00	1,557,673.00	416,367.00	374%
2016	404,240.00	687,089.00	27,608.00	404,240.00	1,868,130.00	428,858.00	435%
2017	416,367.00	707,702.00	32,392.00	416,367.00	2,191,857.00	441,724.00	496%
2018	428,858.00	728,933.00	37,379.00	428,858.00	2,529,311.00	454,976.00	555%
2019	441,724.00	450,801.00	42,576.00	44,174.00	2,880,964.00	468,625.00	614%
2020	454,976.00	773,325.00	47,990.00	454,976.00	3,247,303.00	482,684.00	672%
2021	468,625.00	796,525.00	53,628.00	468,625.00	3,628,831.00	497,164.00	729%
2022	782,684.00	820,421.00	59,499.00	482,684.00	4,026,066.00	512,079.00	786%
2023	497,164.00	845,033.00	65,609.00	497,164.00	4,439,544.00	527,442.00	841%
2024	512,079.00	870,384.00	71,968.00	512,079.00	4,869,817.00	543,265.00	896%
2025	527,442.00	896,496.00	78,583.00	527,442.00	5,317,455.00	559,563.00	950%
2026	543,265.00	923,391.00	85,464.00	543,265.00	5,783,044.00	576,350.00	1003%
2027	559,563.00	951,092.00	92,619.00	559,563.00	6,267,192.00	593,640.00	1055%
2028	576,350.00	979,625.00	100,057.00	576,350.00	6,770,525.00	611,449.00	1107%
2029	593,640.00	1,009,014.00	107,788.00	593,640.00	7,293,687.00	629,793.00	1158%
2030	611,449.00	1,039,284.00	115,823.00	611,449.00	7,837,345.00	648,687.00	1208%
2031	629,793.00	1,070,463.00	124,170.00	629,793.00	8,402,186.00	668,147.00	1257%
2032	648,687.00	1,102,577.00	132,841.00	648,687.00	8,988,917.00	688,192.00	1306%
2033	668,149.00	1,135,654.00	141,846.00	668,147.00	9,598,270.00	708,837.00	1354%
2034	688,192.00	1,169,724.00	151,197.00	688,192.00	10,230,999.00	730,102.00	1401%
2035	708,837.00	1,204,815.00	160,905.00	708,837.00	10,887,882.00	752,005.00	1447%
2036	730,102.00	1,240,960.00	170,981.00	730,102.00	11,569,721.00	774,566.00	1493%
2037	752,005.00	1,278,189.00	181,439.00	752,005.00	12,277,342.00	797,803.00	1538%
2038	774,566.00	1,316,534.00	192,290.00	774,566.00	13,011,601.00	821,737.00	1583%
2039	797,803.00	1,356,030.00	203,547.00	797,803.00	13,773,376.00	846,389.00	1627%
2040	821,737.00	1,396,711.00	215,225.00	821,737.00	14,563,576.00	871,780.00	1670%
2041	846,389.00	1,438,613.00	227,337.00	846,389.00	15,383,136.00	897,934.00	1713%

5. Assessment Collection Policy

Because the Association is responsible for managing, maintaining and repairing the common areas, timely payment of assessments is extremely important to the operations of the Association. Owners' failure to pay assessments when due creates a cash-flow problem for the Association and disrupts operations. As a result, the Board has adopted the following policies for the collection of delinquent assessments.

Assessment Due Date. The regular annual assessment is due and payable on **December 1, 2011**. Any Dues payments not received at the Club Donatello Administrative Office on or before close of business on **December 15, 2011**, are classified as Late, and will then include the following charges:

*As of **December 16, 2011**, a 10% delinquent Assessment Fee of **\$79.00***

*As of **January 2, 2012**, an initial **\$150** Administrative Collection Fee will be added for each PIU that remains Delinquent*

*As of **February 6, 2012**, an additional **\$75** Administrative Collection Fee will be added for each PIU that remains Delinquent.*

Article V –Section 5.11 – Collection of Assessments and Enforcements of Liens.

- (a) ***Delinquent Assessments.*** If any installment payment of Basic Assessment or lump sum or installment payment of any Special Assessment or personal Charges assessed to any Owner is not paid within fifteen (15) days after the same becomes due, such payment shall be delinquent and the amount thereof may, at the Board's election, bear date until the same is paid. In addition to the accrual of interest, the Board of Directors is authorized and empowered to promulgate a schedule of reasonable late charges for any delinquent Assessments, subject to the limitations imposed by California Civil Code sections 1366 (c) and 1366.1 or comparable successor statutes.

In addition to the above, any assessment payment not paid by **December 31, 2011** will accrue interest at the rate of ten percent (10%) per annum. Interest will thereafter continue to accrue both on the delinquent assessment as well as on any unpaid Assessment Fees then or thereafter assessed because of continued nonpayment of the assessment.

Liability for Collection Costs. All late charges, interest, attorneys' fees, and collection costs incurred by the Association will be added to the owner's account and will become the liability of the owner.

Enforcement Rights. Assessments are the separate debt of owners. In addition to any other rights provided for by law or described in the Association's CC&Rs, Bylaws or other governing documents, the Board has the right to collect delinquent assessments as follows:

1. **File Suit.** The Association may commence and maintain a lawsuit directly on the debt without waiving its right to establish a lien and initiate foreclosure against the owner's Unit for the delinquent assessment. In any action to collect delinquent assessments, late charges or interest, the prevailing party will be entitled to costs and reasonable attorneys' fees. If such costs and fees are awarded to the Association, they will become a reimbursement special assessment against the owner.

2. **Lien and Foreclosure.** The Association may file a lien against the owner's Unit for the amount of the delinquent assessment together with any late charges, interest, costs, attorneys' fees and penalties. The Association, through its Board, may bid on the Unit at the sale, and may hold, lease, mortgage, and convey the acquired Unit.

3. **Additional Remedies.** The remedies described above are in addition to and not in substitution of any other rights and remedies the Association may have.

#5 Assessment Collection Policy - Continuation

Lien and Nonjudicial Foreclosure. Upon any assessment becoming delinquent and prior to the recordation of a lien, the Association will use the following procedures

1. **Notice of Delinquency.** A notice will be mailed to the owner via regular and certified mail to pay the account in full or a lien will be recorded against the owner's property. Included in the notice will be:

A copy or summary of this collection policy;

The method of calculation of the amount owed;

A statement that the owner has the right to inspect the Association records, pursuant to Section 8333 of the Corporations Code;

An itemized statement of the charges owed by the owner, including items on the statement which indicate the amount of any delinquent assessments, the fees and reasonable costs of collection, reasonable attorney's fees, any late charges and their method of calculation, and interest, if any;

A statement that the owner shall not be liable to pay the charges, interest, and costs of collection, if it is determined the assessment was paid on time to the association; and

The owner's right to request a meeting with the Board to discuss a payment plan.

Recording of Lien. If the owner fails to bring the account current, a lien will be recorded against the owner's property.

Notice of Lien. Within ten (10) days following recordation of the lien, a copy of the lien will be mailed to all owners of record for that property as provided for in Section 2924b of the Civil Code.

Foreclosure. Thirty (30) days following recordation of the lien, foreclosure may begin. In lieu of foreclosure, or concurrently, a lawsuit may be filed against the owner personally if the Board concludes such action is in the best interests of the Association.

Returned Checks. Returned checks are subject to a **\$30.00** service fee.

No Offsets Allowed. As required by law, owners may not offset payment of their assessments for any reason.

Crediting Payments. Any payments received will be credited to the outstanding balance in the following order: special assessments, reimbursement special assessments, regular assessments, monetary penalties and fines for rules violations, late charges, attorneys' fees and costs, and interest.

Attorneys' Fees. If a lawsuit or foreclosure action is initiated by the Association to recover assessments, the Association is entitled to recover not only the amount in default but also reasonable costs of collection, including title company charges and attorney fees as provided for by statute as well as the Association's CC&Rs, Bylaws or other governing documents.

Notice of Assessments and Foreclosure. The statutorily required Notice of Assessments and Foreclosure is as follows:

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. You may wish to consult a lawyer if you dispute an assessment.

6. A Notification to Members regarding Insurance Coverage

The following insurance policies are identified, with the Named Insured, Summary of Coverage, and Deductibles. The Club Management Team and one of our CDOA Owners specializing in such insurance have reviewed these policies. **It has been confirmed that the CDOA is operating in conformance with the requirements of the CDOA's CC&R's and Bylaws provisions governing insurance coverage for the CDOA.**

(a) CDOA - Property & General Liability Commercial Coverage – Scottsdale Insurance Company – Policy #127623FO, \$750,000 on contents, including Theft. Deductible at \$1,000 per loss. \$2,750,000 for Business Interruption and Extra Expense with no Deductible. General Liability, including Products, Completed Operations and Personal and Advertising Liability \$1,000,000 each occurrence and \$2,000,000 general aggregate. \$1,000,000 for Non-Owned and Hired Auto Liability. Policy Term is from January 1, 2011 to January 1, 2012.

(b) CDOA- Workers' Compensation Insurance – Guard Insurance Group Policy # CLWC238499

Part One of this policy applies to the Workers' Compensation Law of the state of California.

Employers Liability Insurance – Part Two of this policy applies to work in the state of California. The limits of our liability under Part Two are:

Bodily Injury by Accident – Each Accident	\$1,000,000
Bodily Injury by Disease – Each Employee	\$1,000,000
Bodily Injury by Disease – Policy Limit	\$1,000,000

The Policy Period is from January 1, 2011 to January 1, 2012, 12:01AM, standard time at the insured's mailing address. The Premium Basis and, therefore, the premium will be determined by our Manual of Rules, Classifications, Rates, and Rating Plans. All required information is subject to verification and change by audit.

(c) CDOA- Commercial Excess Liability Coverage – National Union Fire – Policy #145209654 \$5,000,000 for Umbrella Liability Policy in excess of Primary Limits on General Liability, Automobile Liability and Employers Liability with a \$10,000 Retained limit on any claim not covered by the Underlying. Policy term is from January 1, 2011 to January 1, 2012.

(d) CDOA - Directors & Officers Liability – National Union Fire Insurance Company, Policy No. 069858958, Policy Period January 1, 2011 to January 1, 2012. Coverages are \$3,000,000 Each Loss and Aggregate Limit of Liability (Inclusive of Defense Costs) \$1,000,000 Additional Defense Costs Outside of the Limits \$1,000,000 with no additional premium, \$5,000 Deductible. Policy also provides Employer Practices Liability with a \$10,000 retention. The policy is written on a 2 year term on an annual basis.

(e) CDOA- ERISA Bond – Hartford Insurance Company, Limit of \$50,000. Bond 457BDDEL6987. Policy Term is from January 1, 2010 – January 1, 2013.

(f) CDOA- Commercial Crime – Great American Insurance Company. Policy #55438217671-0 with a policy period of January 1, 2011 to January 13, 2012; \$50,000 Occurrence with a \$1,000 deductible.

This summary of the CDOA's policies of insurance provides only certain information, as required by subdivision (e) 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 CDOA's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the CDOA maintains the policies of insurance specified in this summary, the CDOA's policies of insurance may not cover your property, including personal property or personal injuries or other losses that occur within or around the property. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. CDOA members should consult with their individual insurance broker or agent for appropriate additional coverage.

7. A Summary of Dispute Resolution Procedures (Sections 1369.50 and 1363.840, California Civil Code)

1. This policy applies to a dispute between the Association and a member involving their rights, duties, or liabilities under the Davis-Stirling Act, under the provisions of the Corporations Code relating to mutual benefit corporations (commencing with Corporations Code Section 7110), or under the Associations governing documents.
2. Either party to a dispute within the scope of this article may invoke the following procedure:
 - A. The party may request the other party to meet and confer in an effort to resolve the dispute. The request shall be in writing.
 - B. A member of the Association may refuse a request to meet and confer. The Association may not refuse a request to meet and confer.
 - C. The Association's Board of Directors shall designate a member of the Board to meet and confer.
 - D. The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute.
 - E. A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the Board designee on behalf of the Association.
3. A member of the Association will not be charged a fee to participate in the process.

ALTERNATIVE DISPUTE RESOLUTION **(Summary of Civil Code 1369.510-1369.590)**

Sections 1369.510 to 1369.590 of the Civil Code require that before owners and Associations file lawsuits against each other for declaratory relief or injunctive relief in connection with a claim for money damages under \$5,000 or for enforcing the Associations governing documents, the filing party shall endeavor to submit the dispute to alternative dispute resolution (ADR). Forms of ADR include mediation, negotiation, and binding or nonbinding arbitration. This provision does not apply to the filing of cross-complaints.

The ADR process is initiated by one party serving a Request for Resolution upon the other parties to the dispute. The request must include (i) a brief description of the dispute, (ii) a request for ADR, (iii) a notice that a response must be received within thirty (30) days or it will be deemed rejected, and (iv) a copy of Civil Code Sections 1369.510 to 1369.590.

If the individual receiving the request agrees to ADR, the process must be completed within ninety (90) days unless otherwise extended by agreement. The cost of ADR is to be paid by the participating parties. If a civil suit is filed, the filing party must submit to the court a Certificate of Compliance indicating the party has complied with the requirements of Sections 1369.510 to 1369.590. Failing to do so would be grounds for challenging the lawsuit. Although the prevailing party is entitled to reasonable attorney's fees and costs, the court may consider a party's refusal to participate in ADR when making the award.

A description of the Associations internal dispute resolution process, as required by Civil Code Section 1363.850, is attached.

NOTE: Failure by any member of the Association to comply with the alternative dispute resolution requirements of Civil Code 1369.520 may result in the loss of your rights to sue the Association or another member of the Association regarding enforcement of the governing documents or the applicable law.

8. A Notice regarding Assessments and Foreclosure (Section 1365.1 California Civil Code)

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. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due. 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. The Association may use judicial or non-judicial foreclosure subject to the conditions set forth in Section 1367.4 of the Civil Code. When using judicial or non-judicial 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 non-judicial foreclosure, the Association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The Association may not use non-judicial 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) 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)

The provisions governing these matters are in the CDOA CC&R's documents, **Article II, USE RIGHTS AND RESTRICTIONS, Article V, ASSESSMENT AND PERSONAL CHARGES, and Article VI. ENFORCEMENT OF RESTRICTIONS.**

#8- (1) A Notice regarding Assessments and Foreclosure - Continuation

Highlights of the specific CC&R's section state:

- **Article II, Section 2.1 Use Rights, subsection (d) Effect of Delinquency in Payments on Use** - No use or occupancy by any Owner will be permitted if such Owner is delinquent in the payment of any Assessment or other amounts owed to the Proprietary Interest Association.

- **Article V, Section 5.11, Collection of Assessments and Enforcement of Liens – (a) Delinquent Assessments.** If any installment payment of a Basic Assessment or lump sum or installment payment of any Special Assessment or Personal Charges assessed to any Owner is not paid within fifteen (15) days after the same becomes due, such payment shall be delinquent and the amount thereof may, at the Board's election, bear interest at the maximum rate allowed by law commencing thirty (30) days after the due date until the same is paid. In addition to the accrual of interest, the Board of Directors is authorized and empowered to promulgate a schedule of reasonable late charges for any delinquent Assessments, subject to the limitations imposed by California Civil Code section 1366(c) and 1366.1 or comparable successor statutes. **(b) Effect of Nonpayment of Assessments, subsection (i) Creation and Imposition of a Lien for Delinquent Assessments.** As more particularly provided in section 1367 of the California Civil Code or comparable successor statute, the amount of any delinquent Regular Assessment or Special Assessment, together with any late charges, interest and costs (including reasonable attorneys' fees) attributable thereto or incurred in the collection thereof, shall become a lien upon the Proprietary Interest of the Owner so assessed only when the Proprietary Interest Association Records a Notice of Delinquent Assessment executed by an authorized representative of the Proprietary Interest Association. Said notice shall set forth: (A) the amount of the delinquent Assessment(s) and other sums duly imposed pursuant to this Article and section 1366 of the California Civil Code; (B) the legal description of the Owner's Proprietary Interest against which the Assessments and other sums are levied; (C) the name of the Owner of Record of such Proprietary Interest; (D) the name and address of the Proprietary Interest Association; and (E) in order for the lien to be enforced by non-judicial foreclosure, the name and address of the trustee authorized by the Proprietary Interest Association to enforce the lien by sale. Upon payment in full of the sums specified in the Notice of Delinquent Assessment, the Proprietary Interest Association shall cause to be recorded a further notice stating the satisfaction and release of the lien thereof.

(ii) Remedies Available to the Proprietary Interest Association to Collect Assessments. The Proprietary Interest Association may bring legal action against the Owner personally obligated to pay the delinquent Assessment, foreclose its lien against the Owner's Proprietary Interest or accept a deed in lieu of foreclosure. Foreclosure by the Proprietary Interest Association of its lien may be by judicial foreclosure or by non-judicial foreclosure by the trustee designated in the Notice of Delinquent Assessment or by a trustee substituted pursuant to California Civil Code section 2934a. Any sale of a Proprietary Interest by a trustee acting pursuant to this section shall be conducted in accordance with section 2924, 2924b and 2924c of the California Civil Code applicable to the exercise of powers of sale in mortgages or deeds of trust.

(iii) Non-judicial Foreclosure. The Proprietary Interest Association may initiate non-judicial foreclosure by recording in the Office of the County Recorder a Notice of Default, which notice shall state: (A) all amounts which have become delinquent with respect to the Owner's Proprietary Interest and the costs (including attorneys' fees), penalties and interest that have accrued thereon; (B) the amount of any Assessment which is due and payable although not delinquent; (C) a legal description of the property with respect to which the delinquent Assessment is owed; and (D) the name of the Owner of Record or reputed Owner thereof.

#8- (2) A Notice regarding Assessments and Foreclosure - Continuation

The Notice of Default shall also state the election of the Proprietary Interest Association to sell the Proprietary Interest to which the amounts relate and shall otherwise conform to the requirements for a notice of default under section 2924c of the California Civil Code, or comparable successor statute.

The Proprietary Interest Association shall have the rights conferred by section 2934a of the California Civil Code to assign its rights and obligations as trustee in any non-judicial foreclosure proceedings to the same extent as a trustee designated under a deed of trust. For purposes of section 2934a, the Proprietary Interest Association shall be deemed to be the sole beneficiary of the delinquent Assessment obligation. Furthermore, in lieu of an assignment of trusteeship, the Proprietary Interest Association shall be entitled to employ the services of a title insurance company or other responsible person authorized to serve as a trustee in non-judicial foreclosure proceedings to act as an agent on behalf of the Proprietary Interest Association in commencing and prosecuting any non-judicial foreclosure hereunder.

(iv) Actions for Money Judgment. In the event of a default in payment of any Assessment, the Proprietary Interest Association, in its name but acting for and on behalf of all other Owners, may initiate legal action, in addition to any other remedy provided herein or by law, to recover a money judgment or judgments for unpaid Assessments, costs and attorneys' fees without foreclosure or waiver of the lien securing same. Section 5.12 Transfer of Proprietary Interest by Sale or Foreclosure Section 5.13 Lien Priorities Article VI. Section 6.5 Enforcement Rights and Remedies of the Proprietary Interest Association, subsection (b) Schedule of Fines. The Board may implement schedules of reasonable fines and penalties for particular offenses that are common or recurring in nature and for which a uniform fine schedule is appropriate (such as fines for late payment of assessments or illegally parked vehicles). Once imposed, a fine or penalty may be collected as a Personal Charge. Section 6.6 Court Action to Enforce the Governing Documents, subsection (c) Interest on Delinquent Assessments. All sums payable hereunder by an Owner which become delinquent shall bear interest at the maximum rate permitted by law from the due date, or if advanced or incurred by the Proprietary Interest Association, or any other Owner pursuant to authorization contained in this Declaration, commencing ten (10) days after repayment is requested. Each Owner who becomes delinquent in the payment of any amount due the Proprietary Interest Association shall pay to the Proprietary Interest Association a late charge of ten dollars (\$10.00), or ten percent (10%), whichever is greater, for each payment which is delinquent.