Dayton Valley Community Association

c/o Incline Property Management
848 Tanager Street, Suite M, Incline Village, Nevada 89451
Phone 775-832-0284 * Fax 775-832-4036

November 27, 2007

To: Dayton Valley Community Association Homeowners

From: Dayton Valley Community Association Board of Directors

Subject: 2008 Fiscal Year Operating Budget, Reserve Study Summary, Rules and Regulations, Collection Policy, Alternative Dispute Resolution and Insurance Notification

Dear Homeowners:

In compliance with Nevada revised Statues, attached to this letter please find the following information:

a) The Association's Proforma Operating Budget for the 2008 fiscal year per NRS 116.31151
b) Reserve Study Summary
c) The Association's Current Rules and Regulations
d) Collection Policy NRS 116.3108 (4)
e) Notice of Alternative Dispute Resolution NAC 116.38.310
f) Insurance Notification NRS 116.31133

The Budget reflects the efforts of Dayton Valley Community Association Board of Directors to preserve, protect and enhance the facilities and common area of Dayton Valley Community Association while at the same time keeping expenditures in line. Considerable effort was made by the Board of Directors to develop a realistic budget.

****Please note the dues have been increased by $30 per property, per quarter for a total of $150 per quarter, effective January 1, 2008.****

In August 2006, pursuant to NRS 116.31152, Dayton Valley Community Association retained the services of PCMI Reserve Services, an independent professional reserve analyst, to review the reserve-funding program for the Association and provide recommendations for future funding. Reserve requirements are calculated based on beginning cash on hand, estimated replacement costs, estimated investment yield and estimated remaining life. The Board will utilize this study to estimate reserve requirements for the coming years.

The Board will have this study updated as needed for the variables that change. The study recommended that the Association maintain a positive funding balance with funds sufficient to meet projected expenses throughout the study life, and made recommendations on suggested member monthly fees to realize that goal.

In the event of an emergency or should any unforeseen circumstance arise which should require funds in excess of those currently available, a Special Assessment may be required to fulfill the Association's obligations and a thirty (30) day notice will be given to all Owners in writing if one is needed.

In further compliance with NRS 116 and the Corporations Code, the Board of Directors takes this opportunity to notify the membership that to receive copies of the minutes of the meetings of the Board of Directors and / or copies of the completed Reserve Study, contact the Association's Management Company.

Should you have any questions regarding the materials enclosed, please call Incline Property Management at (775) 832-0284. Thank you.

Dayton Valley Homeowners Association

2008 Approved Budget

	2008
Average Number of Units: 700	Total BUDGET
OPERATING INCOME	700
Association Dues	$391,200.00
Association Dues - The Gallery	$28,800.00
Declarants Annual Dues	$600.00
Dues Allocated for Reserves	(226,800.00)
Interest - Checking	1,500.00
Late Charges	5,000.00
Transfer Fees	0.00
Newsletter Advertising	1,800.00
Violation Income	7,500.00
Road Maint. Fees	1,000.00
TOTAL INCOME	$210,600.00
OPERATING EXPENSES	
Maintenance	
Landscape Contract	$15,000.00
Grounds - Contract Extras	3,000.00
Weed control	1,000.00
Pest Control	1,000.00
Maintenance Supplies	250.00
Misc Repairs/Maint	2,000.00
Gate Maintenance/Repair	8,000.00
Lighting Expense	3,000.00
Road Repairs	5,000.00
Street Sweeping/Snow Removal	3,000.00
Street Sign Maint.	2,500.00
Irrigation	500.00
Towing	1,000.00
Fence/Wall Maintenance	5,000.00
Contingency	0.00
Total Maintenance	$50,250.00
Office & Administration	
Management	$58,800.00
Office Supplies	10,500.00
Legal	12,000.00
Telephone	240.00
H.O. Insurance	10,000.00
Banking Expenses	170.00
Tax Return / CPA Audit	5,090.00
Income tax	10,000.00
Common area tax	20.00
Reserve study	1,000.00
License/Permits	2,225.00
Newsletter	8,000.00
Meeting Expenses	2,880.00

Dayton Valley Homeowners Association

2008 Approved Budget

Average Number of Units: 700	2008 Total BUDGET
Webs te Maintenance	2,400.00
Viola ion Hearing Expenses	3,000.00
Gover ning Docs Update Mailing	10,000.00
Home owner Activity	7,500.00
Bad D ebt Expense	1,000.00
Misc. Admin./Contingency	0.00
Total Office & Admin	$144,825.00
Utilities	
Water Sewer	$10,005.00
Electr cal	3,600.00
Gate P hones	1,920.00
Total Utilities	$15,525.00
TOTAL EXPENSES	$210,600.00
NET OPERATING INCOME	$0.00
Reserve Income/Expenses	
Dues Allocated for Reserves	226,800.00
Replacement Assessment	0.00
Interest - Reserve Account	19,992.00
Asphalt Paving/Repairs/Speed Bumps	(25,000.00)
Gate Improvements	(5,000.00)
Streetlight Replacement	0.00
Incr/(Decr) in Reserves	$216,792.00
NET INCOME	$216,792.00
Projected Reserve Bank Balance 1/1/08	**$472,000.00**
Add - 2008 Contribution	**$216,792.00**
Projected Reserve Bank Balance 12/31/08	**$688,792.00**

YOUR RESERVE ANALYSIS

The following pages contain two reserve fund cash flow analyses. The first analysis shows the level of funding based on the current monthly assessment. The second analysis shows how the optimized monthly assessment based on cash flow requirements provides more efficient and accurate funding.

The graph shows the effect of current and optimized funding. The current year reserve funding analysis (*straight-line calculation*) shows the funding requirement for the current year. This accounting method does not make adjustments for inflation and after-tax income from the reserve funds.

A summary report is included which may be mailed to each member of the association.

Summary of Financial Assumptions

The following financial assumptions were used in the reserve study:

Number of units:	664
Average Monthly assessment per unit:	$40.15
Other association income:	$0.00
Expected annual operating costs for 2006:	$171,610.00
Estimated reserve account balance as of January 1, 2006:	$224,279.00
Interest rate earned on reserve account:	5%
Federal tax rate on reserve account income:	30%
Anticipated rate of inflation:	3%
Maximum allowable assessment increase in your state:	0%

The annual inflation rate factor used is 3%. The rate of return on reserve fund income is assumed to be 30%. The tax rate on income from reserve fund income is based on the tax rate used on your latest federal income tax return. If tax rate information is not available, a tax rate of 5% will be assumed. No contingency fund minimum has been used. Any of these financial assumptions may be modified if the board of directors desires. Any changes will alter the outcome of the analyses.

OTHER ASSUMPTIONS AND FACTORS

Other assumptions used in your reserve study include:

- All financial data provided by client are accurate and current.
- The analysis assumes there are no unforeseen circumstances. These include acts of nature, lawsuits, vandalism, a dramatic increase in uncollected assessments which will cause a significant reduction of the reserve fund.
- The association maintains sufficient comprehensive property insurance to protect the reserve funds from insurable risks such as fire, property liability, vandalism, or other major expenditures.
- The association continues to maintain the existing amenities and common areas.

NOTES

The board of directors of the homeowners association assumes the obligation and responsibility for conducting the business of the association. All financial expenditures of the association should be accounted for in the annual operating budget, or the reserve study. The reserve study is actually a budget document which identifies all long range component costs, and estimates the current cost to replace those components. Generally, components which require funding with a frequency of more than once a year (*weekly, monthly, or periodically during the fiscal year*), are accounted for in the annual operating budget. Those components that require funding with a frequency of greater than once a year (*every two years, five years, or ten years or more*) are accounted for in the reserve study. There may be exceptions to this general rule. The board of directors should use diligence to account for all financial expenditures of the association and account for funding of all components in one of these two budget documents.

Life-of-structure component costs are not generally included in the reserve study. This is due to the fact that these components are considered to have a useful life that is equal to or greater than the housing units. Some of these components include concrete block retaining walls, interior plumbing, and electrical wiring. These and other similar components are not included in the reserve study unless a periodic inspection indicates a specific need. Depending on the age of the development, an amount for periodic repair of life of structure components may be included. A typical example is tile roofing. Although the tile-roofing product has a useful life equal to the housing units, periodic repairs may be required due to inclement weather, normal aging or other factors.

Our report may indicate that a replacement component is near the end of the normal remaining useful life. However, prior to renovation or replacement of any component, the board of directors should evaluate the component. If the board of directors determines that the component has additional remaining useful life, replacement or renovation may be rescheduled to a later date. These changes can be reflected in a future update of the reserve study, and should be recorded in the minutes of the association. The useful life of any component depends on factors such as weather, excessive use, and initial quality of the item. If our on-site inspection indicates a component has a remaining useful life that varies from the normal remaining useful life, it may be adjusted up or down rather than using the normal remaining useful life. The main criteria should be to keep all reserve components in good repair and working order regardless of age in accordance with the governing documents of the association.

Component costs used in the reserve study are estimates of the cost to replace each component at some point in the future. Every precaution has been taken to ensure that these costs are as accurate as possible. The following sources are used to identify component costs: Information provided by the association or property management company; current bids to repair, replace or renovate components; actual costs for replacement components; construction cost guides; and manuals from the Department of Real Estate, and other government agencies.

When a component is replaced, the board of directors may find the actual cost of the item varies from the estimate given in the reserve study. This is normal and customary due to the many variables involved in the component replacement process. The reserve study is a guide and planning tool. It cannot identify exact costs of replacement components.

Long-term asphalt maintenance costs are determined by a number of factors including water drainage, quality of underlayment during initial construction, weather conditions, and frequency or adequacy of periodic maintenance. The following costs have been used in this report: Overlay (*repaving*) at $0.70 per square foot; slurry seal and restripe at $0.11 per square foot. Total area of asphalt is 2,840,000 square feet.

Summary of Findings

Your primary concern should be that the association reserve fund balance never falls below zero during the period of the cash flow analysis of the reserve study. The current assessment cash flow analysis shows the effect of the current monthly assessment as it relates to the current reserve funding requirements. The optimized assessment cash flow analysis shows the effect of adjusting the monthly assessment either up or down to the correct amount so that the reserve funding requirements are adequately achieved.

According to our calculations, an optimum assessment of $44.85 per unit per month would be appropriate to adequately fund your future reserve requirements and yearly operating expenses. From this amount, $185,773.57 in 2006 should be set aside into a separate reserve account. All calculations are subject to the summary of assumptions included in this report. In all cases, an annual increase for inflation is assumed.

The reserve study does not recommend that the boards of directors immediately increase or decrease the association assessments. The reserve study is a budget document, which estimates replacement component costs. Changes in the assessment amount are a matter of association business. Increases in the assessment amounts may be limited by state law, governing association documents, or rules enacted by the association. The reserve study estimates an appropriate amount of reserve funding under normal circumstances. There may be other considerations such as desired levels of maintenance, possible capital improvements, or contingency funding.

NOW WHAT?

Now that the reserve study has been completed, the results should be evaluated by the board of directors to determine; whether monthly assessments should be increased or decreased, the cost and timing of repairs or components replacement in the future and if a special assessment or borrowing funds will be required to fund future repairs or components replacement.

The board of directors should record acceptance and approval of the reserve study and any resulting decisions in the minutes of the association.

The board of directors should also incorporate the results of the reserve study into the next annual operating budget so that the annual association budget includes a provision to set aside sufficient reserve funds in a separate reserve account.

A quarterly review of reserve fund status is recommended, and may be required by state law.

A summary report is included in the reserve study and may be mailed to all association members. This summary is normally included in the annual budget information supplied to members of the association in conjunction with the annual meeting.

Your tax advisor will require a copy of the reserve study.

Summary Report
for
Dayton Valley Community
August, 2006
Final Copy

Dear Homeowner:

PCMI *Reserve Services* has recently completed a reserve study for Dayton Valley Community. The purpose of the reserve study is to identify the long-term reserve fund requirements and expenditures of the association.

The reserve study is based on a thirty-year cash analysis using the component pooling method. This method involves summing up the costs to repair or replace all reserve components each year for which such activity is anticipated. The combined component costs for each year are multiplied by an inflation factor to determine the total annual future reserve expense for the association. Income and reserve fund balances are calculated. Factors such as inflation, income from reserve fund investments, and taxes on reserve fund income are also included.

Your reserve study provides two cash flow analyses. The first shows the impact of the current homeowner assessment on future reserve funds availability. The second shows how optimized funding *(achieved by increasing or decreasing the homeowner assessment)* can efficiently and accurately fund your future reserve requirements.

The following financial assumptions were used in your reserve study:

Number of units:	664
Average Monthly assessment per unit:	$40.15
Other association income:	$0.00
Expected annual operating costs for 2006:	$171,610.00
Estimated reserve account balance as of January 1, 2006:	$224,279.00
Interest rate earned on reserve account:	5%
Federal tax rate on reserve account income:	30%
Anticipated rate of inflation:	3%
Maximum allowable assessment increase in your state:	0%

According to our calculations, an optimum assessment of $44.85 per unit per month would be appropriate to adequately fund your future reserve requirements and yearly operating expenses. From this amount, $185,773.57 in 2006 should be set aside into a separate reserve account.

The reserve study does not recommend that the boards of directors immediately increase or decrease the monthly assessment. Instead, it establishes an appropriate amount of reserve funding under normal circumstances. There are other considerations such as desired levels of maintenance, capital improvements, or contingency funding.

If you would like a complete copy of the reserve study, please contact your board of directors.

PCMI
Reserve Services
2402 Cross Street, Riverside, CA 92503
Toll Free: (800) 576-7264 ♦ Fax: (888) 307-7264
http://www.reserve-services.com

RULES & REGULATIONS
OF DAYTON VALLEY COMMUNITY ASSOCIATION
September 27, 1995

September 27, 1995
Dayton Valley Community Association Rules

Foreword

These rules are adopted for the benefit of the Dayton Valley Country Club property owners. The rules highlight specific articles of the CC&Rs in condensed form.

CC&R Articles referenced in these rules relate to the First Amended and Restated Declaration of Covenants, Conditions and Restrictions of Dayton Valley Country Club, Document Number 133393, recorded May 18, 1990.

Contents

	Page
Antennas	5
Building and Fence Maintenance	4
Building Permits	5
Fines	
Level of Fines	7
Assessment of Fines	7
Funds and Assessments	
Payment of Monthly Dues	7
Notice and Payment of Special Assessments	7
Late Charges	7
Unpaid Assessments as Liens	7
Golf Course Restrictions	6
Hazardous Activities	5
Improvements	4
Insurance Rates	5
Landscaping	4
Nuisances	5
Parking Restrictions/Garage Use	
Automobiles/Motorcycles	6
Golf Carts	6
Recreational Vehicles	6
Guest Parking	6
Garage Use	6
Pets	5
Repair of Vehicles	6
Residential Use	6
Responsibility	4
Rules	
Notification of Rules	6
Revision of Rules	7
Signs	5
Temporary Structures	5
Unsightly Articles	4
Visibility from Neighboring Property	4

September 27, 1995

Dayton Valley Community Association Rules

1. RESPONSIBILITY (CC&R Article 3.11 & 6.03)

(a) All property owners, guests, visitors, renters, and lessees are required to abide by these rules.

(b) Property owners are responsible for all acts of their guests, visitors, renters, and lessees.

(c) Property owners, guests, renters, and lessees will be held responsible for the actions of their children and their children's guests.

(d) Any penalties authorized hereunder may be assessed against the responsible property owner.

2. IMPROVEMENTS:

(a) Plans and specifications shall be submitted to the Architectural Committee prior to the commencement of any construction (CC&R Article 9.04).

(b) Construction may not commence unless and until the Architectural Committee has approved such plans and specifications in writing (CC&R Article 9.04).

(c) There shall be no construction, excavation, alteration which alters the exterior appearance of any improvement, or removal of any improvement without prior approval of the Architectural Committee (CC&R Article 5.09).

3. BUILDING AND FENCE MAINTENANCE:

(a) Each property owner is responsible for periodic maintenance of the exterior of his house, fence and any related structures (CC&R Article 5.08).

(b) Plans for changing the color of buildings (house or any other structure) must be submitted to the Architectural Committee for approval (CC&R Article 5.09).

(c) Fences may be protected with natural or transparent stain or clear sealer in the interest of presenting a uniform appearance (CC&R Article 5.09).

4. LANDSCAPING (CC&R Article 6.08):

(a) Landscaping shall be completed within 1 year of the date of purchase.

(b) All plantings shall be kept neatly trimmed and properly cultivated.

(c) Property shall be kept free from trash, weeds and other unsightly material.

5. VISIBILITY FROM NEIGHBORING PROPERTY (CC&R Article 2.046):

No object, such as a fence, shrub or tree, shall be situated so as to obstruct the view of neighboring property owners.

6. UNSIGHTLY ARTICLES (CC&R Article 6.05):

(a) No unsightly article shall be permitted to remain on any lot so as to be visible from neighboring property, public or private thoroughfares or golf course.

(b) Except when in actual use, all items such as recreational (bicycles, etc.), garden and maintenance equipment, shall be kept in an enclosed structure or screened so as not to be visible from neighboring property or golf course.

(c) Refuse, garbage and trash shall be kept in a covered container in an area not visible from neighboring property or golf course.

7. ANTENNAS (CC&R Article 5.01):
No property owner shall erect or maintain any exterior radio or television antenna/satellite dish or aerial in the Project without the prior written approval of the Architectural Committee.

8. INSURANCE RATES (CC&R Article 5.02):
(a) Nothing shall be done or kept in the Project which would increase the insurance rate on any Association property without the approval of the Board.
(b) Nothing shall be done or kept in the Project which would result in the cancellation of insurance on any Association Property or be in violation of any law.

9. SIGNS (CC&R Article 5.04):
No sign of any kind shall be displayed to the public without the written approval of the Architectural Committee except as may be required by legal proceedings.

10. NUISANCES (CC&R Article 5.07):
(a) Rubbish or Debris - No rubbish or debris shall be placed or permitted to accumulate upon any property nor odors permitted to arise so as to render any property unsanitary, unsightly or offensive to any other property or its occupants.
(b) Noise - No noise or other nuisance shall be permitted to exist so as to be offensive or detrimental to any other property or its occupants.

11. PETS (CC&R Article 6.04)
(a) Pets must be under its/their owner's direct supervision when not confined to house or yard.
(b) Pet owners are responsible for picking up after their pets within common areas, streets and other peoples' property.
(c) Damages to other peoples' property caused by a pet must be reimbursed by the pet's owner.

12. HAZARDOUS ACTIVITIES (CC&R Article 5.12):
(a) No activities shall be conducted or improvements constructed on any property which might be unsafe or hazardous to any person or property.
(b) No fire arms shall be discharged within the Project.
(c) No open fires are allowed except in a contained barbecue unit while attended and in use for cooking purposes.

13. TEMPORARY STRUCTURES (CC&R Article 5.13):
(a) No tent, shack or other temporary structure shall be placed upon any property, except those necessary for architects or builders during construction
(b) Such structures must be approved by the Declarant including the nature, size and location of such structure.

14. BUILDING PERMITS (CC&R Article 5.19):
Building permits shall only be issued in accordance with Lyon County Code.

15. PARKING RESTRICTIONS/GARAGE USE (CC&R Article 5.15, 6.06, 6.07, 7.05(C):

(a) Automobiles/Motorcycles - Unless otherwise permitted by the Board, no automobiles or motorcycles shall be parked or left within the Project other than within a garage, carport or approved appurtenant parking space (CC&R Article 6.06).

(b) Golf Carts - Golf carts allowed by the CC&Rs must be stored in association member's garage when not in use. At no time should a golf cart be left parked in the driveway or street front overnight (CC&R Article 7.05(C).

(c) Recreational Vehicles -

(1) No RV shall be used as a living area while parked or located on the Project (CC&R Article 6.07).

(2) No RV may be parked on a lot or in front of any residence (CC&R Article 5.15).

(3) No recreational or commercial vehicle shall be parked within the Project other than in a parking area designated by the Board (CC&R Article 6.05).

(4) A RV may be parked in a residential driveway for not more than two nights for the purpose of loading or unloading (CC&R Article 5.15).

(5) Guests may park a RV on a lot or parking area for not more than two nights and thereafter the vehicle will be subject to being towed at the owner's expense (CC&R Article 5.15).

(d) Guest Parking - Property owners may not use any area designated as guest parking for an extended period of time without specific written permission of the Board (CC&R Article 6,06).

(e) Garage Use - Garages shall be used for parking vehicles and shall not be converted or modified for living or recreational use (CC&R Article 6.06).

16. REPAIR OF VEHICLES (CC&R Article 6.05):

(a) Neither servicing nor repairing of vehicles in driveways, streets, or parking areas is permitted .

(b) Any vehicle not in running condition and left unattended for more than 48 hours will be towed at the expense of the registered owner.

17. GOLF COURSE RESTRICTIONS(CC&R Article 7.06):

(a) The golf course areas are restricted to golf activities only.

(b) Other activities such as jogging, walking, bicycling, skating, picnicking or sunbathing on the golf course area are strictly prohibited.

18. RESIDENTIAL USE (CC&R Article 6.03):

(a) Property in the Project is restricted to single-family residential use.

(b) No commune, co-operative or similar type living arrangement shall be permitted .

19. RULES:

(a) Notification of Rules - A copy of the rules, as adopted, amended or repealed, shall be mailed or otherwise delivered to Association members (CC&R Article 3.10(b).

(b) Revision of Rules - These rules may be revised at any time by the Board as conditions warrant provided a written communication is sent to Association members advising of the changes (CC&R Article 3.10(b).

20. FINES (CC&R Article 5.10):

(a) Level of Fines -The Board may invoke any one or more of the following remedies for violation of rules :

(1) Special charge of not more than $50 per violation.
(2) Suspension of use of Association property for up to 30 days.
(3) Costs for remedying violation charged to such property owner.
(4) Injunctive relief obtained against the continuance of such violation.

(b) Assessment of Fines - Before invoking such remedy, the Board shall give notice as follows :

(1) The first notice of a violation will be sent by registered mail to the property owner.
(2) Fines will be effective 10 days after date of mailing unless the violation is corrected within the10 days.
(3) Recurring violations will be subject to immediate fines without further notification.
(4) Fines will be levied for each occurrence of a violation.
(5) Fines shall become an assessment against the property owner and a charge will be added to the property owner's account (a statement will be mailed).
(6) Delinquent payment of such fine shall be deemed nonpayment of assessment and pursued by the Association under the Lien/Sale provisions of N.R.S. 117.

21. FUNDS AND ASSESSMENTS: The Board shall establish an annual budget and levy regular annual assessments to cover Association expenses, contingencies, and reserves (CC&R Article 10.03). The Board may also levy special assessments to enable it to carry out special obligations (CC&R Article 10.04).

(a) Payment of Monthly Dues - Regular monthly payments are due on or before the first of the month (CC&R Article 10.03).

(b) Notice and Payment of Special Assessments (CC&R Article 10.05) -

(1) Notice of Special Assessments - The Board shall give written notice of special assessments specifying the amount and due date.
(2) Time for Payment - The due date for such payment may not be less than 15 days after written notice has been given. Failure to give notice of special assessment shall not affect the liability of the property owner, but the due date shall be deferred to a date 15 days after such notice is given.

(c) Late Charges (CC&R Article 10.07) - A late charge of $10.00 will be levied if an assessment, whether regular of special, is not paid within15 days after it is due.

(d) Unpaid Assessments as Liens (CC&R Article 10.07) - The amount of any assessment, late payment charges, interest thereon, and collection costs shall be a lien upon the property of the relevant owner.

Dayton Valley Community Association

2008 Assessment Collection Policy

The Board of Directors of your Association has the obligation to oversee the collection of all Association regular and special assessments in a timely manner. Based upon the Association's Governing Documents and in compliance with Nevada Revised Statutes, Chapter 116, the Board of Directors has enacted the following policies and procedures concerning the collection of delinquent assessment accounts. *All collection costs incurred are charged to the account of the delinquent Owner, and are subject to change.*

Regular Assessment Due Date

Dues are paid quarterly and are due the first day of each quarter.

Special Assessment Due Date

On date specified by Board of Directors in notice imposing the assessment. (Due date: Minimum thirty (30) days after assessment imposed.)

Payment Location

Overnight payments may be sent to the Association in c/o Incline Property Management, 848 Tanager St., Suite M, Incline Village, NV 89451. Correspondence and/or payments may also be made in person, Monday through Friday, from 8:00 a.m. to 5:00 p.m., or dropped through the slot in the front door.

Returned Bank Items

All returned bank items will be subject to a $25.00 Returned Bank Item Fee.

At 30 Days Past Due Date

Dues are considered late if not received by the fifteenth (15th) day of the month due and will be charged a $10 late fee.

At 60 Days Past Due Date

A prelien letter will be sent via first class mail and certified mail, to all applicable delinquent Owners of record itemizing all amounts due, along with a copy of this Assessment Collection Policy.

Payment Plan Policy

Request by Owners for payment plans to cure assessment delinquencies may be considered by the Association on a case-by-case basis. There is no guarantee written or implied that a payment plan will be granted. The Association has sole discretion whether to approve a requested

payment plan. The submission of a payment plan request to the Association does not delay collection proceedings, does not constitute a waiver by the Association of any default, and does not relieve the Owner of the obligation to pay all assessments, late charges, collection costs, and interest when due. The Owner must submit the request in writing, and not later than fifteen (15) days of receipt of a Pre-Lien letter. The Owner should describe in the request any circumstances, which the Owner wishes the Association to consider. The Owner should also attach to the proposed payment plan a check for the amount of the first payment as proposed in the payment plan. If the Owner wishes to submit a payment plan request after the Owner has been contacted by the Association's attorney or collection agency regarding the delinquent account, the request for a payment plan with all attachments should be remitted by the Owner directly to the attorney or collection agency. Owners are reminded that the regular monthly assessment themselves constitute a "payment plan," and the best plan is to pay all assessments when due, so the Association will at all times have proper funding to maintain the common area.

At 90 Days Past Due Date

The Association's attorney will file a lien in anticipation of initiating foreclosure proceedings or an action for personal judgment. The initial cost to commence ranges from approximately $175 to $300. The property Owner is responsible for this cost and any other additional collection fees. Once a matter is turned over to the Association attorney or collection agency, the Owner will receive notification from them regarding the amounts owed. **Do not pay the amount listed on the Association generated assessment statement as it will not contain the additional fees and costs.** Once legal collection proceedings are begun, all correspondence/payments or telephone communications will be referred to the Association attorney's office or collection agency.

All costs incurred by the foregoing actions are a charge to the account of the delinquent Owner and are subject to charge. Collection proceedings will be terminated only after both Association assessments and all collection and legal fees have been received.

A further notice stating the satisfaction and release of any such lien shall be executed by the Association and recorded, upon payment of all sums secured by a lien that has been made the subject of a recorded notice of delinquency.

If an Owner, within thirty (30) days from the date of recordation of the lien, pays to the Association, under protest, all amounts required, the Owner may request resolution of the assessment dispute by Alternative Dispute Resolution as outlined in NRS 116, Section 38.310 to 38.360.

If a lawsuit or foreclosure procedure is initiated by the Association to recover delinquent assessments, or if the Association is forced to defend an action brought by an Owner to contest assessments and/or related charges, the prevailing party would be entitled to an award of attorney's fees and costs.

Dayton Valley Community Association

c/o Incline Property Management
848 Tanager Street, Suite M, Incline Village, Nevada 89451
Phone 775-832-0284 * Fax 775-832-4036

November 27, 2007

To: Dayton Valley Community Homeowners

From: Dayton Valley Board of Directors

Subject: NRS 38.310 Enforcement of Governing Documents
Alternative Dispute Resolution

Dear Homeowners:

NRS 116, Section 38.310 to 38.360 inclusive deals with the enforcement of the Governing Documents of the Association. The section provides that before either the Association or a member of the Association can file a lawsuit for Declaratory Relief or Injunctive Relief, either exclusively or in conjunction with a claim for Monetary Damages, the parties shall endeavor to submit the matter to Alternative Dispute Resolution prior to filing the lawsuit.

Alternative Dispute Resolution is submitting the claim either to mediation or arbitration through the Nevada Department of Real Estate. In mediation, a mediator tries to resolve the differences between the parties and tries to get them to agree to a compromise. Arbitration is a process whereby an arbitrator, usually a retired Judge or a lawyer, or somebody with special expertise in a particular field, listens to both sides of the case and makes a decision in the same manner as if a Judge would in court. Mediation and arbitration are non-binding under this section, however, the parties may agree to make it binding.

To submit a dispute to Alternative Dispute Resolution, the claimant must serve the other party with a "Request for Resolution" which briefly describes the dispute, requests that the dispute be submitted to Alternative Dispute Resolution, and notifies the other party that they must respond within thirty (30) days of receipt of the Request for Resolution, or it will be deemed rejected. If the Request for Resolution is accepted by the other party, the parties may mutually decide which form of Alternate Dispute Resolution (mediation or arbitration) they wish to submit the dispute to and whether it will be binding or non-binding. If accepted, the Alternative Dispute Resolution must be completed within 90 days of receipt of acceptance for the Request for Resolution, unless extended by the parties. The parties share the costs of Alternative Dispute Resolution.

Anything said in the course of Alternate Dispute Resolution, or any documents prepared for or admissions made in the course of Alternative Dispute Resolution, are inadmissible in any civil action in which testimony can be compelled unless consented to by both parties.

This section requires that at the time a lawsuit is filed, a certificate must also be filed, certifying that Alternative Dispute Resolution has been completed or one of the following exceptions applies:

1. The statute of limitations for bringing the civil action would run within 120 days (thus barring the civil actions);

2. The other party who received the Request for Resolution refused to submit the dispute to Alternative Dispute Resolution prior to filing of the complaint;

3. The court finds that dismissal of the civil action for failure to file the certificate would result in substantial prejudice to one of the parties; or

4. The court finds that preliminary or temporary injunctive relief is necessary.

Failure to file the required certificate, unless the exceptions apply, would make the lawsuit subject to dismissal.

This section would also allow a court to stay a pending action and refer to Alternative Dispute Resolution upon stipulation of the parties.

Generally, in an action for Declaratory Relief or Injunctive Relief related to enforcement of governing documents of an Association, the prevailing party would be entitled to an award of attorney's fees and costs. However, if that prevailing party were offered an opportunity to submit the dispute to Alternative Dispute Resolution and refused to do so, the court could take this into consideration in making such an award of attorney's fees and costs.

Failure by any member of the Association to comply with the pre-filing requirements of NRS 38.310 may result in the loss of rights to sue the Association or another member of the Association regarding enforcement of the governing documents.

Dayton Valley Community Association

INSURANCE NOTIFICATION

The Nevada NRS 116 Statutes section 3113.3 requires the Association to distribute to Owners summaries of insurance policies carried by the Association.

PROPERTY INSURANCE

The Association maintains a Commercial Package Hazard Policy with Colorado Casualty that covers the Guard Houses, The Gates, The Retaining Walls, Street Lighting, Water Feature and Wrought Iron Fencing. The total coverage is $203,000 for all items with a $500 deductible for each item.

GENERAL LIABILITY POLICY

The Association maintains a General Liability Policy in the amount of $1,000,000 for each occurrence and $2,000,000 general aggregate limit with Colorado Casualty Insurance Company.

UMBRELLA POLICY

The Association maintains a Commercial Liability Umbrella Policy with Colorado Casualty Insurance Company in the amount of $3,000,000 single limit any one occurrence and $3,000,000 aggregate limit for each period.

COMMUNITY ASSOCIATION PROFESSIONAL LIABILITY

The Association maintains a policy of Professional Liability for Officers not for profit in the amount of $4,000,000 annual aggregate and each claim with a deductible of $2,500 per claim. The policy is with United States Liability Insurance Company.

WORKMANS COMPENSATION INSURANCE

If your Association does have Workman's' Compensation for employees, casual laborers, and/or potentially uninsured sub-contractors hired by the Association, this does not include coverage for individual Owners working in the common area of the Association, nor is there coverage for individual Owners who might hire domestic workers, sub-contractors, or casual laborers to work on their homes. Individual Owners should contact their personal insurance agent to see if they have coverage for an injured and uninsured domestic worker, casual laborer, or uninsured sub-contractor hired by them personally and not by the Association. The Association does not have workman's compensation insurance.

EARTHQUAKE AND FLOOD INSURANCE COVERAGE

The Association does not maintain earthquake or flood insurance.

CAUTIONARY NOTE:

This summary of the Association's policies of insurance provides only certain information, as required by Section 3113.3 of the Nevada Revised Statute 116, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies or 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 will not cover your property, including personal property or real property and improvements, or personal injuries or other losses that occur within or around your dwelling. Association members should consult with their individual insurance broker or agent for appropriate coverage.