

## Request for Annual Preferred Delivery Methods, Representative and Rental Status

### Please Return Within 30 Days

*Civil Code §4041* requires each homeowner to annually provide written notice to the Association of all the required fields below. We will use the most recent information we have until you change it in writing (*Civil Code §4041(c)*). To update the information, send a written request (this form) to:

**Office Manager, Carnelian Woods, PO Box 68, Carnelian Bay, CA 96140**

**Unit# (required):** \_\_\_\_\_

**Preferred delivery method (Check one or both and provide information.)**

Valid mailing address and phone number (required).

Last Name, First Name: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone (at least one):

Work: \_\_\_\_\_ Home: \_\_\_\_\_

Cell: \_\_\_\_\_ Unit: \_\_\_\_\_

Valid email address (optional): \_\_\_\_\_

**Optional. Alternative or secondary delivery method (Check one or both and provide information.)**

Valid mailing address and phone number.

Last Name, First Name: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone (at least one):

Work: \_\_\_\_\_ Home: \_\_\_\_\_

Cell: \_\_\_\_\_ Unit: \_\_\_\_\_

Valid email address: \_\_\_\_\_

**Optional. The name, mailing address, phone number and email address of your legal representative, including any person with power of attorney, or other person who can be contacted in the event of your extended absence from your unit.**

Last Name, First Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

**Is your unit (required):**

Owner-occupied (Optional:  Full-Time  Part-time)  Vacant  
 Rental (Optional:  STR  LTR)



# ANNUAL HOMEOWNERS MEETING PACKET

## Annual Meeting Saturday, October 21, 2023, 10:00 AM

Please join us in the Carnelian Woods Lodge. The meeting will also be available on Google Meet on computer or smartphone, or by dialing in.

To join the video meeting, click this link:

<https://meet.google.com/pwy-ozvg-gwn>

To join with the Google Meet smartphone app use Meet Code:

pwy-ozvg-gwn

Otherwise, to join by phone, dial :

+1 904-900-0934 and enter this PIN: 303 967 020#

To view more phone numbers, click this link: <https://tel.meet/pwy-ozvg-gwn?hs=5>

<b>DOCUMENT</b>	<b>LOCATION</b>
Cover Page	This document
President's Letter	page 3
Meeting Agenda	page 5
Draft Meeting Minutes - Last Annual Meeting	page 8
Annual Budget Report <ul style="list-style-type: none"><li>● Pro Forma Operating Budget</li><li>● Reserve Summary</li><li>● Reserve Funding Plan</li><li>● Major Component Repairs</li><li>● Anticipated Special Assessments</li><li>● Reserve Funding Mechanism</li><li>● Procedures for Calculating Reserves</li><li>● Outstanding Loans</li><li>● Insurance Summary</li><li>● Assessment &amp; Reserve Form</li><li>● Charges for Documents Provided</li></ul>	page 13
Annual Policy Statement <ul style="list-style-type: none"><li>● Designated Recipient</li><li>● Right to Notice to Two Addresses</li><li>● General Notice Location</li></ul>	page 35

<ul style="list-style-type: none"><li>● Right to Individual Delivery</li><li>● Right to Minutes</li><li>● Collection Policy</li><li>● Lien Policy</li><li>● Rules Enforcement Policy</li><li>● Dispute Resolution Policy</li><li>● Architectural</li><li>● Overnight Payments</li><li>● Miscellaneous</li></ul>	
---	--

# CARNELIAN WOODS

5101 North Lake Blvd  
PO Box 68  
Carnelian Bay, CA 96140

## President's Message 2023

Greetings Dear Homeowners,

We plan to hold the Annual Homeowner's meeting in person at the Lodge on **Saturday, October 21, 2023 at 10am** with the option to participate via Google Meet. As always, despite whatever regulations are in place, if you are more comfortable wearing a mask, please do so.

The agenda for the meeting is in the enclosed packet. We will continue the tradition of starting the meeting with an opportunity for you to comment, ask questions, or make suggestions.

It has been another year with many challenges and significant changes. Our long-time Board Secretary, Cary Okumura, passed away suddenly this past winter. We will miss his kindness and steady influence and attention to the association's obligations.

As many of you already know, our General Manager, Don Bemiss, submitted his notice of resignation, effective September 15, 2023. Don will be difficult to replace and Carnelian Woods will miss his diligence in keeping our grounds and structures in excellent order and managing the complexities of our beautiful property. I'm confident that I speak for all homeowners when I say that Carnelian Woods wishes Don and his wife, Annie, all the best in their future endeavors.

Please be advised that, at the meeting on October 21, 2023, it will not be necessary for the homeowners to vote relative to the three vacant board positions. Specifically, the three vacancies elicited only three candidates (i.e., homeowners interested in serving on the board).

At our August 23rd meeting, the Board of Directors declared that the three vacancies were filled. Consequently, Dave Sullivan (#112), Larry Nowels (#139) and Carlos Sanchez (#57) will fill terms as board members effective October 21, 2023 and continue until October 2026. In addition, on July 29, 2023, Diane Hopkinson (#26) stepped down from her position on the Board of Directors. The board voted to fill Diane's vacated position with Don Adams (#24), whose term began on July 29, 2023 and will continue until October 2024. Please join me in thanking Diane for her service and welcoming all of our board members to their respective positions.

There remains one significant item requiring your attention for this year's annual meeting. It is a proposed assessment to replace capital expenditures. The assessment is designed to address a deficit which exists relative to the fund Carnelian Woods maintains relative to capital expenditures. The assessment requires some explanation.

During a meeting with our accountants in July 2023, the Board of Directors was notified that a deficit in excess of \$266,000.00 existed relative to the failure of Carnelian Woods to contribute sufficiently to the capital expenditures fund for the period beginning in 2019 through the present. Moreover, our accountants advised the Board of Directors that they could not continue as our

accountants unless Carnelian Woods took significant steps to rectify the deficit pertaining to the capital expenditures fund.

Meanwhile, the record snowfall during the winter of 2022-2023 caused expenditures for snow removal from our pathways and plowing of our roads to dramatically exceed our budget allocation for this item. In addition, investment of time by the staff of Carnelian Woods in managing the record snowfall adversely affected the revenue typically generated by Carnelian Woods Services. Consequently, Carnelian Woods experienced a “cash flow” problem this past spring. Accordingly, Carnelian Woods was unable to contribute to the capital expenditures funds this past fiscal year.

More recently, Carnelian Woods has experienced on-going struggles with bat infestation(s). These infestations require that Carnelian Woods add associated expenses to the calculation of our capital reserves so that Carnelian Woods is better prepared to address these problems in the future. It should be noted that Carnelian Woods is amidst a three-year capital reserve study, per Davis-Stirling requirements.

In response to our accountants instructions, during its meeting on July 29, 2023, the Board of Directors approved an assessment in the total amount of \$40,000. The assessment will be applied directly to the existing deficit existing in the capital expenditures fund.

In addition, as part of our annual meeting, the homeowners will be able to ask questions regarding a later vote on an additional assessment which will be applied directly to the remaining deficit existing in the capital expenditures fund. In this way, assuming the additional assessment is later approved, Carnelian Woods will have rectified the deficit and enter the coming fiscal year with a “clean slate” from a financial perspective.

Regrettably, the assessment(s) are not the only financial burden which confronts Carnelian Woods. Specifically, Carnelian Woods Services is not budgeted to earn revenue for the fiscal year October 1, 2023 through September 30, 2024 to defray our expenses. In order to maintain the condition of our property and the level of service provided by our staff in the current inflationary environment, it will be necessary to increase homeowners dues by 14%. The proposed budget has been circulated to all homeowners for your review and edification.

Other documents include required disclosures, financial information, and election materials. You must return the ballot by mail or drop it off at the Lodge prior to 8am on Saturday, October 21, 2023. The ballots will be counted during the meeting by the inspector of elections and results announced before the meeting ends.

Please do not hesitate to reach out to me or any other board member with your questions or concerns. Contact information for all board members is on the Carnelian Woods website in the members only area.

Greg Hubachek, President 2022/2023  
[president@carnelianwoods.org](mailto:president@carnelianwoods.org)

# NOTICE OF MEETING

An open meeting of the Board of Directors of the Carnelian Woods  
will be held at  
10:00 AM to 1:00 PM on October 21, 2023

Online: <https://meet.google.com/pwy-ozvg-gwn>

Google Meet Smartphone App: Meet Code: pwy-ozvg-gwn

Telephone: +1 904-900-0934 and enter this PIN: 303 967 020#

To view more phone numbers, click this link: <https://tel.meet/pwy-ozvg-gwn?hs=5>

## BOARD MEETING AGENDA

1. Call to Order – President
2. Roll Call/Quorum Check - Secretary
3. Approval of minutes for the August 23, 2023 board meeting - Board
4. Approval of minutes for 2022 Annual homeowners meeting - Board
5. Open Forum – Homeowners
  - a. During open forum, each attendee may address the Board for up to two minutes. Speakers may not allot their time to others. A director or manager may, but is not obligated to, briefly respond to statements made or questions posed.
6. Secretary's Report
  - a. Google Drive for Document Storage
7. Treasurer's Report
  - a. Review 2023 Year End Budget
8. President's Report
  - a. Financial Presentation
9. Committee Reports
  - a. Insurance - Greg/Celia/Don
    - i. Update on Winter 2022/23 Damage and Repairs
  - b. HOA Management and GM/PM Position Committee - Perry

- i. Update on status of HOA Management Proposals and potential candidates for GM/PM Position
    - ii. Update on temporary staff
  - c. Forestry - Celia
    - i. Summary of Forestry Report by consultant
    - ii. Firewise
  - d. Architectural - Jack
    - i. BBQ Policy Update
  - e. Webmaster - George
  - f. Communications - Karen
- 10. Old Business - Board
  - a. Status of Capital Reserve Study
  - b. Review of 2024 Election by Acclamation
    - i. Thank outgoing members
    - ii. Remembering Cary Okumura
  - c. Status of Utilities
    - i. Phone
    - ii. Cable
    - iii. Others
- 11. New Business - Board
  - a. Election of 2024 Executive Committee
  - b. Special Assessment for Capital Replacement
  - c. Committee to investigate the Pavilion
  - d. Committee to investigate Utilities
  - e. Board Meeting Schedule for 2024
    - i. Propose - 2nd Tuesday of Month from 5 to 7 PM
- 12. Adjourn Meeting until tomorrow morning, closed session
- 13. Executive Session (Closed Session - Sunday October 22, 2023, 9:00 am)
  - a. Roll Call/Quorum Check
  - b. Approval of minutes for the August 23, 2023 Executive Session
  - c. Old Business

- i. Accounts Receivable Update
- ii. Position Descriptions Update
- iii. Insurance Claim

d. New Business

- i. Staffing

14. Next Board Meeting – November 14, 2023, 5 PM

15. Adjournment

MEETING RULES: Members may not record the meeting. Members may observe the meeting but do not have the right to participate in the Board's deliberations or votes. Members may address issues during the Open Forum portion of the meeting. Attendees may not engage in obscene gestures, shouting, profanity or other disruptive behavior. If attendees become disruptive, they may be expelled from the meeting. Members may not be present during executive session.

**DRAFT**  
**CARNELIAN WOODS**

**TO:** CARNELIAN WOODS  
**FROM:** CARY OKUMURA, BOARD OF DIRECTORS SECRETARY  
**SUBJECT:** 2022 ANNUAL HOMEOWNERS MEETING (IN PERSON & ZOOM)  
**DATE:** OCTOBER 22, 2022  
**CC:** HOMEOWNERS, BOARD MEMBERS AND PROJECT MANAGER

---

**BOARD INTRODUCTIONS**

The 2022 Annual Homeowners Meeting opened at 1:00 PM. This Annual Homeowners Meeting was held at the Lodge with all BoD members present and Unit Homeowners (approximately 50) in person attendance & ZOOM (approximately 15).

President Celia Barry introduced all board members. Board of Director members were introduced as follows; Barry, Fox, Cleland, Swanson, Hubachek, Proffitt, Okumura, Sullivan & Hopkinson.

A quorum was determined to be present as determined by current California state law.

General Manager Don Bemiss was introduced.

2022 is the 50<sup>th</sup> Anniversary of Carnelian Woods.

**OPEN FORUM for Homeowners to address the Board (2 minutes maximum)**

Various questions were raised by Unit Homeowners;

The “Rake Off” was praised

A question was raised why the creek area was not treated during the forestry work. The creek is not part of the North Tahoe Fire prevention work with the Conservancy & CW. CW is responsible for the 100’ setback to buildings.

Will CW reduce services to homeowners as a result of reduction of income this last year. No, the proposed budget increases HO dues to compensate.

The HO dues increase of 3% last year and 10% in the proposed budget seems large. The increases are necessary due to the inflation & increases of all expenses at CWs. We will look at the budget at the end of the fiscal year to determine if an increase is necessary.

It was noted that parking lot signage on trees at parking entrances are hard to see. It was suggested that lighting would be helpful. We will look into the issue.

A letter was received from the fire dept. regarding trees near their unit. Don will help resolve the issue.

### **APPROVAL OF THE MINUTES OF 2021 ANNUAL MEETING**

A motion to approve the minutes for previous Annual HO's Meeting of September 11, 2021 (page 5 in Annual HO's Packet) was made by Unit #52, 2<sup>nd</sup> Unit #128, Motion was Approved.

### **TREASURER'S REPORT (PERRY FOX)**

CW experienced a decline in our operating fund of \$29K. We had an increase in expenses of \$122K which included salaries, insurance, vacation pay, Workman's Comp ins., utilities, etc. We are working with McClintock to correct our bookkeeping. A 10% increase in dues is in the proposed budget.

Serge has left CW due to health issues & Teresa is now at the front desk. She will be trained on QuickBooks & ADP. We are making changes to the accounting of Carnelian Woods Services and Carnelian Woods Operating account.

Our Capital Reserve Fund is currently below the state Davis-Stirling Act recommendation. We are working to resolve the issue.

The Homeowners packet (page 9) includes our Annual Budget Report, 2023 Propose Budget, Capital Projects Budget 2023-2028.

### **STRATEGIC PLANNING (PERRY FOX)**

The current Budget Plan of Record for 2023 (page 12A) projected profit/loss for income & operating expenses are shown.

Our current efforts are to meet Capital Reserve Funding state recommendations.

### **ELECTIONS**

Introductions & statements were made by the 4 candidates for the 3 Board of Directors positions up for renewal: Barry, Fox, Hubachek, Allan Kleinkopf.

Election results were tabulated by Adriana Bermudez & the results were announced toward the end of the HO's meeting.

### **COMMITTEES.**

**Architectural:** Jack Venable is the Chair of the ACC (Not in Attendance)

Information, distinctions & building permit work requirements for unit improvements & the ACC General Conditions (page 25).

**Insurance:** Greg Hubachek; discussed our Farmers Insurance; (page 14A). We have a minimal premium increase due to our long term relationship with Farmers, CW Designation as a Firewise Community & all our fire prevention efforts (siding, balconies, forestry) & our low claim record. Propane BBQ are not permitted on decks per North Tahoe Fire.

Government Agencies/Local Outreach: Fran Swanson; Fran discussed Tahoe local issues, Housing & Short Term Rentals (STR), local public transportation available through the new TART CONNECT system & the proposed Bike Path. Segment 1 is the most current, Segment 3, affecting CW is in the future. Planned Roundabouts at Hwy 267 & 28.

Communications: Karen Cleland; the new Carnelian Woods Website is now up and functioning. All HOs are encouraged to go to the CW Website for current information. Also look at our newsletter 'the Communicator'.

Security: Don Bemiss PM; We continue to have some dumpster & spa issues.

Hospitality: Cat Fox; CW held a CW Mini golf tournament. We had 28 participants & a trophy was awarded.

Forestry/Undeveloped Lots: Celia Barry; CW had our annual Rake Off with HOs & CW staff help. Our project 'Firewise' designation was renewed. CW (77 of our 88 acres) is part of the Conservancy Fire reduction program through North Tahoe Fire. This is considered to be a 10-year treatment.

### **ANNOUNCEMENT OF BOARD OF DIRECTORS CANDIDATES RESULTS**

The 3 positions for the Board of Directors were voted upon (69 voters) and the results are as follows:

Barry; 68 votes, selected

Fox; 61 votes, selected

Hubachek; 51 votes, selected

Kleinkopf, 25 votes

### **GENERAL MANAGER'S REPORT (DON BEMISS)**

We expect an early snow season

Pest (bats) infestation update: All CW units have had bat remediation & we have a 2 year warranty on reoccurrence.

Thanks to CW staff; Teresa Bertini, Dave Davis, Ray Butler & Albert Madera. The Tahoe area is difficult to hire new employees due to low available housing & expenses.

### **OLD BUSINESS**

CW has 6 years remaining on our \$438 Special Assessment for siding.

### **NEW BUSINESS**

A discussion regarding the Pavilion & possible other uses including sale as another unit, other types of rentals, workers housing, etc.

A motion was made to keep the Pavilion as a Housing Rental; #1, 2<sup>nd</sup> ;#128, Motion approved, 4 opposed.

### **NEXT ANNUAL HOMEOWNERS MEETING**

A discussion regarding the date of the Annual Homeowners Meeting for the future (September or October).

Saturday October 21, 2023 was determined to be the best date. This allows the board to present the most current financial information & budget.

**ADJOURNMENT OF THE ANNUAL HOMEOWNERS MEETING**

Motion to adjourn the Annual Homeowners Meeting; Shaw, 2<sup>nd</sup> Heidi, Motion Approved, 3:40 PM.  
Homeowners participated in refreshments & drinks

Respectfully submitted:

Cary Okumura, Board Secretary, Unit#60

**OFFICIAL REPORT OF INSPECTOR OF ELECTION  
Carnelian Woods Townhouse Association**

I am writing as Inspector of Election with my conclusions regarding the results of the election. As Inspector of Elections, I performed my duties impartially, in good faith and to the best of my ability.

The election materials and procedures were in compliance with California law. Specifically, the ballots for this election did not contain information that identifies the voter by name, address, or lot, parcel, or unit number. The ballot had to have been inserted in an envelope marked "Ballot Envelope" with that envelope sealed and placed inside the return envelope that is preprinted the return address, the property owner's name and address, separate interest property description and a space for the property owner's signature. The property owner is required by California law to sign the return envelope. The other significant change in California law affecting the election is the requirement for ballots to be counted in public at a meeting of the Association's Board or Members.

The votes were counted and tabulated during a meeting on October 22, 2022. The meeting was open and noticed. Any candidate and member could witness the counting and tabulation of the ballots. All ballots were handled in such a way so as to maintain the secrecy of the votes.

I reviewed all of the ballots that were unconventional in one way or another, and determined which ballots were valid and could be counted.

In my opinion, the election was conducted in a fair and impartial manner, and in substantial compliance with the Bylaws of the Association and California law.

With additional persons, who were independent third parties that I appointed to assist me to count and tabulate votes, the votes were counted and tabulated as follows:

Number of ballots received: 69 Number of ballots counted: 69

Number of ballots disqualified: 0 of which 0 were disqualified because the return envelope was not signed by the voter as required by California law

CANDIDATE, WRITE IN, OR ISSUE - VOTES RECEIVED

Celia Barry – 68

Perry Fox – 61

Greg Hubacheck – 51

Allan Kleinkopf - 25

Write In - None

Dated: Oct 22, 2022 By \_\_\_\_/s/ Adriana Bermudez\_\_\_\_\_

Printed name: Adriana Bermudez

**CARNELIAN WOODS  
ANNUAL BUDGET REPORT  
(CIVIL CODE SECTION 5300)**

1. Pro Forma Operating Budget (attached)
2. Summary of Association Reserves (Civil Code section 5565 - attached)
3. Summary of Reserve Funding Plan (Civil Code section 5560(b)(5)) (**Full Report Available Upon Request**)
4. The board has not determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.
5. The board, consistent with the reserve funding plan adopted pursuant to Section 5560, has determined that two additional special assessments are required. The first, approved by the board, an assessment of \$339 per unit payable with the October 2023 dues. The second to be approved by the homeowners, an assessment of \$1,916 per unit payable after the first assessment in four quarterly payments of \$479. The existing special assessment of \$438 remains until the loan is paid off in February, 2029.
6. The board will fund reserves to repair or replace major components, including assessments, borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms. The board currently anticipates the special assessment identified in #5 above and has one loan with Mutual of Omaha for a 10-year period.
7. The board reviews the reserves balance multiple times per year. Projects are determined by priority and scheduled on an annual basis. (see Reserve Report)
8. The board has an outstanding loan with Mutual of Omaha. This is a 10-year loan, which began March, 2019 and has a current (August 13, 2023) loan amount of \$1,001,626.53 at a 5.31% rate. Each unit's quarterly payment is \$438.00.
9. The Carnelian Woods properties are insured by Farmers Insurance. A summary of the insurance is attached. See disclosure below.

**“This summary of the association’s policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association’s insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association’s policies of insurance may not cover your property, including personal property or real property improvements to or around your**

**dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.”**

10. “Certification by the Federal Housing Administration may provide benefits to members of an association, including an improvement in an owner’s ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest. This common interest development is a condominium project. The association is uncertain at this time whether this common interest development is certified by the Federal Housing Administration.”
11. “Certification by the federal Department of Veterans Affairs may provide benefits to members of an association, including an improvement in an owner’s ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest. This common interest development is a condominium project. The association of this common interest development is uncertain whether it is certified by the federal Department of Veterans Affairs.”
12. A \$350 Transfer Fee will be charged by Carnelian Woods Townhouse Association at the time of sale of a unit. This is to cover the costs for “Charges for Documents Provided” disclosure identified in Civil Code section 4528.

**CARNELIAN WOODS  
2024 OPERATIONS BUDGET**

NOTES

2023 Actuals As of 7/31/23	2023 Budget	Difference 2023	Proposed 2024 Budget	Proposed 2025 Budget
-------------------------------	-------------	--------------------	-------------------------	-------------------------

**REVENUE**

4000 Homeowners dues	\$ 620,680	\$ 744,533	\$ 123,853	\$ 848,768	\$ 891,206
4015 Rental Income	\$ 28,700	\$ 28,800	\$ 100	\$ 33,000	\$ 33,000
4020 CW Services	\$ 115,391	\$ 300,000	\$ 184,609	\$ 10,000	\$ -
4025 Late charges	\$ 233	\$ 500	\$ 267	\$ 500	\$ 500
4030 Transfer Fees	\$ 1,100	\$ 1,500	\$ 400	\$ 1,500	\$ 1,500
4035 Vending Income		\$ 250	\$ 250	\$ 250	\$ 250
4040 Misc	\$ 2,550	\$ 500	\$ (2,050)	\$ 500	\$ 1,000
4042 Key Card Income	\$ 80	\$ 500	\$ 420	\$ 500	\$ 500
<b>Total Revenue</b>	<b>\$ 768,734</b>	<b>\$ 1,076,583</b>	<b>\$ 307,849</b>	<b>\$ 895,018</b>	<b>\$ 927,956</b>

<b>Operating Expenses</b>	<b>\$ 775,503</b>	<b>\$ 962,291</b>		<b>\$ 847,180</b>	<b>\$ 813,590</b>
---------------------------	-------------------	-------------------	--	-------------------	-------------------

<b>Available Cash</b>	<b>\$ (6,769)</b>	<b>\$ 114,292</b>		<b>\$ 47,838</b>	<b>\$ 57,183</b>
-----------------------	-------------------	-------------------	--	------------------	------------------

<b>Due To (From) Replacement Fund</b>				<b>\$ -</b>	<b>\$ 57,183</b>
---------------------------------------	--	--	--	-------------	------------------

**Available Cash after Replacement Fund** **\$ 47,838**

**OPERATING EXPENSES**

6085 Accounting	\$ 31,513	\$ 18,000	\$ (13,513)	\$ 10,000	\$ 10,000
6060 Insurance	\$ 57,343	\$ 69,553	\$ 12,210	\$ 104,330	\$ 104,330
6070 Misc Expense	\$ 2,348	\$ 4,000	\$ 1,652	\$ 3,000	\$ 3,000
6072 Office & Plant	\$ 10,993	\$ 5,000	\$ (5,993)	\$ 7,000	\$ 7,000
6075 Postage & Delivery	\$ 1,292	\$ 500	\$ (792)	\$ 1,500	\$ 1,500
6136 Salaries Maint/Mgmt	\$ 233,540	\$ 313,838	\$ 80,298	\$ 297,000	\$ 305,910
6055 Employee Benefits	\$ 25,700	\$ 30,000	\$ 4,300	\$ 20,000	\$ 15,000
6137 Wages/Others	\$ 40,363	\$ 23,000	\$ (17,363)	\$ 20,000	\$ 20,000
6138 Snow removal	\$ 74,944	\$ 28,000	\$ (46,944)	\$ 50,000	\$ 50,000
6073 Payroll Tax Expense	\$ 25,845	\$ 30,000	\$ 4,155	\$ 35,000	\$ 30,000
6185 Workers Comp	\$ 5,230	\$ 22,000	\$ 16,770	\$ 7,500	\$ 6,000
6074 Payroll service	\$ 1,973	\$ 2,300	\$ 327	\$ 2,500	\$ 2,500
6080 Professional Fees	\$ 4,528	\$ 6,000	\$ 1,472	\$ 6,000	\$ 12,000
6105 General Maintenance	\$ 11,832	\$ 18,000	\$ 6,168	\$ 15,000	\$ 15,000
6033 CW Service Expense	\$ 98,128	\$ 190,000	\$ 91,872	\$ 10,000	\$ -
6125 Pool & Spa	\$ 14,254	\$ 8,000	\$ (6,254)	\$ 12,000	\$ 12,000
6130 Tree Removal	\$ -	\$ 20,000	\$ 20,000	\$ 10,000	\$ 25,000
6145 Security	\$ 366	\$ 600	\$ 234	\$ 750	\$ 750
6065 Fees & Licensing	\$ 2,582	\$ 3,500	\$ 918	\$ 3,500	\$ 3,500
6160 Property Tax	\$ 9,522	\$ 13,000	\$ 3,478	\$ 14,000	\$ 15,000
6165 Income Tax	\$ 1,611	\$ 200	\$ (1,411)	\$ 2,000	\$ 2,000
6170 Telephone	\$ 9,503	\$ 9,200	\$ (303)	\$ 5,500	\$ 5,500
6180 Vehicle Expense	\$ 29,775	\$ 22,000	\$ (7,775)	\$ 20,000	\$ 20,000
6032 Pavillion	\$ 380	\$ -	\$ (380)	\$ 2,000	\$ 2,000
6175 Utilities	\$ 81,832	\$ 95,000	\$ 13,168	\$ 98,000	\$ 100,000
6104 Forestry	\$ -	\$ 30,000	\$ 30,000	\$ 20,000	\$ 10,000
Roof Inspection				\$ 35,000	
Deck Inspection SB326				\$ 30,000	
Paving of Low Use Area					\$ 30,000
Bat Inspection				\$ 5,000	\$ 5,000
6063 Bank Service Fee	\$ 106	\$ 600	\$ 494	\$ 600	\$ 600
<b>Total Operating Expenses</b>	<b>\$ 775,503</b>	<b>\$ 962,291</b>	<b>\$ 186,788</b>	<b>\$ 847,180</b>	<b>\$ 813,590</b>

	2023 Budget			2024 Budget			Difference
	Dues	Sp. Asmt	Total	Dues	Sp. Asmt	Total	
<b>Annual Dues</b>	\$ 6,312	\$ 1,752	\$ 8,064	\$ 7,196	\$ 1,752	\$ 8,948	\$ 884
<b>Qtrly Dues</b>	\$ 1,578	\$ 438	\$ 2,016	\$ 1,799	\$ 438	\$ 2,237	\$ 221
<b>Monthly Dues</b>	\$ 526	\$ 146	\$ 672	\$ 600	\$ 146	\$ 746	\$ 74

**CARNELIAN WOODS**

**California Assessment and Reserve Funding Disclosure  
for the Fiscal Year Ending September 30 2023**

1. The regular assessment per ownership interest is \$1,799 per quarter for the fiscal year beginning October 1, 2023.
2. Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the Board and/or members.

<b>Date Assessment will be due</b>	<b>Amount per ownership interest</b>	<b>Purpose of the assessment</b>
October 30, 2023	\$438	Siding Loan
October 30, 2023	\$339	\$40,000 Replacement to Capital Fund from 2022
January 30, 2024	\$438	Siding Loan
April 30, 2024	\$438	Siding Loan
July 30, 2024	\$438	Siding Loan

3. Based upon the most recent reserve study and other information available to the Board of Directors, will currently projected reserve account balances 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?

Yes \_\_\_\_\_ No **X**

4. If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members?

<b>Approximate Date</b>	<b>Amount Per Ownership Interest</b>
2023 or 2024	Unknown at this time. Board will be reviewing updated reserve study to determine as well as updated costs to manage association business.

5. All Major components are included in the reserve study and are included in its calculations. See next page Section 5300(b)(4) for any major component exclusions.
6. Based on the method of calculation in paragraph (4) of the subdivision (b) of section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$3,039,499, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group as of August, 2020. The projected reserve fund cash balance at the end of the current fiscal year is \$203,003 resulting in reserves being 6.7% percent funded at this date. Civil code section 5570 does not require the board to fund reserves in accordance with this calculation.

*An alternate and generally accepted method of calculation has been utilized to determine future reserve contribution amounts. The reserve contribution for the next fiscal year has been determined using the Cash Flow method of calculation (see section III, Reserve Fund Balance Forecast). This is a method of developing a reserve funding plan where the contributions to the reserve fund are designated to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.*

7. Based on the method of calculation in paragraph (4) of subdivision (b) of section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is presented in column (b) 'Fully Funded Balance' in the table immediately below; and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is presented in column (c) 'Reserve Ending Balance'; leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

<b>Fiscal Year (a)</b>	<b>Fully Funded Balance (b)</b>	<b>Reserve Ending Balance (c)</b>	<b>Percent Funded (d)</b>
2022/23	\$3,039,499	\$203,003	6.7%
2023/24	\$3,189,456	\$243,003	7.6%
2024/25	\$3,353,037	\$230,686	6.9%
2025/26	\$3,570,804	\$165,686	4.6%
2026/27	\$3,255,102	\$130,686	4.0%

If the reserve funding plan approved by the association is implemented, the projected fund cash balance in each of those years will be the amounts presented in column (c) 'Reserve Ending Balance' in the table immediately above, leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

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.

**Additional Disclosures**

**§5565(d)** The current deficiency in reserve funding as of September 30, 2021 is \$22,444 per ownership interest (average).

This is calculated as the current estimate of the amount of cash reserves necessary as of the end of the fiscal year for which the study is prepared, less the amount of accumulated cash reserves actually (Projected to be) set aside to repair, replace, restore, or maintain the major components.

$$\text{Deficiency} = \frac{\text{2020/2021 Fully Funded Balance} - \text{2020/2021 Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

**§5300(b)(4)** The current board of directors of the association has not deferred or determined to not undertake repairs or replacements over the next 30 years.

Major Component	Justification for Deferral
Repaving of Low Use Areas	Deferred to 2024 given current financial constraints
Stair Entry/Landing Rehabilitation	Deferred in 2023 to reevaluate costs

**§5300(b)(5)** The board of directors has not received the latest Reserve Study (anticipated to be accepted by the board prior to the annual meeting in October, 2024). The new Reserve Study will assist the board with prioritizing capital reserve expenditures and determining the need (if any) for an additional assessment.

# Carnelian Woods

## 2023-2024 Dues and Assessments

Carnelian Woods has had several difficult years financially and has put off past larger dues increases and special assessments to recover the costs. There have been three primary issues:

- Money used from reserves for bat exclusion and other repairs have left the reserves significantly underfunded
- Unbudgeted expenses and revenue shortfalls, in part caused by the heavy winter
- Increased operational costs

Carnelian Woods is now in a weakened financial condition that must be immediately remedied. McClintock, our CPA firm, has indicated that they will drop us as a client and HOA management companies we are looking to for bids are reluctant to consider us as a client in our current financial state.

To address costs, and improve services and financial stability, the operation, management and business structure of Carnelian Woods are being changed and all aspects of the operations are being examined for financial efficiency. While financial savings and improvements will occur, the monies above that have been spent are to maintain our homes, and as the homeowners we must pay the bill. This first year of transition will be rough, but Carnelian Woods finances will be improved after that.

To reach a healthy state, the board is using three avenues of revenue:

- A \$40,002 special assessment approved by the board (\$339/unit)
- A \$104,235 dues increase (14%) approved by the board
- A \$226,088 special assessment to be approved by the homeowners (\$1916/unit, payable quarterly over one year)

The reasons for these fees are discussed in more detail below.

## In Detail

### Reserves

The board has often had the position of obtaining loans for large CW Asset maintenance rather than building savings in reserves. While this has its merits, it is not industry practice and is poor financial practice. Our CPA and prospective vendors in the industry have told us so to the extent that unless we improve our financial condition they are reluctant to do business with us. We must immediately replenish our reserves to a reasonable level. Since 2019, to not increase dues, the board has used reserves and not always funded reserves when they could to the amount of \$266K. Since 2020 the expenditures on just bat remediation, balconies, and stairs have drained the reserves by \$588K. The board is looking to restore the \$266K in the next year.

Fully funded reserves from the 2020 study would be \$3,034K. Our homes are over 50 years old and we will need to collect and spend that money at some point.

## Carnelian Woods Services

CWS net income supplies cash that reduces homeowner dues. This last year, due to the heavy winter and other reasons, CWS was short on its budgeted income by over 40%, and this caused budget and cash flow issues for the HOA. Going forward, we are changing the accounting of CWS to budget no net income for the fiscal year. CWS net income is budgeted at \$0 in 2023/24 compared to \$95K in 2022/23. This budgeted \$95K net income reduction must be made up by dues and accounts for 12.8% of the 14% dues increase. It's painful, but it only happens once in the accounting change.

## Costs

The board is looking for ways to cut costs largely by restructuring and more efficient use of employees, but in other details as well: contracting phone services saving \$4K, reducing Lodge TV service saving \$1.2K, doing more in-house bookkeeping saving \$8K, and analyzing utilities which are budgeted for \$98K are four immediate targets. Some costs are not in our control, such as damages from the past winter, and the property insurance that is expected to increase by about \$38K, or 50%, this year.

## Why Three Revenue Sources?

### \$40,002 Special Assessment

In September of 2022, a total of \$40,000 was borrowed from the reserve fund to the operating fund to meet short term cash flow needs. Due largely to Carnelian Woods Services (CWS) not meeting its revenue numbers and additional winter expenses, there has not been the cash available to restore the funds. There is a legal requirement to replenish the reserve fund within one year (expiring in September 2023) or have a plan to do so. Rather than risk missing the legal deadline if a larger homeowner assessment did not pass, the board voted to create a special assessment for this amount. The amount is within the dollar limits the board can assess (5% of gross budgeted expenses) without the vote of the members.

### \$226,088 Special Assessment

Per the discussion in Reserves above, our CPA has indicated that we need to raise the reserves to meet financial requirements. The amount for this assessment is the \$266K amount mentioned in Reserves (above), less the \$40K special assessment the board has passed, leaving \$226K for a special assessment strictly to fund the reserves.

The large bat remediation expense that was the bulk of the reserve expense drain will not need to be repeated. Our vendor, for \$5K per year, will inspect for bats, fix issues due to inadequate

protection, and extend their remediation warranty each year. We are, however, responsible for damage to the bat protection, such as due to snow damage this last year.

## Dues Increase of 14%

Per the discussion in Carnelian Woods Services above, over 91% of the increase is because of a needed accounting change to reduce our financial budget risk. Despite unbudgeted extraordinary expenses this last year and new or rising expenses this coming year of at least \$225K (see below), or 26.5% of the 20223/24 budget, with restructuring and cost savings, the remaining dues increase has been kept down to only 1.2%. This is very low in a time of record high inflation. The mentioned expenses included are:

Unbudgeted snow removal services of \$46,944

Previous years crews were unreliable at \$30/hr. With short supply and high demand making this worse, securing reliable services for winter 2022/23 cost \$60/hr with more plowing needed than projected. The budget for snow removal in 2023/24 has been increased by \$22,000.

Unbudgeted Salary Increase of \$21,196 (July 31)

Retaining good, reliable employees has been problematic. An unscheduled salary increase was needed for a deserving employee to retain the staff.

Unbudgeted truck and loader repairs of \$14,973

This winter caused significant (three years' worth of use in a single year) accelerated wear and tear on the equipment requiring repairs that would have been scheduled for next year to occur this year.

Unbudgeted accounting expenses of \$16,513 (July 31)

Office staff was not experienced in QuickBooks and out with an extended illness requiring our accounting firm to do the QuickBooks data entry normally performed in-house. With new staff, more of this work will be brought in house.

Damage to units, insurance deductible this year of \$25,000

Our property damage insurance deductible is \$25,000 for an insurance payout of about \$200K to pay for damage to the exterior of the units from last winter.

Insurance increase expected of about \$34,776

Our property insurance premiums are expected to increase by 50%, due to risks the industry is facing.

Roof Inspections before winter of about \$36,000

Our units are about 50 years old, and inspections had been planned, but the hard winter last year has made this an urgent issue. Some unknown amount of repairs may also be required that will need to be funded.

#### Balcony Inspections of about \$30,000

Senate Bill SB326 requires periodic inspections of decks and balconies for safety. The board has estimated that the inspections to meet the legal requirements will cost \$30,000. Some unknown amount of repairs may also be required that will need to be funded. Since the balconies have just been updated, few repairs are expected.

**CARNELIAN WOODS - 2023/2024 CAPITAL BUDGET**

**CAPITAL RESERVE**

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Capital reserves opening balance	\$202,266	\$242,266	\$229,949	\$164,949	\$129,949
Capital expenditures	\$0	\$69,500	\$65,000	\$35,000	\$35,000
Due To (From) Replacement Fund	\$40,000	\$57,183			
Ending balance	\$242,266	\$229,949	\$164,949	\$129,949	\$94,949

40K Per 7/29/2023 Assessment

Replacement Fund to be revised from operations budget capital replacement fund  
57183 From approved budget

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>

Unit Entry Stairs and Landings		\$35,000	\$35,000	\$35,000	\$35,000
Asphalt Repair/seal					
parking lots & roadways					

Pool cover (10%) replacement		\$2,000				
Pool tile/Replacement						
Tennis Court Maintenance		\$25,000				
Work Truck Replacement						
Snow Plow		\$7,500				
Fencing			\$30,000			
<b>Total</b>	<b>\$0</b>	<b>\$69,500</b>	<b>\$65,000</b>	<b>\$35,000</b>	<b>\$35,000</b>	
2024 Parking Lot Repairing included in operations budget						

**CARNELIAN WOODS**  
**OUTSTANDING LOANS**  
**September 30, 2023**

Purpose: Building siding  
Payee: Mutual of Omaha  
Interest Rate: 5.31% Fixed  
Current Balance: \$1,001,627 (July 31, 2023)  
Annual Payment: \$206,680.32  
Ending Date: February 13, 2029

**CARNELIAN WOODS  
INSURANCE SUMMARY - CIVIL CODE SECTION 5300(a)(9)**

**[See Additional Information from the Insurance Company Attached]**

“This summary of the association’s policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association’s insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association’s policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.”



**Robert C. Nielsen**  
 4349 Hazel Ave. # 100  
 Fair Oaks, CA 95628  
 Tel 916.965.9200  
 Fax 916.965.9222  
 License # 0703302  
 rnielsen@farmersagent.com

## Carnelian Woods Association

### Insurance Disclosure

Civil Code 4000 (01/01/14)

This summary of the association's policies of insurance provides only certain information as required by subdivision (f) of Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association member may, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in the 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 coverage.

<b>COMPANY &amp; POLICY NUMBER:</b>	<b>Farmers Insurance # 602576737</b>
Coverage Dates:	03/31/2023 to 03/31/2024
Blanket Building Limit:	\$ 41,178,800 (150% ERC)
Employee Dishonesty/Deductible	\$ 800,000/\$10,000
Liability Limit Per Occurrence/Aggregate	\$1,000,000/\$2,000,000
Deductible:	\$25,000
<b>COMPANY &amp; POLICY NUMBER:</b>	<b>Farmers Insurance # 602576737</b>
Coverage Dates:	03/31/2023 to 03/31/2024
Directors & Officers	\$1,000,000/\$1,000,000
Deductible:	\$1,000
<b>COMPANY &amp; POLICY NUMBER:</b>	<b>Truck Insurance Exchange #606757344</b>
Coverage Dates:	03/31/2023 to 03/31/2024
Umbrella	\$5,000,000
Self-Insured Retention:	\$10,000

**Higher limits are available and can be quoted. Please contact us if you want to discuss higher limits.**

This summary 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.



**Robert C. Nielsen**  
4349 Hazel Ave. # 100  
Fair Oaks, CA 95628  
Tel 916.965.9200  
Fax 916.965.9222  
License # 0703302  
rnielsen@farmersagent.com

## Carnelian Woods Association

This master policy does **NOT** cover the interior walls, cabinets, countertops, built in appliances, bathroom fixtures, electrical, plumbing, floor coverings or improvements/alterations that are a part of the building or structure.

**You should purchase a HO6 policy to cover your personal property, your unit interior and improvements with a minimum of \$1,000 which could offset the \$25,000 master policy deductible that you could be responsible for.**

**You are also responsible for insuring your personal property such as furniture, clothing and free-standing appliances.**

**This Master policy does not cover:**

Unit Interiors or Personal Property  
Earthquake  
Flood

The Association Homeowner can obtain a certificate of insurance by sending an email to [certificates@nielseninsurance.com](mailto:certificates@nielseninsurance.com)

As a full-service Farmers Insurance Agency, we will be happy to provide you with an HO6 quote for your personal property as well as personal liability. Please call our office at 916-965-9200 and ask for Sarah Young at extension 113 to obtain your free quote.

Sincerely,

Robert C. Nielsen, Jr.



**Robert C. Nielsen**  
**R C Nielsen Insurance Services**  
4349 Hazel Ave  
Fair Oaks, CA 95628  
Office 916-965-9200  
rnielsen@farmersagent.com  
CA Producer LIC 703302

Carnelian Woods Townhouse Association

PO Box 68

Carnelian Bay, CA 96140

RE: Insurance Renewal – Carnelian Woods Townhouse Association

Dear Greg and Board Members,

On behalf of R.C. Nielsen Insurance Services, I would like to express my sincere appreciation for the opportunity to service your insurance needs. Enclosed is the revised renewal policy for your association which renews on March 31, 2023. The renewal has been offered with Farmers Insurance which is a preferred company and reflects the deductible increase to \$25,000 as requested.

Farmers Insurance's includes coverage for full replacement of the buildings and includes a 150% Extended Replacement Cost Endorsement. This extended replacement cost endorsement is unprecedented in the commercial insurance marketplace. And let's not forget our exceptional claims service with in-house, highly trained, claim professionals (no third-party claims adjusters!).

These are just a few of the primary reasons Farmers Insurance continues to be the leading commercial insurer in California and has been for the past 25 years.

In looking over the review, please feel free to contact our office with any questions or inquiries. I have provided the Annual Insurance Disclosure for your convenience.

Thank you for the continued opportunity to handle your insurance needs!

Sincerely,

Robert C. Nielsen, Jr.

# **Carnelian Woods Townhouse Association**

**Insurance Renewal Proposal  
Effective Date: March 31, 2023**

**Carnelian Woods Townhouse  
PO Box 68  
Carnelian Bay, CA 96140**

## **COVERAGE SUMMARY**

### **BUILDING COVERAGE: \$41,178,800**

#### **150% Extended Replacement Cost Limit: \$61,768,200**

Special Form, Blanket Limit and 150% Extended Replacement Cost on Buildings. In addition to the above: \$193,700 Specified Property; \$50,000 Outdoor Property (\$25,000 per Tree Limit); \$50,000 Outdoor Signs (\$25,000 per Sign Limit and a \$500 deductible) and \$182,700 in Business Personal Property.

- Deductible: \$25,000
- Building Ordinance B (Demolition): \$430,400
- Building Ordinance C (Increased Cost of Construction due to Building Code Upgrades): \$5,709,700
- Back-Up Sewer and Drain: \$50,000
- Loss of Assessments: \$100,000

#### **GENERAL LIABILITY COVERAGE:**

Broad Form Liability, Personal and Advertising Injury, Non-Owned and Hired Auto Liability, Host Liquor Liability.

- Limit: \$1,000,000 Per Occurrence / Aggregate: \$2,000,000
- Fire Legal Liability: \$75,000 / No Deductible
- Premises Medical Expense Limit: \$5,000 / No Deductible

#### **EMPLOYEE DISHONESTY/FIDELITY/CRIME COVERAGE:**

- Limit: \$800,000 / Deductible: \$10,000

#### **DIRECTORS AND OFFICERS LIABILITY COVERAGE:**

- Limit: \$1,000,000 Per Occurrence / Aggregate: \$1,000,000
- Deductible: \$1,000

#### **UMBRELLA LIABILITY COVERAGE (Including General and Directors & Officers)**

- Limit: \$5,000,000

- Farmers Self-Insured Retention: \$10,000

### **AUTOMOBILE LIABILITY COVERAGE**

- Liability Limit: \$1,000,000
- Uninsured/Underinsured Motorist Limit: \$1,000,000
- Hired and Non-Owned Auto Liability Included
- See policy schedule for covered vehicles
- See policy schedule for included drivers

### **Commercial Inland Marine Coverage**

- See policy schedule for covered equipment

## **DIRECTORS & OFFICERS COVERAGE:**

Covers the legal liability in defense of the association officers and directors acting in their fiduciary capacity as association officials.

### **What Limit does our Association need?**

The Civil Code 5800 states that a volunteer officer or volunteer director of an association that manages a common interest development that is exclusively residential, shall not be personally liable in excess of the coverage of insurance specified in paragraph (4) to any person who suffers injury, including, but not limited to, bodily injury, emotional distress, wrongful death, or property damage or loss as a result of the tortuous act or omission of the volunteer officer or volunteer director if all of the following criteria are met:

(4) The association maintained and had in effect at the time the act or omission occurred and at the time a claim is made one or more policies of insurance that shall include coverage for (A) general liability of the association and (B) individual liability of officers and directors of the association for negligent acts or omissions in that capacity provided that both types of coverage are in the following minimum amounts:

(A) At least five hundred thousand dollars (\$500,000) if the common interest development consists of 100 or fewer separate interests.

(B) At least one million dollars (\$1,000,000) if the common interest development consists of more than 100 separate interests.

\*Your association is in compliance with the Civil Code listed above. Recreational amenities, maintenance and cultural factors influence your exposure to liability. Please contact us to discuss the risk at your association, to determine an appropriate limit for your needs.

## **UMBRELLA/EXCESS LIABILITY COVERAGE:**

Pays on behalf of the insured in the event that the primary underlying coverage is exhausted, but there is still outstanding financial obligation. It may also be used as a primary policy, in the event that the underlying coverage does not cover said event. The Umbrella Policy also extends over the Directors & Officers Liability and Workers Compensation Employer Liability.

### **What Limit does our Association need?**

The Civil Code 5805 states that it is the intent of the Legislature to offer civil liability protection to owners of the separate interest in a common interest development that have common areas owned in tenancy-in-common if the association carries a certain level of prescribed insurance that cover a cause of action in tort. Any action in tort to a common interest development shall be brought only against the association and not against the individual owners of the separate interest if both of the following insurance requirements are met:

1. The Association maintained and has in effect for this cause of action one or more policies of insurance which include coverage for general liability of the association
2. The coverage described in paragraph (1) is in the following minimum amounts
  - a. At least two million (\$2,000,000) if the common interest development consists of 100 or fewer separate interest.
  - b. At least three million (\$3,000,000) if the common interest development consists of more than 100 separate interests.

\*Your association is in compliance with the Civil Code listed above. Recreational amenities, maintenance and cultural factors influence your exposure to liability.

Please contact us to discuss the risk at your Association, to determine an appropriate limit for your needs.

**CARNELIAN WOODS  
ANNUAL POLICY STATEMENT**

Pursuant to Civil Code Section 5310, Carnelian Woods provides the following Annual Policy Statement to its members.

Commencing after January 1, 2014, Civil Code Section 5310 requires that within 30 to 90 days before the end of its fiscal year, the board shall distribute an annual policy statement that provides the members with information about association policies. All references to “Section” are to the Civil Code unless otherwise noted.

The Annual Policy Statement shall include all of the following information:

(1) The name and address of the person designated to receive official communications to the Association, pursuant to Civil Code Section 4035:

<b>Mailing</b>	<b>Physical</b>
Greg Hubachek, President Carnelian Woods P.O. Box 68 Carnelian Bay, CA 96140	Greg Hubachek, President Carnelian Woods 5101 North Lake Blvd. Carnelian Bay, CA 96140

(2) A member may submit a request to have notices sent to up to two different specified addresses, pursuant to subdivision (b) of Sections 4040. If you have a secondary mailing address, please send a written request to the person identified in paragraph (1) above.

(3) The location, if any, designated for posting of a general notice, pursuant to paragraph (3) of subdivision (a) of Civil Code Section 4045:

a **Carnelian Woods Lodge, 5101 North Lake Blvd., Carnelian Bay, California 96140.**

b **<https://www.carnelianwoods.org/>**

(4) A member may request to receive general notices by individual delivery, pursuant to subdivision (b) of Civil Code Section 4045. The member’s written request to the person identified in paragraph (a) above should specify if he or she prefers to receive such general notice by first-class mail, certified mail or e-mail.

(5) A member may request to receive copies of Board meeting minutes (other than executive session) under Civil Code Section 4950(b) within 30 days of the meeting by sending a written request to the person identified in paragraph (1) above. The minutes may be in DRAFT form until approved by the Board. Minutes are also typically available on Carnelian Woods’ website.

(6) The statement of assessment collection policies required by Civil Code Section 5730. (see Attached)

(7) The board will use the association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of assessments

(8) The board will use the association's discipline policy, if any, including any schedule of penalties for violations of the governing documents pursuant to Civil Code Section 5850.

(9) The board will use its dispute resolution procedures, pursuant to Civil Code Sections 5920 and 5965.

(10) The board has requirements for association approval of a physical change to property, pursuant to Civil Code Section 4765. (See Attached)

(11) The mailing address for overnight payment of assessments, pursuant to Civil Code

Carnelian Woods  
5101 North Lake Blvd.  
Carnelian Bay, CA 96140

To the board's knowledge, there is not any other information that is required by law or the governing documents or that the board determines to be appropriate for inclusion.

**CARNELIAN WOODS  
ANNUAL NOTICE REGARDING COLLECTION POLICIES  
DELINQUENT ASSESSMENTS**

**These notices concern procedures in effect for collection of delinquent assessments and procedures to enforce the Association's rights to such assessments. A complete copy of Civil Code Section 5730 is attached to this notice.**

As you know, you are required to pay homeowners dues and special assessments, as applicable, on your unit in a timely fashion on a quarterly basis. Overdue amounts are assessed interest under the articles and bylaws of the association. The current interest rate on these amounts is set by the Association at the start of each year and may change from year to year.

Under the Association articles, bylaws and policies, the Association may collect overdue assessments by first giving you an opportunity to cure the default or participate in other resolution procedures. If the default is not cured, it can record a lien on your property to secure payment of these amounts. If the Association is forced to record a lien, it will add to the amount due \$300.00 for legal and administrative processing expenses incurred in initiating this matter for collection and sending notices. Additional reasonable legal fees may be assessed if a lien is recorded, and/or foreclosure or other enforcement proceedings are required. In addition, it will add the cost of recording fees charged by the County, and if foreclosure is required, those costs charged by the foreclosure trustee as well. 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 Sections 5705, 5710 and 5720 of the Civil Code.

The foreclosure Trustee authorized to commence and prosecute the foreclosure proceedings is S.B.S. Lien Services, 31194 La Baya Drive, Suite 106, Westlake Village, California 91362.

In addition, where a unit is delinquent, the Association may suspend that unit's access to and use of recreational and other facilities at Carnelian Woods. This suspension applies to the Owners and any renters, guests or other users of that unit.

You have the right to request a meeting with the board as provided by paragraph (3) of subdivision (c) of Civil Code Section 5665. An owner may submit a written request to meet with the board to discuss a payment plan for the debt. The association shall provide the owners the standards for payment plans, if any exist. The board shall meet with the owner in executive session within 45 days of the postmark of the request, if the request is mailed within 15 days of the date of the postmark of the notice, unless there is no regularly scheduled board meeting within that period, in which case the board may designate a committee of one or more members to meet with the owner. Payment plans may incorporate any assessments that accrue during the payment plan period. Payment plans shall not impede an association's ability to record a lien on the owner's separate interest to secure payment of delinquent assessments. Additional late fees shall not accrue during the payment plan period if the owner is in compliance with the terms of

the payment plan. In the event of a default on any payment plan, the association may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan.

You have the right to dispute the assessment debt by submitting a written request for dispute resolution to the association pursuant to the association's "meet and confer" program required under Civil Code or alternative dispute resolution with a neutral third party pursuant to Civil Code Section 5925.

You have the right to request alternative dispute resolution with a neutral third party pursuant to Civil Code Section 5925 before the association may initiate foreclosure against the owner's separate interest, except that binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

The decision to pursue dispute resolution or a particular type of alternative dispute resolution shall be the choice of the owner, except that binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or a monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

For liens recorded on or after January 1, 2006, the decision to record a lien for delinquent assessments shall be made only by the board of directors of the association and may not be delegated to an agent of the association. The board shall approve the decision by a majority vote of the board members in an open meeting. The board shall record the vote in the minutes of that meeting.

Upon receipt of a written request by an owner identifying a secondary address for purposes of collection notices, the association shall send additional copies of any notices required by this section to the secondary address provided. **The association shall notify owners of their right to submit secondary addresses to the association, at the time the association issues the pro forma operating budget pursuant to Section 5300.** The owner's request shall be in writing and shall be mailed to the association in a manner that shall indicate the association has received it. The owner may identify or change a secondary address at any time, provided that, if a secondary address is identified or changed during the collection process, the association shall only be required to send notices to the indicated secondary address from the point the association receives the request.

You are also notified of the following matters:

**IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION.**

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.

Any payments made by the owner of a separate interest toward the debt set forth, shall first be applied to the assessments owed, and, only after the assessments owed are paid in full shall the payments be applied to the fees and costs of collection, attorney's fees, late charges, or interest. When an owner makes a payment, the owner may request a receipt and the association shall provide it. The receipt shall indicate the date of payment and the person who received it. The association shall provide a mailing address for overnight payment of assessments. That address is:

**Mailing Address:**

CARNELIAN WOODS  
P.O. Box 68  
Carnelian Bay, California 96140

**Physical Address:**

CARNELIAN WOODS  
5101 North Lake Blvd.  
Carnelian Bay, California 96140

## **CIVIL CODE**

### **§ 5730. Statement of collection procedure**

- (a) The annual policy statement, prepared pursuant to Section 5310, shall include the following notice, in at least 12-point type:

#### **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 Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of

its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

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, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

## MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest 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 exists. (Section 5665 of the Civil Code)

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

**(b)** An association distributing the notice required by this section to an owner of an interest that is described in Section 11212 of the Business and Professions Code that is not otherwise exempt from this section pursuant to subdivision (a) of Section 11211.7 of the Business and Professions

Code may delete from the notice described in subdivision (a) the portion regarding meetings and payment plan

**CARNELIAN WOODS  
ANNUAL NOTICE TO HOMEOWNERS  
SUMMARY OF ALTERNATIVE DISPUTE RESOLUTION  
UNDER CIVIL CODE SECTION 5925  
AND INTERNAL DISPUTE RESOLUTION (“MEET AND CONFER”) RULES**

Under California Civil Code Section 5965, the Association is required to annually provide its members a summary of the provisions of Article 3, Chapter 10, Title 6, of the California Civil Code, (“Article 3”) commencing with Civil Code Section 5925, which provides laws and procedures for alternative dispute resolution for disputes between the Association and its members or among its members. The summary must include the following notice:

“Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of the member’s right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law.”

The summary shall be provided either at the time the pro forma budget is distributed or in the manner prescribed in Section 5016 of the Corporations Code. The summary shall include a description of the association’s internal dispute resolution process, as required by Civil Code Section 5920. A complete copy of Article 3 should be consulted for all details and provisions.

The following definitions apply to this law as provided in Civil Code Section 5925.

“Alternative dispute resolution” means mediation, arbitration, conciliation, or other nonjudicial procedure that involves a neutral party in the decision-making process and may be binding or nonbinding, with the voluntary consent of the parties.

“Enforcement action” means a civil action or proceeding in court for any of the following purposes:

- (1) Enforcement of the Davis Stirling Common Interest Development Act. [Civil Code Section 4000 et seq.]
- (2) Enforcement of the Nonprofit Mutual Benefit Corporation Law.
- (3) Enforcement of the governing documents of a common interest development.

Under Civil Code Section 5930, an association or a member of a common interest development may not file an enforcement action in the superior court unless the parties have tried to submit their dispute to alternative dispute resolution. This section applies only to an enforcement action that is solely for declaratory, injunctive, or writ relief, or for that relief in conjunction with a claim for monetary damages not in excess of five thousand dollars (\$5,000), in a small claims action. This section does not apply to a small claims action, and except as otherwise provided by law, to an assessment dispute.

## PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

## MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest 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 exists. (Section 5665 of the Civil Code)

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

An association distributing the notice required by this section to an owner of an interest that is described in Section 11212 of the Business and Professions Code that is not otherwise exempt from this section pursuant to subdivision (a) of Section 11211.7 of the Business and Professions Code may delete from the notice described in subdivision (a) the portion regarding meetings and payment plans.

Under Civil Code Section 5935, any party to a dispute may initiate the process by serving on all other parties to the dispute a Request for Resolution. The Request for Resolution must include:

- (1) A brief description of the dispute between the parties.
- (2) A request for alternative dispute resolution.
- (3) A notice that the party receiving the Request for Resolution is required to respond within 30 days of receipt or the request will be deemed rejected.
- (4) If the party on whom the request is served is the owner, a copy of Article 3.

A party on whom a Request for Resolution is served has 30 days following service to accept or reject the request. If a party does not accept the request within that period, the request is deemed rejected by the party.

Under Civil Code Section 5940, if alternative dispute resolution is accepted, the parties must complete the process within 90 days after the party initiating the request receives the acceptance, unless this period is extended by written stipulation signed by both parties. Provisions of the Evidence Code apply to this process, making evidence of the process inadmissible in a court proceeding, if any follows. The costs of the alternative dispute resolution shall be borne by the parties.

Under Civil Code Section 5945, a Request for Resolution stops the running of any statute of limitation on the subject claim, (if it is served before the time runs out), during any time for response to the request, and if accepted, any time spent in the alternative dispute resolution process.

Under Civil Code Section 5950, if a party later sues in court, he, she or it must file a certificate stating that there was compliance with Article 3 or that certain exceptions to compliance apply to the case, such as a request for an injunction or temporary restraining order. If this certificate is not filed, the court can dismiss the case unless the court finds that dismissal of the action for failure to comply would result in substantial prejudice to one of the parties.

If after an action is filed in court, Civil Code Section 5955, the parties agree to alternative dispute resolution, the action can be stayed during the process.

Under Civil Code Section 5960, in an enforcement action in which fees and costs may be awarded pursuant to Civil Code Section 5975, the court, in determining the amount of the award, may consider whether a party's refusal to participate in alternative dispute resolution before commencement of the action was reasonable.

**CARNELIAN WOODS MEET AND CONFER RULES**  
**Civil Code Sections 5900; 5915; 5920**

These Meet and Confer Rules apply to resolve disputes between the Association and any member, including disputes regarding assessments.

- A. The Association or the member may invoke the following procedure:
- (1) The party may request the other party to meet and confer in an effort to resolve the dispute. The request shall be in writing.
  - (2) A member of the Association may refuse a request to meet and confer. The Association shall not refuse a request to meet and confer.
  - (3) The Association's board of directors shall designate a member of the board to meet and confer.
  - (4) 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.
  - (5) 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.
- B. An agreement reached under this section binds the parties and is judicially enforceable if both of the following conditions are satisfied:
- (1) The agreement is not in conflict with law or the governing documents of the common interest development or Association.
  - (2) The agreement is either consistent with the authority granted by the board of directors to its designee or the agreement is ratified by the board of directors.
  - (3) A member of the Association may not be charged a fee to participate in the process.

**CARNELIAN WOODS  
ARCHITECTURAL CONTROL DISCLOSURE**

Pursuant to Civil Code Section 4765( c), the following disclosures are made regarding architectural control at Carnelian Woods.

Basically stated, nothing shall be done to the exterior of the buildings or in the common area without permission from the Board of Directors through its Architectural Control Committee. Any request for a change, addition, modification, etc., shall include a written description and a diagram of the proposed changes, and must be signed and submitted to the Committee by the unit owner. No work shall commence until the owner secures all the necessary approvals, engineering, permits and proof of insurance. Any infraction noticed by staff shall be cause to notify the ACC Chair and Board of Directors for corrective action. Forms and additional information are available from the Association office at (530) 546-5077. A typical form of General Conditions is attached.

Any decision of the Architectural Control Committee can be reviewed and/or reconsidered, and affirmed, modified, or reversed by the Board in an open meeting. The applicant is entitled to attend the meeting and address the Board regarding the decision.

\*Listed below are some typical items which will require Board approval. Also listed are typical owner improvements which will not:

**Require approval: (Placer County Building Permit required)**

All exterior penetrations or modifications including decks, doors and windows.

Interior structural changes are not limited to reconstructions or elimination of walls or partitions.

Electrical wiring changes and alterations.

Extensive unit remodeling.

Fireplace modifications, including wall surround coverings.

Changes of appliances requiring new wiring, gas or exterior surface penetration.

Vehicle Charging and Solar Energy Systems (Note new rules effective 2018 to these installations under Civil Code Sec. 4600 and 4764

**Do not require approval:**

Floor covering changes.

Window coverings.

Painting or staining of interior walls or partitions.

Repair or replacement of appliances.

Repair or replacement of plumbing fixtures.

Repair or replacement of electrical fixtures.

Decorating items.

The CC&R's sections applicable to architectural control are set out below. No modification or addition to the exterior of any building or common area is permitted without approval of the Board. This shall include, but not be limited to, plants and planter boxes from decks and windows, planting of flowers and other plants in the common area, rearrangement of rocks or any landscaping in the common area, installation of any type of carpeting on the decks and entries, painting or staining of decks and entries, hanging of bird feeders, wind socks, wind chimes, and the like. No storage of anything is permitted under or around the townhouses.

\*\*\*\*\*

Section 5.9. Architectural Control Committee. The Board of Directors shall establish an Architectural Control Committee which shall be composed of at least three Members. No work, addition, modification, expansion, or change of any kind to the exterior of a Unit, (including windows, doors, doorways, vents, chases, chimneys, entrances, balconies, subfloor, or under structure) or to Exclusive Use Common Areas, or any work which is situated on Common Area, may be performed until reviewed and approved by the Architectural Control Committee in accordance with such rules, regulations and policies as the Board or the Members establish from time to time. The Board may grant variances from specific rules or policies subject to terms and conditions it deems reasonable. The Association may charge to an Owner and collect as a condition of approval, a reasonable fee for review of architectural approval applications, which may include costs of retention of outside consultants, such as engineers, architects, soils experts, contractors and additional insurance.

Section 7.7 Construction or Alteration. No alteration or improvement may be built on or appurtenant to any Unit that will be encroached upon or affect the Common Area, or its appearance, without the approval and consent of the Board or any committee thereof devoted to architectural control. No such improvement shall be constructed, erected, painted or maintained upon the Development nor shall any alteration or improvement of any kind be made thereto until the same has been approved in writing by the Architectural Control Committee and the Board. The Architectural Control Committee or the Board may condition its approval upon the Owner recording a "Notice of Non-Responsibility" or similar document protecting the Association or other Owners from any mechanics lien that may be recorded because of such alteration or improvement. Plans and specifications showing the nature, kind, shape, color, size, materials and location of such improvements, alterations, etc., shall be submitted to the Architectural Control Committee and the Board for approval as to the quality of workmanship, design, harmony of external design with existing structures and location in relation to surrounding structures,

topography and finish grade elevation. To the extent required, no construction or repair may commence until it conforms to all applicable ordinances and building at the time such work commences and all necessary permits have been received.

The obligations regarding decisions on Architectural Control under California State Law Civil Code Section 4765 are set out below:

#### 4765. Architectural review and decision making

- (a) This section applies if the governing documents require association approval before a member may make a physical change to the member's separate interest or to the common area. In reviewing and approving or disapproving a proposed change, the association shall satisfy the following requirements:
- (1) The association shall provide a fair, reasonable, and expeditious procedure for making its decision. The procedure shall be included in the association's governing documents. The procedure shall provide for prompt deadlines. The procedure shall state the maximum time for response to an application or a request for reconsideration by the board.
  - (2) A decision on a proposed change shall be made in good faith and may not be unreasonable, arbitrary, or capricious.
  - (3) Notwithstanding a contrary provision of the governing documents, a decision on a proposed change may not violate any governing provision of law, including, but not limited to, the Fair Employment and Housing Act (Part 2.8 (commencing with Section 12900) of Division 3 of Title 2 of the Government Code), or a building code or other applicable law governing land use or public safety.
  - (4) A decision on a proposed change shall be in writing. If a proposed change is disapproved, the written decision shall include both an explanation of why the proposed change is disapproved and a description of the procedure for reconsideration of the decision by the board.
  - (5) If a proposed change is disapproved, the applicant is entitled to reconsideration by the board, at an open meeting of the board. This paragraph does not require reconsideration of a decision that is made by the board or a body that has the same membership as the board, at a meeting that satisfies the requirements of Article 2 (commencing with Section 4900) of Chapter 6. Reconsideration by the board does not constitute dispute resolution within the meaning of Section 5905.
- (b) Nothing in this section authorizes a physical change to the common area in a manner that is inconsistent with an association's governing documents, unless the change is required by law.

## CARNELIAN WOODS

### Architectural Committee Approval-General Conditions

**ALL HOMEOWNERS must sign and return these General Conditions to the Architectural Committee along with any application for approval of work on or alteration of a unit. No Committee or other Association approval shall be effective unless and until these Conditions are completed by the Homeowner and the Association, and fully complied with. These General Conditions shall be made a part of any Notice of approval by the Architectural Committee and/or any other Association approval in connection with Homeowner's project.**

1. Definitions:

- a. "Association" shall mean the Carnelian Woods Townhouse Association.
- b. "Committee" unless otherwise indicated, shall mean the Architectural Committee of the Board of Directors of the Association.
- c. "Homeowner" shall mean the owner of any unit seeking approval of improvements, alterations, and upgrades requiring approval under the Bylaws, CC&Rs, rules, and policies of Carnelian Woods or the Association.
- d. "Project" shall mean any improvements, alterations, and upgrades requiring approval under the Bylaws, Curs, rules, and policies of Carnelian Woods or the Association.
- e. "Association Project Manager" shall mean the Project Manager at Carnelian Woods, as designated by the Association, or any Assistant Project Manager if the Project Manager is absent or unavailable.
- f. "Common Area" shall mean any real property defined as such under the governing documents of Carnelian Woods, including any amendments thereto.

2. Violations. Permission to proceed with a Project is revocable at any time for failure to comply with any of these General Conditions or any conditions of approval by the Committee. The Association shall be empowered to stop, suspend, remove, remediate or repair any portion of the Project in case of such violation or any conditions which pose a nuisance, or risk to the safety, well-being, and cleanliness, or environmental hygiene of Carnelian Woods, its members, visitors, or the public.

3. Licensed Contractors. All work on the Project shall be done by a California-licensed contractor and/or design professional, (architects, engineers, etc.), if one is engaged for the Project, who is licensed, where necessary, in any specialty required by the Project. The complete name, business name, and license number of the proposed contractor or design professional shall be given to the Association Project Manager before commencement of work on the Project.

4. Contact Information. Any contractor shall be given all contact information for the Association Project Manager, including any emergency contact information; and the Homeowner shall provide to any Contractor(s) the same information for the Association Project Manager.

5. Proof of Insurance. Before the commencement of work, any contractor for the Project shall carry and provide proof of insurance in the following types and amounts:

General Liability combined single limit of at least \$1,000,000, including premises liability, and products, completed operations, vehicle coverage, and contractual liability.

Workers Compensation: Statutory coverages as required in California, Employer's liability of at least \$1,000,000, including a waiver of subrogation in favor of Carnelian Woods and/or the Association.

The Association reserves the right to require naming of itself and its officers and directors as additional insureds.

The certificates shall 1) provide that the type of work in the Project is covered by the insurance and 2) show that all coverages are currently in effect at the commencement and through the duration of the Project; and 3) be accompanied by a signed letter of the insurance broker providing the certificate that he/she is aware of the type of Project, and that the coverage(s) applies.

6. Homeowner Insurance. Before the commencement of work, any Homeowner shall carry and provide proof of insurance in the following types and amounts:

General Liability and umbrella if necessary, for combined limits of at least \$1,000,000.

7. Lien Protection. If the Project includes any work, repair, alterations of any kind on the common area of Carnelian Woods, the Homeowner shall ensure that all claims by contractors, design professionals, laborers or materialmen are paid before delinquency. Homeowner shall save, defend, hold harmless and indemnify the Association from any lien claims threatened or recorded against the Common Area, including any legal fees, costs or other expenses.

8. Site Safety, Security and Clean up. Homeowner shall be solely responsible for the security and cleanliness of the Project, Project materials, equipment, contractor property. Homeowner and its Contractor shall maintain the site and Project in a safe condition, and shall not allow the use or storage of equipment, materials or rubbish in unapproved areas. The directives of the Association Project Manager as to such matters shall be complied with promptly and followed at all times. At no time may any fire or other safety equipment be removed or disabled. All rubbish, waste and debris shall be placed in approved containers and removed regularly so that it does not impair the cleanliness, safety of Carnelian Woods or unduly interfere with the use and enjoyment of Carnelian Woods by other homeowners and guests.

Leakage or discharge of oil, fuels, lubricants, or other chemicals or substances is prohibited. All personal property, fuel containers, tanks, and equipment shall be locked or secured.

9. Code Compliance and Permits. No work on the Project shall be commenced without the issuance of any and all permits by any local public agency that may be required. The Association Project Manager or the Committee shall be entitled to copies of all such permits. By issuance of these Conditions and any approval, neither the Association nor any member thereof waives the right to appear before any such agency to be heard about the issuance of any such permit, or to advocate against such permit. All permits shall be brought to completion and final inspection. No work shall be done on the Project that violates any local building, planning environmental or other codes and regulations. All work on the Project shall conform to currently applicable building, housing, environmental, safety of other codes and regulations.
10. Indemnity. Homeowner agrees to save, defend, indemnify and hold harmless CWT A and all officers, employees, directors and members thereof, from any and all claims arising out of any damage or injury to persons or property from any cause or causes related to the Project.
11. Limitation of Liability. Unless otherwise prohibited by law, the liability of the Association, Carnelian Woods, or its officers and directors, arising from or in connection with any dispute with Homeowner concerning the Project, its approval, the application of these Conditions, or enforcement thereof, in which the Association or anyone acting on behalf thereof shall be found liable for any act in the granting, denial, revocation, withdrawal of enforcement of the approval of the Project or these Conditions, shall be limited to the interest cost of any funds reserved by Homeowner for the Project, and any fees for permits, or extensions or renewals thereof.
12. Arbitration. Homeowner hereby agrees that in the event any dispute should arise under the provisions of the Approval of the Project, either between Homeowner and the Association, or any other Homeowner, such dispute shall be decided by binding arbitration proceedings under the rules of the American Arbitration Association Such arbitration shall proceed before one arbitrator only, and shall be held in Sacramento, California. By initialing below, Homeowner acknowledges that in any such dispute, he, she, it or they are waiving the right to have any dispute determined and heard in court or before a jury.

\_\_\_\_\_

**All owners initial here**

13. Severability. The determination of invalidity of any provision of these Conditions shall not affect any remaining provisions or these Conditions as a whole.
14. Time of Essence. Time is of the essence.
15. Waivers. No waiver of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Homeowner of the same or any other provision. The Association or the Committee's consent to or approval of any act shall not be deemed to

