Maryland Court of Appeals Makes Groundbreaking Decision—April 15, 2008

The most important case ever involving the Maryland Condominium Act and a Condominium’s master insurance policy has been decided by Maryland’s highest court. Anderson, et al. v Council of Unit Owners of the Gables on Tuckerman Condominium, et al.—Case No. 99, Sept. Term 2007—was decided on April 15, 2008 by the Maryland Court of Appeals. We will refer to the case as the “Gables Condominium” case.

The Court held in the Gables Condominium case that the Maryland Condominium Act1 (“the Act”) does not require the Condominium to repair or replace property of an owner in an individual condominium unit after a casualty loss. The Court noted that the master policy requirement of the Act is intended to cover only damage sustained to the common elements or the structure of a condominium and not each owner’s property or individual unit.

The Court went on to say that § 11-108.1 of the Act dictates the responsibilities for maintenance, repair and replacement of common elements and units.

continued on page 4

President’s Message

Spring is the time of year for growth and development which I am sure many of you are experiencing in your communities. The spring beautification process is in full swing which means your service providers have now become a consistent fixture in your communities. The landscapers are hard at work planting the flowers, making that first cut and mulching, painters are doing their magic by applying that thin layer of pigmented liquid that has dramatic beautifying results, and the pool service companies are turning those green swamp like bodies of water into the blue sparkling oasis that make residents begin to dream of those lazy summer days. Spring also means that the general assembly has adjourned. This past session has been a busy one for CAI and the Maryland LAC. Bills affecting property management and boards were plentiful this session. CAI and the Maryland LAC were involved in process and will continue to monitor what is going on in Annapolis. I would like to thank everyone who was involved with this session because I know it takes a lot of time and effort.

Once again the golf committee has done a tremendous job planning the 2008 CAI Chesapeake Chapter Golf Outing which will take place June 18th at Fairway Hill Golf Club. The golf outing is a great way to spend a day with clients and friends. Foursome’s and sponsorship opportunities are still available.

The new Board of Directors has been very enthusiastic and have come up with many ideas to improve CAI Chesapeake Chapter. Their time, effort and creativity is greatly appreciated. As always, we are hoping to see some more members become involved to help strengthen our Chapter. If you are interested in becoming involved please contact myself or any other board members for information.

Allen Watts
DRD Pool Management, Inc.
410-785-7665
410-785-2520 (fax)

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This publication attempts to provide CAI’s membership with information on community association issues. Authors are responsible for developing the logic of their expressed opinions and for the authenticity of all presented facts in articles. CAI does not necessarily endorse or approve statements of fact or opinion made in these pages and assumes no responsibility for those statements. This publication is issued with the understanding that the publisher is not engaged in rendering legal, accounting or other professional services. If legal advice or other expert assistance is required, the services of a competent professional should be sought. Permission to reprint articles in Beacon may be granted only after receiving prior written approval from the CED of CRC/CAI.
Following is an update of legislation passed by the Maryland General Assembly during the session which ended in April 2008.

**HOUSE BILL 74 PASSED**
Entitled: Maryland Housing Rehabilitations Program—Loans to Members of Cooperative Housing Corporations.

Authorizing the Department of Housing and Community Development to take certain actions in connection with certain housing assistance program loans made to members of cooperative housing corporations; providing that certain housing assistance program loans may be secured by perfected security interests in the members’ cooperative interests under certain circumstances;

**HOUSE BILL 117 PASSED WITH AMENDMENTS**

Defining terms relating to the application of a restrictive covenant to the installation of solar collection panels in specified locations; prohibiting unreasonable limitations on solar collection panels; establishing the right to negotiate to obtain a solar easement for specified unit or lot owners; amendments restrict installation to property owned or under the exclusive control of the homeowner;

**HOUSE BILL 365 PASSED**
Entitled: Real Property—Recordation of Instruments Securing Mortgage Loans and Foreclosure of Mortgages and Deeds of Trust on Residential Property.

Requiring a mortgage, deed of trust, or other instrument securing a mortgage loan on residential property to contain specified information when recorded in the land records; prohibiting an action to foreclose a mortgage or deed of trust on residential property from being filed until the later of 90 days after default or 45 days after a notice of intent to foreclose is sent, except under specified circumstances; requiring personal service of a specified order or complaint, with specified exceptions; making the Act an emergency measure;

**HOUSE BILL 645 PASSED**
Entitled: Maryland Contract Lien Act—Foreclosure of Liens—Time Period.

Altering the period within which an action to foreclose a lien created under the Maryland Contract Lien Act shall be brought from 3 to 12 years;

**HOUSE BILL 646 PASSED AMENDED**
Entitled: Condominiums—Property Insurance Deductible—Unit Owner Responsibility.

Altering the amount of a specified property insurance deductible that a unit owner of a condominium may be responsible for from $1,000 to $5,000;

**HOUSE BILL 1129 PASSED**
Entitled: Real Property—Homeowners Associations—Amendment of Governing Documents.

Authorizing the governing documents of homeowners associations created before January 1, 1960, to be amended once every 5 years, by the affirmative vote of lot owners having at least two-thirds of the votes in the development, or by a lower percentage if required in the governing document; defining “governing document;”

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**CAI NATIONAL TO HOST ONE-DAY WORKSHOP/CONFERENCE IN BALTIMORE**

CAI's ASSOCIATION OF PROFESSIONAL COMMUNITY MANAGERS (ACPM) Workshop/One-Day Conference

Thursday, June 12, 2008
9:00 am–5:30 pm
Sheraton Baltimore-Washington Airport Hotel
443-577-2100
1100 Old Elkridge Landing Road
Baltimore, MD

Who Should Attend?
It's a one-day Workshop with programming tracks for the seasoned manager and for managers with up to 3 years experience.

Go to CAI’s website: [www.caionline.org](http://www.caionline.org) and click on “Events” for more information.

The Chesapeake Chapter will take an active role in welcoming attendees to the Chapter area. More information will follow as soon as it is available.

TO SPEAK TO SOMEONE AT CAI NATIONAL REGARDING THIS EVENT, PLEASE CALL Carly Reid, Meetings Manager, at 703-797-6345, or email creid@caionline.org.
MEMBER SPOTLIGHT:

Regal Paint Centers

Regal Paint Centers is proud to announce the opening of two new Maryland stores in Mt. Airy and Deale. We now have nine locations that stock Benjamin Moore Paint, Sikkens Wood Finishes, and a full compliment of painting supplies. We also now stock interlux yacht paint in both the Annapolis and Deale locations.

Regal Paint Centers’ mission is to become the preeminent retailer of quality paint and decorating supplies in the area. We are committed to achieving the highest degree of customer satisfaction, among contractors and do-it-yourselfers alike, by carrying superior products and offering expert service delivered in a comfortable “neighborhood store” environment. While we continually strive to keep our prices competitive, we will never sacrifice quality and service to cut costs.

Each store is staffed with knowledgeable, friendly employees capable of servicing contractors as well as homeowners. In addition to selling quality products, Regal Paint Centers have an array of services such as:

• Color Matching—All stores have computerized color matching capabilities, as well as a knowledgeable staff experienced in matching colors
• Color Specialist—Our consultants will help you navigate through the myriad of paint and color choices available. Make an appointment to visit with a consultant at one of our stores or have them come to your home for a personal consultation.
• Equipment Rental & Repair—Knowledgeable and experienced staff in all locations can assist you with equipment sales and rentals, while repair services are available in Winchester, Wheaton, and Frederick.

Please visit our website at www.regalpaintcenters for all store locations.

continued from cover

That section provides as follows:

Except to the extent otherwise provided by the declaration or bylaws, the council of unit owners is responsible for maintenance, repair, and replacement of the common elements, and each unit owner is responsible for maintenance, repair, and replacement of his unit. (Bold emphasis provided)

The Court noted that the Act thus recognizes the hybrid character of condominium ownership by differentiating between the treatment of common elements and individual units, with the owner being responsible for damage to her or his “airspace.”

The holding in this case will become effective after the Court issues its Mandate, which is expected to occur sometime after May 15, 2008. Those affected are advised to promptly contact their attorneys and insurance carriers to discuss the ramifications of the holding on their particular situations.

The Maryland Legislative Action Committee of CAI is currently studying this case and its ramifications for condominium insurance and any possible legislative response.

The Chapter will be holding a special workshop on this issue June 4th at the Rose Restaurant. More details to follow.
Welcome New Members!

New Members, December 13–April 10, 2008

Mrs. Diane Carminati
American Property Services

Mr. Brad Carrillo
Aspen Property Management

Mr. Howard Skelton
Benjamin Moore Paint Co.

Ms. Liz Turner
Bluffs

Ms. Sharon Banks-Tarr
Century Condo I Assn.

Ms. Val Hunt
Century Condo I Assn.

Mr. Michael Czarnowsky
Chestnut Hill Condominium, Inc.
Recruiter: David Jennings

Mr. Martin Welsh
Clary Forest II Condo Assn.

Mr. Fred Pierce
Clary Forest II Condo Assn.

Mrs. Jacqueline Haselrig
Collington Station HOA

O. Murdock
Collington Station HOA

Ms. Patrice Murray
Collington Station HOA

Mr. Sid Wise
Collington Station HOA

Mrs. Jackie Duff
Community Management, LLC

Ms. Nancy Jacobsen
Community Paper Works, Inc.

Ms. Sari McLeod, PCAM
Complete Management Services, Inc.

Ms. Edithann Schaffer, AMS
Complete Management Services, Inc.

Ms. Alisa Bralove-Scherr
Crosswell Farm HOA

Ms. Pamela Maull
DGM Development Corporation

Mr. Tom Fichtner
Fichtner Services Central, Inc.

Mr. Erik Kline
Gateway Crossing Homeowners Assn.

Mr. David Kump
Gateway Crossing Homeowners Assn.

Ms. Meloney Smith
Gateway Crossing Homeowners Assn.

Mr. Kirk Steffes
Ivy Hill Land Services

Mr. Bill Morris
JAMS Lawn & Gardening, Inc.

Mr. William Oley
Jasons Landing HOA

Ms. Christa Graham
Legum & Norman, Inc.—Resorts Division

Ms. Patricia Guessford
Legum & Norman, Inc.—Resorts Division

Ms. Bridget Ketcham
Legum & Norman, Inc.—Resorts Division

Ms. Pamela Lawson
Legum & Norman, Inc.—Resorts Division

Recruiter: Erika Grden

Mr. John Muncy III
Legum & Norman, Inc.—Resorts Division

Recruiter: Tara Laing

Mr. John Miller
Melvin Benhoff Sons, Inc.

Mr. Glen Gischel
North Winds of Cub Hill H.O.A.

Mr. Patrick Gillen
NVM Contractors, Inc.

Mr. Stephen Hamilton
Old Hartford Pines Homeowners Assn

Mr. Lou Carloni
Piney Orchard Community Association

Mr. Matt Finley
Piney Orchard Community Association

Mr. Peter Hanan
Piney Orchard Community Association

Mr. Aaron Klebanoff
Piney Orchard Community Association

Mr. James Mockus
Piney Orchard Community Association

Ms. Debbie Roebuck
Piney Orchard Community Association

Ms. Doreen Strothman
Piney Orchard Community Association

Ms. Jennifer Wiech
Piney Orchard Community Association

Ms. Sue Fetsko
Professional Community Management

Ms. Amanda Medford
Professional Community Management

Ms. Tina Queen
Professional Community Management

Ms. Keri Shifflet
Professional Community Management

Ms. Phyllis Rhines
Quail Meadows HOA, Inc.

Mr. Terrice Stevens
Quail Meadows HOA, Inc.

Ms. Rosemary Davis
Queen's Landing

Mr. James R. Jones
Quiza Management, LLC

Mr. Dave Stutzman
Regal Paint Centers

Ms. Beth Umstead
Resort Quest Property Management

Mrs. Beth Ann VanAuken, CMCA
Resort Quest Property Management

Ms. Monica Whitehead
Rusty Management/Consultant, LLC

Mr. Larry Simmons, PCAM
Simmons Management Group II, Inc

Ms. Amy Feranec
Sunnyfield Estates HOA

Ms. Julie Goodwin
Sunnyfield Estates HOA

Ms. Holly Jones
Sunnyfield Estates HOA

Mr. David Struss
Sunnyfield Estates HOA

Ms. JoAnn Pessagno
The Parke at Ocean Pines

Mr. Bill Vining
The Residence at Park Place Condo.

Ms. Mary Gutierrez
Topfield Conружрезe
The Problems Associated with Over-mulching Trees

Mulching trees and shrubs is a recommended cultural maintenance practice. Though mulching has many benefits, it can literally kill if applied improperly. The widespread mountains of mulch, piled high against tree trunks, do not kill a tree immediately; it results in a slow death. Over-mulching is a waste of mulch and money. It is a leading cause of death of azalea, rhododendron, dogwood, boxwood, mountain laurel, hollies, cherry trees, ash, birch, linden, spruce, and many other landscape plants. How does over-mulching kill trees and shrubs?

1) Oxygen starvation, or suffocation of the tree roots. This is the most common cause of death from over-mulching. Repeated applications can contribute to waterlogged soil/root-zone by slowing soil water loss via evaporation. Roots must transpire (breathe) and take in oxygen. When soil oxygen levels drop below 10 percent, root growth declines. Once too many roots decline and die, the plant dies.

When shallow-rooted plants like those listed above are planted in mounds of mulch, needed oxygen levels can begin to decline. This is especially common during wet periods, and in the spring and fall, which are critical periods for root growth. Oxygen deprivation is also prevalent in soils that don’t have good drainage.

Symptoms may take three to five years to show, and sometimes longer, depending on the plant and the soil type. Symptoms include off-color, yellowing foliage (chlorosis), abnormally small leaves, poor twig growth, and dieback of older branches. Unfortunately, by the time the symptoms are noticed, it is generally too late to correct the problem. At this point, the plant is usually in a state of irreversible decline, and will most likely die.

2) Inner bark death of above-ground root flares. This comes from the piles of mulch placed directly against the stems or trunks of trees and shrubs. The root-flare stem and trunk tissue is quite different from root tissue; it can’t survive a continually moist environment, and must be able to “breathe” through lenticels. When mulch is piled near trunks, gas exchange decreases, stressing and ultimately killing the inner bark tissue (phloem). This also occurs when trees are planted too deep (the root flare is buried). Phloem death may also occur when “pop-up” sprinkler heads continually saturate the mulch placed against the plant’s trunk.

Once the inner bark dies, roots become malnourished and weakened, with a subsequent reduction in water and nutrient intake. The entire health of the plant is thus affected. If such wet conditions continue long enough, the phloem tissue may die, starving the roots since they then receive none of the essential nutrients produced by the leaves.

3) Disease susceptibility. Most fungal and bacterial diseases require moisture to spread and reproduce. Trunk diseases gain a foothold into the moist, decaying bark tissue under the mulch. Once established, the disease organisms ultimately affect the inner bark, starving the plant, and finally kill the plant.

4) Excess heat. The wet mulch layers piled up next to the trunk may begin to heat up when the bark begins to decompose. This is similar to composting, where temperatures within inner mulch layers may reach 120–140 degrees F. This high heat may directly kill the inner bark/phloem of young plants, or may prevent the natural “hardening-off” period that plants must go through in the fall in preparation for the winter. If the trunk flare tissue is not sufficiently hardened off before freezing weather arrives, the tissue may die, the roots may starve, and the plant will decline.

5) Lack of micro-nutrients. The soil pH, or acidity level, may also be changed by the continuous use of the same type of mulch. Mulches like pine bark are quite acidic (pH of 3.5–4.5), and can cause the soil to become acidic with constant use year after year. Once the soil is acidified, some micro-nutrients are not available to the plant, and others—such as iron, manganese and zinc—become readily available at high, toxic levels. Symptoms of micro-nutrient toxicity mimic those of Phytophthora wilt. Sometimes, plants cannot tolerate micro-nutrient toxicity, and become stressed and killed by secondary disease organisms and insects.

On the other hand, hardwood bark is initially acidic, but ultimately may cause the soil to become too alkaline (basic), causing acid-loving plants (such as azaleas and rhododendrons) to decline because of micro-nutrient
deficiencies of iron, manganese and zinc. Symptoms appear as yellowing of foliage, often with prominent green veins. To avoid the above-mentioned problems, regularly check soil pH and rotate the type of mulch used.

6) Rodent infestation. Piles of mulch next to the trunk may also provide cover for chewing rodents such as mice and meadow voles. These rodents live under the warm mulch in the winter and chew on the nutritious inner bark. This often goes unnoticed until the following spring when the tree “doesn’t look good.” If the trunk is girdled (more than 40 percent chewed around the trunk), there is little that can be done to save the plant, outside of bridge grafting.

7) Nitrogen deficiencies. Finally, “fresh” or non-aged (uncomposted) mulches may cause nitrogen deficiencies in many young plants. Decomposing bacteria need an ample supply of nitrogen to break down the mulch, and since bark mulches have little nitrogen available, the bacteria use the soil nitrogen. This process may cause nutrient deficiencies, especially if the mulch is “mixed down” into the soil and is of fine texture. Look for symptoms of leaf yellowing on new growth. This is considered to be a temporary condition.

The right way

Mulch may thus be one of the best or one of the worst things you can do for your plants. Mulch depth should standardly not exceed three inches. However, on poorly drained soils, mulch depths should not exceed two inches, especially for shallow-rooted plants. Wet soils may not need mulch at all. Coarser textured mulches, such as large nuggets, can be layered a bit deeper due to better oxygen diffusion into the soil. Finer textured mulch, such as double-shredded mulch, may need only a one- to two-inch layer.

If you have a problem with excess mulch, dig through the landscape to see how deep the mulch really is. A light raking of existing mulch may be all that is needed to break through the crust or compacted layers that can repel water. Pull mulch back from plant stems and trunks; a rule of thumb is 3 to 5 inches away from young plants and 9 to 12 inches away from mature tree trunks. Visually look for the presence of a root flare; if not visible, at least some may be partially buried and must be exposed. Remove all soil or mulch up to the junction of the roots and trunk collar to expose the root collar, taking care not to damage the tender bark. Leave the resulting well open and exposed to air, and lightly fertilize with a slow-release fertilizer. Research by the Bartlett Tree Co. has shown that an amazing number of plants have rapidly improved in color and vigor within months of root-collar excavations.

—This article, written by Deborah Smith-Fiola of Rutgers University, was abstracted from an article that appeared in “Off the Leaf” newsletter under the byline of C. Carlson. It is used with Smith-Fiola’s permission.
2008 Breakfast Seminar Schedule

The Chesapeake Region Chapter of Community Associations Institute announces its breakfast seminar schedule for 2008. Homeowners, Board Members, Management Companies and Service Providers are invited to attend these seminars, which are designed to help you effectively manage and work with a community association and its service providers. Cost includes the seminar and a full breakfast.

Mark your calendar now! These programs are an excellent educational venue, as well as a terrific place to network with colleagues and prospective clients.

Wednesday, May 14
**Exterior General Building Envelope—Techniques, Methods, Solutions**

The first reason to have a building is protection against the elements, and the first defense against the elements is the Building Envelope. The Building Envelope is a building system designed to provide:

1. Architectural attractiveness
2. Protection from water infiltration
3. Protection from heat, cold and weather conditions
4. Personal security and privacy
5. Structural integrity

When these functions fail, the manager needs to act. This presentation outlines proven protocols involved in defining, discovery, documentation, repair procedures, prototypes, testing and project cost estimates that insure successful repairs. Additionally, the protocols provided can be used in legal proceedings to recover construction costs for failed products, improper building designs or poor workmanship.

Wednesday, June 4
**What the Gables Condo Case Decision Means To You**

The most important case ever involving the Maryland Condominium Act and a Condominium’s master insurance policy has been decided by Maryland’s highest court. The holding in this case will become effective after the Court issues its Mandate, which is expected to occur sometime after May 15, 2008. Those affected are advised to promptly contact their attorneys and insurance carriers to discuss the ramifications of the holding on their particular situations.

The Chapter will be holding a special workshop on this issue June 4th at the Rose Restaurant.

**DIRECTORY CORRECTIONS**

Please make the following corrections to your 2008 Membership Directory:

On page 49, Thomas Schild Law Group, LLP:

The correct phone numbers are:

301-251-1414
301-251-6636 (fax)

On page 31, Springfield Estates HOA:

The correct name of the association is Sunnyfield Estates HOA

On page 12, the CMCA Designations listing, Fred Traut is incorrectly identified as being with Trenton Property Services. Mr. Traut is with MRA Property Management

The Chesapeake Chapter sincerely regrets these errors.
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- Painting
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✓ Unit Renovations
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Potomac Basin Group Associates
Purofirst

R.A.R. Outdoor Services
SI Restoration
SmartStreet
Structural Restoration Services
Total Asphalt
As a CAI member, you automatically receive exclusive access to CAI’s Member Discount Programs. These special prices and services are available only through membership in CAI. Read below to see all the great offers you can start saving on immediately.

**Eventuality**
CAI has partnered with Eventuality, a web-based messaging service that can communicate to community residents by phone, email, or text message. CAI members can now save time and money with EVA™—your web-based messaging service. Increase peace of mind by knowing who got your message. In fewer than 5 minutes Eva can deliver your message or question to multiple people by phone, email and SMS text message. You provide the message and Eva does the rest. Eva collects detailed records of who received the message, when they received it and how they responded. Unlike traditional messaging services, Eva can leave messages, ask questions, and provide senders with message confirmation reports. For more information, please contact info@eventuality.com or (888) 467-1777. Be sure to visit their web site at http://cai.eventuality.com/. The referral code is “cai.”

Eva (Eventuality Virtual Agent)…More than a simple notification service.

**Dell Computers**
Weekly discounts available through the link below. Check back frequently to see the latest offer.

http://www.dell.com/content/topics/topic.aspx/us/segments/bsd/smart_values

**DHL**
To learn more about what’s available to you through DHL, visit www.1800Members.com or call 1-800-MEMBERS (636-2378). Be sure to have your Member ID available when you call.

**Hertz**
To realize the savings available to you, be sure to reference CDP # 1717299 next time you are renting a car. Call (800) 654-3131 or visit www.hertz.com to arrange your next rental. To receive your personal Hertz Discount Savings Card, send a request to caimemberbenefits@caionline.org.

**Ian H. Graham Insurance—Errors & Omissions (E&O) Insurance Program**
Ian H. Graham Insurance has partnered with CAI to provide credits on errors and omissions (E&O) insurance coverage for community managers who hold CAI memberships (5%). Managers who hold professional designations are eligible for ever greater credits (up to 25%). The annual credits can save individual community managers hundreds and even thousands of dollars, the exact amounts depending on client billings, liability limits and business location.

E&O insurance is professional liability coverage that protects companies and individuals in the event that a client holds them responsible for a service they provided, or failed to provide, that did not have the expected or promised results.

For more information about the program, call Krista Schnitzler at (800) 621-2324. Applications are available online at www.ihginsurance.com.

**Ian H. Graham Insurance—Directors’ & Officers’ (D&O) Insurance Program**
Ian H. Graham (IHG) Insurance coverage provides community association directors and officers with one of the broadest D&O liability coverages available to community associations today. Some of the benefits include a lower minimum premium available in most states and coverage for the association’s property manager at no additional premium. For more information about the program, call Krista Schnitzler at (800) 621-2324. Applications are available online at http://www.ihginsurance.com.

**Give Us Your Feedback**
Have you had a positive or negative experience with any of our Member Discount Programs? We’d like to hear about them! Please send us your comments at http://www.caionline.org/contact.cfm?MsgType=partner.

Are there particular discount programs you’d like to see added? Send us your recommendations at http://www.caionline.org/contact.cfm?MsgType=partner. Please understand that many discounted buying programs are only available to groups larger than our membership size and/or that we may not be able to answer your requests.
Reserve Fund Whizdom
By Graham Oliver

You can be a “whiz” with reserve fund issues—whether you’re a Board Member, Property Manager, Reserve Fund Specialist or Accountant. Read our short articles, think about what we’re saying, agree with us and adopt the advice, or debate and argue another viewpoint. You’re sure to end up better for it.

Today’s Whizdom is all about—

Your Reserve Fund’s Shock-Absorbers

Most of the time we think of a reserve fund as a cache of money to be used, when required, to handle major repairs and replacements. Not a bad description really, but perhaps it would be more accurate to see it more as three caches of money that are in place for three eventualities.

Let’s call them three “shock-absorbers.”

The first one—and it’s one that almost everyone would think of right away—is a shock-absorber to even out the “bumps in the road” when the big bills come in. A good reserve fund plan shows relatively smooth owners’ contributions, even though the expenditures from the fund are bumpy—more volatile. Thus, by planning carefully, a few years of high costs would not result in high fees, because the high costs were anticipated. They were “saved” earlier so they wouldn’t be unduly burdensome when they occurred.

That’s the shock-absorber effect at work in a well-managed fund. It’s sensible, and it works.

But there are two more shock-absorbers that should be in your plan.

One of these addresses the problem of expenditures almost never being quite what they were expected to be. Even the most experienced and professional Reserve Fund Specialist would admit that histories of actual payouts versus the costs that were forecast will show that expected-to-actual variances were normal, throughout any period you chose to examine.

We all know why. Costs come in at levels that simply were not the levels you expected. More work was necessary to do a job than the planner predicted. Happens all the time. Or repairs planned for 2009 became necessary in 2006. Doesn’t mean the plan was “no good.” It’s a fact of life that forecasts are always wrong. Luckily, most of the time they’re wrong by tolerable differences, (and sometimes they’re not), but they’re wrong just the same. Hence the need for Buffer Number Two—another shock-absorber.

What this means in practice is that you should not plan your reserve fund balances “too close to the line.” In other words, if you could rely 100% on the fact that all the estimates of costs—their level, and their timing—were correct, you could literally run you balances in some years at close to zero. You’d “know” that going over estimate was not going to happen, so you’d “know” you’d be safe from going in the hole.

But in reality you cannot know this, so you have a shock-absorber to, essentially, take care of the forecast-to-actual variances that are sure to occur.

Now for your third and final shock-absorber. It’s a bit like the last one, but, if anything, bigger. It’s the shock absorber you might want to have to handle occurrences that are totally unexpected. At least in the second example just above, you did expect a repair cost, it’s just that the amount of it and the timing of it was off. In this case you are blind-sided by a driveway that caves in due to an underground stream you didn’t know was there, or the discovery that inferior metal was used in the stress rods for the garage floor and they have all rusted. Or that winds reached a velocity never before experienced in your area and badly damaged the roof.

Yes, we know, you can’t just have a couple of hundred thousand dollars lying around just in case of a highly improbable contingency. But these kind of events usually call for at least some emergency work and a few thousand dollars would be just the ticket to get it done fast, before a loan or special assessment or even an insurance payment were arranged for.

Our lessons for today. Don’t rely, more than you should, on the exactness of your expenditure predictions. Don’t plan for a reserve fund that runs its balances too close to the line. Don’t dismiss the idea of having a little extra put away for the true emergency situation, should it ever arise.

There’s a related question, of course. It’s...given the principles above, how do we calculate the right amounts to keep our reserve funds consistently healthy? We’ve tackled that in a companion article called…”Reserve Fund Balances—What Does ‘Adequate’ Mean?” Take a look at it. We’re sure you’ll enjoy it as much as this one!

Graham Oliver is President of Oliver Interactive, Inc. the developer and supplier of RFund: The Reserve Fund Manager. He invites you to read other Whizdom articles on the RFund website, and he encourages you to let him have your views on his writings. Visit oliver-goup.com/rfund anytime.
In response to members’ suggestions, the next offering of CAI/CRC’s popular “Essentials” course will be a two-part evening course. The course will be held on two consecutive Wednesday evenings from 6:00–9:30 pm. The program is designed specifically for Homeowners and Board Members who serve on their association boards, and for Managers working with the community association industry. The course faculty are highly skilled professionals in the field of community association management.

This workshop is an excellent investment for your community association.

**Attention Board Members!**

“The Essentials of Community Association Volunteer Leadership”  
(formerly known as the ABC’s Course)  
Now Offered in Two Evening Sessions

In response to members’ suggestions, the next offering of CAI/CRC’s popular “Essentials” course will be a two-part evening course. The course will be held on two consecutive Wednesday evenings from 6:00–9:30 pm. The program is designed specifically for Homeowners and Board Members who serve on their association boards, and for Managers working with the community association industry. The course faculty are highly skilled professionals in the field of community association management.

**This workshop is an excellent investment for your community association.**

**Date:** Wednesday, May 21, 2008 AND Wednesday, May 28, 2008  
**Cost:** $100 for CAI members  
$135 for non-members

**Location:** Wilde Lake Interfaith Center  
Columbia, MD  
150-page course manual included

To register, contact the Chesapeake Chapter at 410-540-9831 or email caicrc@erols.com.
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By definition, disasters are rarely tame or predictable, and few condominium associations are truly prepared for the full extent and nature of a disaster when it does strike. While recovery is never easy, there are a few key steps you can take before and after an event to make your insurance claim—which is, after all, the basis for your financial recovery—go just a bit more smoothly.

**Pre-event Actions**

1. **Take photographs of property before a natural disaster occurs.** Photographs will be important to prove the extent of your damages later. Take new photos every year, or after any development to the property.

2. **Request a complete copy of your insurance policy.** Read and make sure you understand your rights and obligations under your insurance policy before entering into any serious discussions or negotiations with your carrier. Seek out a professional to help you understand what your policy actually covers and, just as important, what it doesn't.

3. **Back up business-critical information.** Make sure your rental and maintenance records and communications systems are backed up off-site so that you can immediately retrieve key client information, financial documents, and sales histories. Responsiveness can make or break your recovery efforts.

**In the event of Disaster**

4. **Have a response team in place.** Put a claim management team together before a disaster strikes and assign a lead spokesperson in the event of a loss. A person who is knowledgeable in the area of insurance should handle interactions with your carrier. This is essential, since the smallest comment now can make a big difference in how much money you recover.

5. **Establish contacts with reputable contractors.** Ideally, you should know who you'll call to help in your physical and financial recovery efforts. This saves you valuable time and gives you priority over others shopping for contractors after a disaster.

6. **Protect your property from further damage.** It's your responsibility to perform emergency work such as putting up tarps, removing wet drywall and carpeting, and boarding up openings and installing fencing where necessary to protect your belongings and keep others from getting hurt.

7. **Plan now for small actions that make a big difference.** Cut master keys to all units on your property. Make sure your team knows to have someone bring in all patio furniture (pool furniture can go inside or into the pool itself) and to put elevators up to the highest floor possible.

8. **Document the damage.** Photograph or videotape the scene, including the “debris pile,” before you begin any cleanup efforts. When estimating damages, do not rely solely on your historical records. Instead, secure replacement cost estimates.

9. **Document all your activities and expenses.** Keep a log of all your activities and save all your receipts. Working with an insurance professional to identify which activities and expenses will be reimbursed by your carrier can help you make informed financial decisions while you're rebuilding.

10. **Make decisions that are best for your business survival.** Owners often expect the insurance company to tell them what to do to save their business. The insurance carrier’s adjusters are simply auditors of your claim. Only you know your business and what's best for recovery.

11. **Hire your own experts.** The insurance adjuster sent by your carrier to determine the extent of your damages is exclusively working for the insurance company, not for you. It's your responsibility to document and submit your claim. Understand that your claim will have to be verified. Make sure you have someone who knows insurance inside and out on your side to ensure that you get a full, fair, and expedited settlement—while you concentrate on maintaining your operations, not on claim details.

*Provided by: Adjusters International*
Laurel, MD—March 17, 2007—D.H. Bader Management Services, recently joined the elite group of community association management companies who have earned the Accredited Association Management Company (AAMC) designation from Community Associations Institute (CAI). D.H. Bader Management Services is one of only 150 management companies nationwide who have earned the highest level of professional recognition in the community association field.

To earn the AAMC designation, management companies need at least three years of experience in community association management and at least 50 percent of their managers must have earned professional designations.

David H. Bader, AMS, CMCA is President of D.H. Bader Management Services, Inc. The company was established in 1991. In addition to memberships in the Baltimore Washington Corridor Chamber of Commerce, and the Community Associations Institute; David Bader is Vice President of the Chesapeake Region Chapter of the Community Association Institute where he earned the designations of Association Management Specialist (AMS) and Certified Manager of Community Associations (CMCA). Currently D.H. Bader Management Services has a client base of approximately sixty (60) Associations located in Prince George’s, Howard, Montgomery and Anne Arundel counties.

CAI is a national organization dedicated to fostering vibrant, responsive, competent community association management and at least 50 percent of their managers must have earned professional designations.

Professional managers provide administrative, operational and managerial counsel to community association boards. They typically are responsible for managing budgets and contractors, directing association personnel and overseeing compliance with association covenants and restrictions.

CAI and its 55 state, regional and local chapters work on behalf of the professionals and volunteers engage in the management and governance of homeowner and condominium associations, cooperatives and other planned communities. CAI’s 16,000 members include community association volunteer leaders, managers, management companies and businesses that provide products and services to these communities.

More information is available at www.caionline.org or www.dhbader.com.
13th Annual Golf Outing—June 18, 2008

Fairway Hills Golf Club
Columbia, MD
(Raindate: June 25, 2008)

Best Ball Tournament—Scoring by Handicap
Low Gross & Low Net Prizes!

Schedule of Events:
- Registration: 10:30 am
- Range Open: 10:30–11:30 am
- Putting Contest: 11:00 am
- Hot Lunch: 11:00 am
- Shotgun Start: 12:00 noon
- Buffet Dinner & Awarding of Prizes 5:30 pm (approx.)

Tournament Costs:
Early Bird Special $195 $200
After May 15 $200 $750

Individual Golfer
Foursome

All golfers receive a hot lunch, cart/green fees, refreshments including beer & sodas, and dinner cookout.
Dinner Cookout Only $50

Payment Information:
Mail payment to:
CAI, Chesapeake Region Chapter
5836 Rockburn Woods Way
Elkridge, MD 21075
410-540-9831 410-540-9827 (fax)
caicrc@erols.com

Contact the Chapter Office if you need a registration form.

A limited number of Tee-to-Green and Dinner Cookout Sponsorships are still available. Contact the Chapter Office if you would like to participate in these sponsorships.

Register Early—Limited to 120 players!
Book your Foursome now!
Proper golf attire required.
## NEW SCHEDULE!
### 2008 PMDP CLASSES

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**Questions?**
Call CAI Direct at 888-CAI-4321 (M–F, 9:00 am–6:30 pm EST)
Website: www.caionline.org/educationprograms

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### CONGRATULATIONS

To the Following Chapter Members Who Have Earned Professional Designations from CAI

The following Chesapeake Chapter is proud to announce that the following professionals have completed the requirements to become Certified Managers of Community Associations (CMCAs) and have been granted credentials by the National Board of Certification for Community Association Managers.

CMCA certification signifies that managers have passed the NBC-CAM’s national exam and met the requirements for managing condominium, cooperative and homeowner associations.

- **Kirk Bigelow**, Professional Community Management
- **Kay Keller**, Trenton Property Services
- **John Strauss**, MRA Property Management
- **Frederick Traut**, MRA Property Management
- **Cherie Von Haack**, Trenton Property Services
- **Elayne Zahn**, Trenton Property Services

The following chapter members were recently awarded the AMS designation by the National Board of Certification for Community Association Managers.

- **Debra Bell**, Trenton Property Services
- **Patricia DuBuque**, Legum & Norman—Resort Division
- **Sallie Foster**, Crown Property Management
- **Kim George**, Community Association Management
- **D. Rick Jordan**, Tidewater Property Management
- **Tara Laing**, Legum & Norman—Resorts Division
- **Kerrie Wilson**, Professional Community Management

The Reserve Specialist (RS) designation recognizes education, expertise and experience in the conduct of reserve studies, an increasingly important component of community association operations.

The following chapter member was recently awarded the RS designation:

- **James Stegemerten**, Becht Engineering BT
CAI Member Managers Can Save on E&O Insurance

ALEXANDRIA, VA, FEBRUARY 20, 2008—Managers who hold Community Association Institute (CAI) memberships can now save money on the premiums they pay for errors and omissions (E&O) insurance. Community managers who hold professional designations can save even more money—hundreds or even thousands of dollars a year.

These savings are available because CAI has entered into a partnership with Ian H. Graham Insurance to provide credits on E&O insurance coverage. The credits can substantially reduce annual E&O insurance premiums paid by individual community managers. The exact savings depend on client billings, liability limits and business location.

In the insurance industry, premium credits reduce the cost of coverage.

E&O insurance is professional liability coverage that protects companies and individuals in the event that a client holds them responsible for a service they provided, or failed to provide, that did not have the expected or promised results.

Ian H. Graham is giving CAI members a 5% premium credit for E&O insurance. The credits provide even greater discounts for managers who hold professional designations—up to 25% for managers who hold the Professional Community Association Manager (PCAM) designation. Managers who hold CAI’s Association Management Specialist (AMS) get a 15% credit, while those holding the Certified Manager of Community Association (CMCA) credential get a 10% credit.

For more information, call (800) 621-2324 or visit www.ihginsurance.com. Ian H. Graham has been serving the community association market for more than 25 years. Its insurance products, underwritten by CNA, include directors and officers liability, crime and fidelity and property manager errors and omissions.

ATTENTION SERVICE PROVIDERS AND PROFESSIONALS!

SPONSORSHIP OPPORTUNITIES FOR 2008

☐ Yes! I want to be a Platinum Sponsor ($1,600)
☐ Yes! I want to sponsor the following Homeowner Seminars at $175 each:
  ■ Saturday, February 16—Construction Defects (Ocean City)
  ■ Saturday, March 29—Rules Enforcement
  ■ Saturday, May 17—Construction Defects

☐ Yes! I want to sponsor ALL 3 Homeowner Seminars and save 14%! Total Sponsorship $450

☐ Yes! I want to sponsor the Secret Handshake for $125 each:
  ■ February
  ■ March
  ■ April
  ■ May
  ■ October

☐ Yes! I want to sponsor ALL 5 Breakfast Seminars for $175 each and Save 20%! Total Sponsorship $700

☐ Yes! I want to sponsor ALL 5 Breakfast Seminars for $175 each and Save 20%!
  PLUS: for an additional $200, I would love to have my company name listed on the front page of the 2008 Beacon newsletter (+ issues) and on the Chapter’s website, www.CAIMDCHES.ORG, as a Seminar Sponsor. That's only $50 an issue! Total Sponsorship $900

Enclosed please find my check for $

Company Name ________________________________ Contact Name ________________________________
Address ________________________________ City ___________ State ___________ Zipcode ___________
Telephone No. ________________________________ Email ________________________________

Please return the completed form and payment to:
CAICRC • 5836 Rockburn Woods Way • Elkridge, MD 21075 • 410-540-9831 • 410-540-9827 FAX • www.caimdches.org
# 2008 Calendar of Events

### MAY
- 1–3 CI National Conference—Orlando
- 7 Board of Directors Meeting, ACM, Columbia, MD
- 14 Breakfast Seminar—“Exterior General Building Envelope”—Linthicum, MD
- 17 Homeowner Seminar—Construction Defects—Wilde Lake Interfaith Center, Columbia, MD
- 21 (pm) “Essentials” Course, Part 1—Wilde Lake Interfaith Center, Columbia, MD
- 28 (pm) “Essentials” Course, Part 2—Wilde Lake Interfaith Center, Columbia, MD

### JUNE
- 4 Breakfast Seminar—“What the Gables Condo Case Means To You”
- 4 Board of Directors Meeting, after Seminar at the Rose
- 12 APCM Conference—Baltimore, MD
- 18 Golf Outing—Fairway Hills, Columbia, MD
- 21 (pm) “Essentials” Course, Part 1—Wilde Lake Interfaith Center, Columbia, MD
- 28 (pm) “Essentials” Course, Part 2—Wilde Lake Interfaith Center, Columbia, MD

Please note that this schedule is subject to change.

The hotel in Linthicum is the Comfort Inn.

### JUNE
- 10–11 M-202—Association Communications, Baltimore, MD
- 17 GBBR Resale Disclosure Seminar
- 23 Board of Directors Meeting, ACM, Columbia, MD

### JULY
- 10–11 M-202—Association Communications, Baltimore, MD
- 17 GBBR Resale Disclosure Seminar
- 23 Board of Directors Meeting, ACM, Columbia, MD

### AUGUST
- 14–16 M-100—The Essentials of Community Association Management—Baltimore, MD

### SEPTEMBER
- 3 Board of Directors Meeting—Columbia, MD
- 10 Expo & Business Provider Show Case—Martin’s West, Baltimore, MD
- 17 Chapter Planning Retreat—Columbia, MD
- 20 “Essentials” Course—Linthicum, MD

### OCTOBER
- 14 GBBR Resale Disclosure Seminar
- 16–18 M-350—Manager and the Law, Baltimore, MD
- 22 Breakfast Seminar—“55+ Communities”—Linthicum, MD
- 22 Board of Directors Meeting—Linthicum, MD

### NOVEMBER
- 8 “Essentials” Course*—The Capri, Ocean City, MD
- 25 Holiday Social

### DECEMBER
- 3 Board of Directors Meeting

*“The Essentials of Community Association Volunteer Leadership” is the former ABC’s course.