

Pertinent sections of the Declaration and the Bylaws related to budget and insurance issues, with comments in **ARIAL bold** type.

	<u>ARTICLE IV</u> COVENANTS FOR MAINTENANCE ASSESSMENTS
	<u>Section 1. Annual Maintenance Assessments.</u> Each person, ... who becomes an Owner of a Lot ... deemed to covenant and agree to pay the Association annual maintenance assessments ..., including but in no way limited to the following:
	(a) The cost of all operating expenses of the Common Area and the services furnished to or in connection with the Common Area and community facilities, including charges by the Association for any services furnished by it; and
	(b) The cost of necessary employment of an independent contractor or other such agents as it deems necessary and prescribe their duties; and
	(c) The amount of all taxes and assessments ...; and
	(d) The cost of hazard and liability insurance on the Common Area and the costs of fidelity and liability insurance for the Board of Directors and committees, or such other insurance as the Association may deem necessary with respect to the Common Area and/or operation of the Association; and
	(e) The cost of utilities and other services which may be provided by the Association, whether for the Common Area or for the Lots, or both, including, without limitation, snow removal on private or public streets and sidewalks, basic cable services, and street lights, if any; and
	(f) The cost of maintaining , replacing, repairing, caring for, preserving and landscaping the Common Area including, without limitation, maintenance of any storm water management ponds ..., and maintenance, for their intended use, of all private streets, any recreational facilities, tot lots, pathways, entrance monuments and any retaining walls located within the Property, together with such equipment as the Board of Directors shall determine to be necessary and proper in connection therewith; and
	(g) The cost of private trash and recycling removal for all Lots; and
	(h) The cost of funding all replacement reserves established by the Board of Directors; and
	(i) The cost of any leasehold, membership or other possessory or use interest in real or personal property arranged by the Association for the purpose of promoting the enjoyment, recreation or welfare of the Members of the Association; and
	(j) Such other costs and expenses as may be determined by the Board of Directors in order to promote the enjoyment, recreation, health, safety and welfare of the residents in the Property and the improvements and maintenance of the Common Area and/or Lots, as appropriate.
** We may set Assessments at more frequent intervals than annually. So, we could set an	The Board of Directors shall determine the amount of the Annual Maintenance Assessments annually, but may do so at more frequent intervals should the Board, in its reasonable discretion, determine it necessary . Upon the resolution of the Board of Directors, installments of Annual Maintenance Assessments may be levied and collected on a monthly, quarterly, semi-annual or annual basis. Any Member may

<p>assessment through the end of 2021 only, then set a 2022 CY budget.</p>	<p>prepay one or more installments on any Annual Maintenance Assessment levied by the Association, without premium or penalty.</p>
<p>** This conflicts with the prior provision but I think this can be read to mean that the budget amounts are annual, but the assessment amounts can be set on another schedule. We just need 30 days notice to owners.</p> <p>** There is no requirement for presentation or a vote by Owners on the budget at the annual meeting or otherwise. It is a Board decision.</p>	<p>The Board of Directors shall prepare, or cause the preparation of, an annual operating budget for the Association which shall provide, without limitation, for the management, operation and maintenance of the Common Area. The Board of Directors of the Association shall make reasonable efforts to fix the amount of the Annual Maintenance Assessment against each Lot for each assessment period at least thirty (30) days in advance of such date or period and shall, at that time, prepare a roster ... Written notice of the Annual Maintenance Assessments shall thereupon be sent to the Members. The omission by the Board of Directors, before the expiration of any assessment period, to fix the amount of the Annual Maintenance Assessments hereunder for that or the next period, or to transmit to the Members the written notice contemplated by the previous sentence, shall not be deemed a waiver or modification in any respect of the provisions of this Article or a release of any Member from the obligation to pay ...</p>
	<p style="text-align: center;"><u>Section 2. Special Assessments.</u></p>
<p>** We may, but are not required to hire someone to determine the reserve funding.</p> <p>** Reserve funds can only be expended on replacement costs ... so we cannot move these funds to the Operating Account.</p> <p>We could set up an Operating Reserve account.</p>	<p>Section 3. Reserves for Replacements. The Association shall establish and maintain by useful life expectancy method a reserve fund for replacement of the Common Area by the allocation and payment to such reserve fund of an amount to be designated from time to time by the Board of Directors or as may be required by law. Such funds shall be conclusively deemed to be common expense of the Members and may be deposited with any banking institution, the accounts of which are insured by any State or by any agency of the United States of America or may, in the discretion of the Board of Directors, be invested in obligations, fully guaranteed as to principal by the United States of America. The reserve fund for replacement of the Common Area may be expended only for the purpose of effecting the major repairs or replacement of the Common Area, equipment replacement, and for start up expenses and operating contingencies of a non-recurring nature relating to the Common Area. The Association may establish such other reserve funds for such other purposes as the Board of Directors may from time to time consider to be necessary or appropriate. ... In furtherance of establishing such reserve fund, the Board may employ the services of qualified personnel to determine the proper funding of such reserves.</p>
	<p style="text-align: center;">Section 4. Uniform Rate of Assessment.</p>

<p>*** Do we have a set late charge amount in place? Are we assessing? Do we have an interest rate set for late assessments and are we charging?</p>	<p>Section 5. Non-Payment of Assessments - Remedies of the Association. [Some sections deleted.] Any assessment levied pursuant to this Declaration, or any installment thereof, which is not paid within ten (10) days after it is due, shall be assessed a late charge in an amount as determined by resolution of the Board of Directors, and shall bear interest at fifteen percent (15%) per annum and the Association may bring an action at law against the Member ...</p>
	<p>Section 5. <u>Right to Contribution Runs With the Land.</u></p>
	<p style="text-align: center;"><u>ARTICLE IX</u> <u>INSURANCE AND CASUALTY LOSSES</u></p>
<p>*** Insurance policy must include fidelity coverage. At least equal to 3 months of assessments (which is not how we collect assessments) plus the amount in the HOA reserves.</p> <p>*** The insurance declaration asks if we conduct background checks of those with financial authority.</p>	<p>Section 2. <u>Insurance.</u> (a) The Association's Board of Directors ... shall obtain insurance for all insurable improvements ..., including the Common Area and/or the community facilities against loss or damage by fire or other hazards, including extended coverage, vandalism and malicious mischief. This insurance shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction in the event of damage or destruction from any such hazard. The Board shall also obtain a General Liability Policy covering the Common Area and the community facilities, the Association and its members for all damage or injury caused by the negligence of the Association or any of its members or agents, and directors' and officers' liability insurance, and fidelity bond coverage in an amount equal to not less than three (3) months Annual Maintenance Assessments plus the Association's reserves for all officers, employees, agents, or volunteers of the Association having fiscal responsibility for and direct access to Association funds, whether or not they receive compensation for their services. The general liability policy shall have at least a One Million Dollar (\$1,000,000) limit per occurrence as respects to bodily injury, and property damage, with a Two Million Dollar (\$2,000,000) general aggregate. Premiums for all such insurance shall be common expenses of the Association and shall be included in the Annual Maintenance Assessment. The policy(s) may contain a reasonable deductible, and the amount thereof shall be added to the face amount of the policy(s) in determining whether the insurance at least equals the full replacement cost.</p>
	<p>(b) All such insurance coverage obtained by the Board of Directors shall be written in the name of the Association as the insured. Such insurance shall be governed by the provisions hereinafter set forth:</p> <ol style="list-style-type: none"> 1. All policies shall be written with a company licensed to do business in the State of Virginia and holding a rating of A-VII or better ...

	<p style="text-align: center;"><u>AMENDED AND RESTATED BY-LAWS OF</u> <u>PROSPERITY HEIGHTS HOMEOWNERS ASSOCIATION, INC.</u></p>
<p>** We need to change this as required.</p>	<p style="text-align: center;"><u>ARTICLE I NAME AND LOCATION</u> The name of the corporation is Prosperity Heights Homeowners Association, Inc., ... referred to as the "Association." The principal office of the Association shall be located at the home of the President of the</p>

	Association, but meetings ...
** We are not required to present the budget or the amount of the assessments at the Annual Meeting, but we could call a Special Meeting if we choose to set a Calendar Year budget.	<p style="text-align: center;"><u>ARTICLE III MEETING OF MEMBERS</u></p> <p><u>Section 1. Annual Meetings.</u> A regular annual meeting of the Members shall be held at a place and on a date and at a time set by the Board of Directors within ten (10) to fourteen (14) months following the previous annual meeting.</p> <p><u>Section 2. Special Meetings.</u> Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote holding one-fourth (1/4) of all of the votes of the Members.</p>
** This allows email notice "with receipt of delivery ..." That would save time and postage once or twice a year, but I am not sure what "with receipt of delivery" means with an email notice.	<p><u>Section 3. Notice of Meetings.</u> ... written notice of each regular or special meeting of the Members shall be given ... by mailing a copy of such notice to each Member. Each such notice shall be delivered or mailed, postage prepaid, not less than fifteen (15) nor more than sixty (60) days before such meeting, ... Other forms of notice with receipt of delivery as may develop and become customary practice (such as e-mail, etc.) shall also be acceptable subject to the same time constraints. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.</p>
	<p><u>ARTICLE VI</u></p> <p><u>POWERS AND DUTIES OF THE BOARD OF DIRECTORS</u></p>
** 30 days advance notice in writing to each Owner for each assessment period.	<p><u>Section 2. Duties.</u> The Board of Directors shall have the following duties:</p> <p>(a)</p> <p>(b)</p> <p>(c) as more fully provided in the Declaration</p> <p style="padding-left: 40px;">(1) to fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;</p> <p style="padding-left: 40px;">(2) to send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and</p> <p style="padding-left: 40px;">(3) to foreclose lien(s) ...</p> <p>(d) to issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;</p> <p style="padding-left: 40px;">(e) to procure and maintain adequate liability insurance and to procure adequate hazard insurance on the Common Area, specifically including any risk associated with any storm water management system.</p> <p>...;</p> <p style="padding-left: 40px;">(f) to cause all officers or employees having fiscal responsibilities to</p>
** I noted this because it is a duty of the Treasurer to respond to these inquiries by owners, realtors and for financing	

<p>or refinancing.</p>	<p>be bonded, and to secure liability insurance covering the acts or omissions of Directors, officers, committee members, agents and employees, as the Board shall deem appropriate. Such bonding fees and liability insurance coverage premiums are to be shared among the Members as common expense;</p> <p>(g) to cause the Common Area to be maintained in accordance with standards adopted by the Board;</p> <p>(h) to issue, or cause an appropriate officer or agent to issue, upon request by any Member or Member's agent, a disclosure packet setting forth the information required in the Virginia Property Owners' Association Act, as amended. A properly prepared and executed packet shall be binding on a Lot as to the status of assessments and violations as of the date of issuance. A reasonable charge not to exceed that prescribed by law may be levied by the Association and collected prior to issuance of such packet; and</p> <p>(i) to perform all other duties required by the Declaration, the Articles of Incorporation or these Bylaws to be performed by the Board of Directors.</p>
	<p><u>ARTICLE VII</u> OFFICERS AND THEIR DUTIES</p>
	<p><u>Section 8. Duties. The duties of the officers are as follows:</u></p> <p><u>(d) Treasurer.</u> The Treasurer shall, along with any Managing Agent, (1) cause the receipt and deposit in appropriate bank accounts of all monies of the Association; (2) cause disbursement of such funds as directed by the Board of Directors; (3) cause all checks and promissory notes of the Association to be signed or co-signed; (4) cause to be kept proper books of account; (5) cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and (6) cause to be prepared an annual budget and statement of income and expenditure and make available a copy of each to the Members and for inclusion in the disclosure packet, and act in the place and stead of the Secretary in the event of his absence, inability or refusal to act.</p>
<p>** This duplicates the Declaration provision.</p> <p>** Fiscal year is the calendar year but can be changed by the Board.</p>	<p style="text-align: center;"><u>ARTICLE XI</u> ASSESSMENTS</p> <p><u>Section 1. Assessments: Attorney's Fees.</u> ... Any assessment not paid on or prior to the due date shall be delinquent, and any assessment not paid within ten (10) days following the due date shall be assessed a late charge as may be fixed from time to time by a resolution of the Board of Directors. ... interest not to exceed fifteen percent (15%) per annum, costs, and all attorney's fees of the Association incurred in any such action (or, if any such action is not actually brought, in preparation for such action) shall be added to the amount of such assessment. ...</p> <p><u>Section 2. Fiscal Year.</u> The fiscal year of the Association shall begin on January 1 and end on December 31 of each year. Notwithstanding the foregoing, the Board of Directors shall have the power to change the fiscal year of the Association by resolution.</p>