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SENATE BILL NO. 301

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on General Laws and Technology
on January 30, 2008)

(Patron Prior to Substitute—Senator Whipple)

A BILL to amend and reenact §§ 54.1-2105.1, 55-79.41, 55-79.58, 55-79.58:1, 55-79.74, 55-79.79, 55-79.81, 55-79.84:1, 55-79.86, 55-79.89, 55-79.93:1, 55-79.95, 55-79.97, 55-79.98, 55-362, 55-362.1, 55-374.1, 55-374.2, 55-375, 55-392.1, 55-484, 55-487, 55-496, 55-504.1, 55-511, 55-512, 55-514.2, 55-516.1, 55-528, 55-529, and 55-530 of the Code of Virginia and to amend the Code of Virginia by adding in Title 54.1 a chapter numbered 23.3, consisting of sections numbered 54.1-2345 through 54.1-2354, and by adding in Chapter 29 of Title 55 a section numbered 55-530.1, relating to common interest communities.

Be it enacted by the General Assembly of Virginia:

1. That §§ 54.1-2105.1, 55-79.41, 55-79.58, 55-79.58:1, 55-79.74, 55-79.79, 55-79.81, 55-79.84:1, 55-79.86, 55-79.89, 55-79.93:1, 55-79.95, 55-79.97, 55-79.98, 55-362, 55-362.1, 55-374.1, 55-374.2, 55-375, 55-392.1, 55-484, 55-487, 55-496, 55-504.1, 55-511, 55-512, 55-514.2, 55-516.1, 55-528, 55-529, and 55-530 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding in Title 54.1 a chapter numbered 23.3, consisting of sections numbered 54.1-2345 through 54.1-2354, and by adding in Chapter 29 of Title 55 a section numbered 55-530.1 as follows:

§ 54.1-2105.1. Other powers and duties of the Real Estate Board.

In addition to the provisions of §§ 54.1-2105.01 through 54.1-2105.04, the Board shall:

1. Administer the provisions of Chapter 29 (§ 55-528 et seq.) of Title 55;

2. Develop and disseminate an association annual report form for use in accordance with §§ 55-79.93:1, 55-504.1, and 55-516.1;

3. Develop develop a residential property disclosure statement form for use in accordance with the provisions of Chapter 27 (§ 55-517 et seq.) of Title 55; and

4. Develop and disseminate a one-page form to accompany association disclosure packets required pursuant to § 55-512, which form shall summarize the unique characteristics of property owners' associations generally and shall make known to prospective purchasers the unusual and material circumstances affecting a lot owner in a property owners' association, including, but not limited to, the obligation of a lot owner to pay regular annual or special assessments to the association, and the penalty for failure or refusal to pay such assessments; the purposes for which such assessments may be used; and the importance the declaration of restrictive covenants and other governing documents play in association living.

CHAPTER 23.3.

COMMON INTEREST COMMUNITIES.

§ 54.1-2345. Definitions.

As used in this chapter, unless the context requires a different meaning:

"Association" has the same meaning specified in § 55-528.

"Board" means the Common Interest Community Board.

"Common interest community" has the same meaning specified in § 55-528; provided that for the purposes of this chapter only, a common interest community shall not include any time-share project registered pursuant to the Virginia Real Estate Time-Share Act (§55-360 et seq.) nor any additional land that is a part thereof.

"Common interest community manager" means a person or business entity, including, but not limited to, a partnership, association, corporation, or limited liability company, who, for compensation or valuable consideration, provides management services to a common interest community.

"Declaration" has the same meaning specified in § 55-528.

"Governing board" shall mean the governing board of an association, including the executive organ of a condominium unit owners' association, the executive board of a cooperative proprietary lessees' association, and the board of directors of a property owners' association.

"Lot" has the same meaning specified in § 55-528.

"Management services" means (i) acting with the authority of an association in its business, legal, financial, or other transactions with association members and nonmembers; (ii) executing the resolutions and decisions of an association or, with the authority of the association, enforcing the rights of the association secured by statute, contract, covenant, rule, or bylaw; (iii) collecting, disbursing, or otherwise exercising dominion or control over money or other property belonging to an association; (iv)

60 preparing budgets, financial statements, or other financial reports for an association; (v) arranging,
61 conducting, or coordinating meetings of an association or the governing body of an association; (vi)
62 negotiating contracts or otherwise coordinating or arranging for services or the purchase of property
63 and goods for or on behalf of an association; or (vii) offering or soliciting to perform any of the
64 aforesaid acts or services on behalf of an association.

65 § 54.1-2346. License required; certification of employees; renewal; provisional license.

66 A. Unless exempted by § 54.1-2347, any person, partnership, corporation, or other entity offering
67 management services to a common interest community on or after October 1, 2008, shall hold a valid
68 license issued in accordance with the provisions of this chapter prior to engaging in such management
69 services.

70 B. Unless exempted by § 54.1-2347, any person, partnership, corporation, or other entity offering
71 management services to a common interest community without being licensed in accordance with the
72 provisions of this chapter, shall be subject to the provisions of § 54.1-111.

73 C. On or after July 1, 2011, it shall be a condition of the issuance or renewal of the license of a
74 common interest community manager that all employees of the common interest community manager
75 who have direct contact with the governing board of the association in the provision of management
76 services to a common interest community shall, within two years after employment with the common
77 interest community manager, hold a certificate issued by the Board certifying the person possesses the
78 character and minimum skills to engage properly in the provision of management services to a common
79 interest community or shall be under the direct supervision of a certified employee of such common
80 interest community manager. A common interest community manager shall notify the Board if a
81 certificated employee is discharged or in any way terminates his active status with the common interest
82 community manager.

83 D. It shall be a condition of the issuance or renewal of the license of a common interest community
84 manager that the common interest community manager shall obtain and maintain a blanket fidelity bond
85 or employee dishonesty insurance policy insuring the common interest community manager against
86 losses resulting from theft or dishonesty committed by the officers, directors, and persons employed by
87 the common interest community manager. Such bond or insurance policy shall include coverage for
88 losses of clients of the common interest community manager resulting from theft or dishonesty committed
89 by the officers, directors, and persons employed by the common interest community manager. Such bond
90 or insurance policy shall provide coverage in an amount equal to the lesser of \$2 million or the highest
91 aggregate amount of the operating and reserve balances of all associations under the control of the
92 common interest community manager during the prior fiscal year. The minimum coverage amount shall
93 be \$10,000.

94 E. It shall be a condition of the issuance or renewal of the license of a common interest community
95 manager that the common interest community manager certifies to the Board (i) that the common
96 interest community manager is in good standing and authorized to transact business in Virginia; (ii)
97 that the common interest community manager has established a code of conduct for the officers,
98 directors, and persons employed by the common interest community manager to protect against conflicts
99 of interest; (iii) that the common interest community manager provides all management services
100 pursuant to written contracts with the associations to which such services are provided; (iv) that the
101 common interest community manager has established a system of internal accounting controls to
102 manage the risk of fraud or illegal acts; and (v) that an independent certified public accountant reviews
103 or audits the financial statements of the common interest community manager at least annually in
104 accordance with standards established by the American Institute of Certified Public Accountants or by
105 any successor standard-setting authorities.

106 F. The Board shall issue a provisional license to any person, partnership, corporation, or other
107 entity offering management services to a common interest community on or before December 31, 2008,
108 who makes application for licensure prior to January 1, 2009. Such provisional license will expire on
109 June 30, 2011, and may not be renewed. This subsection shall not be construed to limit the powers and
110 authority of the Board.

111 § 54.1-2347. Exceptions and exemptions generally.

112 A. The provisions of this chapter shall not be construed to prevent or prohibit:

113 1. An employee of a duly licensed common interest community manager from providing management
114 services under the supervision of a duly licensed common interest community manager;

115 2. An employee of an association from providing management services for that association's common
116 interest community;

117 3. A resident of a common interest community acting without compensation from providing
118 management services for that common interest community;

119 4. A member of the governing board of an association acting without compensation from providing
120 management services for that association's common interest community;

121 5. A person acting as a receiver or trustee in bankruptcy in the performance of his duties as such, or

any person acting under order of any court from providing management services for a common interest community;

6. A duly licensed attorney-at-law from representing an association or a common interest community manager in any business that constitutes the practice of law;

7. A duly licensed certified public accountant from providing bookkeeping or accounting services to an association or a common interest community manager;

8. A duly licensed real estate broker or agent from selling, leasing, renting, or managing lots within a common interest community; or

9. An association, exchange agent, exchange company, managing agent, or managing entity of a time-share project registered pursuant to the Virginia Real Estate Time-Share Act (§ 55-360 et seq.) from providing management services for such time-share project.

B. A licensee of the Board shall comply with the Board's regulations, notwithstanding the fact that the licensee would be otherwise exempt from licensure under subsection A. Nothing in this subsection shall be construed to require a person to be licensed in accordance with this chapter if he would be otherwise exempt from such licensure.

§ 54.1-2348. Common Interest Community Board; membership; meetings; quorum.

The Common Interest Community Board shall be appointed by the Governor and composed of nine members as follows: three shall be representatives of Virginia common interest community managers, one shall be a Virginia attorney whose practice includes the representation of associations, one shall be a representative of a Virginia certified public accountant whose practice includes providing attest services to associations, one shall be a representative of the Virginia time-share industry, and three shall be Virginia citizens, one of whom serves or who has served on the governing board of an association and two of whom reside in a common interest community. Of the initial appointments, one representative of Virginia common interest community managers shall serve a term of two years and one representative of Virginia common interest community managers shall serve a term of three years; the Virginia attorney shall serve a term of three years; the Virginia certified public accountant shall serve a term of one year; the Virginia citizen who serves or who has served on the governing board of an association shall serve a term of two years, and the two Virginia citizens who reside in a common interest community shall serve terms of one year. All other initial appointments and all subsequent appointments shall be for terms for four years, except that vacancies may be filled for the remainder of the unexpired term. Each appointment of a representative of a Virginia common interest community manager to the Board may be made from nominations submitted by the Virginia Association of Community Managers, who may nominate no more than three persons for each manager vacancy. In no case shall the Governor be bound to make any appointment from such nominees. No person shall be eligible to serve for more than two successive four-year terms.

The Board shall meet at least four times each year and other such times as it deems necessary. The Board shall elect from its membership a chairman and a vice-chairman to serve for a period of one year. Four members of the Board shall constitute a quorum. The Board is vested with the powers and duties necessary to execute the purposes of this chapter.

§ 54.1-2349. Powers and duties of the Board.

A. The Board shall administer and enforce this chapter. In addition to the provisions of § 54.1-201, the Board shall:

1. Promulgate regulations necessary to carry out the requirements of this chapter in accordance with the provisions of the Administrative Process Act (§ 2.2-4000 et seq.) to include but not be limited to the prescription of fees, procedures, and qualifications for the issuance and renewal of common interest community manager licenses. The Board shall annually assess each common interest community manager an amount equal to the lesser of \$1,000 (or such other amount as the Board may establish by regulation) or 0.02 percent of the gross receipts from common interest community management during the preceding calendar year to be remitted to the State Treasurer and shall be placed to the credit of the Common Interest Community Management Information Fund established pursuant to § 55-529;

2. Establish criteria for the licensure of common interest community managers to ensure the appropriate training and educational credentials for the provision of management services to common interest communities. Such criteria may include experiential requirements and shall include designation as an Accredited Association Management Company by the Community Associations Institute. As an additional alternative to such designation, the Board shall have authority, by regulation, to include one of the following: (i) successful completion of another Board-approved training program and certifying examination, or (ii) successful completion of a Virginia testing program to determine the quality of the training and educational credentials for and competence of common interest community managers;

3. Establish criteria for the certification of the employees of common interest community managers who participate directly in the provision of management services to a common interest community to ensure the person possesses the character and minimum skills to engage properly in the provision of

183 management services to a common interest community. Such criteria shall include designation as a
184 Certified Manager of Community Associations by the National Board of Certification for Community
185 Association Managers, designation as an Association Management Specialist by the Community
186 Associations Institute, or designation as a Professional Community Association Manager by the
187 Community Associations Institute. As an additional alternative to such designations, the Board shall
188 have authority, by regulation, to include one of the following: (i) successful completion of another
189 Board-approved training program and certifying examination, or (ii) successful completion of a Virginia
190 testing program to determine the quality of the training and educational credentials for and competence
191 of the employees of common interest community managers who participate directly in the provision of
192 management services to a common interest community. The fee paid to the Board for the issuance of
193 such certificate shall be paid to the Common Interest Community Management Information Fund
194 (§55-528 et seq.);

195 4. Approve the criteria for accredited common interest community manager training programs;

196 5. Approve accredited common interest community manager training programs;

197 6. Establish, by regulation, standards of conduct for common interest community managers and for
198 employees of common interest community managers certified in accordance with the provisions of this
199 chapter; and

200 7. Establish, by regulation, an education-based certification program for persons who are involved in
201 the business or activity of providing management services to common interest communities. The Board
202 shall have the authority to approve training courses and instructors in furtherance of the provisions of
203 this chapter.

204 B. The Board shall be responsible for the administration and enforcement of this chapter; provided
205 that the Real Estate Board shall have the sole responsibility for the enforcement of this chapter with
206 respect to a real estate broker, real estate salesperson, or real estate brokerage firm licensed in
207 accordance with Chapter 21 (§ 54.1-2100 et seq.) who is also licensed as a common interest community
208 manager.

209 C. The Board is authorized to obtain criminal history record information from any state or federal
210 law-enforcement agency relating to an applicant for licensure or certification. Any information so
211 obtained is for the exclusive use of the Board and shall not be released to any other person or agency
212 except in furtherance of the investigation of the applicant or with the authorization of the applicant or
213 upon court order.

214 § 54.1-2350. Annual Report and Disclosure Packets.

215 In addition to the provisions of § 54.1-2349, the Board shall:

216 1. Administer the provisions of Chapter 29 (§ 55-528 et seq.) of Title 55;

217 2. Develop and disseminate an association annual report form for use in accordance with
218 §§ 55-79.93:1, 55-504.1, and 55-516.1; and

219 3. Develop and disseminate a one-page form to accompany association disclosure packets required
220 pursuant to § 55-512, which form shall summarize the unique characteristics of property owners'
221 associations generally and shall make known to prospective purchasers the unusual and material
222 circumstances affecting a lot owner in a property owners' association, including, but not limited to, the
223 obligation of a lot owner to pay regular annual or special assessments to the association, and the
224 penalty for failure or refusal to pay such assessments; the purposes for which such assessments may be
225 used; and the importance the declaration of restrictive covenants and other governing documents play in
226 association living.

227 § 54.1-2351. General powers and duties of Board concerning associations.

228 A. The Board may adopt, amend, and repeal rules and regulations and issue orders consistent with
229 and in furtherance of the objectives of this chapter, but the Board may not intervene in the internal
230 activities of an association except to the extent necessary to prevent or cure violations of this chapter or
231 of the chapter pursuant to which the association is created. The Board may prescribe forms and
232 procedures for submitting information to the Board.

233 B. If it appears that any person has engaged, is engaging or is about to engage in any act or
234 practice in violation of this chapter, Chapters 4.2, (§ 55-79.1 et seq.) 21, (§55-360 et seq.) 24, (§ 55-424
235 et seq.) or 26 (§55-508 et seq.) of Title 55, or any of the Board's regulations or orders, the Board
236 without prior administrative proceedings may bring suit in the appropriate court to enjoin that act or
237 practice or for other appropriate relief. The Board is not required to post a bond or prove that no
238 adequate remedy at law exists.

239 C. The Board may intervene in any action or suit involving the powers or responsibilities of a
240 declarant or the governing board of an association in connection with any association that is required
241 to file an annual report with the Board.

242 D. The Board may accept grants-in-aid from any governmental source and may contract with
243 agencies charged with similar functions in this or other jurisdictions in furtherance of the objectives of
244 this chapter.

E. The Board may cooperate with agencies performing similar functions in this and other jurisdictions to develop uniform filing procedures and forms, uniform disclosure standards, and uniform administrative practices, and may develop information that may be useful in the discharge of the Board's duties.

F. In issuing any cease and desist order the Board shall state the basis for the adverse determination and the underlying facts.

G. Without limiting the remedies that may be obtained under this chapter, the Board, without compliance with the Administrative Process Act (§ 2.2-4000 et seq.), shall have the authority to enforce the provisions of this section and may institute proceedings in equity to enjoin any person, partnership, corporation, or any other entity from engaging in any unlawful act enumerated in this section. Such proceedings shall be brought in the name of the Commonwealth by the Board in the circuit court or general district court of the city or county in which the unlawful act occurred or in which the defendant resides.

H. The Board may assess a civil penalty to be paid to the Common Interest Community management Information Fund of not more than \$1,000 per violation against any person who violates any provision of this section. In determining the amount of the penalty, the Board shall consider the degree and extent of harm caused by the violation. No civil penalty may be assessed under this section unless the person has been given the opportunity for a hearing pursuant to the Administrative Process Act (§ 2.2-4000 et seq.). The penalty may be sued for and recovered in the name of the Commonwealth.

§ 54.1-2352. Cease and desist orders.

A. If the Board determines after notice and hearing that the governing board of an association has:

1. Violated any statute or regulation governing the association regulated pursuant to this chapter, including engaging in any act or practice in violation of this chapter, Chapters 4.2, (§ 55-79.1 et seq.) 21, (§55-360 et seq.) 24, (§ 55-424 et seq.) or 26 (§55-508 et seq.) of Title 55, or any of the Board's regulations or orders;

2. Failed to register as an association or to file an annual report as required by statute or regulation;

3. Materially misrepresented facts in an application for registration or an annual report; or

4. Willfully refused to furnish the Board information or records required or requested pursuant to statute or regulation;

it may issue an order requiring the governing board of the association to cease and desist from the unlawful practice and to take such affirmative action as in the judgment of the Board will carry out the purposes of this chapter.

B. If the Board makes a finding of fact in writing that the public interest will be irreparably harmed by delay in issuing an order, it may issue a temporary cease and desist order. Prior to issuing the temporary cease and desist order, the Board shall give notice of the proposal to issue a temporary cease and desist order to the person. Every temporary cease and desist order shall include in its terms a provision that upon request a hearing will be held promptly to determine whether or not it becomes permanent.

§ 54.1-2353. Protection of the interests of associations; appointment of receiver for common interest community manager.

A. A common interest community manager owes a fiduciary duty to the associations to which it provides management services with respect to the manager's handling the funds or the records of each association. All funds deposited with the common interest community manager shall be handled in a fiduciary capacity and shall be kept in a separate fiduciary trust account or accounts in an FDIC-insured financial institution separate from the assets of the common interest community manager. The funds shall be the property of the association and shall be segregated for each depository in the records of the common interest community manager in a manner that permits the funds to be identified on an association basis. All records having administrative or fiscal value to the association that a common interest community manager holds, maintains, compiles, or generates on behalf of a common interest community are the property of the association. A common interest community manager may retain and dispose of association records in accordance with a policy contained in the contract between the common interest community manager and the association. Within a reasonable time after a written request for any such records, the common interest community manager shall provide copies of the requested records to the association at the association's expense. The common interest community manager shall return all association records that it retains and any originals of legal instruments or official documents that are in the possession of the common interest community manager to the association within a reasonable time after termination of the contract for management services without additional cost to the association. Records maintained in electronic format may be returned in such format.

B. If the Board has reasonable cause to believe that a common interest community manager is

unable to properly discharge its fiduciary responsibilities to an association to which it provides management services, the Board may submit an ex parte petition to the circuit court of the city or county wherein the common interest community manager maintains an office or is doing business for the issuance of an order authorizing the immediate inspection by and production to representatives of the petitioner of any records, documents, and physical or other evidence belonging to the subject common interest community manager. The court may issue such order without notice to the common interest community manager if the petition, supported by affidavit of the petitioner and such other evidence as the court may require, shows reasonable cause to believe that such action is required to prevent immediate loss of property of one or more of the associations to which the subject common interest community manager provides management services. The court may also temporarily enjoin further activity by the common interest community manager and take such further action as shall be necessary to conserve, protect, and disburse the funds involved, including the appointment of a receiver. The papers filed with the court pursuant to this subsection shall be placed under seal.

C. If the Board has reasonable cause to believe that a common interest community manager is unable to properly discharge its fiduciary responsibilities to an association to which it provides management services, the Board may file a petition with the circuit court of the county or city wherein the subject common interest community manager maintains an office or is doing business. The petition may seek the following relief: (i) an injunction prohibiting the withdrawal of any bank deposits or the disposition of any other assets belonging to or subject to the control of the subject common interest community manager; and (ii) the appointment of a receiver for all or part of the funds or property of the subject common interest community manager. The subject common interest community manager shall be given notice of the time and place of the hearing on the petition and an opportunity to offer evidence. The court, in its discretion, may require a receiver appointed pursuant to this section to post bond, with or without surety. The papers filed with the court under this subsection shall be placed under seal until such time as the court grants an injunction or appoints a receiver. The court may issue an injunction, appoint a receiver, or provide such other relief as the court may consider proper if, after a hearing, the court finds that such relief is necessary or appropriate to prevent loss of property of one or more of the associations to which the subject common interest community manager provides management services.

D. In any proceeding under subsection C, any person or entity known to the Board to be indebted to or having in his possession property, real or personal, belonging to or subject to the control of the subject common interest community manager's business and which property the Board reasonably believes may become part of the receivership assets, shall be served with a copy of the petition and notice of the time and place of the hearing.

E. The court shall describe the powers and duties of the receiver in its appointing order, which may be amended from time to time. The receiver shall, unless otherwise ordered by the court in the appointing order, (i) prepare and file with the Board a list of all associations managed by the subject common interest community manager; (ii) notify in writing all of the associations to which the subject common interest community manager provides management services of the appointment, and take whatever action the receiver deems appropriate to protect the interests of the associations until such time as the associations have had an opportunity to obtain a successor common interest community manager; (iii) facilitate the transfer of records and information to such successor common interest community managers; (iv) identify and take control of all bank accounts, including without limitation trust and operating accounts, over which the subject common interest community manager had signatory authority in connection with its management business; (v) prepare and submit an accounting of receipts and disbursements and account balances of all funds under the receiver's control for submission to the court within four months of the appointment and annually thereafter until the receivership is terminated by the court; (vi) attempt to collect any accounts receivable related to the subject common interest community manager's business; (vii) identify and attempt to recover any assets wrongfully diverted from the subject common interest community manager's business, or assets acquired with funds wrongfully diverted from the subject common interest community manager's business; (viii) terminate the subject common interest community manager's business; (ix) reduce to cash all of the assets of the subject common interest community manager; (x) determine the nature and amount of all claims of creditors of the subject common interest community manager, including associations to which the subject common interest community manager provided management services; and (xi) prepare and file with the court a report of such assets and claims proposing a plan for the distribution of funds in the receivership to such creditors in accordance with the provisions of subsection F.

F. Upon the court's approval of the receiver's report referenced in subsection E, at a hearing after such notice as the court may require to creditors, the receiver shall distribute the assets of the common interest community manager and funds in the receivership first to clients whose funds were or ought to have been held in a fiduciary capacity by the subject common interest community manager, then to the receiver for fees, costs, and expenses awarded pursuant to subsection G, and thereafter to the creditors

of the subject common interest community manager, and then to the subject common interest community manager or its successors in interest.

G. A receiver appointed pursuant to this section shall be entitled, upon proper application to the court in which the appointment was made, to recover an award of reasonable fees, costs, and expenses. If there are not sufficient nonfiduciary funds to pay the award, then the shortfall shall be paid by the Common Interest Community Management Information Fund as a cost of administering the Fund pursuant to § 55-530, to the extent that the said Fund has funds available. The Fund shall have a claim against the subject common interest community manager for the amount paid.

H. The court may determine whether any assets under the receiver's control should be returned to the subject common interest community manager.

I. If the Board shall find that any common interest community manager is insolvent, that its merger into another common interest community manager is desirable for the protection of the associations to which such common interest community manager provides management services and that an emergency exists, and, if the board of directors of such insolvent common interest community manager shall approve a plan of merger of such common interest community manager into another common interest community manager, compliance with the requirements of § 13.1-718 shall be dispensed with as to such insolvent common interest community manager and the approval by the Board of such plan of merger shall be the equivalent of approval by the holders of more than two-thirds of the outstanding shares of such insolvent common interest community manager for all purposes of Article 12 (§ 13.1-715.1 et seq.) of Chapter 9 of Title 13.1. If the Board finds that a common interest community manager is insolvent, that the acquisition of its assets by another common interest community manager is in the best interests of the associations to which such common interest community manager provides management services and that an emergency exists, it may, with the consent of the boards of directors of both common interest community managers as to the terms and conditions of such transfer, including the assumption of all or certain liabilities, enter an order transferring some or all of the assets of such insolvent common interest community manager to such other common interest community manager and no compliance with the provisions of §§ 13.1-723 and 13.1-724 shall be required, nor shall §§ 13.1-730 through 13.1-741 be applicable to such transfer. In the case either of such a merger or of such a sale of assets, the Board shall provide that prompt notice of its finding of insolvency and of the merger or sale of assets be sent to the stockholders of record of the insolvent common interest community manager for the purpose of providing such shareholders an opportunity to challenge the finding that the bank is insolvent. The relevant books and records of such insolvent common interest community manager shall remain intact and be made available to such shareholders for a period of 30 days after such notice is sent. The Board's finding of insolvency shall become final if a hearing before the Board is not requested by any such shareholder within such 30-day period. If, after such hearing, the Board finds that such common interest community manager was solvent, it shall rescind its order entered pursuant to this subsection and the merger or transfer of assets shall be rescinded. But if, after such hearing, the Board finds that such common interest community manager was insolvent, its order shall be final.

J. This statute is declared to be remedial. Its purpose is to protect the interests of associations adversely affected by common interest community managers who have breached their fiduciary duty. It is to be liberally administered in order to protect those interests and thereby the public's interest in the quality of management services provided by Virginia common interest community managers.

§ 54.1-2354. Variation by agreement.

Except as expressly provided in this chapter, provisions of this chapter may not be varied by agreement, and rights conferred by this chapter may not be waived. All management agreements entered into by common interest community managers must comply with the terms of this chapter and the provisions of Chapters 4.2, (§ 55-79.1 et seq.) 21, (§55-360 et seq.) 24, (§ 55-424 et seq.) or 26 (§55-508 et seq.) of Title 55, as applicable.

§ 55-79.41. Definitions.

When used in this chapter:

"Capital components" means those items, whether or not a part of the common elements, for which the unit owners' association has the obligation for repair, replacement or restoration and for which the executive organ determines funding is necessary.

"Common elements" means all portions of the condominium other than the units.

"Common expenses" means all expenditures lawfully made or incurred by or on behalf of the unit owners' association, together with all funds lawfully assessed for the creation and/or maintenance of reserves pursuant to the provisions of the condominium instruments.

"Condominium" means real property, and any incidents thereto or interests therein, lawfully submitted to this chapter by the recordation of condominium instruments pursuant to the provisions of this chapter. No project shall be deemed a condominium within the meaning of this chapter unless the undivided interests in the common elements are vested in the unit owners.

429 "Condominium instruments" is a collective term referring to the declaration, bylaws, and plats and
430 plans, recorded pursuant to the provisions of this chapter. Any exhibit, schedule, or certification
431 accompanying a condominium instrument and recorded simultaneously therewith shall be deemed an
432 integral part of that condominium instrument. Any amendment or certification of any condominium
433 instrument shall, from the time of the recordation of such amendment or certification, be deemed an
434 integral part of the affected condominium instrument, so long as such amendment or certification was
435 made in accordance with the provisions of this chapter.

436 "Condominium unit" means a unit together with the undivided interest in the common elements
437 appertaining to that unit. (Cf. the definition of "unit," *infra*.)

438 "Contractable condominium" means a condominium from which one or more portions of the
439 submitted land may be withdrawn in accordance with the provisions of the declaration and of this
440 chapter. If such withdrawal can occur only by the expiration or termination of one or more leases, then
441 the condominium shall not be deemed a contractable condominium within the meaning of this chapter.

442 "Conversion condominium" means a condominium containing structures which before the recording
443 of the declaration, were wholly or partially occupied by persons other than those who have contracted
444 for the purchase of condominium units and those who occupy with the consent of such purchasers.

445 "Convertible land" means a building site; that is to say, a portion of the common elements, within
446 which additional units and/or limited common elements may be created in accordance with the
447 provisions of this chapter.

448 "Convertible space" means a portion of a structure within the condominium, which portion may be
449 converted into one or more units and/or common elements, including but not limited to limited common
450 elements in accordance with the provisions of this chapter. (Cf. the definition of "unit," *infra*.)

451 "Declarant" means any person, or group of persons acting in concert, that (i) offers to dispose of his
452 or its interest in a condominium unit not previously disposed of, including an institutional lender which
453 may not have succeeded to or accepted any special declarant rights pursuant to § 55-79.74:3; (ii)
454 reserves or succeeds to any special declarant right; or (iii) applies for registration of the condominium.
455 However, for the purposes of clauses (i) and (iii), the term "declarant" shall not include an institutional
456 lender which acquires title by foreclosure or deed in lieu thereof unless such lender offers to dispose of
457 its interest in a condominium unit not previously disposed of to anyone not in the business of selling
458 real estate for his own account, except as otherwise provided in § 55-79.74:3. The term "declarant" shall
459 not include an individual who acquires title to a condominium unit at a foreclosure sale.

460 "Dispose" or "disposition" refers to any voluntary transfer of a legal or equitable interest in a
461 condominium unit to a purchaser, but shall not include the transfer or release of security for a debt.

462 "Electronic transmission" means any form of communication, not directly involving the physical
463 transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient
464 thereof, and that may be directly reproduced in paper form by such a recipient through an automated
465 process. Any term used in this definition that is defined in § 59.1-480 of the Uniform Electronic
466 Transactions Act shall have the meaning set forth in such section.

467 "Executive organ" means an executive and administrative entity, by whatever name denominated,
468 designated in the condominium instruments as the governing body of the unit owners' association.

469 "Expandable condominium" means a condominium to which additional land may be added in
470 accordance with the provisions of the declaration and of this chapter.

471 "Future common expenses" means common expenses for which assessments are not yet due and
472 payable.

473 "Identifying number" means one or more letters and/or numbers that identify only one unit in the
474 condominium.

475 "Institutional lender" means one or more commercial or savings banks, savings and loan associations,
476 trust companies, credit unions, industrial loan associations, insurance companies, pension funds, or
477 business trusts including but not limited to real estate investment trusts, any other lender regularly
478 engaged in financing the purchase, construction, or improvement of real estate, or any assignee of loans
479 made by such a lender, or any combination of any of the foregoing entities.

480 "Land" is a three-dimensional concept and includes parcels with upper or lower boundaries, or both
481 upper and lower boundaries, as well as parcels extending *ab solo usque ad coelum*. Parcels of airspace
482 constitute land within the meaning of this chapter. Any requirement in this chapter of a legally sufficient
483 description shall be deemed to include a requirement that the upper or lower boundaries, if any, of the
484 parcel in question be identified with reference to established datum.

485 "Leasehold condominium" means a condominium in all or any portion of which each unit owner
486 owns an estate for years in his unit, or in the land within which that unit is situated, or both, with all
487 such leasehold interests due to expire naturally at the same time. A condominium including leased land,
488 or an interest therein, within which no units are situated or to be situated shall not be deemed a
489 leasehold condominium within the meaning of this chapter.

490 "Limited common element" means a portion of the common elements reserved for the exclusive use

of those entitled to the use of one or more, but less than all, of the units.

"Meeting" or "meetings" means the formal gathering of the executive organ where the business of the unit owners' association is discussed or transacted.

"Nonbinding reservation agreement" means an agreement between the declarant and a prospective purchaser which is in no way binding on the prospective purchaser and which may be canceled without penalty at the sole discretion of the prospective purchaser by written notice, hand-delivered or sent by United States mail, return receipt requested, to the declarant or to any sales agent of the declarant at any time prior to the formation of a contract for the sale or lease of a condominium unit or an interest therein. Such agreement shall not contain any provision for waiver or any other provision in derogation of the rights of the prospective purchaser as contemplated by this subsection, nor shall any such provision be a part of any ancillary agreement.

"Offer" means any inducement, solicitation, or attempt to encourage any person or persons to acquire any legal or equitable interest in a condominium unit, except as security for a debt. Nothing shall be considered an "offer" which expressly states that the condominium has not been registered with the Real Estate Board *Common Interest Community Board* and that no unit in the condominium can or will be offered for sale until such time as the condominium has been so registered.

"Officer" means any member of the executive organ or official of the unit owners' association.

"Par value" means a number of dollars or points assigned to each unit by the declaration. Substantially identical units shall be assigned the same par value, but units located at substantially different heights above the ground, or having substantially different views, or having substantially different amenities or other characteristics that might result in differences in market value, may, but need not, be considered substantially identical within the meaning of this subsection. If par value is stated in terms of dollars, that statement shall not be deemed to reflect or control the sales price or fair market value of any unit, and no opinion, appraisal, or fair market transaction at a different figure shall affect the par value of any unit, or any undivided interest in the common elements, voting rights in the unit owners' association or liability for common expenses assigned on the basis thereof.

"Person" means a natural person, corporation, partnership, association, trust, or other entity capable of holding title to real property, or any combination thereof.

"Purchaser" means any person or persons, other than a declarant, who acquire by means of a voluntary transfer a legal or equitable interest in a condominium unit, other than (i) a leasehold interest, including renewal options, of less than 20 years or (ii) as security for a debt.

"Size" means the number of cubic feet, or the number of square feet of ground and/or floor space, within each unit as computed by reference to the plat and plans and rounded off to a whole number. Certain spaces within the units including, without limitation, attic, basement, and/or garage space may, but need not, be omitted from such calculation or partially discounted by the use of a ratio, so long as the same basis of calculation is employed for all units in the condominium, and so long as that basis is described in the declaration.

"Special declarant rights" means any right reserved for the benefit of a declarant, or of a person or group of persons that becomes a declarant, to (i) expand an expandable condominium, (ii) contract a contractable condominium, (iii) convert convertible land or convertible space or both, (iv) appoint or remove any officers of the unit owners' association or the executive organ pursuant to subsection A of § 55-79.74, (v) exercise any power or responsibility otherwise assigned by any condominium instrument or by this chapter to the unit owners' association, any officer or the executive organ, or (vi) maintain sales offices, management offices, model units and signs pursuant to § 55-79.66.

"Unit" means a portion of the condominium designed and intended for individual ownership and use. (Cf. the definition of "condominium unit," supra.) For the purposes of this chapter, a convertible space shall be treated as a unit in accordance with subsection (d) of § 55-79.62.

"Unit owner" means one or more persons who own a condominium unit, or, in the case of a leasehold condominium, whose leasehold interest or interests in the condominium extend for the entire balance of the unexpired term or terms. This term shall not include any person or persons holding an interest in a condominium unit solely as security for a debt.

§ 55-79.58. Contents of plats and plans.

A. There shall be recorded simultaneously with the declaration one or more plats of survey showing the location and dimensions of the submitted land, the location and dimensions of any convertible lands within the submitted land, the location and dimensions of any existing improvements, the intended location and dimensions of any contemplated improvements which are to be located on any portion of the submitted land other than within the boundaries of any convertible lands, and, to the extent feasible, the location and dimensions of all easements appurtenant to the submitted land or otherwise submitted to this chapter as a part of the common elements. If the submitted land is not contiguous, then the plats shall indicate the distances between the parcels constituting the submitted land. The plats shall label every convertible land as a convertible land, and if there is more than one such land the plats shall label

each such land with one or more letters and/or numbers different from those designating any other convertible land and different also from the identifying number of any unit. The plats shall show the location and dimensions of any withdrawable lands, and shall label each such land as a withdrawable land. The plats shall show the location and dimensions of any additional lands and shall label each such land as an additional land. If, with respect to any portion or portions, but less than all, of the submitted land, the unit owners are to own only an estate for years, the plats shall show the location and dimensions of any such portions, and shall label each such portion as a leased land. If there is more than one withdrawable land, or more than one leased land, the plats shall label each such land with one or more letters and/or numbers different from those designating any convertible land or other withdrawable or leased land, and different also from the identifying number of any unit. The plats shall show all easements to which the submitted land or any portion thereof is subject, and shall show the location and dimensions of all such easements to the extent feasible. The plats shall also show all encroachments by or on any portion of the condominium. In the case of any improvements located or to be located on any portion of the submitted land other than within the boundaries of any convertible lands, the plats shall indicate which, if any, have not been begun by the use of the phrase "(NOT YET BEGUN)," and which, if any, have been begun but have not been substantially completed by the use of the phrase "(NOT YET COMPLETED)." In the case of any units the vertical boundaries of which lie wholly or partially outside of structures for which plans pursuant to subsection B are simultaneously recorded, the plats shall show the location and dimensions of such vertical boundaries to the extent that they are not shown on such plans, and the units or portions thereof thus depicted shall bear their identifying numbers. Each plat shall be certified in a recorded document as to its accuracy and compliance with the provisions of this subsection by a licensed land surveyor, and the said surveyor shall certify in such document or on the face of the plat that all units or portions thereof depicted thereon pursuant to the preceding sentence of this subsection have been substantially completed. The specification within this subsection of items that shall be shown on the plats shall not be construed to mean that the plats shall not also show all other items customarily shown or hereafter required for land title surveys.

B. There shall also be recorded, simultaneously with the declaration, plans of every structure which contains or constitutes all or part of any unit or units, and which is located on any portion of the submitted land other than within the boundaries of any convertible lands. The plans shall show the location and dimensions of the vertical boundaries of each unit to the extent that such boundaries lie within or coincide with the boundaries of such structures, and the units or portions thereof thus depicted shall bear their identifying numbers. In addition, each convertible space thus depicted shall be labelled a convertible space. The horizontal boundaries of each unit having horizontal boundaries shall be identified on the plans with reference to established datum. Unless the condominium instruments expressly provide otherwise, it shall be presumed that in the case of any unit not wholly contained within or constituting one or more such structures, the horizontal boundaries thus identified extend, in the case of each such unit, at the same elevation with regard to any part of such unit, lying outside of such structures, subject to the following exception: In the case of any such unit which does not lie over any other unit other than basement units, it shall be presumed that the lower horizontal boundary, if any, of that unit lies at the level of the ground with regard to any part of that unit lying outside of such structures. The plans shall be certified on their face or in another recorded document as to their accuracy and compliance with the provisions of this subsection by a licensed architect, licensed engineer or licensed land surveyor, and the said architect, engineer or land surveyor shall certify on the plans or in the recorded document that all units or portions thereof depicted thereon have been substantially completed.

C. When converting all or any portion of any convertible land, or adding additional land to an expandable condominium, the declarant shall record, with regard to any structures on the land being converted, or added, either plats of survey conforming to the requirements of subsection A and plans conforming to the requirements of subsection B, or certifications, conforming to the certification requirements of said subsections, of plats and plans previously recorded pursuant to § 55-79.59.

D. Notwithstanding the provisions of subsection A and B, a time-share interest in a unit which has been subjected to a time-share instrument pursuant to § 55-367 may be conveyed prior to substantial completion of that unit if (i) a completion bond has been filed in compliance with subsection B of § 55-79.58:1 and remains in full force and effect until the unit is certified as substantially complete in accordance with subsections A and B and (ii) the settlement agent or title insurance company insuring the time-share estate in the unit certifies to the purchaser in writing, based on information provided by the ~~Real Estate Common Interest Community~~ Board, that the bond has been filed with the ~~Real Estate Common Interest Community~~ Board.

E. When converting all or any portion of any convertible space into one or more units and/or limited common elements, the declarant shall record, with regard to the structure or portion thereof constituting that convertible space, plans showing the location and dimensions of the vertical boundaries of each unit

and/or limited common elements formed out of such space. Such plans shall be certified as to their accuracy and compliance with the provisions of this subsection by a licensed architect, licensed engineer or licensed land surveyor.

F. For the purposes of subsections A, B, and C, all provisions and requirements relating to units shall be deemed equally applicable to limited common elements. The limited common elements shall be labeled as such, and each limited common element depicted on the plats and plans shall bear the identifying number or numbers of the unit or units to which it is assigned, if it has been assigned, unless the provisions of subsection (e) of § 55-79.50 make such designations unnecessary.

§ 55-79.58:1. Bond to insure completion of improvements.

A. The declarant shall file with the ~~Real Estate~~ *Common Interest Community* Board a bond entered into by the declarant in the sum of 100 percent of the estimated cost of completion, to the extent of the declarant's obligation as stated in the declaration, of all improvements to the common elements of the condominium labeled in the plat or plats as "(NOT YET COMPLETED)" or "(NOT YET BEGUN)" located upon submitted land and which the declarant reasonably believes will not be substantially complete at the time of conveyance of the first condominium unit. Such bond shall be conditioned upon the faithful performance of the declarant's obligation to complete said improvements in strict conformity with the plans and specifications for the same as described in the declaration.

B. The declarant shall file with the ~~Real Estate~~ *Common Interest Community* Board a bond entered into by the declarant in the sum of 100 percent of the estimated cost of completion of a unit in which a time-share interest is conveyed before the unit has been certified as substantially complete in accordance with subsections A and B of § 55-79.58. The bond required by this subsection shall be conditioned upon the faithful performance of the declarant's obligation to complete said improvements in strict conformity with the plans and specifications for the same as described in the declaration.

C. All bonds required herein shall be executed by a surety company authorized to transact business in the Commonwealth of Virginia or by such other surety as is satisfactory to the Board.

D. The Board may promulgate reasonable regulations which govern the return of bonds submitted in accordance with this section.

§ 55-79.74. Control of condominium by declarant.

A. The condominium instruments may authorize the declarant, or a managing agent or some other person or persons selected or to be selected by the declarant, to appoint and remove some or all of the officers of the unit owners' association and/or its executive organ, or to exercise powers and responsibilities otherwise assigned by the condominium instruments and by this chapter to the unit owners' association, the officers, or the executive organ. The declarant or the managing agent or such other person or persons selected by the declarant to so appoint and remove officers and/or the executive organ or to exercise such powers and responsibilities otherwise assigned to the unit owners' association, the officers, or the executive organ shall be subject to liability as fiduciaries of the unit owners for their action or omissions during the period of declarant control as specified in the condominium instruments or if not so specified, within such period as defined in this section. But no amendment to the condominium instruments shall increase the scope of such authorization if there is any unit owner other than the declarant, and no such authorization shall be valid after the time limit set by the condominium instruments or after units to which three-fourths of the undivided interests in the common elements appertain have been conveyed, whichever occurs first. For the purposes of the preceding sentence only, the calculation of the fraction of undivided interest shall be based upon the total undivided interests assigned or to be assigned to all units registered with the ~~Real Estate~~ *Common Interest Community* Board pursuant to subsection B of § 55-79.92 hereof and described pursuant to subdivision (4) of subsection (a), subdivision (2) of subsection (b), or subdivision (8) of subsection (c), of § 55-79.54. The time limit initially set by the condominium instruments shall not exceed five years in the case of an expandable condominium, three years in the case of a condominium (other than an expandable condominium) containing any convertible land, or two years in the case of any other condominium. Such time period shall commence upon settlement of the first unit to be sold in any portion of the condominium.

B. If entered into any time prior to the expiration of the period of declarant control contemplated by subsection A hereof, no contract or lease entered into with the declarant or any entity controlled by the declarant, management contract, employment contract or lease of recreational or parking areas or facilities, which is directly or indirectly made by or on behalf of the unit owners' association, its executive organ, or the unit owners as a group, shall be entered into for a period in excess of two years. Any such contract or agreement entered into on or after July 1, 1978, may be terminated without penalty by the unit owners' association or its executive organ upon not less than ninety days' written notice to the other party given not later than sixty days after the expiration of the period of declarant control contemplated by subsection A hereof. Any such contract or agreement may be renewed for periods not in excess of two years; however, at the end of any two-year period the unit owners' association or its executive organ may terminate any further renewals or extensions thereof. The

675 provisions of this subsection shall not apply to any lease or leases which are referred to in § 55-79.48 or
676 which are subject to subsection (e) of § 55-79.54.

677 C. If entered into at any time prior to the expiration of the period of declarant control contemplated
678 by subsection A, any contract, lease or agreement, other than those subject to the provisions of
679 subsection B, may be entered into by or on behalf of the unit owners' association, its executive organ, or
680 the unit owners as a group, if such contract, lease or agreement is bona fide and is commercially
681 reasonable to the unit owners' association at the time entered into under the circumstances.

682 D. This section does not apply to any contract, incidental to the disposition of a condominium unit,
683 to provide to a unit owner for the duration of such unit owner's life, or for any term in excess of one
684 year, nursing services, medical services, other health-related services, board and lodging and care as
685 necessary, or any combination of such services. The rule of property law known as the rule restricting
686 unreasonable restraints on alienation shall not be applied to defeat any provision of the condominium
687 instruments requiring that the unit owners be parties to such contracts.

688 E. If the unit owners' association is not in existence or does not have officers at the time of the
689 creation of the condominium, the declarant shall, until there is such an association with such officers,
690 have the power and the responsibility to act in all instances where this chapter requires action by the
691 unit owners' association, its executive organ, or any officer or officers.

692 F. Thirty days prior to the expiration of the period of declarant control, the declarant shall notify the
693 governing body of the city, county or town in which the condominium is located of the forthcoming
694 termination of declarant control. Prior to the expiration of the thirty-day period, the local governing
695 body or an agency designated by the local governing body shall advise the principal elected officer of
696 the condominium unit owners' association of any outstanding violations of applicable building codes,
697 local ordinances or other deficiencies of record.

698 G. Within forty-five days from the expiration of the period of declarant control contemplated by
699 subsection A, the declarant shall deliver to the president of the unit owners' association or his designated
700 agent (i) all association books and records held by or controlled by the declarant including, without
701 limitation, the following items: minute books and all rules, regulations and amendments thereto which
702 may have been promulgated; (ii) a statement of receipts and expenditures from the date of the recording
703 of the condominium instruments to the end of the regular accounting period immediately succeeding the
704 first election of the board of directors by the unit owners not to exceed sixty days from the date of the
705 election, such statement being prepared in an accurate and complete manner, utilizing the accrual
706 method of accounting; (iii) a copy of the latest available approved plans and specifications for all
707 improvements in the project or as-built plans if available; (iv) all association insurance policies which
708 are currently in force; (v) written unexpired warranties of the contractors, subcontractors, suppliers, and
709 manufacturers, if any; (vi) any contracts in which the association is a contracting party, if any; and (vii)
710 a list of manufacturers of paints, roofing materials and other similar materials if specified for use on the
711 condominium property.

712 In the event that the unit owners' association is managed by a management company in which the
713 declarant, or its principals, have no pecuniary interest or management role, then such management
714 company shall have the responsibility to provide the documents and information as required by clauses
715 (i), (ii), (iv), and (vi) of this subsection.

716 H. This section shall be strictly construed to protect the rights of the unit owners.

717 § 55-79.79. Upkeep of condominiums; warranty against structural defects; statute of limitations for
718 warranty.

719 A. Except to the extent otherwise provided by the condominium instruments, all powers and
720 responsibilities, including financial responsibility, with regard to maintenance, repair, renovation,
721 restoration, and replacement of the condominium shall belong (i) to the unit owners' association in the
722 case of the common elements, and (ii) to the individual unit owner in the case of any unit or any part
723 thereof, except to the extent that the need for repairs, renovation, restoration or replacement arises from
724 a condition originating in or through the common elements or any apparatus located within the common
725 elements, in which case the unit owners' association shall have such powers and responsibilities. Each
726 unit owner shall afford to the other unit owners and to the unit owners' association and to any agents or
727 employees of either such access through his unit as may be reasonably necessary to enable them to
728 exercise and discharge their respective powers and responsibilities. But to the extent that damage is
729 inflicted on the common elements or any unit through which access is taken, the unit owner causing the
730 same, or the unit owners' association if it caused the same, shall be liable for the prompt repair thereof.

731 B. Notwithstanding anything in this section to the contrary, the declarant shall warrant or guarantee,
732 against structural defects, each of the units for two years from the date each is conveyed, and all of the
733 common elements for two years. In the case of each unit the declarant shall also warrant that the unit is
734 fit for habitation and constructed in a workmanlike manner so as to pass without objection in the trade.
735 The two years referred to in this subsection shall begin as to each of the common elements whenever
736 the same has been completed or, if later, (i) as to any common element within any additional land or

portion thereof, at the time the first unit therein is conveyed, (ii) as to any common element within any convertible land or portion thereof, at the time the first unit therein is conveyed, and (iii) as to any common element within any other portion of the condominium, at the time the first unit therein is conveyed. For the purposes of this subsection, no unit shall be deemed conveyed unless conveyed to a bona fide purchaser. Any conveyance of a condominium unit transfers to the purchaser all of the declarant's warranties against structural defects imposed by this subsection. For the purposes of this subsection, structural defects shall be those defects in components constituting any unit or common element which reduce the stability or safety of the structure below accepted standards or restrict the normal intended use of all or part of the structure and which require repair, renovation, restoration, or replacement. Nothing in this subsection shall be construed to make the declarant responsible for any items of maintenance relating to the units or common elements.

C. (See Editor's note) An action for breach of any warranty prescribed by this section shall be commenced within five years after the date such warranty period began. However, no such action shall be maintained against the declarant unless a written statement by the claimant or his agent, attorney or representative, of the nature of the alleged defect has been sent to the declarant, by registered or certified mail, at his last known address, as reflected in the records of the *Real Estate Common Interest Community Board*, more than six months prior to the commencement of the action giving the declarant an opportunity to cure the alleged defect within a reasonable time. Sending the notice required by this subsection shall toll the statute of limitations for commencing a breach of warranty action for a period not to exceed six months.

§ 55-79.81. Insurance.

A. The condominium instruments may require the unit owners' association, or the executive organ or managing agent on behalf of such association, to obtain:

1. A master casualty policy affording fire and extended coverage in an amount consonant with the full replacement value of the structures within the condominium, or of such structures that in whole or in part comprise portions of the common elements.

2. A master liability policy, in an amount specified by the condominium instruments, covering the unit owners' association, the executive organ, if any, the managing agent, if any, all persons acting or who may come to act as agents or employees of any of the foregoing with respect to the condominium, and all unit owners and other persons entitled to occupy any unit or other portion of the condominium.

3. Such other policies as may be required by the condominium instruments, including, without limitation, workers' compensation insurance, liability insurance on motor vehicles owned by the association, and specialized policies covering lands or improvements in which the unit owners' association has or shares ownership or other rights.

B. Any unit owners' association collecting assessments for common expenses shall obtain and maintain a blanket fidelity bond or employee dishonesty insurance policy ~~covering~~ *insuring the unit owner's association against losses resulting from theft or dishonesty committed by the officers, directors, and or persons employed by the unit owners' association, and or committed by any managing agent and or employees of the managing agent.* Such bond or insurance policy shall provide a ~~minimum of \$10,000 in coverage in an amount equal to the lessor of \$1 million or the amount of reserve balances of the unit owners' association and three times the monthly assessments of such unit owners' association.~~ *The minimum coverage amount shall be \$10,000.* The executive organ or managing agent may obtain such bond or insurance on behalf of the unit owners' association.

C. When any policy of insurance has been obtained by or on behalf of the unit owners' association, written notice of the obtainment thereof and of any subsequent changes therein or termination thereof shall be promptly furnished to each unit owner by the officer required to send notices of meetings of the unit owners' association. Such notices shall be sent in accordance with the provisions of subsection A of § 55-79.75.

§ 55-79.84:1. Bond to be posted by declarant.

A. The declarant of a condominium containing units which are required by this chapter to be registered with the *Real Estate Common Interest Community Board* shall post a bond in favor of the unit owners' association with good and sufficient surety, in a sum equal to \$1,000 per unit, except that such sum shall not be less than \$10,000, nor more than \$100,000. Such bond shall be filed with the *Real Estate Common Interest Community Board* and shall be maintained for so long as the declarant owns more than ten percent of the units in the condominium or, if the declarant owns less than ten percent of the units in the condominium, until the declarant is current in the payment of assessments. However, the Board shall return a bond where the declarant owns one unit in a condominium containing less than ten units, provided such declarant is current in the payment of assessments.

B. No bond shall be accepted for filing unless it is with a surety company authorized to do business in the Commonwealth, or by such other surety as is satisfactory to the Board and such bond shall be conditioned upon the payment of all assessments levied against condominium units owned by the

798 declarant. The Board may accept a letter of credit in lieu of the bond contemplated by this section.

799 The Board may promulgate reasonable regulations which govern the return of bonds submitted in
800 accordance with this section.

801 § 55-79.86. Administrative agency.

802 This chapter shall be administered by the ~~Real Estate~~ *Common Interest Community* Board which
803 hereinafter is called the agency.

804 § 55-79.89. Application for registration; fee.

805 A. The application for registration of the condominium shall be filed as prescribed by the agency's
806 regulations and shall contain the following documents and information:

807 1. An irrevocable appointment of the agency to receive service of any lawful process in any
808 noncriminal proceeding arising under this chapter against the applicant or his personal representative;

809 2. The states or jurisdictions in which an application for registration or similar document has been
810 filed, and any adverse order, judgment, or decree entered in connection with the condominium by the
811 regulatory authorities in each jurisdiction or by any court;

812 3. The applicant's name, address, and the form, date, and jurisdiction or organization; and the address
813 of each of its offices in this Commonwealth;

814 4. The name, address, and principal occupation for the past five years of every officer of the
815 applicant or person occupying a similar status or performing similar functions; the extent and nature of
816 his interest in the applicant or the condominium as of a specified date within thirty days of the filing of
817 the application;

818 5. A statement, in a form acceptable to the agency, of the condition of the title to the condominium
819 project including encumbrances as of a specified date within thirty days of the date of application by a
820 title opinion of a licensed attorney, not a salaried employee, officer or director of the applicant or
821 owner, or by other evidence of title acceptable to the agency;

822 6. Copies of the instruments which will be delivered to a purchaser to evidence his interest in the
823 unit and of the contracts and other agreements which a purchaser will be required to agree to or sign;

824 7. Copies of any management agreements, employment contracts or other contracts or agreements
825 affecting the use, maintenance or access of all or a part of the condominium;

826 8. A statement of the zoning and other governmental regulations affecting the use of the
827 condominium, including the site plans and building permits and their status, and also of any existing tax
828 and existing or proposed special taxes or assessments which affect the condominium;

829 9. A narrative description of the promotional plan for the disposition of the units in the
830 condominium;

831 10. Plats and plans of the condominium that comply with the provisions of § 55-79.58 other than the
832 certification requirements thereof, and which show all units and buildings containing units to be built
833 anywhere within the submitted land other than within the boundaries of any convertible lands, except
834 that the agency may establish by regulation or order requirements in lieu of the provisions of § 55-79.58
835 for plats and plans of a condominium located outside this Commonwealth;

836 11. The proposed public offering statement;

837 12. Any bonds required to be posted pursuant to the provisions of this chapter; and

838 13. Any other information, including any current financial statement, which the agency by its
839 regulations requires for the protection of purchasers.

840 B. If the declarant registers additional units to be offered for disposition in the same condominium he
841 may consolidate the subsequent registration with any earlier registration offering units in the
842 condominium for disposition under the same promotional plan.

843 C. The declarant shall immediately report any material changes in the information contained in an
844 application for registration.

845 D. Each application shall be accompanied by a fee in an amount established by the agency pursuant
846 to § 54.1-113. All fees shall be remitted by the agency to the State Treasurer, and shall be placed to the
847 credit of the ~~special fund of the Real Estate Board, which fund is hereby established,~~ *Common Interest*
848 *Community Management Information Fund established pursuant to § 55-529*, and shall be expended
849 solely for compliance with the provisions of this chapter.

850 § 55-79.93:1. Annual report by unit owners' association.

851 A. The unit owners' association shall file an annual report in a form and at such time as prescribed
852 by regulations of the agency. The filing of the annual report required by this section shall commence
853 upon the termination of the declarant control period pursuant to § 55-79.74.

854 B. The agency may accept copies of forms submitted to other state agencies to satisfy the
855 requirements of this section if such forms contain substantially the same information required by the
856 agency.

857 C. The annual report shall be accompanied by a fixed fee in an amount established by the agency,
858 *together with an annual assessment in an amount equal to the lessor of \$1,000 (or such other amount*
859 *as the agency may establish by regulation) or 0.02 percent of the association's gross assessment during*

the preceding calendar year, All fees shall to be remitted to the State Treasurer and shall be placed to the credit of the Common Interest Community Management Fund established pursuant to § 55-529.

§ 55-79.95. Escrow of deposits.

A. Any deposit made in regard to any disposition of a unit, including a nonbinding reservation agreement, shall be held in escrow until delivered at settlement. Such escrow funds shall be deposited in a separate account designated for this purpose which is federally insured and located in Virginia; except where such deposits are being held by a real estate broker or attorney licensed under the laws of this Commonwealth such funds may be placed in that broker's or attorney's regular escrow account and need not be placed in a separate designated account. Such escrow funds shall not be subject to attachment by the creditors of either the purchaser or the declarant.

B. In lieu of escrowing deposits as provided in subsection A, the declarant of a condominium consisting of more than 50 units may:

1. Obtain and maintain a corporate surety bond issued by a surety authorized to do business in the Commonwealth, in the form and amount set forth below, or

2. Obtain and maintain an irrevocable letter of credit issued by a financial institution whose accounts are insured by the FDIC, in the form and amount set forth below.

The surety bond or letter of credit shall be maintained until (i) the granting of a deed to the unit, (ii) the purchaser's default under a purchase contract for the unit entitling the declarant to retain the deposit, or (iii) the refund of the deposit to the purchaser, whichever occurs first.

C. The surety bond shall be payable to the Commonwealth for the use and benefit of every person protected under the provisions of this chapter. The declarant shall file the bond with the Real Estate Common Interest Community Board. The surety bond may be either in the form of an individual bond for each deposit accepted by the declarant or, if the total amount of the deposits accepted by the declarant under this chapter exceeds \$10,000, it may be in the form of a blanket bond. If the bond is a blanket bond, the amount shall be as follows. If the amount of such deposits is:

1. \$75,000 or less, the blanket bond shall be \$75,000;

2. More than \$75,000 but less than \$200,000, the blanket bond shall be \$200,000;

3. \$200,000 or more but less than \$500,000, the blanket bond shall be \$500,000;

4. \$500,000 or more but less than \$1,000,000, the blanket bond shall be \$1,000,000; and

5. \$1,000,000 or more, the blanket bond shall be 100 percent of the amount of such deposits.

D. The letter of credit shall be payable to the Commonwealth for use and benefit of every person protected under this chapter. The declarant shall file the letter of credit with the Real Estate Common Interest Community Board. The letter of credit may be either in the form of an individual letter of credit for each deposit accepted by the declarant or, if the total amount of the deposits accepted by the declarant under this chapter exceeds \$10,000, it may be in the form of a blanket letter of credit. If the letter of credit is a blanket letter of credit, the amount shall be as follows. If the amount of such deposits is:

1. \$75,000 or less, the blanket letter of credit shall be \$75,000;

2. More than \$75,000 but less than \$200,000, the blanket letter of credit shall be \$200,000;

3. \$200,000 or more but less than \$500,000, the blanket letter of credit shall be \$500,000;

4. \$500,000 or more but less than \$1,000,000, the blanket letter of credit shall be \$1,000,000; and

5. \$1,000,000 or more, the blanket letter of credit shall be 100 percent of the amount of such deposits.

For the purposes of determining the amount of any blanket letter of credit that a declarant maintains in any calendar year, the total amount of deposits considered held by the declarant shall be determined as of May 31 in each calendar year and the amount of the letter of credit shall be in accordance with the amount of deposits held as of May 31.

§ 55-79.97. Resale by purchaser.

A. In the event of any resale of a condominium unit by a unit owner other than the declarant, and subject to the provisions of subsection J and § 55-79.87 A, the unit owner shall disclose in the contract that (i) the unit is located within a development which is subject to the Condominium Act, (ii) the Act requires the seller to obtain from the unit owners' association a resale certificate and provide it to the purchaser, (iii) the purchaser may cancel the contract within three days after receiving the resale certificate, (iv) the purchaser has a right to request an update of the resale certificate in accordance with subsection D, and (v) the right to receive the resale certificate and the right to cancel the contract are waived conclusively if not exercised before settlement.

B. If the contract does not contain the disclosure required by subsection A, the purchaser's sole remedy is to cancel the contract prior to settlement.

C. The information contained in the resale certificate shall be current as of a date specified on the resale certificate. The purchaser may cancel the contract (i) within three days after the date of the contract, if the purchaser receives the resale certificate on or before the date that the purchaser signs the

contract; (ii) within three days after receiving the resale certificate if the resale certificate is hand delivered or delivered by electronic means and a receipt obtained; or (iii) within six days after the postmark date if the resale certificate is sent to the purchaser by United States mail. Notice of cancellation shall be provided to the unit owner or his agent by one of the following methods:

- a. Hand delivery;
- b. United States mail, postage prepaid, provided the sender retains sufficient proof of mailing, which may be either a United States postal certificate of mailing or a certificate of service prepared by the sender confirming such mailing;
- c. Electronic means provided the sender retains sufficient proof of the electronic delivery, which may be an electronic receipt of delivery, a confirmation that the notice was sent by facsimile, or a certificate of service prepared by the sender confirming the electronic delivery; or
- d. Overnight delivery using a commercial service or the United States Postal Service.

In the event of a dispute, the sender shall have the burden to demonstrate delivery of the notice of cancellation. Such cancellation shall be without penalty, and the unit owner shall cause any deposit to be returned promptly to the purchaser. The unit owners' association may also send the resale certificate by electronic means unless either the seller or the purchaser requests a paper certificate.

A resale certificate shall include the following:

1. An appropriate statement pursuant to subsection H of § 55-79.84 which need not be notarized and, if applicable, an appropriate statement pursuant to § 55-79.85;
2. A statement of any expenditure of funds approved by the unit owners' association or the executive organ which shall require an assessment in addition to the regular assessment during the current or the immediately succeeding fiscal year;
3. A statement, including the amount, of all assessments and any other fees or charges currently imposed by the unit owners' association and associated with the purchase, disposition and maintenance of the condominium unit and the use of the common elements, and the status of the account;
4. A statement whether there is any other entity or facility to which the unit owner may be liable for fees or other charges;
5. The current reserve study report or a summary thereof, a statement of the status and amount of any reserve or replacement fund and any portion of the fund designated for any specified project by the executive organ;
6. A copy of the unit owners' association's current budget or a summary thereof prepared by the unit owners' association and a copy of the statement of its financial condition for the last fiscal year for which a statement is available, including a statement of the balance due of any outstanding loans of the unit owners' association;
7. A statement of the nature and status of any pending suits or unpaid judgments to which the unit owners' association is a party which either could or would have a material impact on the association or the unit owners or which relates to the unit being purchased;
8. A statement setting forth what insurance coverage is provided for all unit owners by the unit owners' association, including any fidelity bond maintained by the unit owners' association, and what additional insurance coverage would normally be secured by each individual unit owner;
9. A statement that any improvements or alterations made to the unit, or the limited common elements assigned thereto, by the prior unit owner are not in violation of the condominium instruments;
10. A copy of the current bylaws, rules and regulations and architectural guidelines adopted by the unit owners' association and the amendments thereto;
11. A statement of whether the condominium or any portion thereof is located within a development subject to the Property Owners' Association Act (§ 55-508 et seq.) of Chapter 26 of this title;
12. A copy of the notice given to the unit owner by the unit owners' association of any current or pending rule or architectural violation;
13. Certification, if applicable, that the association has filed with the Real Estate Board the annual report required by § 55-79.93:1; which certification shall indicate the filing number assigned by the Real Estate Common Interest Community Board and the expiration date of such filing;
14. A statement of any limitation on the number of persons who may occupy a unit as a dwelling; and
15. A statement setting forth any restrictions, limitation or prohibition on the right of a unit owner to display the flag of the United States, including, but not limited to reasonable restrictions as to the size, time, place, and manner of placement or display of such flag.

Failure to receive copies of such documents shall not excuse any failure to comply with the provisions thereof.

The resale certificate, once received by the owner from the unit owners' association, shall be delivered by the owner to the purchaser. The unit owners' association shall have no obligation to deliver the resale certificate to the purchaser of the unit. The resale certificate shall not, in and of itself, be deemed a security within the meaning of § 13.1-501.

D. The purchaser may submit a copy of the contract to the unit owners' association with a request for assurance that statements previously furnished pursuant to subsection C remain materially unchanged, or, if there have been material changes, a statement specifying such changes. The purchaser shall be provided with such assurances or such statement within ten days of the receipt of such request by the unit owners' association. The purchaser may be required to pay the same fee charged a unit owner for the resale certificate, if any. Any fee shall reflect the actual cost incurred by the unit owners' association in providing the assurances, but shall not exceed \$0.10 per page in copying costs or a total of \$50 for all costs incurred in updating the resale certificate. The unit owners' association may also collect from the purchaser the actual costs incurred of any mailing or delivery requested by the purchaser pursuant to this subsection. In no event, however, shall the unit owners' association require reimbursement of any costs not expressly authorized in this subsection. Nor shall the unit owners' association charge any other fee for the preparation or issuance of such resale certificate or making such certificate available by electronic means except as expressly provided in this subsection.

E. In the absence of a written agreement to the contrary, the failure of the unit owners' association to provide the statement required by subsection D or the disclosure by such statement that there have been one or more material changes shall render the purchase contract void at the option of the purchaser.

F. The unit owners' association shall furnish the resale certificate upon the written request of any unit owner within 14 days of the receipt of such request. Payment of the actual costs of preparing the resale certificate may be required of the unit owner requesting it as a prerequisite to its issuance, but the total fee shall not exceed \$0.10 per page in copying costs or a total of \$100, including and not in addition to, any fee charged pursuant to subsection H of § 55-79.84 and § 55-79.85, for all costs incurred in preparing the resale certificate. However, the unit owners' association may:

1. Upon mutual agreement with the seller, collect for actual costs incurred, in addition to any fee charged pursuant to this subsection:

a. A rush fee, not to exceed \$25, for furnishing the resale certificate within three business days from the actual receipt of the request;

b. The actual cost of any mailing or delivery requested by the seller pursuant to this subsection; and

c. Any actual cost incurred at the request and with the consent of the purchaser; and

2. Collect a reasonable fee for preparing the resale certificate, not to exceed \$325, if the amount of the fee (i) reflects actual cost, (ii) is established in the contract between the unit owners' association and any ~~managing common interest community manager agent~~, and (iii) is disclosed on the unit owners' association's website or the website of its ~~managing agent~~ ~~common interest community manager~~. Neither the unit owners' association nor its ~~management agent~~ ~~common interest community manager~~, if any, shall require cash or certified funds unless the unit owner is delinquent in any payments due to the unit owners' association in excess of 30 days or if a check of the unit owner made payable to the unit owners' association was returned for insufficient funds within the last six months. In no event, however, shall the unit owners' association require reimbursement of any costs not expressly authorized in this subsection. Nor shall the unit owners' association charge any other fee for the preparation or issuance of such resale certificate or making such certificate available by electronic means except as expressly provided in this subsection.

Except to the extent that the condominium instruments provide otherwise, any unit owners' association authorized to charge a fee for the furnishing of a resale certificate pursuant to this subsection shall promptly pay the fee to the ~~managing agent~~ ~~common interest community manager~~ where the ~~managing agent~~ ~~common interest community manager~~ furnishes the resale certificate and shall assess the fee against the unit for which the certificate was prepared. The fee shall be treated as an assessment against the unit owner's condominium unit for the purposes of § 55-79.84. The purchaser shall not be responsible for payment of the fee. The maximum allowable amount of such fee shall adjust annually based on the annual increases in the United States Average Consumer Price Index for all items, all urban consumers (CPI-U), as published by the Bureau of Labor Statistics of the U. S. Department of Labor.

G. When a resale certificate has been issued as required by this section, the unit owners' association shall, as to the purchaser, be bound by the statements set forth therein as to the status of the assessment account and the status of the unit with respect to any violation of the condominium instruments as of the date of the resale certificate unless the purchaser had actual knowledge that the contents of the resale certificate were in error.

H. If the unit owners' association has been requested to furnish the resale certificate required by this section and has been paid the appropriate fee, its failure to provide the resale certificate in substantially the form provided herein within fourteen days from the actual receipt of the request by an officer, director or agent of the unit owners' association shall be deemed a waiver of any claim for delinquent assessments or of any violation of the condominium instruments, rules and regulations, or architectural guidelines existing as of the date of the request with respect to the subject unit. The unit owners'

1044 association shall be liable to the seller in an amount equal to the actual damages sustained by the seller
1045 in an amount not to exceed \$500. The purchaser shall nevertheless be obligated to abide by the
1046 condominium instruments, rules and regulations, and architectural guidelines of the unit owners'
1047 association as to all matters arising after the date of the settlement of the sale. The settlement agent, as
1048 defined in § 6.1-2.20, when transmitting funds to a unit owners' association or otherwise upon request,
1049 shall provide the unit owners' association with (i) the name of the seller, (ii) the name and address of
1050 the purchaser, (iii) the address of the subject property, (iv) the date of settlement, and (v) a brief
1051 explanation of the application of any funds transmitted. Providing a copy of the HUD-1 settlement
1052 statement, unless otherwise prohibited, shall satisfy these requirements.

1053 I. Subject to the provisions of § 55-79.87, but notwithstanding any other provisions of this chapter,
1054 the provisions and requirements of this section shall apply to any such resale of a condominium unit
1055 created under the provisions of the Horizontal Property Act (§ 55-79.1 et seq.).

1056 J. The resale certificate required by this section need not be provided in the case of:

- 1057 1. A disposition of a unit by gift;
- 1058 2. A disposition of a unit pursuant to court order if the court so directs; or
- 1059 3. A disposition of a unit by foreclosure or deed in lieu of foreclosure.

1060 K. In any transaction in which a resale certificate is required and a trustee acts as the seller in the
1061 sale or resale of a unit, the trustee shall obtain the resale certificate from the unit owners' association
1062 and provide the resale certificate to the purchaser.

1063 § 55-79.98. General powers and duties of the Common Interest Community Board.

1064 (a) The agency shall prescribe reasonable rules which shall be adopted, amended or repealed in
1065 compliance with law applicable to the administrative procedure of agencies of government. The rules
1066 shall include but not be limited to provisions for advertising standards to assure full and fair disclosure;
1067 provisions for operating procedures; and other rules as are necessary and proper to accomplish the
1068 purpose of this chapter.

1069 (b) The agency by rule or by an order, after reasonable notice and hearing, may require the filing of
1070 advertising material relating to condominiums prior to its distribution.

1071 (c) If it appears that a person has engaged or is about to engage in an act or practice constituting a
1072 violation of a provision of this chapter, or a rule or order hereunder, the agency, with or without prior
1073 administrative proceedings may bring an action in the circuit court of the city or county in which any
1074 portion of the condominium is located to enjoin the acts or practices and to enforce compliance with
1075 this chapter or any rule or order hereunder. Upon proper showing, injunctive relief of temporary
1076 restraining orders shall be granted. The agency is not required to post a bond in any court proceedings
1077 or prove that any other adequate remedy at law exists.

1078 (c1) With respect to any lawful process served upon the agency pursuant to the appointment made in
1079 accordance with subdivision A 1 of § 55-79.89, the agency shall forthwith cause the same to be sent by
1080 registered or certified mail to any of the principals, officers, directors, partners, or trustees of the
1081 declarant listed in the application for registration at the last address listed in such application or any
1082 annual report.

1083 (d) The agency may intervene in any suit involving the declarant. In any suit by or against a
1084 declarant involving a condominium, the declarant shall promptly furnish the agency notice of the suit
1085 and copies of all pleadings.

1086 (e) The agency may:

- 1087 (1) Accept registrations filed in other states or with the federal government;
- 1088 (2) Contract with similar agencies in this Commonwealth or other jurisdictions to perform
1089 investigative functions;
- 1090 (3) Accept grants in aid from any governmental source.

1091 (f) The agency shall cooperate with similar agencies in other jurisdictions to establish uniform filing
1092 procedures and forms, uniform public offering statements, advertising standards, rules and common
1093 administrative practices.

1094 § 55-362. Definitions.

1095 When used in this chapter, or in a time-share instrument, unless the context requires a different
1096 meaning:

1097 "Additional land" has the meaning ascribed to it in subsection C of § 55-367;

1098 "Alternative purchase" means anything valued in excess of \$100 which is offered to a potential
1099 purchaser by the developer during the developer's sales presentation and which is purchased by such
1100 potential purchaser for more than \$100, even though the purchaser did not purchase a time-share. An
1101 alternative purchase is not a time-share. A membership camping contract as defined in § 59.1-313 is not
1102 an alternative purchase. An alternative purchase shall be registered with the Board unless it is otherwise
1103 registered as a travel service under the Virginia Travel Club Act (§ 59-445 et seq.), and shall include,
1104 without limitation, vacation packages (howsoever denominated) and exit programs (howsoever
1105 denominated);

1106 "Association" means the association organized under the provisions of § 55-368;
 1107 "Board" means the ~~Real Estate Common Interest Community~~ Board, an agency within the meaning of
 1108 the Administrative Process Act (§ 2.2-4000 et seq.);
 1109 "Board of directors" means an executive and administrative entity, by whatever name denominated,
 1110 designated in a time-share estate project instrument as the governing body of the time-share estate
 1111 owners' association;
 1112 "Common elements" means the real estate, improvements thereon, and the personalty situate within
 1113 the time-share project that are subject to the time-share program. "Common elements" shall not include
 1114 the units and the time-shares;
 1115 "Consumer documents" means the aggregate of the following documents: the reverter deed, note, and
 1116 the deed of trust. A consumer document shall be deemed one of the consumer documents;
 1117 "Contract," "sales contract," "purchase contract," "contract of purchase" or "contract to purchase"
 1118 shall be interchangeable throughout this chapter and shall mean any legally binding instrument executed
 1119 by the developer and a purchaser whereby the developer is obligated to sell and the purchaser is
 1120 obligated to purchase either a time-share and its incidental benefits or an alternative purchase registered
 1121 under this chapter;
 1122 "Conversion time-share project" means a real estate improvement, which prior to the disposition of
 1123 any time-share, was wholly or partially occupied by persons as their permanent residence or on a
 1124 transient pay-as-you-go basis other than those who have contracted for the purchase of a time-share and
 1125 those who occupy with the consent of such purchasers;
 1126 "Deed" means the instrument by which title to a time-share estate is transferred from one person to
 1127 another person;
 1128 "Deed of trust" means the instrument conveying the time-share estate that is given as security for the
 1129 payment of the note;
 1130 "Default" means either a failure to have made any payment in full and on time or a violation of a
 1131 performance obligation required by a consumer document for a period of no less than 60 days;
 1132 "Developer" means any person or group of persons acting in concert who (i) offers to dispose of a
 1133 time-share or its or their interest in a time-share unit for which there has not been a previous disposition
 1134 or (ii) applies for registration of the time-share program;
 1135 "Developer control period" has the meaning ascribed to it in § 55-369;
 1136 "Development right" means any right reserved by the developer to create additional units which may
 1137 be dedicated to the time-share program;
 1138 "Dispose" or "disposition" means a transfer of a legal or equitable interest in a time-share, other than
 1139 a transfer or release of security for a debt;
 1140 "Exchange agent" or "exchange company" means a person or persons who exchange or offer to
 1141 exchange time-shares in an exchange program with other time-shares;
 1142 "Exchange program" means any opportunity or procedure for the assignment or exchange of
 1143 time-shares among owners in other time-share programs as evidenced by a past or present written
 1144 agreement executed between an exchange company and the developer or the time-share estate
 1145 association; however, an "exchange program" shall not be either an incidental benefit or an opportunity
 1146 or procedure whereby a time-share owner can exchange his time-share for another time-share within
 1147 either the same time-share or another time-share project owned in part by the developer;
 1148 "Guest" means a person who is on the project, additional land or development at the request of an
 1149 owner, developer, association or managing agent, or a person otherwise legally entitled to be thereon. A
 1150 guest includes, without limitation, family members of owners, time-share exchange participants,
 1151 merchants, purveyors, vendors and employees thereof, and of the developer and association.
 1152 "Incidental benefit" means anything valued in excess of \$100 provided by the developer that is
 1153 acquired by a purchaser upon acquisition of a time-share and includes without limitation exchange
 1154 rights, travel insurance, bonus weeks, upgrade entitlements, travel coupons, referral awards, and golf and
 1155 tennis packages. An incidental benefit is not a time-share or an exchange program. An incidental benefit
 1156 shall not be registered with the Board;
 1157 "Inherent risks of project activity" mean those dangers or conditions that are an integral part of a
 1158 project activity, including certain hazards, such as surface and subsurface conditions; natural conditions
 1159 of land, vegetation, and waters; the behavior of wild or domestic animals; and ordinary dangers of
 1160 structures or equipment ordinarily used in association or time-share operations. Inherent risks of project
 1161 activity also include the potential of a participant to act in a negligent manner that may contribute to
 1162 injury to the participant or others, including failing to follow instructions given by the project
 1163 professional or failing to exercise reasonable caution while engaging in the project activity.
 1164 "Lien holder" means either a person who holds an interest in an encumbrance that is not released of
 1165 record as to a purchaser or such person's successor in interest who acquires title to the time-share project
 1166 at foreclosure or by deed in lieu of foreclosure, or other instrument however denominated;

1167 "Managing agent" means a person who undertakes the duties, responsibilities, and obligations of the
1168 management of a time-share project;

1169 "Managing entity" means the managing agent or, if there is no managing agent, the time-share
1170 owners' association in a time-share estate project and the developer in a time-share use project;

1171 "Material change" means a change in any information or document disclosed in or attached to the
1172 public offering statement which renders inaccurate, incomplete or misleading any information or
1173 document in such a way as to affect substantially a purchaser's rights or obligations, but shall not
1174 include a change (i) in the real estate tax assessment or rate, utility charges or deposits, maintenance
1175 fees, association dues, assessments, special assessments or any recurring time-share expense item
1176 provided the change is made known (a) immediately to the prospective purchaser by a written addendum
1177 in the public offering statement and (b) to the Board by filing with the developer's annual report copies
1178 of the updated changes occurring over the immediately preceding 12 months; (ii) which is an aspect or
1179 result of the orderly development of the time-share project in accordance with the time-share instrument;
1180 (iii) resulting from new, updated, or amended information contained in the annual report prepared and
1181 distributed pursuant to § 55-370.1; (iv) correcting spelling, grammar, omissions or other similar errors
1182 not affecting the substance of the public offering statement; or (v) occurring in the issuance of an
1183 exchange company's updated annual report or disclosure document, provided upon its receipt by the
1184 developer, it shall be distributed in lieu of all others in order to satisfy § 55-374;

1185 "Note" means the instrument that evidences the debt occasioned by the deferred purchase of a
1186 time-share;

1187 "Offering" or "offer" means any act to sell, solicit, induce, or advertise, which originates in this
1188 Commonwealth, whether by radio, television, telephone, newspaper, magazine, or mail, whereby a
1189 person is given an opportunity to acquire a time-share;

1190 "Participant" means any person, other than a project professional, who engages in a project activity.

1191 "Person" means one or more natural persons, corporations, partnerships, associations, trustees of a
1192 trust, limited liability companies, other entities, or any combination thereof capable of holding title to
1193 real property;

1194 "Possibility of reverter" means a provision contained in a reverter deed whereby the time-share estate
1195 automatically reverts or transfers back to the developer upon satisfaction of the requirements imposed by
1196 § 55-376.1;

1197 "Product" means each time-share and its incidental benefits and all alternative purchases that are
1198 registered with the Board pursuant to this chapter;

1199 "Project" means the same as the term "time-share project";

1200 "Project activity" means any activity carried out or conducted on a common element, within a
1201 time-share unit or elsewhere in the project, additional land or development, that allows owners, their
1202 guests, and members of the general public to view, observe, participate or enjoy activities, including
1203 swimming pools, spas, sporting venues, and cultural, historical or harvest-your-own activities, other
1204 amenities and events, or natural activities and attractions for recreational, entertainment, educational or
1205 social purposes. An activity is a project activity whether or not the participant paid to participate in the
1206 activity.

1207 "Project instrument" means any recorded documents, by whatever name denominated, which create
1208 the time-share project and program and which may contain restrictions or covenants regulating the use,
1209 occupancy, or disposition of time-shares in a project;

1210 "Project professional" means any person who is engaged in the business of providing one or more
1211 project activities, whether or not for compensation. For the purposes of this definition, the developer,
1212 association, and managing entity shall each be deemed a project professional.

1213 "Public offering statement" means the statement required by § 55-374;

1214 "Purchaser" means any person other than a developer or lender who owns or acquires a product, or
1215 who otherwise enters into a contract for the purchase of a product;

1216 "Reverter deed" means the deed from developer to a grantee that contains a possibility of reverter;

1217 "Sales person" means a person who sells or offers to sell time-share interests in a time-share
1218 program;

1219 "Situs" means the place outside the Commonwealth where a developer's time-share project is located;

1220 "Situs Time-Share Act" means the Act, howsoever denominated, that regulates the offering,
1221 disposition, and sale of time-shares applicable to the property outside the Commonwealth where the
1222 time-share project is located;

1223 "Time-share" means either a time-share estate or a time-share use plus its incidental benefits;

1224 "Time-share estate" means a right to occupy a unit or any of several units during five or more
1225 separated time periods over a period of at least five years, including renewal options, coupled with a
1226 freehold estate or an estate for years in a time-share project or a specified portion thereof;

1227 "Time-share estate occupancy expense" has the meaning ascribed to it in § 55-369;

1228 "Time-share estate subject to reverter" means a time-share estate (i) entitling the holder thereof to

occupy units not more than four weeks in any one year period; and (ii) for which the down payment is not more than 20 percent of the total purchase price of the time-share estate;

"Time-share expense" means (i) expenditures, fees, charges, or liabilities incurred with respect to the operation, maintenance, administration or insuring of the time-shares, units, and common elements comprising the entire time-share project, whether or not incurred for the repair, renovation, upgrade, refurbishing or capital improvements; and (ii) any allocations of reserves;

"Time-share instrument" means any document, however denominated, which creates the time-share project and program, and which may contain restrictions or covenants regulating the use, occupancy, or disposition of time-shares in a project;

"Time-share owner" or "owner" means a person who is an owner or co-owner of a time-share other than as security for an obligation;

"Time-share program" or "program" means any arrangement of time-shares in one or more time-share projects whereby the use, occupancy, or possession of real property has been made subject to either a time-share estate or time-share use in which such use, occupancy, or possession circulates among owners of the time-shares according to a fixed or floating time schedule on a periodic basis occurring over any period of time in excess of five years;

"Time-share project" means all of the real property subject to a time-share program created by the execution of a time-share instrument;

"Time-share use" means a right to occupy a time-share unit or any of several time-share units during five or more separated time periods over a period of at least five years, including renewal options, not coupled with a freehold estate or an estate for years in a time-share project or a specified portion thereof. "Time-share use" shall not mean a right to use which is subject to a first-come, first-served, space-available basis as might exist in a country club, motel, hotel, health spa, campground, or membership or resort facility;

"Time-share unit" or "unit" means the real property or real property improvement in a project which is divided into time-shares and designated for separate occupancy and use.

§ 55-362.1. Administrative agency.

This chapter shall be administered by the ~~Real Estate~~ *Common Interest Community* Board, which is herein called the "Board."

§ 55-374.1. Certain advertising practices regulated.

A. Any offering which includes a gift or prize must disclose therein, with the same prominence as such offer:

1. The retail value of each gift or prize;
2. The approximate odds against any given person obtaining each gift or prize if all persons to whom the advertisement is disseminated do what is necessary to qualify for the award of the gift or prize;

3. If the number of gifts or prizes to be awarded is limited, a statement of the number of gifts or prizes to be awarded or in lieu thereof, the nature of such limitation;

4. All rules, terms, requirements, and conditions which must be fulfilled before a prospective purchaser may claim any gift or prize, including whether the prospective purchaser is required to attend a sales presentation in order to receive the gift or prize;

5. The date upon which the offer expires; and

6. A statement to the effect that the offer is being made for the purpose of soliciting the purchase of a time-share, time-share interest, interval ownership, interval ownership interest, vacation ownership, vacation ownership interest or product, as appropriate.

B. Any gift or prize offered in connection with an offering shall be delivered to the prospective purchaser no later than the day the purchaser attends a sales presentation, if required, and if not, on the day the purchaser appears to claim it, whether or not he purchases a time-share. In the event the supply of gifts or prizes is exhausted at the time required for delivery, the developer shall give the prospective purchaser a written, unconditional promise to deliver such gift or prize no later than thirty days from the date required for delivery. If such gift or prize is not obtainable, the developer shall deliver an item of equal or greater value.

C. The offering or sale of any product registered with the Board is exempt from the Virginia Travel Club Act (§ 59.1-445 et seq.), the Virginia Condominium Act (§ 55-79.39 et seq.), the Virginia Securities Act (§ 13.1-501 et seq.), the Virginia Home Solicitation Sales Act (§ 59.1-21.1 et seq.), the Subdivided Land Sales Act (§ 55-336 et seq.), and the Wet Settlement Act (§ 6.1-2.10 et seq.). ~~If any provision of this section is in conflict with the provisions in, and the Prizes and Gifts Act (§ 59.1-415 et seq.); the provisions of the Prizes and Gifts Act shall control.~~

§ 55-374.2. Exchange programs.

A. Any exchange company which offers an exchange program in the Commonwealth shall prepare and register with the Board a disclosure document including, but not limited to, the following:

1. The name and address of the exchange company;

1290 2. The names and addresses of the top three officers, all directors, and, if the exchange company is
1291 privately held, all shareholders owning five percent or more interest in the exchange company;
1292 3. Whether the exchange company or any of its officers or directors has any legal or beneficial
1293 interest in any developer or managing agent for any time-share program participating in the exchange
1294 program and, if so, the name and location of the time-share project and the nature of the interest;
1295 4. Unless the exchange company is also the developer or an affiliate, a statement that the purchaser's
1296 contract with the exchange company is a contract separate and distinct from the sales contract;
1297 5. Whether the purchaser's participation in the exchange program is dependent upon the continued
1298 affiliation of the time-share project with the exchange program;
1299 6. Whether the purchaser's membership or participation, or both, in the exchange program is
1300 voluntary or mandatory;
1301 7. A complete and accurate description of the terms and conditions of the purchaser's contractual
1302 relationship with the exchange company and the procedure by which changes in the terms and
1303 conditions of the exchange contract may be made;
1304 8. A complete and accurate description of the procedure to qualify for and effectuate exchanges;
1305 9. A complete and accurate description of all limitations, restrictions, or priorities employed in the
1306 operation of the exchange program including, but not limited to, limitations on exchanges based on
1307 seasonality, unit size, or levels of occupancy, expressed in boldfaced type, and, in the event that such
1308 limitations, restrictions, or priorities are not uniformly applied by the exchange program, a clear
1309 description of the manner in which they are applied;
1310 10. Whether exchanges are arranged on a space available basis and whether any guarantees of
1311 fulfillment of specific requests for exchanges are made by the exchange program;
1312 11. Whether and under what circumstances an owner, in dealing with the exchange company, may
1313 lose the use of occupancy of his time-share in any properly applied for exchange, without being
1314 provided with substitute accommodations by the exchange company;
1315 12. The fees or range of fees for participation by owners in the exchange program, a statement of
1316 whether any such fees may be altered by the exchange company, and the circumstances under which
1317 alterations may be made;
1318 13. The name and address of the site of each time-share property, accommodation or facility
1319 participating in the exchange program;
1320 14. The number of units in each property participating in the exchange program which are available
1321 for occupancy and which qualify for participation in the exchange program, expressed within the
1322 following numerical groupings: 1-5, 6-10, 11-20, 21-50, and 51 and over;
1323 15. The number of owners with respect to each time-share program or other property who are
1324 eligible to participate in the exchange program, expressed within the following numerical groupings:
1325 1-100, 101-249, 250-499, 500-999, and 1,000 and over, and a statement of the criteria used to determine
1326 those owners currently eligible to participate in the exchange program;
1327 16. The disposition made by the exchange company of time-shares deposited with the exchange
1328 program by owners eligible to participate in the exchange program and not used by the exchange
1329 company in effecting exchanges;
1330 17. The following information, which, except as provided in subsection B of this section, shall be
1331 independently audited by a certified public accountant or accounting firm in accordance with the
1332 standards of the Accounting Standards Board of the American Institute of Certified Public Accountants
1333 and reported for each year no later than July 1 of the succeeding year, beginning no later than July 1,
1334 1985:
1335 a. The number of owners enrolled in the exchange program. Such numbers shall disclose the
1336 relationship between the exchange company and owners as being either fee paying or gratuitous in
1337 nature;
1338 b. The number of time-share properties, accommodations or facilities eligible to participate in the
1339 exchange program;
1340 c. The percentage of confirmed exchanges, which shall be the number of exchanges confirmed by the
1341 exchange company divided by the number of exchanges properly applied for, together with a complete
1342 and accurate statement of the criteria used to determine whether an exchange request was properly
1343 applied for;
1344 d. The number of time-shares for which the exchange company has an outstanding obligation to
1345 provide an exchange to an owner who relinquished a time-share during the year in exchange for a
1346 time-share in any future year;
1347 e. The number of exchanges confirmed by the exchange company during the year;
1348 18. A statement in boldfaced type to the effect that the percentage described in subdivision 17 c of
1349 this subsection is a summary of the exchange requests entered with the exchange company in the period
1350 reported and that the percentage does not indicate a purchaser's or owner's probabilities of being
1351 confirmed to any specific choice or range of choices, since availability at individual locations may vary.

B. The information required by subsection A shall be accurate as of a date which is no more than thirty days prior to the date on which the information is delivered to the purchaser, except that the information required by subsection A, subdivisions 2, 12, 13, 14, 15 and 16 shall be accurate as of December 31 of the preceding year if the information is delivered between July 1 and December 31 of any year; information delivered between January 1 and June 30 of any year shall be accurate as of December 31 of the year prior to the preceding year. At no time shall such information be accurate as of a date which is more than eighteen months prior to the date of delivery. All references in this section to the word "year" shall mean calendar year.

C. In the event an exchange company offers an exchange program directly to the purchaser, the exchange company shall deliver to such purchaser, simultaneously with such offering and prior to the execution of any contract between the purchaser and the exchange company, the information set forth in subsection A, above. The requirements of this subsection shall not apply to any renewal of a contract between a purchaser and an exchange company.

D. Each exchange company must include the statement set forth in subdivision 18 of subsection A on all promotional brochures, pamphlets, advertisements, or other materials disseminated by the exchange company which also contain the percentage of confirmed exchanges described in subdivision 17 c of subsection A.

E. An exchange company shall, on or before July 1 of each year, file with the Board and the association for the time-share program in which the time-shares are offered or disposed, the information required by this section with respect to the preceding year. If the Board determines that any of the information supplied fails to meet the requirements of this section, the Board may undertake enforcement action against the exchange company in accordance with the provisions of Article 6 (§ 55-396 et seq.) of this chapter. No developer shall have any liability arising out of the use, delivery or publication by the developer of written information provided to it by the exchange company pursuant to this section. Except for written information provided to the developer by the exchange company, no exchange company shall have any liability with respect to (i) any representation made by the developer relating to the exchange program or exchange company, or (ii) the use, delivery or publication by the developer of any information relating to the exchange program or exchange company. The failure of the exchange company to observe the requirements of this section, or the use by it of any unfair or deceptive act or practice in connection with the operation of the exchange program, shall be a violation of this section.

F. The Board may establish by regulation reasonable fees for registration of the exchange company disclosure document. All fees shall be remitted by the Board to the Treasurer of the Commonwealth, and shall be placed to the credit of the ~~special fund of the Real Estate Board Common Interest Community Management Information Fund pursuant to § 55-529.~~

§ 55-375. Escrow of deposits.

A. Any deposit made in connection with the purchase or reservation of a product shall be held in escrow. All cash deposits shall be held in a separate bank account labeled and designated solely for that purpose.

Such escrow account shall be insured by an instrumentality of the federal government and located in Virginia. All deposits shall be held in escrow until (i) delivered to the developer upon expiration of the purchaser's cancellation period provided the purchaser's right of cancellation has not been exercised, (ii) delivered to the developer because of the purchaser's default under a contract to purchase a time-share, or (iii) refunded to the purchaser. Failure to establish escrow accounts or to make the deposits as required by this section is prima facie evidence of willful violation of this section.

B. The developer shall disclose in the contract or in the public offering that the deposit may not be held in escrow after expiration of the cancellation period and that such deposit is not protected as an escrow after expiration of the cancellation period. This disclosure shall include a statement of whether or not the developer reserves the option to sell or assign any promissory note given by a purchaser to another entity, whether or not such entity is affiliated with the developer. Both disclosures shall appear in boldfaced type of a minimum size of ten points.

C. There shall be filed with the ~~Real Estate Common Interest Community~~ Board a bond, letter of credit, or cash for the purpose of protecting all deposits escrowed pursuant to subsection A, in favor of the time-share purchasers. The bond, letter of credit, or cash shall be in an amount equal to the total of the deposits in escrow at any given time or \$25,000, whichever is greater. Such bond, letter of credit, or cash shall be maintained for so long as the developer offers time-shares in the project. The bond shall be with a surety company authorized to do business in Virginia.

§ 55-392.1. Filing fee.

The Board may by regulation establish reasonable fees for registration. Until such regulations are adopted by the Board, the fee shall be in an amount equal to \$1 per time-share, except that the initial application fee shall not be less than \$500 nor more than \$1,500, and the fee for any application for

1413 registration of additional units shall be not less than \$200. All fees shall be remitted by the Board to the
1414 Treasurer of the Commonwealth, and shall be placed to the credit of the ~~special fund of the Real Estate~~
1415 ~~Board Common Interest Community Management Information Fund established pursuant to § 55-529.~~

1416 § 55-484. Resales of cooperative interests.

1417 A. Except in the case of a sale where delivery of a public offering statement is required, or unless
1418 exempt under subsection B of § 55-476, a proprietary lessee shall furnish to a purchaser before
1419 execution of any contract for sale of a cooperative interest, or otherwise before conveyance, a copy of
1420 the declaration, the bylaws, the rules or regulations of the association and a certificate containing:

1421 1. A statement disclosing the effect on the proposed disposition of any right of first refusal or other
1422 restraint on the free alienability of the cooperative interest;

1423 2. A statement setting forth the amount of the monthly common expense assessment and any unpaid
1424 common expense or special assessment currently due and payable from the selling proprietary lessee;

1425 3. A statement of any other fees payable by proprietary lessees;

1426 4. A statement of any capital expenditures anticipated by the association for the current and next two
1427 succeeding fiscal years;

1428 5. The current reserve study report or a summary thereof and a statement of the status and amount of
1429 any reserve or replacement fund and of any portions of those reserves designated by the association for
1430 any specified projects;

1431 6. The most recent regularly prepared balance sheet and income and expense statement, if any, of the
1432 association, including the amount of any debt owed by the association or to be assumed by the
1433 association, inclusive of principal and any accrued interest, loan fees and other similar charges;

1434 7. The current operating budget of the association;

1435 8. A statement of any unsatisfied judgments against the association and the status of any pending
1436 suits in which the association is a defendant;

1437 9. A statement describing any insurance coverage provided for the benefit of proprietary lessees;

1438 10. A statement as to whether the executive board has knowledge that any alterations or
1439 improvements to the unit or to the limited common elements assigned thereto violate any provision of
1440 the declaration;

1441 11. A statement as to whether the executive board has knowledge of any violations of the health or
1442 building codes with respect to the unit, the limited common elements assigned thereto or any other
1443 portion of the cooperative;

1444 12. A statement of the remaining term of any leasehold estate affecting the cooperative and the
1445 provisions governing any extension or renewal thereof;

1446 13. Except where no public offering statement was prepared, a statement that the public offering
1447 statement and any amendments thereto are records of the association available for inspection by the
1448 purchaser;

1449 14. An accountant's statement, if any was prepared, as to the deductibility for federal income taxes
1450 purposes by the proprietary lessee of real estate taxes and interest paid by the association;

1451 15. A statement of any restrictions in the declaration affecting the amount that may be received by a
1452 proprietary lessee upon sale, condemnation or loss to the unit or the cooperative on termination of the
1453 cooperative; and

1454 16. Certification, if applicable, that the proprietary lessees' association has filed with the ~~Real Estate~~
1455 ~~Common Interest Community Board~~ the annual report required by § 55-504.1; which certification shall
1456 indicate the filing number assigned by the ~~Real Estate Common Interest Community Board~~ and the
1457 expiration date of such filing.

1458 B. The association, within 10 days after a request by a proprietary lessee, shall furnish a certificate
1459 containing the information necessary to enable the proprietary lessee to comply with this section. A
1460 proprietary lessee providing a certificate pursuant to subsection A is not liable to the purchaser for any
1461 erroneous information provided by the association and included in the certificate.

1462 C. A purchaser is not liable for any unpaid assessment or fee greater than the amount set forth in the
1463 certificate prepared by the association. A proprietary lessee is not liable to a purchaser for the failure or
1464 delay of the association to provide the certificate in a timely manner, but the purchase contract is
1465 voidable by the purchaser until the certificate has been provided and for five days thereafter or until
1466 conveyance, whichever first occurs.

1467 § 55-487. Conversion buildings.

1468 A. A declarant of a cooperative containing conversion buildings shall give each of the tenants of a
1469 conversion building formal notice of the conversion at the time the cooperative is registered by the
1470 agency. This notice shall advise each tenant of (i) the offering price of the cooperative interests for the
1471 unit he occupies, (ii) the projected common expense assessments against that cooperative interest for at
1472 least the first year of the cooperative's operation, (iii) any relocation services, public or private, of which
1473 the declarant is aware, (iv) any measure taken or to be taken by the declarant to reduce the incidence of
1474 tenant dislocation, and (v) the details of the relocation plan, if any is provided by the declarant, to assist

tenants in relocating. No tenant or subtenant may be required to vacate upon less than 120 days' notice, except by reason of nonpayment of rent, waste or conduct that disturbs other tenants' peaceful enjoyment of the premises, and the terms of the tenancy may not be altered during that period. Until the expiration of the 120-day period, the declarant shall have no right of access to the unit except as provided herein and in subsection A of § 55-248.18 and except that, upon 45 days' written notice to the tenant, the declarant may enter the unit in order to make additional repairs, decorations, alterations or improvements, provided (i) the making of the same does not constitute an actual or constructive eviction of the tenant; and (ii) such entry is made either with the consent of the tenant or only at times when the tenant is absent from the unit. Failure to give notice as required by this section is a defense to an action for possession. The declarant shall also provide general notice to the tenants of the cooperative or proposed cooperative at the time of application to the agency, in addition to the formal notice required by this subsection.

B. For sixty days after delivery or mailing of the formal notice described in subsection A, the person required to give the notice shall offer to convey the cooperative interest for each unit or proposed unit occupied for residential use to the tenant who leases the unit associated with that cooperative interest. A specific statement of the purchase price and the amount of any initial or special cooperative fee due from the purchaser on or before settlement of the purchase contract and the basis of such fee shall be given to the tenant. If a tenant fails to purchase the cooperative interest during that 60-day period, the offeror may not offer to dispose of an interest in that cooperative interest during the following 180 days at a price or on terms more favorable to the offeree than the price or terms offered to the tenant. This subsection does not apply to any cooperative interest in a conversion building if the unit which is part of that cooperative interest will be restricted exclusively to nonresidential use or the boundaries of the converted unit do not substantially conform to the dimensions of the residential unit before conversion.

C. If a seller, in violation of subsection B, conveys a cooperative interest to a purchaser for value who has no knowledge of the violation, that conveyance extinguishes any right a tenant may have under subsection B to purchase that cooperative interest if the deed states that the seller has complied with subsection B, but does not affect the right of a tenant to recover damages from the seller for a violation of subsection B.

D. If a notice of conversion specifies a date by which a unit or proposed unit must be vacated, and otherwise complies with the provisions of §§ 55-248.6 and 55-248.15, the notice also constitutes a notice to vacate as specified by §§ 55-222, 55-248.6 and 55-248.15. The details of the relocation plan, if any is provided by the declarant for assisting tenants in relocating, shall also be provided to the tenant.

E. Any county, city or town may require by ordinance that the declarant of a conversion cooperative file with that governing body all information which is required by the agency pursuant to § 55-498 and a copy of the formal notice required by subsection A. Such information shall be filed with that governing body when the application for registration is filed with the agency, and such copy of the formal notice shall be filed with that governing body whenever it is sent to tenants. No fee shall be imposed for such filings with a governing body.

F. The governing body of any county utilizing the urban county executive form of optional government (§§ 15.2-800 through 15.2-858) or the county manager plan of optional government (§§ 15.2-702 through 15.2-749), or of any city or town adjoining any such county, may require by ordinance that the declarant of any residential cooperative containing conversion buildings converted from multi-family rental use shall reimburse any tenant displaced by the conversion for amounts actually expended to relocate as a result of such dislocation. The reimbursement shall not be required to exceed the amount to which the tenant would have been entitled to receive under §§ 25.1-407 and 25.1-415 if the real estate comprising the condominium had been condemned by the Department of Highways and Transportation.

G. Any county, city or town may require by ordinance that elderly or disabled tenants, occupying as their residence up to twenty percent of the apartments or units in a cooperative containing conversion buildings at the time of issuance of the general notice required by subsection A hereof, be offered leases or extensions of leases on the apartments or units they occupy or on other apartments or units of at least equal size and overall quality for up to three years beyond the date of such notice.

The terms and conditions thereof shall be as agreed upon by the lessor and the lessee, provided that the rent for such apartment or unit shall not be in excess of reasonable rent for comparable apartments or units in the same market area as such conversion building.

Such leases or extensions shall not be required, however, in the case of any apartments or units which will, in the course of the conversion, be substantially altered in physical layout, restricted exclusively to nonresidential use, or be converted in such a manner as to require relocation of the tenant in premises outside of the project being converted.

H. For the purposes of this section:

"Agency" means the ~~Real Estate~~ *Common Interest Community Board*.

1536 "Elderly" means not less than sixty-two years of age.

1537 "Disabled" means suffering from a severe, chronic physical or mental impairment which results in
1538 substantial functional limitations.

1539 I. Nothing in this section permits termination of a lease by a declarant in violation of its terms.

1540 § 55-496. Administrative agency.

1541 This chapter shall be administered by the ~~Real Estate~~ *Common Interest Community* Board, which
1542 herein is called the "agency."

1543 § 55-504.1. Annual report by associations.

1544 A. The association shall file an annual report in a form and at such time as prescribed by regulations
1545 of the agency. The filing of the annual report required by this section shall commence upon the
1546 termination of any declarant control period reserved pursuant to § 55-460.

1547 B. The agency may accept copies of forms submitted to other state agencies to satisfy the
1548 requirements of this section if such forms contain substantially the same information required by the
1549 agency.

1550 C. The annual report shall be accompanied by a fixed fee in an amount established by the agency,
1551 *together with an annual assessment in an amount equal to the lessor of \$1,000 (or such other amount*
1552 *as the agency may establish by regulation) or 0.02 percent of the association's gross assessment income*
1553 *during the preceding calendar year to be* ~~All fees shall be~~ remitted to the State Treasurer and shall be
1554 placed to the credit of the Common Interest Community Management Fund established pursuant to
1555 § 55-529.

1556 § 55-511. Contract disclosure statement; right of cancellation.

1557 A. Subject to the provisions of subsection F of § 55-512, a person selling a lot shall disclose in the
1558 contract that (i) the lot is located within a development which is subject to the Virginia Property
1559 Owners' Association Act; (ii) the Act requires the seller to obtain from the property owners' association
1560 an association disclosure packet and provide it to the purchaser; (iii) the purchaser may cancel the
1561 contract within three days after receiving the association disclosure packet or being notified that the
1562 association disclosure packet will not be available; (iv) if the purchaser has received the association
1563 disclosure packet, the purchaser has a right to request an update of such disclosure packet in accordance
1564 with § 55-512; and (v) the right to receive the association disclosure packet and the right to cancel the
1565 contract are waived conclusively if not exercised before settlement.

1566 For purposes of clause (iii), the association disclosure packet shall be deemed not to be available if
1567 (i) a current annual report has not been filed by the association with either the State Corporation
1568 Commission pursuant to § 13.1-936 or with the ~~Real Estate~~ *Common Interest Community* Board pursuant
1569 to § 55-516.1, (ii) the seller has made a written request to the association that the packet be provided
1570 and no such packet has been received within 14 days in accordance with subsection E of § 55-512, or
1571 (iii) written notice has been provided by the association that a packet is not available.

1572 B. If the contract does not contain the disclosure required by subsection A, the purchaser's sole
1573 remedy is to cancel the contract prior to settlement.

1574 C. The information contained in the association disclosure packet shall be current as of a date
1575 specified on the association disclosure packet obtained by the seller in accordance with this section. The
1576 purchaser may cancel the contract: (i) within three days after the date of the contract, if on or before the
1577 date that the purchaser signs the contract, the purchaser receives the association disclosure packet or is
1578 notified that the association disclosure packet will not be available; (ii) within three days after receiving
1579 the association disclosure packet if the association disclosure packet or notice that the association
1580 disclosure packet will not be available is hand delivered or delivered by electronic means and a receipt
1581 obtained; or (iii) within six days after the postmark date if the association disclosure packet or notice
1582 that the association disclosure packet will not be available is sent to the purchaser by United States mail.
1583 The purchaser may also cancel the contract at any time prior to settlement if the purchaser has not been
1584 notified that the association disclosure packet will not be available and the association disclosure packet
1585 is not delivered to the purchaser. Notice of cancellation shall be provided to the lot owner or his agent
1586 by one of the following methods:

1587 1. Hand delivery;

1588 2. United States mail, postage prepaid, provided the sender retains sufficient proof of mailing, which
1589 may be either a United States postal certificate of mailing or a certificate of service prepared by the
1590 sender confirming such mailing;

1591 3. Electronic means provided the sender retains sufficient proof of the electronic delivery, which may
1592 be an electronic receipt of delivery, a confirmation that the notice was sent by facsimile, or a certificate
1593 of service prepared by the sender confirming the electronic delivery; or

1594 4. Overnight delivery using a commercial service or the United States Postal Service.

1595 In the event of a dispute, the sender shall have the burden to demonstrate delivery of the notice of
1596 cancellation. Such cancellation shall be without penalty, and the seller shall cause any deposit to be
1597 returned promptly to the purchaser. The association may also send the association disclosure packet by

electronic means unless either the seller or the purchaser requests a paper disclosure packet.

D. Whenever any contract is canceled based on a failure to comply with subsection A or C or pursuant to subsection B, any deposit or escrowed funds shall be returned within 30 days of the cancellation, unless the parties to the contract agreed upon a shorter period.

E. Any rights of the purchaser to cancel the contract provided by this chapter are waived conclusively if not exercised prior to settlement.

F. Except as expressly provided in this chapter, the provisions of this section and § 55-512 may not be varied by agreement, and the rights conferred by this section and § 55-512 may not be waived.

§ 55-512. Contents of association disclosure packet; other requirements.

A. Subject to the provisions of subsections C and F, the association shall make available to an owner or his authorized agent within 14 days after receipt of a written request therefor and receipt of the appropriate fee, an association disclosure packet, which, upon receipt, the seller shall deliver to the purchaser. The information contained in the association disclosure packet shall be current as of a date specified on the association disclosure packet. If hand or electronically delivered, the written request and fee are deemed received on the date of delivery. If sent by United States mail, the request and fee are deemed received six days after the postmark date. An association disclosure packet shall contain the following:

1. The name of the association and, if incorporated, the state in which the association is incorporated and the name and address of its registered agent in Virginia;

2. A statement of any expenditure of funds approved by the association or the board of directors which shall require an assessment in addition to the regular assessment during the current year or the immediately succeeding fiscal year;

3. A statement, including the amount of all assessments and any other mandatory fees or charges currently imposed by the association and associated with the purchase, disposition and maintenance of the lot and to the right of use of common areas, and the status of the account;

4. A statement whether there is any other entity or facility to which the lot owner may be liable for fees or other charges;

5. The current reserve study report or summary thereof, a statement of the status and amount of any reserve or replacement fund and any portion of the fund allocated by the board of directors for a specified project;

6. A copy of the association's current budget or a summary thereof prepared by the association, and a copy of its statement of income and expenses or statement of its financial condition for the last fiscal year for which such statement is available, including a statement of the balance due of any outstanding loans of the association;

7. A statement of the nature and status of any pending suit or unpaid judgment to which the association is a party which either could or would have a material impact on the association or its members or which relates to the lot being purchased;

8. A statement setting forth what insurance coverage is provided for all lot owners by the association, including any fidelity bond maintained by the association, and what additional insurance would normally be secured by each individual lot owner;

9. A statement that any improvement or alteration made to the lot, or uses made of the lot or common area assigned thereto by the prior lot owner, are not in violation of any of the instruments referred to in subdivision 12 of this subsection;

10. A statement setting forth any restriction, limitation, or prohibition on the right of a lot owner to place a sign on the owner's lot advertising the lot for sale;

11. A statement setting forth any restriction, limitation, or prohibition on the right of a lot owner to display any flag on the owner's lot including, but not limited to reasonable restrictions as to the size, place and manner of placement or display of such flag and the installation of any flagpole or similar structure necessary to display such flag;

12. A copy of the current declaration, the association's articles of incorporation and bylaws, and any rules and regulations or architectural guidelines adopted by the association;

13. A copy of the notice given to the lot owner by the association of any current or pending rule or architectural violation;

14. A copy of the fully completed one-page cover sheet developed by the ~~Real Estate~~ *Common Interest Community* Board pursuant to ~~§ 54.1-2105.1~~ § 54.1-2350; and

15. Certification, if applicable, that the association has filed with the ~~Real Estate~~ *Common Interest Community* Board the annual report required by § 55-516.1; which certification shall indicate the filing number assigned by the ~~Real Estate~~ *Common Interest Community* Board and the expiration date of such filing.

Failure to receive copies of such documents shall not excuse any failure to comply with the provisions thereof.

1659 The disclosure packet, once received by the seller from the association, shall be delivered by the
1660 seller to the purchaser. The association shall have no obligation to deliver the disclosure packet to the
1661 purchaser of the lot. The disclosure packet required by this section, shall not, in and of itself, be deemed
1662 a security within the meaning of § 13.1-501.

1663 B. The purchaser may submit a copy of the contract to the association with a request for assurance
1664 that the information required by this section previously furnished remains materially unchanged, or, if
1665 there have been material changes, a statement specifying such changes. The purchaser shall be provided
1666 with such assurances or such statement within 10 days of the receipt of such request by the association.
1667 The purchaser may be required to pay a fee for the preparation and issuance of the requested assurances.
1668 The fee shall reflect the actual cost incurred by the association in providing such assurances but shall
1669 not exceed \$0.10 per page of copying costs or a total of \$50 for all costs incurred in updating the
1670 association disclosure packet. The association may also collect from the purchaser the actual costs
1671 incurred of any mailing or delivery requested by the purchaser pursuant to this subsection. In no event,
1672 however, shall the association require reimbursement of any costs not expressly authorized in this
1673 subsection. Nor shall the association charge any other fee for the preparation or issuance of such
1674 association disclosure packet or making such packet available by electronic means except as expressly
1675 provided in this subsection.

1676 C. The association may charge a fee for the preparation and issuance of the disclosure packet
1677 required by this section. Any fee shall reflect the actual cost of the preparation of the packet, but shall
1678 not exceed \$0.10 per page of copying costs or a total of \$100 for all costs incurred in preparing the
1679 association disclosure packet. However, the association may:

1680 1. Upon mutual agreement with the seller, collect for actual costs incurred, in addition to any fee
1681 charged pursuant to this subsection:

1682 a. A rush fee, not to exceed \$25, for furnishing the disclosure packet within three business days from
1683 the actual receipt of the request;

1684 b. The actual cost of any mailing or delivery requested by the seller pursuant to this subsection; and

1685 c. Any actual cost incurred at the request and with the consent of the purchaser; and

1686 2. Collect a reasonable fee for preparing the association disclosure packet, not to exceed \$325, if the
1687 amount of the fee (i) reflects actual cost, (ii) is established in the contract between the association and
1688 any ~~managing agent~~ *common interest community manager*, and (iii) is disclosed on the association's
1689 website or the website of its ~~managing agent~~ *common interest community manager*.

1690 Neither the association nor its ~~management agent~~ *common interest community manager*, if any, shall
1691 require cash or certified funds unless the lot owner is delinquent in any payments due to the association
1692 in excess of 30 days or if a check of the lot owner made payable to the association was returned for
1693 insufficient funds within the last six months. In no event, however, shall the association require
1694 reimbursement of any costs not expressly authorized in this subsection. Nor shall the association charge
1695 any other fee for the preparation or issuance of such association disclosure packet or making such
1696 packet available by electronic means except as expressly provided in this subsection.

1697 Any association authorized to charge a fee for the furnishing of a disclosure packet pursuant to this
1698 subsection shall promptly pay the fee to the ~~managing agent~~ *common interest community manager* where
1699 the ~~managing agent~~ *common interest community manager* furnishes the association disclosure packet and
1700 shall assess the fee against the lot owner for which the disclosure packet was prepared. The fee shall be
1701 treated as an assessment against the member's lot for the purposes of § 55-516. The purchaser shall not
1702 be responsible for payment of the fee. The maximum allowable amount of such fee shall adjust annually
1703 based on the annual increases in the United States Average Consumer Price Index for all items, all
1704 urban consumers (CPI-U), as published by the Bureau of Labor Statistics of the U. S. Department of
1705 Labor.

1706 D. When a disclosure packet has been issued as required by this section, the association shall, as to
1707 the purchaser, be bound by the statements set forth therein as to the status of the assessment account
1708 and the status of the lot with respect to any violation of any of the instruments referred to in subdivision
1709 12 of subsection A as of the date of the statement unless the purchaser had actual knowledge that the
1710 contents of the disclosure packet were in error.

1711 E. If the association has been requested to furnish the disclosure packet required by this section and
1712 has been paid the appropriate fee, its failure to provide the disclosure packet in substantially the form
1713 provided herein within 14 days from the actual receipt of the request by an officer, director or agent of
1714 the association shall be deemed a waiver of any claim for delinquent assessments or of any violation of
1715 the declaration, bylaws, rules and regulations, or architectural guidelines existing as of the date of the
1716 request with respect to the subject lot. The association shall be liable to the seller in an amount equal to
1717 the actual damages sustained by the seller in an amount not to exceed \$500. The purchaser shall
1718 nevertheless be obligated to abide by the declaration, bylaws, rules and regulations, and architectural
1719 guidelines of the association as to all matters arising after the date of the settlement of the sale. The
1720 settlement agent, as defined in § 6.1-2.20, when transmitting funds to the association or otherwise upon

request, shall provide the association with (i) the name of the seller, (ii) the name and address of the purchaser, (iii) the address of the subject property, (iv) the date of settlement, and (v) a brief explanation of the application of any funds transmitted. Providing a copy of the HUD-1 settlement statement, unless otherwise prohibited, shall satisfy these requirements.

F. The contract disclosures required by § 55-511 and the disclosure packet required by this section need not be provided in the case of:

1. A disposition of a lot by gift;
2. A disposition of a lot pursuant to court order if the court so directs;
3. A disposition of a lot by foreclosure or deed in lieu of foreclosure;
4. A disposition of a lot that is zoned for or otherwise restricted to nonresidential use; or
5. A disposition of a lot to a person or entity who is not acquiring the lot for his own residence or for the construction thereon of a dwelling unit to be occupied as his own residence, unless requested by such person or entity. If such disclosures are not requested, a statement in the contract of sale that the purchaser is not acquiring the lot for such purpose shall be conclusive and may be relied upon by the seller of the lot. The person or entity acquiring the lot shall nevertheless be obligated to abide by the declaration, bylaws, rules and regulations, and architectural guidelines of the association as to all matters.

G. In any transaction in which a disclosure packet is required and a trustee acts as the seller in the sale or resale of a lot, the trustee shall obtain the disclosure packet from the association and provide the packet to the purchaser.

§ 55-514.2. Deposit of funds; fidelity bond.

A. All funds deposited with a managing agent shall be handled in a fiduciary capacity and shall be kept in a fiduciary trust account in a federally insured financial institution separate from other assets of the managing agent. The funds shall be the property of the association and shall be segregated for each account in the records of the managing agent in a manner that permits the funds to be identified on an individual association basis.

B. Any association collecting assessments for common expenses shall obtain and maintain a blanket fidelity bond or employee dishonesty insurance policy ~~covering~~ *insuring the association against losses resulting from theft or dishonesty committed by the officers, directors, and or persons employed by the association, and/or committed by any managing agent and/or employees of the managing agent.* Such bond or insurance policy shall provide a ~~minimum of \$10,000 in coverage in an amount equal to the lesser of \$1 million or the amount of the reserve balances of the association and three times the monthly assessments of such association. The minimum coverage amount shall be \$10,000.~~ The board of directors or managing agent may obtain such bond or insurance on behalf of the association.

§ 55-516.1. Annual report by association.

A. The association shall file an annual report in a form and at such time as prescribed by regulations of the ~~Real Estate Common Interest Community Board.~~

B. The ~~Real Estate Common Interest Community Board~~ may accept copies of forms submitted to other state agencies to satisfy the requirements of this section if such forms contain substantially the same information required by the ~~Real Estate Common Interest Community Board.~~

C. The annual report shall be accompanied by a fixed fee in an amount established by the ~~Real Estate Common Interest Community Board, together with an annual assessment in an amount equal to the lesser of \$1,000 (or such other amount as the Board may establish by regulation) or 0.02 percent of the association's gross assessment income during the preceding calendar year.~~ All fees shall to be remitted to the State Treasurer and shall be placed to the credit of the Common Interest community Management Fund established pursuant to § 55-529.

§ 55-528. Definitions.

As used in this chapter, unless the context requires a different meaning:

"Association" includes condominium, cooperative, or property owners' associations.

"Balance of the fund" means cash, securities that are legal investments for fiduciaries under the provisions of subdivisions (1), (2), and (4) of § 26-40, and repurchase agreements secured by obligations of the United States government or any agency thereof, and shall not mean accounts receivable, judgments, notes, accrued interest, or other obligations to the fund.

"Board" means the ~~Real Estate Common Interest Community Board.~~

"Claimant" means upon proper application to the Director, a receiver for a common interest community manager appointed pursuant to § 54.1-2353 in those cases in which there are not sufficient funds to restore all funds that were or ought to have been held in a fiduciary capacity by the subject common interest community manager or to pay an award of reasonable fees, costs, and expenses to the receiver.

"Common interest community" means real estate located within the Commonwealth subject to a declaration which contains lots, at least some of which are residential or occupied for recreational

1782 purposes, and common areas to which a person, by virtue of his ownership of a lot, is a member of an
1783 association and is obligated to pay assessments provided for in a declaration.

1784 "Declaration" means any instrument, however denominated, recorded among the land records of the
1785 county or city in which the development or any part thereof is located, that either (i) imposes on the
1786 association maintenance or operational responsibilities for the common area as a regular annual
1787 assessment or (ii) creates the authority in the association to impose on lots, or on the owners or
1788 occupants of such lots, or on any other entity any mandatory payment of money as a regular annual
1789 assessment in connection with the provision of maintenance or services or both for the benefit of some
1790 or all of the lots, the owners or occupants of the lots, or the common area. "Declaration" includes any
1791 amendment or supplement to the instruments described in this definition.

1792 "Director" means the Director of the Department of Professional and Occupational Regulation.

1793 "Governing board" means the governing board of an association, including the executive organ of a
1794 condominium unit owner's association, the executive board of a cooperative proprietary lessees'
1795 association, and the board of directors of a property owners' association.

1796 "Lot" means (i) any plot or parcel of land designated for separate ownership or occupancy shown on
1797 a recorded subdivision plat for a development or the boundaries of which are described in the
1798 declaration or in a recorded instrument referred to or expressly contemplated by the declaration, other
1799 than a common area, and (ii) a unit in a condominium association or a unit in a real estate cooperative.

1800 § 55-529. Common Interest Community Management Information Fund.

1801 There is hereby created the Common Interest Community Management Information Fund to be used
1802 in the discretion of the Board to promote the improvement and more efficient operation of common
1803 interest communities through research and education. The Fund shall consist of money paid into it
1804 pursuant to §§ 54.1-2349, 55-79.93:1, 55-504.1, and 55-516.1. The Fund shall be established on the
1805 books of the Comptroller, and any funds remaining in such Fund at the end of the biennium shall not
1806 revert to the general fund but shall remain in the Fund, at the discretion of the Board, shall remain in
1807 the Fund or shall be transferred to the Common Interest Community Management Recovery Fund
1808 established pursuant to § 55-530.1. Interest earned on the Fund shall be credited to the Fund.

1809 § 55-530. Powers of the Board; Common interest community ombudsman; complaints.

1810 A. The Board shall administer the provisions of this chapter pursuant to the powers conferred by
1811 § 54.1-2105.1 § 54.1-2350, and this chapter.

1812 B. A community association liaison shall be appointed in accordance with § 54.1-303 who shall
1813 administer the requirements of this chapter and serve as an information resource on issues relating to the
1814 governance, administration and operation of common interest communities, including the laws and
1815 regulations relating thereto. Such information may include nonbinding interpretations of laws or
1816 regulations governing common interest communities and referrals to public and private agencies offering
1817 alternative dispute resolution services, with a goal of reducing and resolving conflicts among
1818 associations and their members. The compensation for the community association liaison designated
1819 pursuant to this chapter shall be paid from the Fund; provided that no more than sixty percent of the
1820 moneys collected annually in the Fund shall be used for such purpose.

1821 C. The Board shall use at least forty percent of the moneys collected annually in the Fund created by
1822 this chapter for financing or promoting the following:

- 1823 1. Information and research in the field of common interest community management and operation;
- 1824 2. Expeditious and inexpensive procedures for resolving common interest community disputes;
- 1825 3. Seminars and educational programs designed to address topics of concern to community
1826 associations; and
- 1827 4. Other programs deemed necessary and proper to accomplish the purpose of this chapter.

1828 D. The Board shall establish accounting procedures whereby forty percent of the net revenues
1829 collected in any fiscal year shall be expended in accordance with subsection C in the calendar year that
1830 begins during that fiscal year.

1831 The Director in accordance with § 54.1-303 shall appoint a Common Interest Community
1832 Ombudsman and shall establish the Office of the Common Interest Community Ombudsman. The
1833 Common Interest Community Ombudsman shall be a member in good standing in the Virginia State Bar.
1834 The Office of the Common Interest Community Ombudsman shall promote and protect the interests of
1835 the members of associations. All state agencies shall assist and cooperate with the Office of the
1836 Common Interest Community Ombudsman in the performance of its duties under this chapter. The
1837 expenses for the operations of the Office of the Common Interest Community Ombudsman, including the
1838 compensation paid to the Common Interest Community Ombudsman, shall be paid first from interest
1839 earned on deposits constituting the fund and the balance from the moneys collected annually in the
1840 fund.

1841 C. The Office of the Common Interest Community Ombudsman shall:

- 1842 1. Assist members in understanding their rights and the processes available to them according to the
1843 declaration and bylaws of the association.

2. Answer inquiries from members and other citizens by telephone, mail, electronic mail, and in person.

3. Provide to members and other citizens information concerning common interest communities upon request.

4. Make available, either separately or through an existing Internet website utilized by the Director, information as set forth in subdivision 3 and such additional information as may be deemed appropriate.

5. Receive the notices of complaint filed.

6. In conjunction with complaint and inquiry data maintained by the Director, maintain data on inquiries received, the types of assistance requested, notices of complaint received, any actions taken, and the disposition of each such matter.

7. Upon request, assist members in using the procedures and processes available to them in the association, including nonbinding explanations of laws or regulations governing common interest communities or interpretations thereof by the Board, and referrals to public and private agencies offering alternative dispute resolution services, with a goal of reducing and resolving conflicts among associations and their members. Such assistance may require the review of the declaration and other records of an association. An association shall provide such information to the Office of the Common Interest Community Ombudsman within a reasonable time upon request.

8. Ensure that members have access to the services provided through the Office of the Common Interest Community Ombudsman and that the members receive timely responses from the representatives of the Office of the Common Interest Community Ombudsman to the inquiries.

9. Upon request to the Director by any of the standing committees of the General Assembly having jurisdiction over common interest community or by the Housing Commission, provide to the Director for dissemination to the requesting parties assessments of proposed and existing common interest community laws and other studies of common interest community issues.

10. Monitor changes in federal and state laws relating to common interest communities.

11. Provide information to the Director that will permit the Director to report annually on the activities of the Office of the Common Interest Community Ombudsman to the standing committees of the General Assembly having jurisdiction over common interest communities and to the Housing Commission. The Director's report shall be filed by December 1 of each year, and shall include a summary of significant new developments in federal and state laws relating to common interest communities each year.

12. Carry out activities as the Board determines to be appropriate.

D. The Board may use the remainder of the interest earned on the balance of the fund and of the moneys collected annually and deposited in the fund for financing or promoting the following:

1. Information and research in the field of common interest community management and operation;

2. Expeditious and inexpensive procedures for resolving common interest community disputes;

3. Seminars and educational programs designed to address topics of concern to community associations; and

4. Other programs deemed necessary and proper to accomplish the purpose of this chapter.

E. The Board shall establish by regulation a requirement that each association shall establish reasonable procedures for the resolution of written complaints from the members of the association and other citizens which system shall include the following:

1. A record of each complaint shall be maintained for no less than one year after the association acts upon the complaint.

2. Such association shall provide complaint forms and/or written procedures to be given to persons who wish to register written complaints. Such forms or procedures shall include the address and telephone number of the association or its common interest community manager to which complaints shall be directed and the mailing address, telephone number, and electronic mail address of the Office of the Common Interest Community Ombudsman. Such forms and written procedures shall include a clear and understandable description of the complainant's right to give notice of adverse decisions pursuant to this section.

F. A complainant may give notice to the Board of any final adverse decision in accordance with regulations promulgated by the Board. The notice shall be filed within 30 days of the final adverse decision, shall be in writing on forms prescribed by the Board, shall include copies of all records pertinent to the decision, and shall be accompanied by a \$25 filing fee. The fee shall be collected by the Director and paid directly into the state treasury and credited to the Common Interest Community Management Information Fund, § 55-530.1. The Board may, for good cause shown, waive or refund the filing fee upon a finding that payment of the filing fee will cause undue financial hardship for the member. The Director shall provide a copy of the written notice to the association that made the final adverse decision.

G. The Director or his designee, may request additional information concerning any notice of complaint from the association that made the final adverse decision. The association shall provide such information to the Director within a reasonable time upon request. If the Director upon review determines that the final adverse decision may be in conflict with laws or regulations governing common interest communities or interpretations thereof by the Board, the Director may, in his sole discretion, provide the complainant and the association with information concerning such laws or regulations governing common interest communities or interpretations thereof by the Board. The determination whether the final adverse decision may be in conflict with laws or regulations governing common interest communities or interpretations thereof by the Board is a matter within the sole discretion of the Director, whose decision is final and not subject to further review. Such determination shall not bind the complainant or the association that made the final adverse decision.

EH. The Board shall issue a certificate of filing to each association which has properly filed in accordance with this title. The certificate shall include the date of registration and a unique registration number assigned by the Board.

FI. The Board may prescribe regulations which shall be adopted, amended or repealed in accordance with the Administrative Process Act (2.2-4000 et seq.) to accomplish the purpose of this chapter.

§ 55-530.1. Common Interest Community Management Recovery Fund.

A. There is hereby created the Common Interest Community Management Recovery Fund (the Fund) to be used in the discretion of the Board to protect the interests of associations.

B. Each common interest community manager, at the time of initial application for licensure, and each association filing its first annual report after the effective date hereof shall be assessed \$25, which shall be specifically assigned to the Fund. Initial payments may be incorporated in any application fee payment or annual filing fee and transferred to the Fund by the Director within 30 days.

All assessments, except initial assessments, for the Fund shall be deposited within three work days after their receipt by the Director, in one or more federally insured banks, savings and loan associations, or savings banks located in the Commonwealth. Funds deposited in banks, savings institutions, or savings banks, to the extent in excess of insurance afforded by the Federal Deposit Insurance Corporation or other federal insurance agency, shall be secured under the Security for Public Deposits Act (§ 2.2-4400 et seq.). The deposit of these funds in federally insured banks, savings and loan associations, or savings banks located in the Commonwealth shall not be considered investment of such funds for purposes of this section. Funds maintained by the Director may be invested in securities that are legal investments for fiduciaries under the provisions of § 26-40.01.

Interest earned on the deposits constituting the Fund shall be used for administering the Fund. The remainder of this interest, at the discretion of the Board, may be transferred to the Common Interest Community Management Information Fund or accrue to the Fund.

C. On and after July 1, 2011, the minimum balance of the Fund shall be \$150,000. Whenever the Director determines that the balance of the Fund is or will be less than such minimum balance, the Director shall immediately inform the Board. At the same time, the Director may recommend that the Board transfer a fixed amount from the Common Interest Community Management Information Fund to the Fund to bring the balance of the Fund to the amount required by this subsection. Such transfer shall be considered by the Board within 30 days of the notification of the Director.

D. If any such transfer of funds is insufficient to bring the balance of the Fund to the minimum amount required by this section, or if a transfer to the fund has not occurred, the Board shall assess each association and each common interest community manager within 30 days of notification by the Director, a sum sufficient to bring the balance of the Fund to the required minimum amount. The amount of such assessment shall be allocated among the associations and common interest community managers in proportion to the each payor's most recently paid annual assessment, or if an association or common interest community manager has not paid an annual assessment previously, in proportion to the average annual assessment most recently paid by associations or common interest community managers respectively. The Board may order an assessment at any time in addition to any required assessment. Assessments made pursuant to this subsection may be issued by the Board (i) after a determination made by it or (ii) at the time of license renewal.

Notice to common interest community managers and the governing boards of associations of these assessments shall be by first-class mail, and payment of such assessments shall be made by first-class mail addressed to the Director within 45 days after the mailing of such notice.

E. If any common interest community manager fails to remit the required payment within 45 days of the mailing, the Director shall notify the common interest community manager by first-class mail at the latest address of record filed with the Board. If no payment has been received by the Director within 30 days after mailing the second notice, the license shall be automatically suspended. The license shall be restored only upon the actual receipt by the Director of the delinquent assessment.

F. If any association fails to remit the required payment within 45 days of the mailing, the Director shall notify the association by first-class mail at the latest address of record filed with the Board. If no

payment has been received by the Director within 30 days after mailing the second notice, it shall be deemed a knowing and willful violation of this section by the governing board of the association.

G. At the close of each fiscal year, whenever the balance of the fund exceeds \$2 million, the amount in excess of \$2 million shall be transferred to the Virginia Housing Partnership Revolving Fund, §36-137. Except for payments of costs as set forth in this chapter and transfers pursuant to this subsection, there shall be no transfers out of the fund, including transfers to the general fund, regardless of the balance of the fund.

H. A claimant may seek recovery from the fund subject to the following conditions:

1. A claimant may file a verified claim in writing to the Director for a recovery from the Fund.

2. Upon proper application to the Director, in those cases in which there are not sufficient funds to pay an award of reasonable fees, costs, and expenses to the receiver or to restore all funds that were or ought to have been held in a fiduciary capacity by the subject common interest community manager, the Director shall report to the Board the amount of any shortfall to the extent that there are not sufficient funds (i) to pay any award of fees, costs, and expenses pursuant to subsection G of § 54.1-2353 by the court appointing the receiver; or (ii) to restore all funds that were or ought to have been held in a fiduciary capacity by the subject common interest community manager, as certified by the court appointing the receiver.

3. If the Board finds there has been compliance with the required conditions, the Board shall issue a directive ordering payment of the amount of such shortfall to the claimant from the fund; provided that in no event shall such payment exceed the balance in the fund. When the fund balance is not sufficient to pay the aggregate amount of such shortfall, the Board shall direct payment shall be applied first in satisfaction of any award of reasonable fees, costs, and expenses to the receiver and second to restore the funds that were or ought to have been held in a fiduciary capacity by the subject common interest community manager. If the Board has reason to believe that there may be additional claims against the fund, the Board may withhold any payment(s) from the fund for a period of not more than one year. After such one-year period, if the aggregate of claims received exceeds the fund balance, the fund balance shall be prorated by the Board among the claimants and paid in the above payment order from the fund in proportion to the amounts of remaining unpaid.

4. The Director shall, subject to the limitations set forth in this subsection, pay to the claimant from the fund such amount as shall be directed by the Board upon the execution and delivery to the Director by such claimant of an assignment to the Board of the claimant's rights on its behalf and on behalf of the associations receiving distributions from the fund against the common interest community manager to the extent that such rights were satisfied from the fund.

5. The claimant shall be notified in writing of the findings of the Board. The Board's findings shall be considered a "case decision" and judicial review of these findings shall be in accordance with § 2.2-4025 of the Administrative Process Act (§ 2.2-4000 et seq.).

6. Notwithstanding any other provision of law, the Board shall have the right to appeal a decision of any court that is contrary to any distribution recommended or authorized by it.

7. Upon payment by the Director to a claimant from the fund as provided in this subsection, the Board shall immediately revoke the license of the common interest community manager whose actions resulted in payment from the fund. The common interest community manager whose license was so revoked shall not be eligible to apply for a license as a common interest community manager until he has repaid in full the amount paid from the fund on his account, plus interest at the judgment rate of interest from the date of payment from the fund.

8. Nothing contained in this subsection shall limit the authority of the Board to take disciplinary action against any common interest community manager for any violation of statute or regulation, nor shall the repayment in full by a common interest community manager of the amount paid from the fund on such common interest community manager's account nullify or modify the effect of any disciplinary proceeding against such common interest community manager for any such violation.

2. That as of July 1, 2008, the Common Interest Community Board shall be deemed successor in interest to the Real Estate Board within the Department of Professional and Occupational Regulation to the extent that this act transfers powers and duties. All right, title, and interest in and to any real or tangible personal property vested in the Real Estate Board within the Department of Professional and Occupational Regulation shall be transferred to and taken as standing in the name of the Common Interest Community Board to the extent necessary to comply with the provisions of this act.

3. That all rules and regulations adopted by the Real Estate Board or the Department of Professional and Occupational Regulation that are in effect as of July 1, 2008 and that pertain to the subject of this act, shall remain in full force and effect until altered, amended, or rescinded by the Common Interest Community Board .

4. That the Board shall promulgate regulations to implement the provisions of this act to be

2028 effective within 280 days of its enactment.