

QUILLEN'S POINT HOMEOWNERS ASSOCIATION

qphomeowners@gmail.com

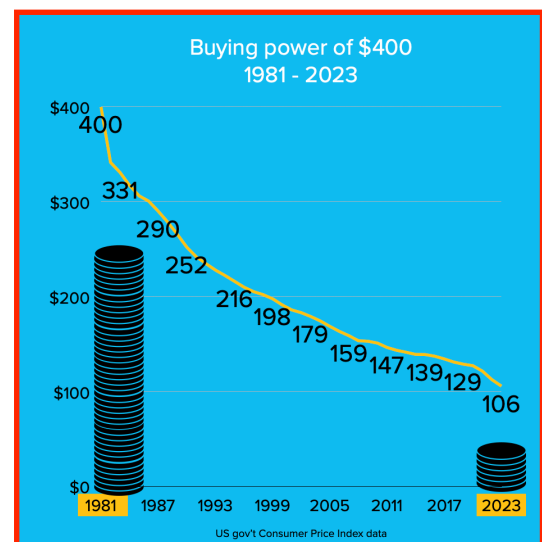
450 Bayfront Dr

Ocean View, DE 19970



UPDATING THE QP COVENANTS

- The current Quillen's Point Covenants, including how assessments are determined, do not comply with applicable Delaware law (which changed in 2009 and again in 2021).
- To comply with the law's requirement to "maintain, repair and replace" Quillen's Point's "common areas" and facilities, and to update our budgeting process, Quillen's Point must change our Covenants.
- Since Quillen's Point was developed in 1981, assessments have been capped at \$400 in the Association's Covenants. In reality, the total annual charges, whether they're listed as "dues," annual "fees" or "pass-through charges" have far exceeded \$400 for many years.
- Our lawyers have advised us to stop using this practice to cover the community's operating expenses.
- There are no automatic escalations provided in our Covenants to adjust the \$400 cap. Its current buying power is only around \$106.
- It is impossible to cover essential services such as the QP water system, road repairs, the tennis court and landscaping on \$400 per lot each year. Other operating expenses including accounting, insurance, utilities, trash collection and the like have to be paid as well.
- All QP owners are being asked to vote to approve changes to the Covenants with respect to our budgeting process, including assessments. Approval by at least 66 (of 99) lots is required to make the necessary changes. **Voting begins by email on March 15, 2023.**
- The proposed changes to the assessments Article of the QP Covenants are on the following pages. **They guarantee QP owners the annual power to approve or reject the QPHA budget (including annual assessments).** This is the same procedure the QPHA Board used for the first time a few months ago, even though that was not required by our current Covenants. **The community is not guaranteed an annual vote unless the Covenants are amended as proposed.**
- Please read these changes. Please ask questions. Then, **please vote by email beginning on March 15. Your Board strongly endorses these changes and asks for your vote in favor.**



Frequently Asked Questions

- **What do owners actually pay annually?**

Your 2023 invoice from Quillen's Point, based on the new budget-and-assessment system proposed in the Covenants revision, charged most owners \$1,178, exactly the same amount as in 2022.

- **How will each lot's assessment be determined in the future?**

The assessment will be determined annually based on each year's approved budget. In addition to current expenses, it is possible that setting aside funds for known future expenses, such as periodic maintenance of our water plant and roads, will be part of the budgeting process. **Once a budget is approved by the Board, it will go to the community for a vote, in accordance with Delaware Law.** This is the procedure we used in the Fall of 2022.

- **How will these changes in the QP Covenants impact my annual assessment?**

Each lot's assessment will be based on the actual costs of operating the community, responding to changes in prices for our various goods and services, tied to the budget which the community agrees on. If the cost of operating the community continues to increase, then a corresponding increase in each lot's assessment is likely as well.

- **I understand that the proposed changes permit owners to vote on assessments and the budget in future years. Is this true?**

Yes, for the first time **the proposed changes to the Covenants will guarantee QP owners the power to vote on every annual budget, including every assessment, proposed by every elected Board of Directors.** Under the proposal, a budget ratification vote will be required every year. The proposal follows the specific procedure authorized by Delaware law, under which a majority of QP owners (50 of 99 lots) may reject the annual budget and its assessments. This is a new power for QP owners. It is exactly the same procedure the Board voluntarily used in the Fall of 2022, for the 2023 budget and assessments.

- **If it isn't broken, why are we fixing this?**

It is broken. Since Delaware law changed in September, 2021, the financial management of Quillen's Point also needs to change. QPHA's governance does not comply with Delaware laws, which impose a legal, "fiduciary responsibility" on QPHA to "maintain, repair and replace" the common areas and common facilities of the community. QPHA cannot comply with that legal requirement without being able to raise the funds needed to maintain, repair and replace essential elements of the water system, the roads, recreational facilities, landscaping and other common facilities. The current process of requiring community approval to classify necessary expenditures as "emergencies," even when they are not, and asking community approval after the money has already been spent, is misguided and

unsound, and could leave the entire community in a financial predicament. By changing how we prepare and approve our budgets, we can reasonably provide for long-term expenses that can and should be anticipated.

- **Why is demand for services growing at QP? After all, we still have only 99 lots.**

The water system is a good example of this issue. Quillen's Point operates our own, private water plant. We draw water from the ground with our own wells. We process it to meet strict requirements imposed by the government. We distribute it through the same pipes and fixtures installed more than 40 years ago to each lot. In the early 1980s, only a small handful of homes were drawing water. Today, more than 90 homes are drawing water through those same original pipes and fixtures, and our plant and distribution system must be maintained professionally in order to meet these increased needs.

Similarly, Quillen's Point's paved roads were installed in the early 2000s, when there were fewer homes at QP. As result of a diligent maintenance plan, our roads are currently in good condition. But today, we have more cars more often, more service vehicles, heavier trash trucks, and more and bigger construction vehicles serving more homes than ever. It's simply not realistic to imagine that QP's roads will never need significant repair or replacement, which will require substantial funds.

- **If the owners approve these changes to the Covenants, what other actions will QPHA require in the future?**

Changing the Assessments Article of the Covenants is the first - and most fundamental - step toward bringing Quillen's Point into compliance with Delaware law. QP will have to make conforming changes to its By-laws, as well. And the Board of Directors, today and in the future, will be required to develop annual budgets, including annual assessments, and put them to annual ratification votes by the community. Future Boards of Directors will have to evaluate costs to "maintain, repair and replace" QP's facilities and common areas, and will have to propose annual assessments to cover those costs.

- **How does all of this impact the Marina?**

The Marina's budget is separate from the overall budget, and its maintenance costs are met exclusively by user assessments in the form of slip rental fees.