MARYLAND CONDOMINIUM ACT

§ 11-101. Definitions

(a) In this title the following words have the meanings indicated unless otherwise apparent from context.

(b) (1) "Board of directors" means the persons to whom some or all of the powers of the council of unit owners have been delegated under this title or under the condominium bylaws.

(2) "Board of directors" includes any reference to "board".

(c) (1) "Common elements" means all of the condominium except the units.

(2) "Limited common elements" means those common elements identified in the declaration or on the condominium plat as reserved for the exclusive use of one or more but less than all of the unit owners.

(3) "General common elements" means all the common elements except the limited common elements.

(d) "Common expenses and common profits" means the expenses and profits of the council of unit owners.

(e) "Condominium" means property subject to the condominium regime established under this title.

(f) "Council of unit owners" means the legal entity described in § 11-109 of this title.

(g) "Developer" means any person who subjects his property to the condominium regime established by this title.

(h) "Electronic Transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that:

(1) May be retained, retrieved, and reviewed by a recipient of the communication; and

(2) May be reproduced directly in paper form by a recipient through an automated process.

(i) "Governing body" means the council of unit owners, board of directors, or any committee of the council of unit owners or board of directors.

(j) "Housing agency" means a housing agency of a county or incorporated municipality or some other agency or entity of a county or incorporated municipality designated as such by law or ordinance.

(k) "Mortgagee" means the holder of any recorded mortgage, or the beneficiary of any recorded deed of trust, encumbering one or more units.

(l) "Moving expenses" means costs incurred to:

(1) Hire contractors, labor, trucks, or equipment for the transportation of personal property;

(2) Pack and unpack personal property;

(3) Disconnect and install personal property;

(4) Insure personal property to be moved; and

(5) Disconnect and reconnect utilities such as telephone service, gas, water, and electricity.

(m) "Occupant" means any lessee or guest of a unit owner.

(n) "Percentage interests" means the interests, expressed as a percentage, fraction or proportion, established in accordance with § 11-107 of this title.

(o) "Property" means unimproved land, land together with improvements thereon, improvements without the underlying land, or riparian or littoral rights associated with

land. Property may consist of noncontiguous parcels or improvements.

(p) "Rental facility" means property containing dwelling units intended to be leased to persons who occupy the dwellings as their residences.

(q) "Unit" means a three-dimensional space identified as such in the declaration and on the condominium plat and shall include all improvements contained within the space except those excluded in the declaration, the boundaries of which are established in accordance with § 11-103(a)(3) of this title. A unit may include 2 or more noncontiguous spaces.

(r) "Unit owner" means the person, or combination of persons, who hold legal title to a unit. A mortgagee or a trustee designated under a deed of trust, as such, may not be deemed a unit owner.

§ 11-102. Creation of a condominium regime.

(a) (1) The fee simple owner or lessee under a lease that exceeds 60 years of any property in the State may subject the property to a condominium regime by recording among the land records of the county where the property is located, a declaration, bylaws, and condominium plat that comply with the requirements specified in this title.

(2) (i) Notwithstanding the provisions of paragraph (1) of this subsection, a leasehold estate may not be subjected to a condominium regime if it is used for residential purposes unless the State, a county that has adopted charter home rule under Article XI-A of the Maryland Constitution, a municipal corporation, or, subject to the provisions of subparagraph (ii) of this paragraph, the Washington Metropolitan Area Transit Authority is the owner of the reversionary fee simple estate.

(ii) The Washington Metropolitan Area Transit Authority may establish a leasehold estate for a condominium regime that is used for residential purposes under subparagraph (i) of this paragraph if, when the initial

term of the lease expires, there is a provision in the lease that allows the lessee to automatically renew the lease for another term.

(3) Notwithstanding paragraph (2) of this subsection or any declaration, rule, or bylaw, a developer or any other person may not be prohibited from granting a leasehold estate in an individual unit used for residential purposes.

(b) If any property lying partly in one county and partly in any other county is subjected to a condominium regime, the declaration, bylaws, and condominium plat shall be recorded in all counties where any portion of the property is located. Subsequent instruments affecting the title to a unit which is physically located entirely within a single county shall be recorded only in that county, notwithstanding the fact that the common elements are not physically located entirely within that county.

(c) All instruments affecting title to units shall be recorded and taxed as in other real property transactions. However, no State or local tax may be imposed by reason of the execution or recordation of the declaration, bylaws, condominium plat, or any statement of condominium lien recorded pursuant to the provisions of § 11-110 of this title.

(d) The declaration, bylaws, and condominium plat shall be indexed in the grantor index under the name of the developer and under the name of the condominium. Subsequent amendments shall be indexed under the name of the condominium.

§ 11-102.1. Notice prior to conversion of residential property to Condominium

(a) Giving of notice -

(1) (i) Before a residential rental facility is subjected to a condominium regime, the owner, and the landlord of each tenant in possession of any portion of the residential rental facility as his residence, if other than the

owner, shall give the tenant a notice in the form specified in subsection (f) of this section. The notice shall be given after registration with the Secretary of State under § 11-127 of this title and concurrently and together with any offer required to be given under § 11-136 of this title.

(ii) If an offer required to be given under § 11-136 of this title is not given to a tenant concurrently with the notice described in subparagraph (i) of this paragraph, the 180-day period that is triggered by receipt of the notice under this section does not begin until the tenant receives the purchase offer.

(2) The owner and the landlord, if other than the owner, shall inform in writing each tenant who first leases any portion of the premises as his residence after the giving of the notice required by this subsection that the notice has been given. The tenant shall be informed at or before the signing of lease or the taking of possession, whichever occurs first.

(3) A copy of the notice, together with a list of each tenant to whom the notice was given, shall be given to the Secretary of State at the time the notice is given to each tenant.

(b) Method of delivery.- The notice and the purchase offer shall be considered to have been given to each tenant if delivered by hand to the tenant or mailed, certified mail, return receipt requested, postage prepaid, to the tenant's last-known address.

(c) Vacation of premises.- A tenant leasing any portion of the residential rental facility as his residence at the time the notice referred to in subsection (a) of this section is given to him may not be required to vacate the premises prior to the expiration of 180 days from the giving of the notice except for:

(1) Breach of a covenant in his lease occurring before or after the giving of the notice;

(2) Nonpayment of rent occurring before or after the giving of the notice; or

(3) Failure of the tenant to vacate the premises at the time that is indicated by the tenant in a notice given to his landlord under subsection (e) of this section.

(d) Extension of lease term.- The lease term of any tenant leasing any portion of the residential rental facility as his residence at the time the notice referred to in subsection (a) of this section is given to him and which lease term would ordinarily terminate during the 180-day period shall be extended until the expiration of the 180-day period. The extended term shall be at the same rent and on the same terms and conditions as were applicable on the last day of the lease term.

(e) Termination of lease.- Any tenant leasing any portion of the residential rental facility as his residence at the time the notice referred to in subsection (a) of this section is given to him may terminate his lease, without penalty for termination upon at least 30 days' written notice to his landlord.

(f) Form of notice.- The notice referred to in subsection (a) of this section shall be sufficient for the purposes of this section if it is in substantially the following form. As to rental facilities containing less than 10 units, "Section 2" of the notice is not required to be given.

"NOTICE OF INTENTION TO

CREATE A CONDOMINIUM

..... (Date)

This is to inform you that the rental facility known as ..... may be converted to a condominium regime in accordance with the Maryland Condominium Act. You may be required to move out of your residence after 180 days have passed from the date of this notice, or in other words, after ..... (Date).

Section 1

Rights that apply to all tenants

If you are a tenant in this rental facility and you have not already given notice that you intend to move, you have the following rights, provided you have previously paid your rent and continue to pay your rent and abide by the other conditions of your lease.

(1) You may remain in your residence on the same rent, terms, and conditions of your existing lease until either the end of your lease term or until ..... (Date) (the end of the 180-day period), whichever is later. If your lease term ends during the 180-day period, it will be extended on the same rent, terms, and conditions until ..... (Date) (the end of the 180-day period). In addition, certain households may be entitled to extend their leases beyond the 180 days as described in Section 2.

(2) You have the right to purchase your residence before it can be sold publicly. A purchase offer describing your right to purchase is required to be included with this notice. If a purchase offer is not included with this notice, the 180-day period that you may remain in your residence does not begin until you receive the purchase offer.

(3) If you do not choose to purchase your unit, and the annual income for all present members of your household did not exceed ..... (the applicable income eligibility figure or figures for the appropriate area) for 20 ...., you are entitled to receive $375 when you move out of your residence. You are also entitled to be reimbursed for moving expenses as defined in the Maryland Condominium Act over $375 up to $750 which are actually and reasonably incurred. If the annual income for all present members of your household did exceed ..... (the applicable income eligibility figure or figures for the appropriate area) for 20 ...., you are entitled to be reimbursed up to $750 for moving expenses as defined in the Maryland Condominium Act actually and reasonably

incurred. To receive reimbursement for moving expenses, you must make a written request, accompanied by reasonable evidence of your expenses, within 30 days after you move. You are entitled to be reimbursed within 30 days after your request has been received.

(4) If you want to move out of your residence before the end of the 180-day period or the end of your lease, you may cancel your lease without penalty by giving at least 30 days prior written notice. However, once you give notice of when you intend to move, you will not have the right to remain in your residence beyond that date.

Section 2

Right to 3-year lease extension or 3-month rent payment for certain individuals with disabilities and senior citizens

The developer who converts this rental facility to a condominium must offer extended leases to qualified households for up to 20 percent of the units in the rental facility. Households which receive extended leases will have the right to continue renting their residences for at least 3 years from the date of this notice. A household may cancel an extended lease by giving 3 months' written notice if more than 1 year remains on the lease, and 1 month's written notice if less than 1 year remains on the lease.

Rents under these extended leases may only be increased once a year and are limited by increases in the cost of living index. Read the enclosed lease to learn the additional rights and responsibilities of tenants under extended leases.

In determining whether your household qualifies for an extended lease, the following definitions apply:

(1) (i) "Disability" means:

1. A physical or mental impairment that substantially limits one or more of an individual's major life activities; or

2. A record of having a physical or mental impairment that substantially limits one or more of an individual's major life activities.

(ii) "Disability" does not include the current illegal use of or addiction to:

1. A controlled dangerous substance as defined in § 5-101 of the Criminal Law Article; or

2. A controlled substance as defined in 21 U.S.C. § 802.

(2) "Senior citizen" means a person who is at least 62 years old on the date of this notice.

(3) "Annual income" means the total income from all sources for all present members of your household for the income tax year immediately preceding the year in which this notice is issued but shall not include unreimbursed medical expenses if the tenant provides reasonable evidence of the unreimbursed medical expenses or consents in writing to authorize disclosure of relevant information regarding medical expense reimbursement at the time of applying for an extended lease. "Total income" means the same as "gross income" as defined in § 9-104(a)(7) of the Tax - Property Article.

(4) "Unreimbursed medical expenses" means the cost of medical expenses not otherwise paid for by insurance or some other third party, including medical and hospital insurance premiums, co-payments, and deductibles; Medicare A and B premiums; prescription medications; dental care; vision care; and nursing care provided at home or in a nursing home or home for the aged.

To qualify for an extended lease you must meet all of the following criteria:

(1) A member of the household must be an individual with a disability or a senior citizen and must be living in your unit as of the date of this notice and must have been a member of

your household for at least 12 months preceding the date of this notice; and

(2) Annual income for all present members of your household must not have exceeded ..... (the applicable income eligibility figure or figures for the appropriate area) for 20 ....; and

(3) You must be current in your rental payments and otherwise in good standing under your existing lease.

If you meet all of these qualifications and desire an extended lease, then you must complete the enclosed form and execute the enclosed lease and return them. The completed form and executed lease must be received at the office listed below within 60 days of the date of this notice, or in other words, by ..... (Date). If your completed form and executed lease are not received within that time, you will not be entitled to an extended lease.

If the number of qualified households requesting extended leases exceeds the 20 percent limitation, priority will be given to qualified households who have lived in the rental facility for the longest time.

Due to the 20 percent limitation your application for an extended lease must be processed prior to your lease becoming final. Your lease will become final if it is determined that your household is qualified and falls within the 20 percent limitation.

If you return the enclosed form and lease by ..... (Date) you will be notified within 75 days of the date of this notice, or in other words, by ..... (Date), whether you are qualified and whether your household falls within the 20 percent limitation.

You may apply for an extended lease and, at the same time, choose to purchase your unit. If you apply for and receive an extended lease, your purchase contract will be void. If you do not receive an extended lease, your purchase contract will be effective and you will be obligated to buy your unit.

If you qualify for an extended lease, but due to the 20 percent limitation, your lease is not finalized, the developer must pay you an amount equal to 3 months rent within 15 days after you move. You are also entitled to up to $750 reimbursement for your moving expenses, as described in Section 1.

If you qualify for an extended lease, but do not want one, you are also entitled to both the moving expense reimbursement previously described, and the payment equal to 3 months' rent. In order to receive the 3 month rent payment, you must complete and return the enclosed form within 60 days of the date of this notice or by ..... (Date), but you should not execute the enclosed lease.

All application forms, executed leases, and moving expense requests should be addressed or delivered to:

.....

.....

....."

(g) Affirmation of developer.- A declaration may not be received for record unless there is attached thereto an affirmation of the developer in substantially the following form:

"I hereby affirm under penalty of perjury that the notice requirements of § 11-102.1 of the Real Property Article, if applicable, have been fulfilled.

Developer

By ....."

(h) Failure to give notice is defense.- Failure of a landlord or owner to give notice as required by this section is a defense to an action for possession.

(i) Effect on condominium regime appropriately established.- Failure to fulfill the provisions of this section does not affect the validity of a condominium regime otherwise established in accordance with the provisions of this title.

(j) Applicability to non-renewing tenant.- This section does not apply to any tenant whose lease term expires during the 180-day period and who has given notice of his intent not to renew the lease prior to the giving of the notice required by subsection (a) of this section.

(k) Waiver of rights; month-to-month tenant.-

(1) A tenant may not waive his rights under this section except as provided under § 11-137 of this title.

(2) At the expiration of the 180-day period a tenant shall become a tenant from month-to-month subject to the same rent, terms, and conditions as those existing at the giving of the notice required by subsection (a) of this section, if the tenant's initial lease has expired and the tenant has not:

(i) Entered into a new lease;

(ii) Vacated under subsection (e) of this section; or

(iii) Been notified in accordance with applicable law prior to the expiration of the 180-day period that he must vacate at the end of that period.

§ 11-102.2. Termination of leases

(a) In this section, "terminate" means:

(1) A giving of notice terminating a periodic tenancy of a dwelling within a residential rental facility; or

(2) The failure to renew or continue an existing lease for a dwelling in a residential rental facility upon its expiration.

(b) The owner of a residential facility may not terminate the lease of any tenant occupying any portion of the owner's residential facility in order to avoid such owner's obligation to give the tenant the notice required under § 11-102.1 of this title.

(c) The application for registration for a residential rental facility under § 11-127 of this title shall include, to the extent reasonably available, a list of all tenants whose leases were terminated during the 180-day period prior to the filing of the application for registration.

(d) After an agency hearing, if the Secretary of State determines that an owner has violated subsection (b) of this section within 180 days prior to filing an application for registration, the Secretary of State shall reject the application for registration filed by the owner.

(e) After a public offering statement has been registered, if the Secretary of State determines that an owner has violated subsection (b) of this section during the 12-month period prior to the time units are offered for sale, the Secretary of State shall revoke the registration.

(f) In determining whether an owner has violated subsection (b) of this section, the Secretary of State shall consider:

(1) (i) Whether the termination was due to the nonpayment of rent;

(ii) Whether the termination was due to a breach of the lease; or

(iii) Whether the owner intended at the time of termination to convert the residential facility to a condominium; and

(2) Any other factors as the Secretary of State deems appropriate.

(g) If an application for registration is rejected by the Secretary of State pursuant to subsection (d) of this section, or if a registration is revoked by the Secretary of State pursuant to subsection (e) of this section, the Secretary of State may not accept the application or reinstate the registration unless and until the owner has tendered to every tenant whose lease was terminated in violation of subsection (a) of this section an award for reasonable expenses.

§ 11-103. Declaration

(a) The declaration shall express at least the following particulars:

(1) The name by which the condominium is to be identified, which name shall include the word "condominium" or be followed by the phrase "a condominium".

(2) A description of the condominium sufficient to identify it with reasonable certainty together with a statement of the owner's intent to subject the property to the condominium regime established under this title.

(3) A general description of each unit, including its perimeters, location, and any other data sufficient to identify it with reasonable certainty. As to condominiums created on or after July 1, 1981, except as provided by the declaration or the plat:

(i) If walls, floors, or ceilings are designated as boundaries of a unit, all lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring, and any other materials constituting any part of the finished surfaces thereof are a part of the unit, and all other portions of the walls, floors, or ceilings are a part of the common elements.

(ii) If any chute, flue, duct, wire, conduit, or any other fixture lies partially within and partially outside the designated boundaries of a unit, any portion thereof serving only that unit is a part of that unit, and any portion thereof

serving more than one unit or any portion of the common elements is a part of the common elements.

(iii) Subject to the provisions of subparagraph (ii) of this paragraph, all spaces, interior partitions, and other fixtures and improvements within the boundaries of a unit are a part of the unit.

(iv) Any shutters, awnings, window boxes, doorsteps, stoops, porches, balconies, patios, and all exterior doors and windows or other fixtures designed to serve a single unit, but located outside the unit's boundaries, are limited common elements allocated exclusively to that unit.

(4) (i) A general description of the common elements together with a designation of those portions of the common elements that are limited common elements and the unit to which the use of each is restricted initially.

(4) (ii) 1.A. This subparagraph applies to any condominium for which a declaration, bylaws, and plat are recorded in the land records of the county where the property is located on or after October 1, 2010.

1B. This subparagraph does not apply to a condominium that is occupied and used solely for nonresidential purposes.

2. The description of the common elements shall include the following improvements to the extent that the improvements are shared by or serve more than one unit or serve any portion of the common elements:

A. Roofs;

B. Foundations;

C. External and supporting walls;

D. Mechanical, electrical, and plumbing systems; and

E. Other structural elements.

3. With the exception of corrective amendments necessary to comply with subparagraph2 of this subparagraph, the description and designation of the common elements required under subparagraph 2 of this subparagraph may not be amended until after the date on which the unit owners, other than the developer and its affiliates, first elect a controlling majority of the members of the board of directors for the council of unit owners.

(5) The percentage interests appurtenant to each unit as provided in § 11-107 of this title.

(6) The number of votes at meetings of the council of unit owners appurtenant to each unit.

(b) The information required by subsection (a)(2) through (4) of this section may be incorporated in the declaration by reference to the condominium plat.

(c) (1) Except for a corrective amendment under § 11-103.1 of this subtitle or as provided in paragraph (2) of this subsection, the declaration may be amended only with the written consent of 80 percent of the unit owners listed on the current roster. Amendments under this section are subject to the following limitations:

(i) Except to the extent expressly permitted or expressly required by other provisions of this title, an amendment to the declaration may not change the boundaries of any unit, the undivided percentage interest in the common elements of any unit, the liability for common expenses or rights to common profits of any unit, or the number of votes in the council of unit owners of any unit without the written consent of every unit owner and mortgagee.

(ii) An amendment to the declaration may not modify in any way rights expressly reserved for the benefit of the developer or provisions required by any governmental authority or for the benefit of any public utility.

(iii) Except to the extent expressly permitted by the declaration, an amendment to the declaration may not

change residential units to nonresidential units or change nonresidential units to residential units without the written consent of every unit owner and mortgagee.

(iv) Except as otherwise expressly permitted by this title and by the declaration, an amendment to the declaration may not redesignate general common elements as limited common elements without the written consent of every unit owner and mortgagee.

(v) No provision of this title shall be construed in derogation of any requirement in the declaration or bylaws that all or a specified number of the mortgagees of the condominium units approve specified actions contemplated by the council of unit owners.

(2) (i) The council of unit owners may petition the circuit court in equity for the county in which the condominium is located to correct:

1. An improper description of the units or common elements; or

2. An improper assignment of the percentage interests in the common elements, common expenses, and common profits.

(ii) The petition may be brought only if:

1. The unit owners, at a special meeting called for that purpose, vote to petition the court to correct a specific error by a vote of at least 66 2/3 percent of the unit owners present and voting at a properly convened meeting;

2. The council of unit owners gives notice of the special meeting to each mortgagee of record for the condominium; and

3. An opportunity is provided for the mortgagees to speak at the special meeting upon written request to the council of unit owners.

(iii) The court may reform the declaration to correct the error or omission as the court considers appropriate, if:

1. The council of unit owners gives notice of the filing of the petition to each mortgagee and unit owner within 15 days of filing;

2. The council of unit owners files an affidavit with the court stating that the conditions of subparagraph (ii) of this paragraph have been met;

3. The council of unit owners proves, by a preponderance of the evidence, that there is an error or omission as provided in subparagraph (i) of this paragraph;

4. Any mortgagee with an interest in the condominium is permitted to intervene in the proceedings upon filing a motion to intervene as provided in the Maryland Rules;

5. The reformation does not substantially impair the property rights of any unit owner or mortgagee; and

6. The court issues an order of reformation.

(iv) A final order of reformation may be appealed by any party within 30 days of its issuance. An order of reformation may not be recorded until the appeal period has lapsed or all appeals have been completed.

(3) An amendment or order of reformation becomes effective on recordation in the same manner as the declaration. If the condominium is registered with the Secretary of State, the council of unit owners shall file a copy of the order of reformation with the Secretary of State within 15 days of recordation.

§ 11-103.1. Corrective Amendments

(a) Unless the declaration or bylaws provide otherwise and subject to subsections (b) and (c) of this section, the council of unit owners or the board of directors may execute and record an amendment to the declaration, bylaws, or plat, to correct:

(1) A typographical error or other error in the percentage interests or number of votes appurtenant to any unit;

(2) A typographical error or other incorrect reference to another prior recorded document; or

(3) A typographical error or other incorrect unit designation or assignment of limited common elements if the affected unit owners and their mortgagees consent in writing to the amendment, and the consent documents are recorded with the amendment.

(b) If a council of unit owners or board of directors executes and records an amendment under subsection (a) of this section, the council or board shall also record with the amendment:

(1) During the time that the developer has an interest:

(i) The consent of the developer; or

(ii) An affidavit by the council or board that any developer who has an interest in the condominium has been provided a copy of the amendment and a notice that the developer may object in writing to the amendment within 30 days of receipt of the amendment and notice, that 30 days have passed since delivery of the amendment and notice, and that the developer has made no written objection; and

(2) An affidavit by the council or board that at least 30 days before recordation of the amendment a copy of the amendment was sent by first-class mail to each unit owner at the last address on record with the council of unit owners.

(c) An amendment under this section is entitled to be recorded and is effective upon recordation if accompanied by the supporting documents required by this section.

§ 11-104. Bylaws

(a) The administration of every condominium shall be governed by bylaws which shall be recorded with the declaration. If the council of unit owners is incorporated, these bylaws shall be the bylaws of that corporation.

(b) The bylaws shall express at least the following particulars:

(1) The form of administration, indicating whether the council of unit owners shall be incorporated or unincorporated, and whether, and to what extent, the duties of the council of unit owners may be delegated to a board of directors, manager, or otherwise, and specifying the powers, manner of selection, and removal of them;

(2) The mailing address of the council of unit owners;

(3) The method of calling the unit owners to assemble; the attendance necessary to constitute a quorum at any meeting of the council of unit owners; the manner of notifying the unit owners of any proposed meeting; who presides at the meetings of the council of unit owners, who keeps the minute book for recording the resolutions of the council of unit owners, and who counts votes at meetings of the council of unit owners; and

(4) The manner of assessing against and collecting from unit owners their respective shares of the common expenses.

(c) The bylaws also may contain any other provision regarding the management and operation of the condominium including any restriction on or requirement respecting the use and maintenance of the units and the common elements.

(d) The bylaws may contain a provision prohibiting any unit owner from voting at a meeting of the council of unit owners if the council of unit owners has recorded a statement of condominium lien on his unit and the amount necessary to release the lien has not been paid at the time of the meeting.

(e) (1) A corrective amendment to the bylaws may be made in accordance with § 11-103.1 of this title, or as provided in paragraph (2) of this subsection.

(2) (i) Except as provided in subparagraph (ii) of this paragraph, unless a higher percentage is required in the bylaws, the bylaws may be amended by the affirmative vote of unit owners having at least 66 2/3 percent of the votes in the council of unit owners.

(ii) The bylaws may be amended by the affirmative vote of unit owners having at least 51% of the votes in the council of unit owners for the purpose of requiring all unit owners to maintain condominium unit owner insurance policies on their units.

(3) (i) Except as provided in paragraph (4) of this subsection, if the declaration or bylaws contain a provision requiring any action on the part of the holder of a mortgage or deed of trust on a unit in order to amend the bylaws, that provision shall be deemed satisfied if the procedures under this paragraph are satisfied.

(ii) If the declaration or bylaws contain a provision described in subparagraph (i) of this paragraph, the council of unit owners shall cause to be delivered to each holder of a mortgage or deed of trust entitled to notice, a copy of the proposed amendment to the bylaws.

(iii) If a holder of the mortgage or deed of trust that receives the proposed amendment fails to object, in writing, to the proposed amendment within 60 days from the date of actual receipt of the proposed amendment, the holder shall be deemed to have consented to the adoption of the amendment.

(4) Paragraph (3) of this subsection does not apply to amendments that:

(i) Alter the priority of the lien of the mortgage or deed of trust;

(ii) Materially impair or affect the unit as collateral; or

(iii) Materially impair or affect the right of the holder of the mortgage or deed of trust to exercise any rights under the mortgage, deed of trust, or applicable law.

(5) Each particular set forth in subsection (b) of this section shall be expressed in the bylaws as amended. An amendment under paragraph (2) of this subsection shall be entitled to be recorded if accompanied by a certificate of the person specified in the bylaws to count votes at the meeting of the council of unit owners that the amendment was approved by unit owners having the required percentage of the votes and shall be effective on recordation. This certificate shall be conclusive evidence of approval.

§ 11-105. Condominium plat

(a) When the declaration and bylaws are recorded, the developer shall record a condominium plat.

(b) The condominium plat may consist of one or more sheets and shall contain at least the following particulars:

(1) The name of the condominium;

(2) A boundary survey of the property described in the declaration showing the location of all buildings on the property and the physical markings at the corners of the property;

(3) Diagrammatic floor plans of each building on the property which show the measured dimensions, floor area, and location of each unit in it. Common elements shall be shown diagrammatically to the extent feasible; and

(4) The elevation, or average elevation in case of minor variances, above sea level, or from a fixed known point, of the upper and lower boundaries of each unit delineated on the condominium plat.

(c) Each unit shall be designated on the condominium plat by a letter or number, or a combination of them, or other appropriate designation.

(d) A condominium plat or any amendment to a condominium plat is sufficient for the purposes of this title if there is attached to, or included in it, a certificate of a professional land surveyor or property line surveyor authorized to practice in the State that:

(1) The plat, together with the applicable wording of the declaration, is a correct representation of the condominium described; and

(2) The identification and location of each unit and the common elements, as constructed, can be determined from them.

(e) (1) Except as provided in paragraph (2) of this subsection or otherwise provided in this title, the condominium plat may be amended in the same manner and to the same extent as the declaration under § 11-103(c)(1) of this title.

(2) (i) The council of unit owners may petition the circuit court in equity for the county in which the condominium is located to correct an improper description of the units or common elements.

(ii) The petition may be brought only if:

1. The unit owners, at a special meeting called for that purpose, vote to petition the court to correct a specific error by a vote of at least 66 2/3 percent of the unit owners present and voting at a properly convened meeting;

2. The council of unit owners gives notice of the special meeting to each mortgagee of record for the condominium; and

3. An opportunity is provided for the mortgagees to speak at the special meeting upon written request to the council of unit owners.

(iii) The court may reform the condominium plat to correct the error or omission as the court considers appropriate, if:

1. The council of unit owners gives notice of the filing of the petition to each mortgagee and unit owner within 15 days of filing;

2. The council of unit owners files an affidavit with the court stating that the conditions of subparagraph (ii) of this paragraph have been met;

3. The council of unit owners proves, by a preponderance of the evidence, that there is an error or omission as provided in subparagraph (i) of this paragraph;

4. Any mortgagee with an interest in the condominium is permitted to intervene in the proceedings upon filing a motion to intervene as provided in the Maryland Rules;

5. The reformation does not substantially impair the property rights of any unit owner or mortgagee; and

6. The court issues an order of reformation.

(iv) A final order of reformation may be appealed by any party within 30 days of its issuance. An order of reformation may not be recorded until the appeal period has lapsed or all appeals have been completed.

(3) An amendment or order of reformation becomes effective upon recordation in the same manner as the condominium plat. If the condominium is registered with the Secretary of State, the council of unit owners shall file a copy of the reformation amendment with the Secretary of State within 15 days of recordation.

§ 11-106. Status and description of unit

(a) Each unit in a condominium has all of the incidents of real property.

(b) A description in any deed or other instrument affecting title to any unit which makes reference to the letter or number or other appropriate designation on the

condominium plat together with a reference to the plat shall be a good and sufficient description for all purposes.

§ 11-107. Percentage interests.

(a) Each unit owner shall own an undivided percentage interest in the common elements equal to that set forth in the declaration. Except as specifically provided in this title, the common elements shall remain undivided. Except as provided in this title, no unit owner, nor any other person, may bring a suit for partition of the common elements, and any covenant or provision in any declaration, bylaws, or other instrument to the contrary is void.

(b) Each unit owner shall have a percentage interest in the common expenses and common profits equal to that set forth in the declaration.

(c) The percentage interest provided in subsections (a) and (b) of this section may be identical or may vary. The percentage interests shall have a permanent character and, except as specifically provided by this title, may not be changed without the written consent of all of the unit owners and their mortgagees. Any change shall be evidenced by an amendment to the declaration, recorded among the appropriate land records. The percentage interests may not be separated from the unit to which they appertain. Any instrument, matter, circumstance, action, occurrence, or proceeding in any manner affecting a unit also shall affect, in like manner, the percentage interests appurtenant to the unit.

(d) (1) Notwithstanding any other provision of this title, but subject to any provision in the declaration or bylaws, a unit owner may:

(i) Grant by deed part of a unit and incorporate it as part of another unit if a portion of the percentage interests of the grantor is granted to the grantee and the grant is evidenced by an amendment to the declaration specifically describing the part granted, the percentage interests

reallocated and the new percentage interest of the grantor and the grantee; and

(ii) Subdivide his unit into 2 or more units if the original percentage interests and votes appurtenant to the original unit are allocated to the resulting units and the subdivision is evidenced by an amendment to the declaration describing the resulting units and the percentage interests and votes allocated to each unit.

(2) When appropriate, a plat may be attached to the amendment. The transfer or subdivision may be made without the consent of all of the unit owners if the amendment to the declaration is executed by the unit owners and mortgagees of the units involved and by the council of unit owners or its authorized designee.

(3) If the unit owner of 2 or more adjacent units or the unit owner of a unit and an adjacent part of another unit transferred in accordance with this subsection desires to consolidate them, the council of unit owners or its authorized designee may authorize the unit owner to remove all or part of any walls separating the units or portions of them if the removal does not violate any applicable statute or regulation.

§ 11-108. Use of common elements

(a) Subject to the provisions of subsection (c) of this section, the common elements may be used only for the purposes for which they were intended and, except as provided in the declaration, the common elements shall be subject to mutual rights of support, access, use, and enjoyment by all unit owners. However, subject to the provisions of subsection (b) of this section, any portion of the common elements designated as limited common elements shall be used only by the unit owner of the unit to which their use is limited in the declaration or condominium plat.

(b) Any unit owner or any group of unit owners of units to which the use of any limited common element is exclusively restricted may grant by deed the exclusive use, or

the joint use in common with one or more of the grantors, of the limited common elements to any one or more unit owners. A copy of the deed shall be furnished to the council of unit owners.

(c) (1) This subsection does not apply to any meetings of unit owners occurring at any time before the unit owners elect officers or a board of directors in accordance with § 11-109(c)(16) of this title.

(2) Subject to reasonable rules adopted by the governing body under § 11-111 of this subtitle, unit owners may meet for the purpose of considering and discussing the operation of and matters relating to the operation of the condominium in any common elements or in any building or facility in the common elements that the governing body of the condominium uses for scheduled meetings.

§ 11-108.1. Responsibility for maintenance, repair, and replacement

Except to the extent otherwise provided by the declaration or bylaws, and subject to § 11-114 of this title, the council of unit owners is responsible for maintenance, repair, and replacement of the common elements, and each unit owner is responsible for maintenance, repair, and replacement of his unit.

§ 11-109. Council of unit owners

(a) The affairs of the condominium shall be governed by a council of unit owners which, even if unincorporated, is constituted a legal entity for all purposes. The council of unit owners shall be comprised of all unit owners.

(b) The bylaws may authorize or provide for the delegation of any power of the council of unit owners to a board of directors, officers, managing agent, or other person

for the purpose of carrying out the responsibilities of the council of unit owners.

(c) (1) A meeting of the council of unit owners or board of directors may not be held on less notice than required by this section.

(2) The council of unit owners shall maintain a current roster of names and addresses of each unit owner to which notice of meetings of the board of directors shall be sent at least annually.

(3) Each unit owner shall furnish the council of unit owners with his name and current mailing address. A unit owner may not vote at meetings of the council of unit owners until this information is furnished.

(4) A regular or special meeting of the council of unit owners may not be held on less than 10 nor more than 90 days':

(i) Written notice delivered or mailed to each unit owner at the address shown on the roster on the date of the notice; or

(ii) Notice sent to each unit owner by electronic transmission, if the requirements of § 11-139.1 of this title are met.

(5) Notice of special meetings of the board of directors shall be given:

(i) As provided in the bylaws; or

(ii) If the requirements of § 11-139.1 of this title are met, by electronic transmission.

(6) Except as provided in § 11-109.1 of this title, a meeting of a governing body shall be open and held at a time and location as provided in the notice or bylaws.

(7) (i) This paragraph does not apply to any meeting of the governing body that occurs at any time before

the meeting at which the unit owners elect officers or a board of directors in accordance with paragraph (16) of this subsection.

(ii) Subject to subparagraph (iii) of this paragraph and to reasonable rules adopted by the governing body under § 11-111 of this title, a governing body shall provide a designated period of time during a meeting to allow unit owners an opportunity to comment on any matter relating to the condominium.

(iii) During a meeting at which the agenda is limited to specific topics or at a special meeting, the unit owners' comments may be limited to the topics listed on the meeting agenda.

(iv) The governing body shall convene at least one meeting each year at which the agenda is open to any matter relating to the condominium.

(8) (i) Unless the bylaws provide otherwise, a quorum is deemed present throughout any meeting of the council of unit owners if persons entitled to cast 25 percent of the total number of votes appurtenant to all units are present in person or by proxy.

(ii) If the number of persons present in person, or by proxy, at a properly called meeting of the council of unit owners is insufficient to constitute a quorum, another meeting of the council of unit owners may be called for the same purpose if:

(1) The notice of the meeting stated that the procedure authorized by this paragraph might be invoked; and

(2) By majority vote, the unit owners present in person or by proxy call for the additional meeting.

(iii) (1) Fifteen days' notice of the time, place, and purpose of the additional meeting shall be delivered, mailed, or sent by electronic transmission if the requirements of § 11-139.1 are met, to each unit owner at

the address shown on the roster maintained under paragraph (2) of this subsection.

(2) The notice shall contain the quorum and voting provisions of subparagraph (iv) of this paragraph.

(iv) (1) At the additional meeting, the unit owners present in person or by proxy constitute a quorum.

(2) Unless the bylaws provide otherwise, a majority of the unit owners present in person, or by proxy:

a. May approve or authorize the proposed action at the additional meeting; and

b. May take any other action that could have been taken at the original meeting if a sufficient number of unit owners had been present.

(v) This paragraph may not be construed to affect the percentage of votes required to amend the declaration or bylaws or to take any other action required to be taken by a specified percentage of votes.

(9) At meetings of the council of unit owners each unit owner shall be entitled to cast the number of votes appurtenant to his unit. Unit owners may vote by proxy, but the proxy is effective only for a maximum period of 180 days following its issuance, unless granted to a lessee or mortgagee.

(10) Any proxy may be revoked at any time at the pleasure of the unit owner or unit owners executing the proxy.

(11) A proxy who is not appointed to vote as directed by a unit owner may only be appointed for purposes of meeting quorums and to vote for matters of business before the council of unit owners, other than an election of officers and members of the board of directors.

(12) Only a unit owner voting in person or by electronic transmission if the requirements of § 11-139.2 of this title

are met or a proxy voting for candidates designated by a unit owner may vote for officers and members of the board of directors.

(13) Unless otherwise provided in the bylaws, a unit owner may nominate himself or any other person to be an officer or member of the board of directors. A call for nominations shall be sent to all unit owners not less than 45 days before notice of an election is sent. Only nominations made at least 15 days before notice of an election shall be listed on the election ballot. Candidates shall be listed on the ballot in alphabetical order, with no indicated candidate preference. Nominations may be made from the floor at the meeting at which the election to the board is held.

(14) Election materials prepared with funds of the council of unit owners shall list candidates in alphabetical order and may not indicate a candidate preference.

(15) Unless otherwise provided in this title, and subject to provisions in the bylaws requiring a different majority, decisions of the council of unit owners shall be made on a majority of votes of the unit owners listed on the current roster present and voting.

(16) (i) A meeting of the council of unit owners to elect a board of directors for the council of unit owners, as provided in the condominium declaration or bylaws, shall be held within:

1. 60 days from the date that units representing 50 percent of the votes in the condominium have been conveyed by the developer to members of the public for residential purposes; or

2. If a lesser percentage is specified in the declaration or bylaws of the condominium, 60 days from the date the specified lesser percentage of units in the condominium are sold to members of the public for residential purposes.

(ii) 1. Before the date of the meeting held under subparagraph (i) of this paragraph, the developer shall deliver

to each unit owner notice that the requirements of subparagraph (i) of this paragraph have been met.

2. The notice shall include the date, time, and place of the meeting to elect the board of directors for the council of unit owners.

(iii) if a replacement board member is elected, the term of each member of the board of directors appointed by the developer shall end 10 days after the meeting is held, as specified in subparagraph (i) of this paragraph.

(iv) Within 30 days from the date of the meeting held under subparagraph (i) of this paragraph, the developer shall deliver to the officers or board of directors for the council of unit owners, as provided in the condominium declaration or bylaws, at the developer's expense:

1. The documents specified in § 11-132 of this title;

2. The condominium funds, including operating funds, replacement reserves, investment accounts, and working capital;

3. The tangible property of the condominium; and

4. A roster of current unit owners, including mailing addresses, telephone numbers, and unit numbers, if known.

(v) 1. This subparagraph does not apply to a contract entered into before October 1, 2009.

2. A. In this subparagraph, "contract" means an agreement with a company or individual to handle financial matters, maintenance, or services for the condominium.

B. "Contract" does not include an agreement relating to the provision of utility services or communication systems.

3. Until all members of the board of directors of the condominium are elected by the unit owners at a transitional meeting as specified in subparagraph (i) of this paragraph, a

contract entered into by the officers or board of directors of the condominium may be terminated, at the discretion of the board of directors and without liability for the termination, not later than 30 days after notice.

(vi) If the developer fails to comply with the requirements of this paragraph, an aggrieved unit owner may submit the dispute to the Division of Consumer Protection of the Office of the Attorney General under § 11-130(c) of this title.

(d) The council of unit owners may be either incorporated as a nonstock corporation or unincorporated and it is subject to those provisions of Title 5, Subtitle 2 of the Corporations and Associations Article of the Code which are not inconsistent with this title. The council of unit owners has, subject to any provision of this title, and except as provided in paragraph (22) of this subsection, the declaration, and bylaws, the following powers:

(1) To have perpetual existence, subject to the right of the unit owners to terminate the condominium regime as provided in § 11-123 of this title;

(2) To adopt and amend reasonable rules and regulations;

(3) To adopt and amend budgets for revenues, expenditures, and reserves and collect assessments for common expenses from unit owners;

(4) To sue and be sued, complain and defend, or intervene in litigation or administrative proceedings in its own name on behalf of itself or two or more unit owners on matters affecting the condominium;

(5) To transact its business, carry on its operations and exercise the powers provided in this subsection in any state, territory, district, or possession of the United States and in any foreign country;

(6) To make contracts and guarantees, incur liabilities and borrow money, sell, mortgage, lease, pledge, exchange,

convey, transfer, and otherwise dispose of any part of its property and assets;

(7) To issue bonds, notes, and other obligations and secure the same by mortgage or deed of trust of any part of its property, franchises, and income;

(8) To acquire by purchase or in any other manner, to take, receive, own, hold, use, employ, improve, and otherwise deal with any property, real or personal, or any interest therein, wherever located;

(9) To hire and terminate managing agents and other employees, agents, and independent contractors;

(10) To purchase, take, receive, subscribe for or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, loan, pledge or otherwise dispose of, and otherwise use and deal in and with, shares or other interests in, or obligation of corporations of the State, or foreign corporations, and of associations, partnerships, and individuals;

(11) To invest its funds and to lend money in any manner appropriate to enable it to carry on the operations or to fulfill the purposes named in the declaration or bylaws, and to take and to hold real and personal property as security for the payment of funds so invested or loaned;

(12) To regulate the use, maintenance, repair, replacement, and modification of common elements;

(13) To cause additional improvements to be made as a part of the general common elements;

(14) To grant easements, rights-of-way, licenses, leases in excess of 1 year, or similar interests through or over the common elements in accordance with § 11-125(f) of this title;

(15) To impose and receive any payments, fees, or charges for the use, rental, or operation of the common elements other than limited common elements;

(16) To impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the declaration, bylaws, and rules and regulations of the council of unit owners, under § 11-113 of this title;

(17) To impose reasonable charges for the preparation and recordation of amendments to the declaration, bylaws, rules, regulations, or resolutions, resale certificates, or statements of unpaid assessments;

(18) To provide for the indemnification of and maintain liability insurance for officers, directors, and any managing agent or other employee charged with the operation or maintenance of the condominium;

(19) To enforce the implied warranties made to the council of unit owners by the developer under § 11-131 of this title;

(20) To enforce the provisions of this title, the declaration, bylaws, and rules and regulations of the council of unit owners against any unit owner or occupant;

(21) Generally, to exercise the powers set forth in this title and the declaration or bylaws and to do every other act not inconsistent with law, which may be appropriate to promote and attain the purposes set forth in this title, the declaration or bylaws; and

(22) To designate parking for individuals with disabilities, notwithstanding any provision in the declaration, bylaws, or rules and regulations.

(e) A unit owner may not have any right, title, or interest in any property owned by the council of unit owners other than as holder of a percentage interest in common expenses and common profits appurtenant to his unit.

(f) A unit owner's rights as holder of a percentage interest in common expenses and common profits are such that:

(1) A unit owner's right to possess, use, or enjoy property of the council of unit owners shall be as provided in the bylaws; and

(2) A unit owner's interest in the property is not assignable or attachable separate from his unit except as provided in §§ 11-107(d) and 11-112(g) of this title.

§ 11-109.1. Closed meetings of board of directors

(a) A meeting of the board of directors may be held in closed session only for the following purposes:

(1) Discussion of matters pertaining to employees and personnel;

(2) Protection of the privacy or reputation of individuals in matters not related to the council of unit owners' business;

(3) Consultation with legal counsel on legal matters;

(4) Consultation with staff personnel, consultants, attorneys, board members, or other persons in connection with pending or potential litigation or other legal matters;

(5) Investigative proceedings concerning possible or actual criminal misconduct;

(6) Complying with a specific constitutional, statutory, or judicially imposed requirement protecting particular proceedings or matters from public disclosure; or

(7) Discussion of individual owner assessments accounts.

(b) If a meeting is held in closed session under subsection (a) of this section:

(1) An action may not be taken and a matter may not be discussed if it is not permitted by subsection (a) of this section; and

(2) A statement of the time, place, and purpose of any closed meeting, the record of the vote of each board member by which any meeting was closed, and the authority under this section for closing any meeting shall be included in the minutes of the next meeting of the board of directors.

§ 11-109.2. Annual proposed budget

(a) The council of unit owners shall cause to be prepared and submitted to the unit owners an annual proposed budget at least 30 days before its adoption.

(b) The annual budget shall provide for at least the following items:

(1) Income;

(2) Administration;

(3) Maintenance;

(4) Utilities;

(5) General expenses;

(6) Reserves; and

(7) Capital items.

(c) The budget shall be adopted at an open meeting of the council of unit owners or any other body to which the council of unit owners delegates responsibilities for preparing and adopting the budget.

(d) Any expenditure made other than those made because of conditions which, if not corrected, could reasonably result in a threat to the health or safety of the unit owners or a significant risk of damage to the condominium, that would result in an increase in an amount of assessments for the current fiscal year of the condominium in excess of 15 percent of the budgeted amount previously adopted, shall be approved by an amendment to the budget adopted at a

special meeting, upon not less than 10 days written notice to the council of unit owners.

(e) The adoption of a budget shall not impair the authority of the council of unit owners to obligate the council of unit owners for expenditures for any purpose consistent with any provision of this title.

(f) The provisions of this section do not apply to a condominium that is occupied and used solely for nonresidential purposes.

§ 11-109.3. Court appointment of receiver

(a) If the council of unit owners fails to fill vacancies on the board of directors sufficient to constitute a quorum in accordance with the bylaws, three of more unit owners may petition the circuit court for the county where the condominium is located to appoint a receiver to manage the affairs of the council of unit owners.

(b) (1) At least 30 days before petitioning the circuit court, the unit owners acting under the authority granted by subsection (a) of this section shall mail to the council of unit owners a notice describing the petition and the proposed action.

(2) The unit owners shall post a copy of the notice in a conspicuous place on the condominium property.

(c) If the council of unit owners fails to fill vacancies sufficient to constitute a quorum within the notice period, the unit owners may proceed with the petition.

(d) A receiver appointed by a court under this section may not reside in or own a unit in the condominium governed by the council of unit owners.

(e) (1) A receiver appointed under this section shall have all powers and duties of a duly constituted board of directors.

(2) The receiver shall serve until the council of unit owners fills vacancies on the board of directors sufficient to constitute a quorum.

(f) The salary of the receiver, court costs, and reasonable attorney's fees are common expenses.

§ 11-110. Common expenses and profits; assessments; liens

(a) All common profits shall be disbursed to the unit owners, be credited to their assessments for common expenses in proportion to their percentage interests in common profits and common expenses, or be used for any other purpose as the council of unit owners decides.

(b) (1) Funds for the payment of current common expenses and for the creation of reserves for the payment of future common expenses shall be obtained by assessments against the unit owners in proportion to their percentage interests in common expenses and common profits.

(2) (i) Where provided in the declaration or the bylaws, charges for utility services may be assessed and collected on the basis of usage rather than on the basis of percentage interests.

(ii) If provided by the declaration, assessments for expenses related to maintenance of the limited common elements may be charged to the unit owner or owners who are given the exclusive right to use the limited common elements.

(iii) Assessments for charges under this paragraph may be enforced in the same manner as assessments for common expenses.

(c) A unit owner shall be liable for all assessments, or installments thereof, coming due while he is the owner of a unit. In a voluntary grant the grantee shall be jointly and severally liable with the grantor for all unpaid assessments against the grantor for his share of the common expenses up to the time of the voluntary grant for which a statement of

lien is recorded, without prejudice to the rights of the grantee to recover from the grantor the amounts paid by the grantee for such assessments. Liability for assessments may not be avoided by waiver of the use or enjoyment of any common element or by abandonment of the unit for which the assessments are made.

(d) (1) Payment of assessments, together with interest, late charges, if any, costs of collection and reasonable attorney's fees may be enforced by the imposition of a lien on a unit in accordance with the provisions of the Maryland Contract Lien Act.

(2) Suit for any deficiency following foreclosure may be maintained in the same proceeding, and suit to recover any money judgment for unpaid assessments may also be maintained in the same proceeding, without waiving the right to seek to impose a lien under the Maryland Contract Lien Act.

(e) (1) Any assessment, or installment thereof, not paid when due shall bear interest, at the option of the council of unit owners, from the date when due until paid at the rate provided in the bylaws, not exceeding 18 percent per annum, and if no rate is provided, then at 18 percent per annum.

(2) The bylaws also may provide for a late charge of $15 or one tenth of the total amount of any delinquent assessment or installment, whichever is greater, provided the charge may not be imposed more than once for the same delinquent payment and may only be imposed if the delinquency has continued for at least 15 calendar days.

(3) If the declaration or bylaws provide for an annual assessment payable in regular installments, the declaration or bylaws may further provide that if a unit owner fails to pay an installment when due, the council of unit owners may demand payment of the remaining annual assessment coming due within that fiscal year. A demand by the council is not enforceable unless the council, within 15 days of a unit owner's failure to pay an installment, notifies the unit owner that if the unit owner fails to pay the monthly installment within 15 days of the notice, full payment of the remaining

annual assessment will then be due and shall constitute a lien on the unit as provided in this section.

(f) Foreclosure; priority of liens

(1) This subsection does not limit or affect the priority of any lien, secured interest, or other encumbrance with priority that is held by or for the benefit of, purchased by, assigned to, or security any indebtedness to:

(i) The State or any county or municipal corporation in the State;

(ii) Any unit of State government or the government of any county or municipal corporation in the State; or

(iii) An instrumentality of the State or any county or municipal corporation in the State.

(2) In the case of a foreclosure of a mortgage or deed of trust on a unit in a condominium, a portion of the condominium's liens on the unit, as prescribed in paragraph (3) of this subsection, shall have priority over the claim of the holder of a first mortgage or a first deed of trust that is recorded against the unit on or after October 1, 2011.

(3) The portion of the condominium's liens that has priority under paragraph (2) of this subsection:

(i) Shall consist solely of not more than 4 months, or the equivalent of 4 months, of unpaid regular assessments for common expenses that are levied by the condominium in accordance with the requirements of the declaration or bylaws of the condominium;

(ii) May not include:

1. Interest;

2. Costs of collection;

3. Late charges;

4. Fines;

5. Attorney's fees;

6. Special assessments; or

7. Any other costs or sums due under the declaration or bylaws of the condominium or as provided under any contract, law, or court order; and

(iii) May not exceed a maximum of $1200.

(4) (i) Subject to subparagraph (ii) of this paragraph, at the request of the holder of a first mortgage or first deed of trust on a unit in a condominium, the governing body shall provide to the holder written information about the portion of any lien filed under the Maryland Contract Lien Act that has priority as prescribed under paragraph (3) of this subsection, including information that is sufficient to allow the holder to determine the basis for the portion of the lien that has priority.

(ii) At the time of making a request under subparagraph (i) of this paragraph, the holder shall provide the governing body of he condominium with the written contact information of the holder.

(iii) If the governing body of the condominium fails to provide written information to the holder under subparagraph (i) of this paragraph within 30 days after the filing of the statement of lien among the land records of each county in which the condominium is located, the portion of the condominium's liens does not have priority as prescribed under paragraph (2) of this subsection.

§ 11-111. Rules and regulations

(a) The council of unit owners or the body delegated in the bylaws of a condominium to carry out the responsibilities of the council of unit owners may adopt rules for the condominium if:

(1) Each unit owner is mailed or delivered:

(i) A copy of the proposed rule;

(ii) Notice that unit owners are permitted to submit written comments on the proposed rule; and

(iii) Notice of the proposed effective date of the proposed rule;

(2) (i) Before a vote is taken on the proposed rule, an open meeting is held to allow each unit owner or tenant to comment on the proposed rule;

(ii) The meeting held under this paragraph may not be held unless:

1. Each unit owner receives written notice at least 15 days before the meeting; and

2. A quorum of the council of unit owners or the body delegated in the bylaws of the condominium to carry out the responsibilities of the council of unit owners is present; and

(3) After notice has been given to unit owners as provided in this subsection, the proposed rule is passed at a regular or special meeting by a majority vote of those present and voting of the council of unit owners or the body delegated in the bylaws of the condominium to carry out the responsibilities of the council of unit owners.

(b) (1) The vote on the proposed rule shall be final unless:

(i) Within 15 days after the vote, to adopt the proposed rule, 15 percent of the council of unit owners sign and file a petition with the body that voted to adopt the proposed rule, calling for a special meeting;

(ii) A quorum of the council of unit owners attends the meeting; and

(iii) At the meeting, 50 percent of the unit owners present and voting disapprove the proposed rule, and the unit owners voting to disapprove the proposed rule are more than 33 percent of the total votes in the condominium.

(2) During the special meetings held under paragraph (1) of this subsection, unit owners, tenants, and mortgagees may comment on the proposed rule.

(3) A special meeting held under paragraph (1) of this subsection shall be held:

(i) After the unit owners and any mortgagees have at least 15 days' written notice of the meeting; and

(ii) Within 30 days after the day on which the petition is received by the body.

(c) (1) Each unit owner or tenant may request an individual exception to a rule adopted while the individual was the unit owner or tenant of the condominium.

(2) The request for an individual exception under paragraph (1) of this subsection shall be:

(i) Written;

(ii) Filed with the body that voted to adopt the proposed rule; and

(iii) Filed within 30 days after the effective date of the rule.

(d) (1) Each rule adopted under this section shall state that the rule was adopted under the provisions of this section.

(2) A rule may not be adopted under this section after July 1, 1984 if the rule is inconsistent with the condominium declaration or bylaws.

(3) This section does not apply to rules adopted before July 1, 1984.

§ 11-111.1. Family child care homes

(a) (1) In this section, the following words have the meanings indicated.

(2) "Child care provider" means the adult who has primary responsibility for the operation of a family child care home.

(3) "Family child care home" means a unit registered under Title 5, Subtitle 5 of the Family Law Article.

(4) "No-impact home-based business" means a business that:

(i) Is consistent with the residential character of the dwelling unit;

(ii) Is subordinate to the use of the dwelling unit for residential purposes and requires no external modifications that detract from the residential appearance of the dwelling unit;

(iii) Uses no equipment or process that creates noise, vibration, glare, fumes, odors, or electrical or electronic interference detectable by neighbors or that causes an increase of common expenses that can be solely and directly attributable to a no-impact home-based business; and

(iv) Does not involve use, storage, or disposal of any grouping or classification of materials that the United States Secretary of Transportation or the State or any local governing body designates as a hazardous material.

(b) (1) The provisions of this section relating to family child care homes do not apply to a condominium that is limited to housing for older persons, as defined under the federal Fair Housing Act.

(2) The provisions of this section relating to no-imqact home-based businesses do not apply to a condominium that has adopted, prior to July 1, 1999, procedures in accordance

with its covenants, declaration, or bylaws for the regulation or prohibition of no-impact home-based businesses.

(c) (1) Subject to the provisions of subsections (d) and (e)(1) of this section, a recorded covenant or restriction, a provision in a declaration, or a provision of the bylaws or rules of a condominium that prohibits or restricts commercial or business activity in general, but does not expressly apply to family child care homes or no-impact home-based businesses, may not be construed to prohibit or restrict:

(i) The establishment and operation of family child care homes or no-impact home-based businesses; or

(ii) Use of the roads, sidewalks, and other common elements of the condominium by users of the family child care home.

(2) Subject to the provisions of subsections (d) and (e)(1) of this section, the operation of a family child care home or no-impact home-based business shall be:

(i) Considered a residential activity; and

(ii) A permitted activity.

(d) (1) (i) Subject to the provisions of paragraphs (2) and (3) of this subsection, a condominium may include in its declaration, bylaws, or rules and restrictions a provision expressly prohibiting the use of a unit as a family child care home or no-impact home-based business.

(ii) A provision described under subparagraph (i) of this paragraph expressly prohibiting the use of a unit as a family child care home or no-impact home-based business shall apply to an existing family child care home or no-impact home-based business in the condominium.

(2) A provision described under paragraph (1)(i) of this subsection expressly prohibiting the use of a unit as a family child care home or no-impact home-based business may not be enforced unless it is approved by a simple majority of the total eligible voters of the condominium under

the voting procedures contained in the declaration or bylaws of the condominium.

(3) If a condominium includes in its declaration, bylaws, or rules and restrictions, a provision prohibiting the use of a unit as a family child care home or no-impact home-based business, it shall also include a provision stating that the prohibition may be eliminated and family child care homes or no-impact home-based businesses may be approved by a simple majority of the total eligible voters of the condominium under the voting procedures contained in the declaration or bylaws of the condominium.

(4) If a condominium includes in its declaration, bylaws, or rules and restrictions a provision expressly prohibiting the use of a unit as a family child care home or no-impact home-based business, the prohibition may be eliminated and family child care or no-impact home-based business activities may be permitted by the approval of a simple majority of the total eligible voters of the condominium under the voting procedures contained in the declaration or bylaws of the condominium.

(e) A condominium may include in its declaration, bylaws, or rules and restrictions a provision that:

(1) Regulates the number or percentage of family child care homes operating in the condominium, provided that the percentage of family child care homes permitted may not be less than 7.5 percent of the total units of the condominium;

(2) Requires child care providers to pay on a pro rata basis based on the total number of family child care homes operating in the condominium any increase in insurance costs of the condominium that are solely and directly attributable to the operation of family child care homes in the condominium; and

(3) Imposes a fee for use of common elements in a reasonable amount not to exceed $50 per year on each family child care home or no-impact home-based business which is registered and operating in the condominium.

(f) (1) If the condominium regulates the number or percentage of family child care homes under subsection (e)(1) of this section, in order to assure compliance with the regulation, the condominium may require residents to notify the condominium before opening a family child care home.

(2) The condominium may require residents to notify the condominium before opening a no-impact home-based business.

(g) (1) A child care provider in a condominium:

(i) Shall obtain the liability insurance described under §§ 19-106 and 19-202 of the Insurance Article in at least the minimum amount described under that statute; and

(ii) May not operate without the liability insurance described under item (i) of this paragraph.

(2) A condominium may not require a child care provider to obtain insurance in an amount greater than the minimum amount required under paragraph (1) of this subsection.

(h) A condominium may restrict or prohibit a no-impact home-based business in any common elements.

(i) To the extent that this section is inconsistent with any other provision of this title, this section shall take precedence over any inconsistent provision.

§ 11-111.2. Candidate sign

(a) In this section, "candidate sign" means a sign on behalf of a candidate for public office or a slate of candidates for public office.

(b) Except as provided in subsection (c) of this section, a recorded covenant or restriction, a provision in a declaration, or a provision in the bylaws or rules of a condominium may not restrict or prohibit the display of:

(1) A candidate sign; or

(2) A sign that advertises the support or defeat of any question submitted to voters in accordance with the Election Law Article.

(c) A recorded covenant or restriction, a provision in a declaration, or a provision in the bylaws or rules of a condominium may restrict the display of a candidate sign or a sign that advertises the support or defeat of any proposition:

(1) In the common elements;

(2) In accordance with provisions of federal, State, and local law; or

(3) If a limitation to the time period during which signs may be displayed is not specified by a law of the jurisdiction in which the condominium is located, to a time period not less than:

(i) 30 days before the primary election, general election, or vote on the proposition; and

(ii) 7 days after the primary election, general election, or vote on the proposition.

§ 11-111.3. Distribution of materials

(a) This section does not apply to the distribution of information or materials at any time before the unit owners elect officers or a board of directors in accordance with § 11-109(c)(16) of this title.

(b) In this section, the door-to-door distribution of any of the following information or materials may not be considered a distribution for purposes of determining the manner in which a governing body distributes information or materials under this section:

(1) Any information or materials reflecting the assessments imposed on unit owners in accordance with a

recorded covenant, the declaration, bylaw, or rule of the condominium; and

(2) Any meeting notices of the governing body.

(c) Except for reasonable restrictions to the time of distribution, a recorded covenant or restriction, a provision in a declaration, or a provision of the bylaws or rules of a condominium may not restrict a unit owner from distributing written information or materials regarding the operation of or matters relating to the operation of the condominium in any manner or place that the governing body distributes written information or materials.

§ 11-112. Eminent domain

(a) In this section, the term "taking under the power of eminent domain" includes any sale in settlement of any pending or threatened condemnation proceeding.

(b) The declaration or bylaws may provide for an allocation of any award for a taking under the power of eminent domain of all or a part of the condominium. The declaration or bylaws also may provide for (1) reapportionment or other change of the percentage interests appurtenant to each unit remaining after any taking; (2) the rebuilding, relocation, or restoration of any improvements so taken in whole or in part; and (3) the termination of the condominium regime following any taking.

(c) Unless otherwise provided in the declaration or bylaws, any damages for a taking of all or part of a condominium shall be awarded as follows:

(1) Each unit owner shall be entitled to the entire award for the taking of all or part of his respective unit and for consequential damages to his unit.

(2) Any award for the taking of limited common elements shall be allocated to the unit owners of the units to which the use of those limited common elements is restricted

in proportion to their respective percentage interests in the common elements.

(3) Any award for the taking of general common elements shall be allocated to all unit owners in proportion to their respective percentage interests in the common elements.

(d) Unless otherwise provided in the declaration or bylaws, following the taking of a part of a condominium, the council of unit owners shall not be obligated to replace improvements taken but promptly shall undertake to restore the remaining improvements of the condominium to a safe and habitable condition. Any costs of such restoration shall be a common expense.

(e) Unless provided in the declaration or bylaws, following the taking of all or a part of any unit, the percentage interests appurtenant to the unit shall be adjusted in proportion as the amount of floor area of the unit so taken bears to the floor area of the unit prior to the taking. The council of unit owners promptly shall prepare and record an amendment to the declaration reflecting the new percentage interests appurtenant to the unit. Subject to subsection (g) of this section:

(1) Following the taking of part of a unit the votes appurtenant to that unit shall be appurtenant to the remainder of that unit; and

(2) Following the taking of all of a unit the right to vote appurtenant to the unit shall terminate.

(f) All damages for each unit shall be distributed in accordance with the priority of interests at law or in equity in each respective unit.

(g) Except to the extent specifically described in the condemnation declaration or grant in lieu thereof, a taking of all or part of a unit may not include any of the percentage interests or votes appurtenant to the unit.

§ 11-113. Dispute settlement mechanism

(a) Unless the declaration or bylaws state otherwise, the dispute settlement mechanism provided by this section is applicable to complaints or demands formally arising on or after January 1, 1982.

(b) The council of unit owners or board of directors may not impose a fine, suspend voting, or infringe upon any other rights of a unit owner or other occupant for violations of rules until the following procedure is followed:

(1) Written demand to cease and desist from an alleged violation is served upon the alleged violator specifying:

(i) The alleged violation;

(ii) The action required to abate the violation; and

(iii) A time period, not less than 10 days, during which the violation may be abated without further sanction, if the violation is a continuing one, or a statement that any further violation of the same rule may result in the imposition of sanction after notice and hearing if the violation is not continuing.

(2) Within 12 months of the demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the same rule is violated subsequently, the board serves the alleged violator with written notice of a hearing to be held by the board in session. The notice shall contain:

(i) The nature of the alleged violation;

(ii) The time and place of the hearing, which time may be not less than 10 days from the giving of the notice;

(iii) An invitation to attend the hearing and produce any statement, evidence, and witnesses on his or her behalf; and

(iv) The proposed sanction to be imposed.

(3) A hearing occurs at which the alleged violator has the right to present evidence and present and cross-examine witnesses. The hearing shall be held in executive session pursuant to this notice and shall afford the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. This proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer or director who delivered the notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(4) A decision pursuant to these procedures shall be appealable to the courts of Maryland.

(c) If any unit owner fails to comply with this title, the declaration, or bylaws, or a decision rendered pursuant to this section, the unit owner may be sued for damages caused by the failure or for injunctive relief, or both, by the council of unit owners or by any other unit owner. The prevailing party in any such proceeding is entitled to an award for counsel fees as determined by court.

(d) The failure of the council of unit owners to enforce a provision of this title, the declaration, or bylaws on any occasion is not a waiver of the right to enforce the provision on any other occasion.

§ 11-114. Required insurance coverage; reconstruction

(a) Commencing not later than the time of the first conveyance of a unit to a person other than the developer, the council of unit owners shall maintain, to the extent reasonably available:

(1) Property insurance on the common elements and units, exclusive of improvements and betterments installed in units by unit owners other than the developer, insuring against those risks of direct physical loss commonly insured against, in amounts determined by the council of unit owners but not less than any amounts specified in the declaration or bylaws; and

(2) Comprehensive general liability insurance, including medical payments insurance, in an amount determined by the council of unit owners, but not less than any amount specified in the declaration or bylaws, covering occurrences commonly insured against for death, bodily injury, and property damage arising out of or in connection with the use, ownership, or maintenance of the common elements.

(b) The council of unit owners shall give notice to all unit owners of the termination of any insurance policy within 10 days of termination. The declaration or bylaws may require the council of unit owners to carry any other insurance, and the council of unit owners in any event may carry any other insurance it deems appropriate to protect the council of unit owners or the unit owners.

(c) Insurance policies carried pursuant to subsection (a) of this section shall provide that:

(1) For property and casualty losses to the common elements and the units, exclusive of improvements and betterments installed in the units by unit owners other than the developer, each unit owner is an insured person under the policy with respect to liability arising out of his ownership of an undivided interest in the common elements or membership in the council of unit owners;

(2) The insurer waives its right to subrogation under the policy against any unit owner of the condominium or members of his household;

(3) An act or omission by any unit owner, unless acting within the scope of his authority on behalf of the

council of unit owners, does not void the policy and is not a condition to recovery under the policy; and

(4) If, at the time of a loss under the policy, there is other insurance in the name of a unit owner covering the same property covered by the policy, the policy is primary insurance not contributing with the other insurance.

(d) Any loss covered by the property policy under subsection (a)(1) of this section shall be adjusted with the council of unit owners, but the insurance proceeds for that loss shall be payable to any insurance trustee designated for that purpose, or otherwise to the council of unit owners, and not to any mortgagee. The insurance trustee or the council of unit owners shall hold any insurance proceeds in trust for unit owners and lien holders as their interests may appear. Subject to the provisions of subsection (g) of this section, the proceeds shall be disbursed first for the repair or restoration of the damaged common elements and units, and unit owners and lien holders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the common elements and units have been completely repaired or restored, or the condominium is terminated.

(e) An insurance policy issued to the council of unit owners does not prevent a unit owner from obtaining insurance for his own benefit.

(f) (i) An insurer that has issued an insurance policy under this section shall issue certificates or memoranda of insurance to the council of unit owners and, upon request, to any unit owner, mortgagee, or beneficiary under a deed of trust.

(f) (2) An insurer may cancel an insurance policy used under this section in accordance with § 27-603 of the Insurance Article.

(g) (1) Any portion of the common elements and the units, exclusive of improvements and betterments installed in the units by unit owners other than the developer, damaged

or destroyed shall be repaired or replaced promptly by the council of unit owners unless:

(i) The condominium is terminated;

(ii) Repair or replacement would be illegal under any State or local health or safety statute or ordinance; or

(iii) 80 percent of the unit owners, including every owner of a unit or assigned limited common element which will not be rebuilt, vote not to rebuild.

(2) (i) 1. The cost of repair or replacement in excess of insurance proceeds and reserves is a common expense.

2. A property insurance deductible is not a cost of repair or replacement in excess of insurance proceeds.

(ii) If the cause of any damage to or destruction of any portion of the condominium originates from the common elements, the council of unit owners' property insurance deductible is a common expense.

(iii) 1. If the cause of any damage to or destruction of any portion of the condominium originates from a unit, the owner of the unit where the cause of the damage or destruction originated is responsible for the council of unit owners' property insurance deductible not to exceed $5,000.

2. The council of unit owners shall inform each unit owner annually in writing of:

A. The unit owner's responsibility for the council of unit owners' property insurance deductible; and

B. The amount of the deductible.

3. The council of unit owners' property insurance deductible amount exceeding the $5,000 responsibility of the unit owner is a common expense.

(iv) In the same manner as provided under § 11-110 of this title, the council of unit owners may make an annual

assessment against the unit owner responsible under subparagraph (iii) of this paragraph.

(3) If the damaged or destroyed portion of the condominium is not repaired or replaced:

(i) The insurance proceeds attributable to the damaged common elements shall be used to restore the damaged area to a condition compatible with the remainder of the condominium;

(ii) The insurance proceeds attributable to units and limited common elements which are not rebuilt shall be distributed to the owners of those units and the owners of the units to which those limited common elements were assigned; and

(iii) The remainder of the proceeds shall be distributed to all the unit owners in proportion to their percentage interest in the common elements.

(4) If the unit owners vote not to rebuild any unit, that unit's entire common element interest, votes in the council of unit owners, and common expense liability are automatically reallocated upon the vote as if the unit had been condemned under § 11-112 of this title, and the council of unit owners promptly shall prepare, execute, and record an amendment to the declaration reflecting the reallocations. Notwithstanding the provisions of this subsection, § 11-123 of this title governs the distribution of insurance proceeds if the condominium is terminated.

(h) The council of unit owners shall maintain and make available for inspection a copy of all insurance policies maintained by the council of unit owners.

(i) The provisions of this section do not apply to a condominium all of whose units are intended for nonresidential use.

§ 11-114.1. Fidelity insurance.

(a) In this section, "fidelity insurance" includes a fidelity bond.

(b) This section does not apply to a condominium:

(1) That has four or fewer units; and

(2) For which 3 months' worth or gross annual assessments is less than $2,500.

(c) (1) The council of unit owners or other governing body of a condominium shall purchase fidelity insurance not later than the time of the first conveyance of a unit to a person other than the developer and shall keep fidelity insurance in place for each year thereafter.

(2) The fidelity insurance required under paragraph (1) of this subsection shall provide for the indemnification of the condominium against loss resulting from acts or omissions arising from fraud, dishonesty, or criminal acts by:

(i) Any officer, director, managing agent, or other agent or employee charged with the operation or maintenance of the condominium who controls or disburses funds; and

(ii) Any management company employing a management agent or other employee charged with the operation or maintenance of the condominium who controls or disburses funds.

(d) A copy of the fidelity insurance policy on fidelity bond shall be included in the books and records kept and made available by the council of unit owners under § 11-116 of this title.

(e) (1) The amount of the fidelity insurance required under subsection (a) of this section shall equal at least the lesser of:

(i) 3 months' worth of gross annual assessments and the total amount held in all investment accounts at the time the fidelity insurance is issued; or

(ii) $3,000,000.

(2) The total liability of the insurance to all insured persons under the fidelity insurance may not exceed the sum of the fidelity insurance.

(f) If a unit owner believes that the council of unit owners or other governing body of a condominium has failed to comply with the requirements of this section, the aggrieved unit owner may submit the dispute to the Division of Consumer Protection of the Office of the Attorney General under § 11-130 of this title.

§ 11-114.2 Requirement of owner insurance policy on unit

(a) The bylaws of a condominium may require each unit owner to maintain a condominium unit owner insurance policy on the unit.

(b) Bylaws that require each unit owner to maintain unit owner insurance also shall require each unit owner to provide evidence of the insurance coverage to the council of unit owners annually.

§ 11-115. Improvements, alterations or additions by unit owner.

Subject to the provisions of the declaration or bylaws and other provisions of law, a unit owner:

(1) May make any improvements or alterations to his unit that do not impair the structural integrity or mechanical systems or lessen the support of any portion of the condominium;

(2) May not alter, make additions to, or change the appearance of the common elements, or the exterior appearance of a unit or any other portion of the condominium, without permission of the council of unit owners;

(3) After acquiring an adjoining unit or an adjoining part of an adjoining unit, may remove or alter any intervening partition or create apertures therein, even if the partition in whole or in part is a common element, if those acts do not impair the structural integrity or mechanical systems or lessen the support of any portion of the condominium. However, prior approval shall be given by the council of unit owners or its authorized designee and an amendment to the declaration and plat(s) shall be filed among the land records of the county in which the condominium is located under the name of the condominium. Removal of partitions or creation of apertures under this paragraph is not an alteration of boundaries.

§ 11-116. Books and records to be kept; audit; inspection of records.

(a) The council of unit owners shall keep books and records in accordance with good accounting practices on a consistent basis.

(b) On the request of the unit owners of at least 5 percent of the units, the council of unit owners shall cause an audit of the books and records to be made by an independent certified public accountant, provided an audit shall be made not more than once in any consecutive 12-month period. The cost of the audit shall be a common expense.

(c) (1) (i) Except as provided in paragraph (3) of this subsection, all books and records, including insurance policies, kept by the council of unit owners shall be maintained in Maryland or within 50 miles of its borders and shall be available at some place designated by the council of unit owners for examination or copying, or both, by any unit owner, a unit owner's mortgagee, or their respective duly authorized agents or attorneys, during normal business hours, and after reasonable notice.

(ii) If a unit owner requests in writing a copy of financial statements of the condominium or the minutes of a meeting of the board of directors or other governing body of the condominium to be delivered, the board of directors or

other governing body of the condominium shall compile and send the requested information by mail, electronic transmission, or personal delivery:

1. Within 21 days after receipt of the written request, if the financial statements or minutes were prepared within the 3 years immediately preceding receipt of the request; or

2. Within 45 days after receipt of the written request, if the financial statements or minutes were prepared more than 3 years before receipt of the request.

(2) Books and records required to be made available under paragraph (1) of this subsection shall first be made available to a unit owner not later than 15 business days after a unit is conveyed from a developer and the unit owner requests to examine or copy the books and records.

(3) Books and records kept by or on behalf of a council of unit owners may be withheld from public inspection, except for inspection by the person who is the subject of the record or the person's designee or guardian, to the extent that they concern:

(i) Personnel records, not including information on individual salaries, wages, bonuses, and other compensation paid to employees;

(ii) An individual's medical records;

(iii) An individual's personal financial records, including assets, income, liabilities, net worth, bank balances, financial history or activities, and creditworthiness;

(iv) Records relating to business transactions that are currently in negotiation;

(v) The written advice of legal counsel; or

(vi) Minutes of a closed meeting of the board of directors or other governing body of the council of unit owners, unless a majority of a quorum of the board of

directors or governing body that held the meeting approves unsealing the minutes or a recording of the minutes for public inspection.

(d) (1) Except for a reasonable charge imposed on a person desiring to review or copy the books and records or who requests delivery of information, the council of unit owners may not impose any charges under this section.

(2) A charge imposed under paragraph (1) of this subsection for copying books and records may not exceed the limits authorized under Title 7, Subtitle 2 of the Courts Article.

§ 11-117. Repealed

§ 11-118. Mechanics' and materialmen's liens.

(a) Any mechanics' lien or materialmen's lien arising as a result of repairs to or improvements of a unit by a unit owner shall be a lien only against the unit.

(b) Any mechanics' or materialmen's lien arising as a result of repairs to or improvements of the common elements, if authorized in writing by the council of unit owners, shall be paid by the council as a common expense and until paid shall be a lien against each unit in proportion to its percentage interest in the common elements. On payment of the proportionate amount by any unit owner to the lienor or on the filing of a written undertaking in the manner specified by Maryland Rule 12-307, the unit owner is entitled to a recordable release of his unit from the lien and the council of unit owners is not entitled to assess his unit for payment of the remaining amount due for the repairs or improvements.

(c) Except in proportion to his percentage interest in the common elements, a unit owner personally is not liable (1) for damages as a result of injuries arising in connection with the common elements solely by virtue of his ownership of a percentage interest in the common elements; or (2) for liabilities incurred by the council of unit owners. On payment by any unit owner of his proportionate amount of any judgment resulting from that liability, the unit owner is

entitled to a recordable release of his unit from the lien of the judgment and the council of unit owners is not entitled to assess his unit for payment of the remaining amount due.

§ 11-119. Resident Agent

A person may bring suit against the council of unit owners, or against the condominium unit owners as a whole in any cause relating to the common elements, by service as follows:

(1) If the council of unit owners is a corporation, in the same manner as the Maryland Rules authorize service on a corporation; or

(2) If the council of unit owners is not a corporation, in the same manner as the Maryland Rules authorize service on an unincorporated association.

§ 11-120. Expanding condominiums.

(a) A developer may reserve the right to expand the condominium by subjecting additional sections of property to the condominium regime in a manner so that as each additional section of property is subjected to the condominium regime:

(1) The percentage interests in the common elements of the unit owners in preceding sections shall be reduced and appropriate percentage interests in the common elements of the added sections shall vest in them; and

(2) Appropriate percentage interests in the common elements of the preceding sections shall vest in unit owners in the added sections.

(b) The reservation of the right to expand a condominium is subject to the conditions provided in this subsection.

(1) The declaration establishing the condominium shall describe each parcel of property which may be included in each section to be added to the condominium. This description may be made by reference to the condominium plat.

(2) The declaration establishing the condominium shall show:

(i) The maximum number of units which may be added; and

(ii) The percentage interests in the common elements, the percentage interests in the common expenses and common profits, and the number of votes appurtenant to each unit following the addition of each section of property to the condominium, if added. The percentage interests in the common elements and in common expenses and common profits, and the number of votes that each unit owner will have may be shown by reference to a formula or other appropriate method of determining them following each expansion of the condominium.

(3) The condominium plat for the original condominium shall include, in general terms, the outlines of the land, buildings, and common elements of each successive section that may be added to the condominium.

(4) In the declaration establishing the condominium a right shall be reserved in the developer for a period, not exceeding 10 years from the date of recording of the declaration, to add to the condominium any successive section described in the declaration and in the condominium plat.

(c) (1) If there is compliance with the conditions of subsection (b) of this section, successive sections of property may be added to the condominium if the developer (i) records an amendment to the declaration, showing the new percentage interests of the unit owners, and the votes which each unit owner may cast in the condominium as expanded, and (ii) records an amendment to the condominium plat that

includes the detail and information concerning the new section as required in the original condominium plat.

(2) On recordation of the amendment of the declaration and plat, each unit owner, by operation of law, has the percentage interests in the common elements, and in the common expenses and common profits, and shall have the number of votes, set forth in the amendment to the declaration. Following any expansion, the interest of any mortgagee shall attach, by operation of law, to the new percentage interests in the common elements appurtenant to the unit on which it is a lien.

§ 11-121. Deposits on new condominiums.

Any deposits taken in connection with the sale by a developer of units in a condominium intended for residential use shall be deposited or held in an escrow account as provided in § 10-301 of this article, unless a corporate surety bond is obtained and maintained as provided in § 10-301 of this article.

§ 11-122. Zoning and building regulations.

(a) The provisions of all laws, ordinances, and regulations concerning building codes or zoning shall have full force and effect to the extent that they apply to property which is subjected to a condominium regime and shall be construed and applied with reference to the overall nature and use of the property without regard to the form of ownership. A law, ordinance, or regulation concerning building codes or zoning may not establish any requirement or standard governing the use, location, placement or construction of any land and improvements which are submitted to the provisions of this title, unless the requirement or standard is uniformly applicable to all land and improvements of the same kind or character not submitted to the provisions of this title.

(b) Except as otherwise provided in this title, a county, city, or other jurisdiction may not enact any law, ordinance, or

regulation which would impose a burden or restriction on a condominium that is not imposed on all other property of similar character not subjected to a condominium regime. Any such law, ordinance, or regulation, is void. Except as otherwise expressly provided in §§ 11-130, 11-138, 11-139, and 11-140 of this title, the provisions of this title are statewide in their effect. Any law, ordinance, or regulation enacted by a county, city, or other jurisdiction is preempted by the subject and material of this title.

§ 11-123. Termination of condominium.

(a) Except in the case of a taking of all the units by eminent domain under § 11-112 of this title, a condominium may be terminated only by agreement of unit owners of units to which at least 80 percent of the votes in the council of unit owners are allocated, or any larger percentage the declaration specifies. The declaration may specify a smaller percentage only if all of the units in the condominium are restricted exclusively to nonresidential uses.

(b) An agreement of unit owners to terminate a condominium must be evidenced by their execution of a termination agreement or ratifications thereof. If, pursuant to a termination agreement, the real estate constituting the condominium is to be sold following termination, the termination agreement must set forth the terms of the sale. A termination agreement and all ratifications thereof must be recorded in every county in which a portion of the condominium is situated, and is effective only upon recordation.

(c) The council of unit owners, on behalf of the unit owners, may contract for the sale of the condominium, but the contract is not binding on the unit owners until approved pursuant to subsections (a) and (b) of this section. If the real estate constituting the condominium is to be sold following termination, title to that real estate, upon termination, vests in the council of unit owners as trustee for the holders of all interest in the units. Thereafter, the council of unit owners has all powers necessary and appropriate to effect the sale. Until the sale has been concluded and the proceeds thereof

distributed, the council of unit owners continues in existence with all powers it had before termination. Proceeds of the sale shall be distributed to unit owners and lien holders as their interests may appear, in proportion to the respective interests of unit owners as provided in subsection (f) of this section. Unless otherwise specified in the termination agreement, as long as the council of unit owners holds title to the real estate, each unit owner and his successors in interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted his unit. During the period of that occupancy, each unit owner and his successors in interest remain liable for all assessments and other obligations imposed on unit owners by this title or the declaration.

(d) If the real estate constituting the condominium is not to be sold following termination, title to the real estate, upon termination, vests in the unit owners as tenants in common in proportion to their respective interests as provided in subsection (f) of this section, and liens on the units shift accordingly. While the tenancy in common exists, each unit owner and his successors in interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted his unit.

(e) Following termination of the condominium, and after payment of or provision for the claims of the creditors of the council of unit owners, the assets of the council of unit owners shall be distributed to unit owners in proportion to their respective interests as provided in subsection (f) of this section. The proceeds of sale described in subsection (c) of this section and held by the council of unit owners as trustee are not assets of the council of unit owners.

(f) The respective interests of unit owners referred to in subsections (c), (d), and (e) of this section are as follows:

(1) Except as provided in paragraph (2) of this subsection, the respective interests of unit owners are the fair market values of their units, limited common elements, and common element interests immediately before the termination, as determined by one or more independent appraisers selected by the council of unit owners. The

decision of the independent appraisers shall be distributed to the unit owners and becomes final unless disapproved within 30 days after distribution by unit owners of units to which 25 percent of the votes are allocated. The proportion of any unit owner's interest to that of all unit owners is determined by dividing the fair market value of that unit owner's unit and common element interest by the total fair market values of all the units and common elements.

(2) If any unit or any limited common element is destroyed to the extent that an appraisal of the fair market value thereof prior to destruction cannot be made, the interests of all unit owners are their respective common element interests immediately before the termination.

(g) Foreclosure or enforcement of a lien or encumbrance against the entire condominium does not of itself terminate the condominium, and foreclosure or enforcement of a lien or encumbrance against a portion of the condominium does not withdraw that portion from the condominium.

§ 11-124. Rule of construction.

(a) Neither the rule of law known as the Rule Against Perpetuities nor the rule of law known as the Rule Restricting Unreasonable Restraints on Alienation may be applied to defeat or invalidate any provision of this title or of any declaration, bylaws, or other instrument made pursuant to the provisions of this title.

(b) The provisions of any declaration, bylaws, and condominium plat filed pursuant to this title shall be liberally construed to facilitate the creation and operation of the condominium. So long as the declaration, bylaws, and condominium plat substantially conform with the requirements of this title, a variance from the requirements does not affect the condominium status of the property in question nor the title of any unit owner to his unit, his votes, and his percentage interests in the common elements and in common expenses and common profits.

(c) The declaration, bylaws, and condominium plat shall be construed together and shall be deemed to incorporate one another to the extent that any requirement of this title as to the content of one shall be deemed satisfied if the deficiency can be cured by reference to any of the others. Any provision required by this title may be amended only in accordance with the requirements for amendment applicable to the instrument in which, absent this subsection, it is required to be contained.

(d) All provisions of the declaration, bylaws, and condominium plat are severable and the invalidity of one provision does not affect the validity of any other provision.

(e) If there is any conflict among the provisions of this title, the declaration, condominium plat, bylaws, or rules adopted pursuant to § 11-111 of this title, the provisions of each shall control in the succession listed hereinbefore commencing with "title".

(f) The execution of any instrument by a mortgagee for the purpose of consenting to the legal operation and effect of a declaration, bylaws, and condominium plat does not, unless the contrary is expressly stated, affect the priority of the mortgage or deed of trust. The execution and recordation of a release of a unit in a condominium by a mortgagee which refers to the condominium constitutes consent by that mortgagee to the legal operation and effect of the recorded declaration, bylaws, and condominium plat of that condominium.

§ 11-125. Easements and encroachments.

(a) The existing physical boundaries of any unit or common element constructed or reconstructed in substantial conformity with the condominium plat shall be conclusively presumed to be its boundaries, regardless of the shifting, settlement, or lateral movement of any building and regardless of minor variations between the physical boundaries as described in the declaration or shown on the condominium plat and the existing physical boundaries of any such unit or common element. This presumption applies only to encroachments within the condominium.

(b) If any portion of any common element encroaches on any unit or if any portion of a unit encroaches on any common element or any other unit, as a result of the duly authorized construction or repair of a building, a valid easement for the encroachment and for the maintenance of the encroachment exists so long as the building stands.

(c) An easement for mutual support shall exist in the units and common elements.

(d) The grant or other disposition of a condominium unit shall include and grant, and be subject to, any easement arising under the provisions of this section without specific or particular reference to the easement.

(e) The council of unit owners or its authorized designee shall have an irrevocable right and an easement to enter units to make repairs when the repairs reasonably appear necessary for public safety or to prevent damage to other portions of the condominium. Except in cases involving manifest danger to public safety or property, the council of unit owners shall make a reasonable effort to give notice to the owner of any unit to be entered for the purpose of repair. If damage is inflicted on the common elements or any unit through which access is taken, the council of unit owners is liable for the prompt repair. An entry by the council of unit owners for the purposes specified in this subsection may not be considered a trespass.

(f) (1) The declaration or bylaws may give the council of unit owners authority to grant easements, rights-of-way, licenses, leases in excess of 1 year, or similar interests affecting the common elements of the condominium if the grant is approved by the affirmative vote of unit owners having 66 2/3 percent or more of the votes, and with the express written consent of the mortgagees holding an interest in those units as to which unit owners vote affirmatively. Any easement, right-of-way, license, or similar interest granted by the council of unit owners under this subsection shall state that the grant was approved by unit owners having at least 66 2/3 percent of the votes, and by the corresponding mortgagees.

(2) The board of directors may, by majority vote, grant easements, rights-of-way, licenses, leases in excess of 1 year, or similar interests for the provision of utility services or communication systems for the exclusive benefit of units within the condominium regime. These actions by the board of directors are subject to the following requirements:

(i) The action shall be taken at a meeting of the board held after at least 30-days' notice to all unit owners and mortgagees of record with the condominium;

(ii) At the meeting, the board may not act until all unit owners and mortgagees shall be afforded a reasonable opportunity to present their views on the proposed easement, right-of-way, license, lease, or similar interest;

(iii) The easement, right-of-way, license, lease, or similar interest shall contain the following provisions:

1. The service or system shall be installed or affixed to the premises at no cost to the individual unit owners or the council of unit owners other than charges normally paid for like services by residents of similar or comparable dwelling units within the same area;

2. The unit owners and council of unit owners shall be indemnified for any damage arising out of the installation of the service or system; and

3. The board of directors shall be provided the right to approve of the design for installation of the service or system in order to insure that the installation conforms to any conditions which are reasonable to protect the safety, functioning, and appearance of the premises.

(3) By majority vote, the board of directors may grant to the State perpetual easements, rights-of-way, licenses, leases in excess of 1 year, or similar interests affecting the common elements of the condominium for bulkhead construction, dune construction or restoration, beach replenishment, or periodic maintenance and replacement construction, on Maryland's ocean beaches, including rights in the State to restrict access to dune areas.

These actions by the board of directors are subject to the following requirements:

(i) The action shall be taken at a meeting of the board held after at least 30-days' notice to all unit owners and mortgagees of record with the condominium; and

(ii) At the meeting, the board may not act until all unit owners and mortgagees shall be afforded a reasonable opportunity to present their views on the proposed easement, right-of-way, license, lease, or similar interest.

(4) By majority vote, the board of directors may settle an eminent domain proceeding or grant to the State or any county, municipality, or agency or instrumentality thereof with condemnation authority, perpetual easements, rights-of-way, licenses, leases in excess of 1 year, or similar interests affecting the common elements of the condominium for road, highway, sidewalk, bikeway, storm drain, sewer, water, utility, and similar public purposes. These actions by the board of directors are subject to the following requirements:

(i) The action shall be taken at a meeting of the board held after at least 60 days' notice to all unit owners and all first mortgagees listed with the condominium;

(ii) The notice shall include information provided by the condemnation authority that describes the purpose and the extent of the property being acquired for public use; and

(iii) At the meeting, the board may not act until all unit owners and mortgagees in attendance have been afforded a reasonable opportunity to present their views on the proposed easement, right-of-way, license, lease, or similar interest.

(5) The action of the board of directors granting any easement, right-of-way, license, lease, or similar interest under paragraphs (2), (3), or (4) of this subsection shall not be final until the following have occurred:

(i) Within 15 days after the vote by the board to grant an easement, right-of-way, license, lease, or similar

interest, a petition may be filed with the board of directors signed by the unit owners having at least 15 percent of the votes calling for a special meeting of unit owners to vote on the question of a disapproval of the action of the board of directors granting such easement, right-of-way, license, lease, or similar interest. If no such petition is received within 15 days, the decision of the board shall be final;

(ii) If a qualifying petition is filed, a special meeting shall be held no less than 15 days or more than 30 days from receipt of the petition. At the special meeting, if a quorum is not present, the decision of the board of directors shall be final;

(iii) 1. If a special meeting is held and 50 percent of the unit owners present and voting disapprove the grant, and the unit owners voting to disapprove the grant are more than 33 percent of the total votes in the condominium, then the grant shall be void; or

2. If the vote of the unit owners is not more than 33 percent of the total votes in the condominium, the decision of the board or council to make the grant shall be final;

(iv) Mortgagees shall receive notice of and be entitled to attend and speak at such special meeting; and

(v) Any easement, right-of-way, license, lease, or similar interest granted by the board of directors under the provisions of this subsection shall state that the grant was approved in accordance with the provisions of this subsection.

(6) The provisions of this subsection are applicable to all condominiums, regardless of the date they were established.

§ 11-126. Disclosure requirements.

(a) A contract for the initial sale of a unit to a member of the public is not enforceable by the vendor unless:

(1) The purchaser is given on or before the time a contract is entered into between the vendor and the purchaser, a current public offering statement as amended and registered with the Secretary of State containing all of the information set forth in subsection (b) of this section; and

(2) The contract of sale contains, in conspicuous type, a notice of:

(i) The purchaser's right to receive a public offering statement and his rescission rights under this section; and

(ii) The warranties provided by § 11-131 of this title.

(b) The public offering statement required by subsection (a) of this section shall be sufficient for the purposes of this section if it contains at least the following:

(1) A copy of the proposed contract of sale for the unit;

(2) A copy of the proposed declaration, bylaws, and rules and regulations;

(3) A copy of the proposed articles of incorporation of the council of unit owners, if it is to be incorporated;

(4) A copy of any proposed management contract, insurance contract, employment contract, or other contract affecting the use of, maintenance of, or access to all or part of the condominium to which it is anticipated the unit owners or the council of unit owners will be a party, and a statement of the right of the council of unit owners to terminate contracts entered into during the developer control period under § 11-133 of this title;

(5) A copy of the actual annual operating budget for the condominium or, if no actual operating budget exists, a copy of the projected annual operating budget for the condominium including reasonable details concerning:

(i) The estimated monthly payments by the purchaser for assessments;

(ii) Monthly charges for the use, rental, or lease of any facilities not part of the condominium;

(iii) The amount of the reserve fund for repair and replacement and its intended use; and

(iv) Any initial capital contribution or similar fee, other than assessments for common expenses, to be paid by unit owners to the council of unit owners or vendor, and a statement of how the fees will be used;

(6) A plain language statement of the policy and procedures for collecting assessments and handling collection of delinquencies, including reasonable details concerning:

(i) The number and percentage of unit owners who are delinquent or in arrears in an amount equal to or greater than 50% of the annual assessment of the unit owner;

(ii) The number of unsatisfied liens currently recorded against unit owners under the Maryland Contract Lien Act;

(iii) The number of unsatisfied judgments obtained against unit owners for unpaid assessments; and

(iv) The total amount of arrearages among all unit owners;

(7) A copy of any lease to which it is anticipated the unit owners or the council of unit owners will be a party following closing;

(8) A description of any contemplated expansion of the condominium with a general description of each stage of expansion and the maximum number of units that can be added to the condominium;

(9) A copy of the floor plan of the unit or the proposed condominium plats;

(10) A description of any recreational or other facilities which are to be used by the unit owners or maintained by them or by the council of unit owners, and a statement as to whether or not they are to be part of the common elements;

(11) A statement as to whether streets within the condominium are to be dedicated to public use or maintained by the council of unit owners;

(12) A statement of any judgments against the council of unit owners and the existence of any pending suits to which the council of unit owners is a party;

(13) In the case of a condominium containing buildings substantially completed more than 5 years prior to the filing of the application for registration under § 11-127 of this title, a statement of the physical condition and state of repair of the major structural, mechanical, electrical, and plumbing components of the improvements, to the extent reasonably ascertainable, and estimated costs of repairs for which a present need is disclosed in the statement and a statement of repairs which the vendor intends to make. The vendor is entitled to rely on the reports of architects or engineers authorized to practice their profession in this State;

(14) A description of any provision in the declaration or bylaws limiting or providing for the duration of developer control or requiring the phasing-in of unit owner participation, or a statement that there is no such provision;

(15) If the condominium is one which will be created by the conversion of a rental facility, a copy of the notice and materials required by §§ 11-102.1 and 11-137 of this title;

(16) A statement of whether the unit being purchased is subject to an extended lease under § 11-137 of this title, or local law, and a copy of any extended lease;

(17) A written notice of the unit owner's responsibility for the council of unit owners' property insurance deductible and the amount of the deductible; and

(18) Any other information required by regulation duly adopted and issued by the Secretary of State.

(c) A person may not advertise or represent that the Secretary of State has approved or recommended the condominium, the public offering statement, or any of the documents contained in the application for registration.

(d) (1) Following execution of a contract of sale by a purchaser, the vendor may not amend any of the material required to be furnished by subsection (a) of this section without the approval of the purchaser if the amendment would affect materially the rights of the purchaser.

(2) Approval is not required if the amendment is required by any governmental authority or public utility, or if the amendment is made as a result of actions beyond the control of the vendor or in the ordinary course of affairs of the council of unit owners.

(3) A copy of any amendments shall be delivered promptly to any purchaser and to the Secretary of State.

(e) (1) Any purchaser may at any time (1) within 15 days following receipt of all of the information required under subsection (b) of this section or the signing of the contract, whichever is later; and (2) within 5 days following receipt of the information required under subsection (d) of this section, rescind in writing the contract of sale without stating any reason and without any liability on his part, and he shall be entitled to the return of any deposits made on account of the contract.

(2) The return of any deposits held in trust by a licensed real estate broker to a purchaser under this subsection shall comply with the procedures set forth in § 17-505 of the Business Occupations and Professions Article.

(f) Any vendor who, in disclosing the information required under subsections (a) and (b) of this section, makes any untrue statement of a material fact, or omits to state a material fact necessary in order to make the statements made, in the light of circumstances under which they were made, not misleading, shall be liable to any person purchasing a unit from the vendor for those damages proximately caused by the vendor's untrue statement or

omission. However, an action may not be maintained to enforce any liability created under this section unless brought within 1 year after the facts constituting the cause of action are or should have been discovered.

(g) The rights of a purchaser under this section may not be waived in the contract of sale and any attempted waiver is void. However, if any purchaser proceeds to closing, his right under this section to rescind is terminated.

(h) This section does not apply to the sale of any unit which is to be occupied and used for nonresidential purposes.

(i) This section applies to the sale of any unit offered for sale in the State without regard to the location of the condominium.

(j) The provisions of this section do not apply to a sale of a unit in an action to foreclose a mortgage or deed of trust.

§ 11-127. Registration

(a) A contract for the initial sale of a unit to a member of the public may not be entered into until the public offering statement for the proposed condominium regime has been registered with the Secretary of State and until 10 days after all amendments then applicable to the public offering statement have been filed with the Secretary of State under subsection (d) of this section.

(b) (1) An application for registration shall consist of the public offering statement described in § 11-126 of this title. A developer shall file the number of copies required by the Secretary of State. The Secretary of State shall notify the governing body of the county and/or municipality in which the condominium is located of the filing of the application. An application shall be accompanied by a fee of not less than $100, in an amount equal to $5 per unit.

(2) A developer promptly shall file amendments to report any material change in any document or information contained in the application.

(c) (1) The Secretary of State shall acknowledge receipt of an application for registration within 5 business days after receiving it. The Secretary shall determine whether the application satisfies the disclosure requirements of § 11-126 of this title within 45 days after receipt.

(2) If the Secretary of State determines that the application complies with § 11-126 of this title, the Secretary shall issue promptly an order registering the condominium. Otherwise, unless the developer has consented in writing to a delay not to exceed 30 days, the Secretary shall issue promptly an order rejecting registration. The order shall include the specific reasons for the rejection. The Secretary's failure to issue any order within 45 days of receipt or within the time period agreed upon shall be deemed an approval of the condominium. Rejection of an application for registration by the Secretary of State may not act as a bar to reapplication for registration. An application amended to comply with the stated reasons for rejection and accompanied by an additional fee as provided in subsection (b) of this section shall be approved by the Secretary of State upon his determination that the amended application satisfies the requirements of this section.

(d) (1) (i) A developer shall promptly file with the Secretary of State copies of any changes in the documents or information contained in the public offering statement which are necessary to make the documents or information current.

(ii) A public offering statement is current if the information required under § 11-126(b)(2), (4), (5), (6), and (12) of this title is updated and filed by the developer not less than annually.

(2) (i) A developer shall file a written statement with the council of unit owners describing the progress of construction, repairs, and all other work on the condominium, which the developer has completed or intends to complete in accordance with the public offering statement for the condominium.

(ii) This written statement shall be filed within 30 days after the anniversary date for registration of the

public offering statement for the condominium and annually thereafter until the registration of the condominium is terminated.

(3) A developer shall notify the Secretary of State in writing when all of the units in the condominium have been conveyed to unit owners other than the developer, and the developer either cannot add additional units to the condominium or has determined that no additional units will be added to the condominium.

(4) If the developer notifies the Secretary of State that all of the units in the condominium have been conveyed to unit owners other than the developer, and that the developer either cannot add additional units to the condominium, or has determined that no additional units will be added to the condominium, the Secretary of State shall issue an order terminating the registration of the condominium.

(e) The Secretary of State shall be responsible for the administration of this section.

(1) The Secretary may adopt, amend, and repeal regulations necessary to carry out the requirements of the provisions of this section.

(2) The Secretary may prescribe forms and procedures for submitting applications.

(f) This section does not apply to the sale of any unit which is to be occupied and used for nonresidential purposes.

§ 11-128. Duties of Secretary of State.

(a) The Secretary of State shall establish a file of local legislation affecting condominiums as enacted under §§ 11-130, 11-137, 11-138, 11-139 and 11-140 of this title, indexed by county and municipality.

(b) The Secretary of State 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 Secretary's duties.

(c) The Secretary of State shall work in cooperation with the Consumer Protection Division of the Office of the Attorney General in the enforcement of this title.

§ 11-129. Foreign condominium units sold in State.

(a) In the case of a condominium situated wholly outside of this State, being promoted and having a sales office within the State, an application for registration or proposed public offering statement filed with the Secretary of State which has been approved by an agency in the state where the condominium is located and substantially complies with the requirements of this title may not be rejected by the Secretary on the grounds of noncompliance with any different or additional requirements imposed by this title. However, the Secretary may require additional documents or information in particular cases to assure adequate and accurate disclosure to prospective purchasers.

(b) If there is no out-of-state agency which has approved the application for registration or proposed public offering statement, the application shall consist of the public offering statement described in § 11-126 of this title, and shall be approved in accordance with § 11-127 of this title.

§ 11-130. Consumer protection.

(a) This section is intended to provide minimum standards for the protection of consumers in the State.

(b) (1) For purposes of this section, "consumer" means an actual or prospective purchaser, lessee, assignee or recipient of a condominium unit.

(2) "Consumer" includes a co-obligor or surety for a consumer.

(c) (1) To the extent that a violation of any provision of this title affects a consumer, that violation shall be within the scope of the enforcement duties and powers of the Division of Consumer Protection of the Office of the Attorney General, as described in Title 13 of the Commercial Law Article.

(2) The provisions of this title shall otherwise be enforced by each agency of the State within the scope of its authority.

(d) A county or incorporated municipality, or an agency of any of those jurisdictions, may adopt laws or ordinances for the protection of a consumer to the extent and in the manner provided for under § 13-103 of the Commercial Law Article.

(e) Within 30 days of the effective date of a law, ordinance, or regulation enacted under this section which is expressly applicable to condominiums, the local jurisdiction shall forward a copy of the law, ordinance or regulation to the Secretary of State.

§ 11-131. Warranties.

(a) The implied warranties provided in this section may not be excluded or modified.

(b) (1) The warranties provided in §§ 10-202 and 10-203 of this article apply to all sales by developers under this title. For the purposes of this article, a newly constructed dwelling unit means a newly constructed or newly converted condominium unit and its appurtenant undivided fee simple interest in the common areas.

(2) If a developer grants an improvement to an intermediate purchaser to evade any liability to a purchaser imposed by the provisions of this section, or by § 10-202 or § 10-203 of this article, the developer is liable on the subsequent sale of the improvement by the intermediate

purchaser as if the subsequent sale had been effectuated by the developer without regard to the intervening grant.

(c) In addition to the implied warranties set forth in § 10-203 of this article there shall be an implied warranty on an individual unit from a developer to a unit owner. The warranty on an individual unit commences with the transfer of title to that unit and extends for a period of 1 year. The warranty shall provide:

(1) That the developer is responsible for correcting any defects in materials or workmanship in the construction of walls, ceilings, floors, and heating and air conditioning systems in the unit; and

(2) That the heating and any air conditioning systems have been installed in accordance with acceptable industry standards and:

(i) That the heating system is warranted to maintain a 70^{o} F temperature inside with the outdoor temperature and winds at the design conditions established by the Energy Conservation Building Standards Act, Title 7, Subtitle 4 of the Public Utility Companies Article, or those established by the political subdivision as provided in Title 7, Subtitle 4 of the Public Utility Article; and

(ii) That the air conditioning system is warranted to maintain a 78^{o} F temperature inside with the outdoor temperature at the design conditions established by Title 7, Subtitle 4 of the Public Utility Companies Article, or those established by the political subdivision as provided in Title 7, Subtitle 4 of the Public Utility Companies Article.

(d) (1) In addition to the implied warranties set forth in § 10-203 of this article there shall be an implied warranty on common elements from a developer to the council of unit owners. The warranty shall apply to: the roof, foundation, external and supporting walls, mechanical, electrical, and plumbing systems, and other structural elements.

(2) The warranty shall provide that the developer is responsible for correcting any defect in materials or workmanship, and that the specified common elements are

within acceptable industry standards in effect when the building was constructed.

(3) (i) The warranty on common elements commences with the first transfer of title to a unit owner.

(ii) The warranty of any common elements not completed at the first transfer of title to a unit owner shall commence with the completion of that element or with its availability for use by all unit owners, whichever occurs later.

(iii) The warranty extends for a period of 3 years from commencement under subparagraph (i) or (ii) of this paragraph or 2 years from the date on which the unit owners, other than the developer and its affiliates, first elect a controlling majority of the members of the board of directors for the council of unit owners, whichever occurs later.

(4) A suit for enforcement of the warranty on general common elements shall be brought only by the council of unit owners. A suit for enforcement of the warranty on limited common elements may be brought by the council of unit owners or any unit owner to whose use it is reserved.

(e) Notice of defect shall be given within the warranty period and suit for enforcement of the warranty shall be brought within 1 year of the warranty period.

(f) (1) Warranties shall not apply to any defects caused through abuse or failure to perform maintenance by a unit owner or the council of unit owners.

(2) The provisions of this section do not apply to a condominium that is occupied and used solely for nonresidential purposes.

§ 11-132. Documents to be delivered to council of unit owners by developer.

On transfer of control by the developer to the council of unit owners, the developer shall turn over documents including:

(1) Copies of the condominium's filed articles of incorporation, recorded declaration, and all recorded covenants, bylaws, plats, and restrictions of the condominium;

(2) Subject to the restrictions of § 11-116 of this title, all books and records of the condominium, including financial statements, minutes of any meeting of the governing body, and completed business transactions;

(3) Any policies, rules, and regulations adopted by the governing body;

(4) The financial records of the condominium from the date of creation to the date of transfer of control, including budget information regarding estimated and actual expenditures by the condominium and any report relating to the reserves required for major repairs and replacement of the common elements of the condominium;

(5) A copy of all contracts to which the condominium is a party;

(6) The name, address, and telephone number of any contractor or subcontractor employed by the condominium;

(7) Any insurance policies in effect and all prior insurance policies;

(8) Any permit or notice of code violation issued to the condominium by the county, local, State, or federal government;

(9) Any warranty in effect;

(10) Drawings, architectural plans, or other suitable documents setting forth the necessary information for location, maintenance, and repair of all condominium facilities; and

(11) Individual owner files and records, including assessment account records, correspondence, and notices of any violations.

§ 11-133. Termination of leases or management and similar contracts.

(a) Within three years following the date on which units have been granted by the developer to unit owners having a majority of the votes in the council of unit owners, any lease, and any management contract, employment contract, or other contract to which the council of unit owners is a party entered into between the date the property subjected to the condominium regime was granted to the developer and the date on which units have been granted by the developer to unit owners having a majority of votes in the council of unit owners may be terminated by a majority vote of the council of unit owners without liability for the termination. The termination shall become effective upon 30 days' written notice of the termination from the council of unit owners.

(b) The provisions of this section do not apply to:

(1) Any contract or grant between the council of unit owners and any governmental agency or public utility; or

(2) A condominium that is occupied and used solely for nonresidential purposes.

§ 11-134. Provisions requiring employment of developer or vendor to effect sale; exception.

Any provision of a declaration or other instrument made pursuant to this title which requires the owner of a unit to engage or employ the developer or any subsidiary or affiliate of the developer for the purpose of effecting a sale or lease of any unit is void. Any provision of any contract for the sale of any unit which requires the purchaser to engage or employ the vendor or any subsidiary or affiliate of the vendor for the purpose of effecting a sale or lease of any unit is void. The provisions of this section apply to declarations, instruments and contracts made prior to and after July 1, 1974. The

provisions of this section do not apply to a condominium that is occupied and used solely for nonresidential purposes.

§ 11-135. Resale of unit.

(a) Except as provided in subsection (b) of this section, a contract for the resale of a unit by a unit owner other than a developer is not enforceable unless the contract of sale contains in conspicuous type a notice in the form specified in subsection (g)(1) of this section, and the unit owner furnishes to the purchaser not later than 15 days prior to closing:

(1) A copy of the declaration (other than the plats);

(2) The bylaws;

(3) The rules or regulations of the condominium;

(4) A certificate containing:

(i) A statement disclosing the effect on the proposed conveyance of any right of first refusal or other restraint on the free alienability of the unit other than any restraint created by the unit owner;

(ii) A statement setting forth the amount of the monthly common expense assessment and any unpaid common expense or special assessment currently due and payable from the selling unit owner;

(iii) A statement of any other fees payable by the unit owners to the council of unit owners;

(iv) A statement of any capital expenditures approved by the council of unit owners planned at the time of the conveyance which are not reflected in the current operating budget disclosed under subparagraph (vi) of this paragraph;

(v) The most recent regularly prepared balance sheet and income expense statement, if any, of the condominium;

(vi) The current operating budget of the condominium including details concerning the reserve fund for repair and replacement and its intended use, or a statement that there is no reserve fund;

(vii) A statement of any judgments against the condominium and the existence of any pending suits to which the council of unit owners is a party;

(viii) A statement generally describing any insurance policies provided for the benefit of unit owners, a notice that copies of the policies are available for inspection, stating the location at which the copies are available, and a notice that the terms of the policy prevail over the description;

(ix) A statement as to whether the council of unit owners has knowledge that any alteration or improvement to the unit or to the limited common elements assigned to the unit violates any provision of the declaration, bylaws, or rules or regulations;

(x) A statement as to whether the council of unit owners has knowledge of any violation of the health or building codes with respect to the unit, the limited common elements assigned to the unit, or any other portion of the condominium;

(xi) A statement of the remaining term of any leasehold estate affecting the condominium and the provisions governing any extension or renewal thereof; and

(xii) A description of any recreational or other facilities which are to be used by the unit owners or maintained by them or the council of unit owners, and a statement as to whether or not they are to be a part of the common elements;

(5) A statement by the unit owner as to whether the unit owner has knowledge:

(i) That any alteration to the unit or to the limited common elements assigned to the unit violates any provision of the declaration, bylaws, or rules and regulations;

(ii) Of any violation of the health or building codes with respect to the unit or the limited common elements assigned to the unit; and

(iii) That the unit is subject to an extended lease under § 11-137 of this title or under local law, and if so, a copy of the lease must be provided; and

(6) A written notice of the unit owner's responsibility for the council of unit owners' property insurance deductible and the amount of the deductible.

(b) A contract for the resale by a unit owner other than a developer of a unit in a condominium containing less than 7 units is not enforceable unless the contract of sale contains in conspicuous type a notice in the form specified in subsection (g)(2) of this section, and the unit owner furnishes to the purchaser not later than 15 days prior to closing:

(1) A copy of the declaration (other than the plats);

(2) The bylaws;

(3) The rules and regulations of the condominium; and

(4) A statement by the unit owner of the unit owner's expenses during the preceding 12 months relating to the common elements.

(5) A written notice of the unit owner's responsibility for the council of unit owners' property insurance deductible and the amount of the deductible.

(c) (1) The council of unit owners, within 20 days after a written request by a unit owner and receipt of a reasonable fee therefor, not to exceed the cost to the council of unit owners, if any, shall furnish a certificate containing the information necessary to enable the unit owner to comply with subsection (a) of this section. A unit owner providing a certificate under subsection (a) of this section is not liable to the purchaser for any erroneous information provided by the council of unit owners and included in the certificate.

(2) With respect to the remaining information that the unit owner is required to disclose under subsection (a) of this section that is not provided by the council of unit owners and included in the certificate, a unit owner:

(i) Except as provided in subparagraph (ii) of this paragraph, is liable to the purchaser under this section for damages proximately caused by:

1. An untrue statement about a material fact; and

2. An omission of a material fact that is necessary to make the statements made not misleading, in light of the circumstances under which the statements were made; and

(ii) Is not liable to the purchaser under this section if the owner had, after reasonable investigation, reasonable grounds to believe, and did believe, at the time the information was provided to the purchaser, that the statements were true and that there was no omission to state a material fact necessary to make the statements made not misleading, in light of the circumstances under which the statements were made.

(d) A purchaser is not liable for any unpaid assessment or fee greater than the amount set forth in the certificate prepared by the council of unit owners. A unit owner is not liable to a purchaser for the failure or delay of the council of unit owners to provide the certificate in a timely manner.

(e) The rights of a purchaser under this section may not be waived in the contract of sale, and any attempted waiver is void. However, if a purchaser proceeds to closing, his right to rescind the contract under subsection (f) is terminated.

(f) (1) Any purchaser may at any time within 7 days following receipt of all of the information required under subsection (a) or (b) of this section, whichever is applicable, rescind in writing the contract of sale without stating any reason and without any liability on his part.

(2) The purchaser, upon rescission, is entitled to the return of any deposits made on account of the contract.

(3) If any deposits are held in trust by a licensed real estate broker, the return of the deposits to a purchaser under this subsection shall comply with the procedures set forth in §17-505 of the Business Occupations and Professions Article.

(g) (1) A notice given as required by subsection (a) of this section shall be sufficient for the purposes of this section if it is in substantially the following form:

"NOTICE

The seller is required by law to furnish to you not later than 15 days prior to closing certain information concerning the condominium which is described in § 11-135 of the Maryland Condominium Act. This information must include at least the following:

(i) A copy of the declaration (other than the plats);

(ii) A copy of the bylaws;

(iii) A copy of the rules and regulations of the condominium;

(iv) A certificate containing:

1. A statement disclosing the effect on the proposed conveyance of any right of first refusal or other restraint on the free alienability of the unit, other than any restraint created by the unit owner;

2. A statement of the amount of the monthly common expense assessment and any unpaid common expense or special assessment currently due and payable from the selling unit owner;

3. A statement of any other fees payable by the unit owners to the council of unit owners;

4. A statement of any capital expenditures approved by the council of unit owners or its authorized designee planned at the time of the conveyance which are not reflected in the current operating budget included in the certificate;

5. The most recently prepared balance sheet and income and expense statement, if any, of the condominium;

6. The current operating budget of the condominium, including details concerning the amount of the reserve fund for repair and replacement and its intended use, or a statement that there is no reserve fund;

7. A statement of any judgments against the condominium and the existence of any pending suits to which the council of unit owners is a party;

8. A statement generally describing any insurance policies provided for the benefit of the unit owners, a notice that the policies are available for inspection stating the location at which they are available, and a notice that the terms of the policy prevail over the general description;

9. A statement as to whether the council of unit owners has knowledge that any alteration or improvement to the unit or to the limited common elements assigned to the unit violates any provision of the declaration, bylaws, or rules or regulations;

10. A statement as to whether the council of unit owners has knowledge of any violation of the health or building codes with respect to the unit, the limited common elements assigned to the unit, or any other portion of the condominium;

11. A statement of the remaining term of any leasehold estate affecting the condominium and the provisions governing any extension or renewal of it; and

12. A description of any recreational or other facilities which are to be used by the unit owners or maintained by them or the council of unit owners, and a

statement as to whether or not they are to be a part of the common elements; and

(v) A statement by the unit owner as to whether the unit owner has knowledge:

1. That any alteration to the unit or to the limited common elements assigned to the unit violates any provision of the declaration, bylaws, or rules and regulations.

2. Of any violation of the health or building codes with respect to the unit or the limited common elements assigned to the unit.

3. That the unit is subject to an extended lease under § 11-137 of this title or under local law, and if so, a copy of the lease must be provided.

You will have the right to cancel this contract without penalty, at any time within 7 days following delivery to you of all of this information. However, once the sale is closed, your right to cancel the contract is terminated."

(2) A notice given as required by subsection (b) of this section shall be sufficient for the purposes of this section if it is in substantially the following form:

"NOTICE

The seller is required by law to furnish to you not later than 15 days prior to closing certain information concerning the condominium which is described in § 11-135 of the Maryland Condominium Act. This information must include at least the following:

(1) A copy of the declaration (other than the plats);

(2) A copy of the bylaws;

(3) A copy of the rules and regulations of the condominium; and

(4) A statement by the seller of his expenses relating to the common elements during the preceding 12 months.

You will have the right to cancel this contract without penalty, at any time within 7 days following delivery to you of all of this information. However, once the sale is closed, your right to cancel the contract is terminated."

(h) Upon any sale of a condominium unit, the purchaser or his agent shall provide to the council of unit owners to the extent available, the name and forwarding address of the prior unit owner, the name and address of the purchaser, the name and address of any mortgagee, the date of settlement, and the proportionate amounts of any outstanding condominium fees or assessments assumed by each of the parties to the transaction.

(i) This section does not apply to the sale of any unit which is to be used and occupied for nonresidential purposes.

(j) Subsections (a), (b), (c), (d), (e), (f), and (g) of this section do not apply to a sale of a unit in an action to foreclose a mortgage or deed of trust.

§ 11-136. Tenant's right to purchase property occupied as his residence.

(a) (1) An owner required to give notice under § 11-102.1 of this title shall offer in writing to each tenant entitled to receive that notice the right to purchase that portion of the property occupied by the tenant as his residence. The offer shall be at a price and on terms and conditions at least as favorable as the price, terms, and conditions offered for that portion of the property to any other person during the 180 day period following the giving of the notice required by § 11-102.1 of this title. Settlement cannot be required any earlier than 120 days after the offer is accepted by the tenant.

(2) The offer to each tenant shall be made concurrently with the giving of the notice required by § 11-

102.1 of this title, shall be a part of that notice, and shall state at least the following:

(i) That the offer will terminate upon the earlier to occur of termination of the lease by the tenant or 60 days after delivery;

(ii) That acceptance of the offer by a tenant who meets the criteria for an extended lease under § 11-137(b) of this title is contingent upon the tenant not receiving an extended lease;

(iii) That settlement cannot be required any earlier than 120 days after acceptance by the tenant; and

(iv) That the household is entitled to reimbursement for moving expenses as provided in subsection (h) of this section. Delivery of a notice in the form specified in § 11-102.1(f) of this title meets the requirements of this subparagraph.

(3) If the offer to the tenant under this subsection is not included with the notice required by § 11-102.1 of this title, the 180-day period during which the tenant is entitled to remain in the tenant's residence does not begin until the tenant receives the offer.

(b) (1) Notwithstanding the provisions of subsection (a), an owner may make any alterations or additions to the size, location, configuration, and physical condition of the property. The developer is not required to make the boundaries of any portion of the property occupied by a tenant as the tenant's residence coincide with the boundaries of a unit.

(2) In the event the boundaries of any portion of the property occupied by a tenant as the tenant's residence do not coincide with the boundaries of a unit, then, to the extent reasonable and practicable, the owner shall offer in writing to that tenant the right to purchase a substantially equivalent portion of the property. The offer shall be at a price and on terms and conditions at least as favorable as the price, terms and conditions offered for that portion of the property to any

other person and shall contain the statements required by subsection (a)(2) of this section.

(c) Unless written acceptance of an offer made under subsection (a) or (b) of this section is sooner delivered to the owner by the tenant, the offer shall terminate, without further act, upon the earlier to occur of:

(1) Termination of the lease by the tenant; or

(2) 60 days after the offer is delivered to the tenant.

(d) Acceptance of an offer by a tenant who meets the criteria for an extended lease under § 11-137(b) of this title shall be contingent upon the tenant not receiving an extended lease.

(e) If the offer terminates, the owner may not offer to sell that unit at a price or on terms and conditions more favorable to the offeree than the price, terms, and conditions offered to the tenant during the 180 day period following the giving of the notice required by § 11-102.1 of this title.

(f) Within 75 days after the giving of the notice required by § 11-102.1 of this title, the developer shall provide to any county, incorporated municipality or housing agency which has a right to purchase units in the rental facility under § 11-139 of this title a list of the names and units of all tenants who have validly accepted offers made under this section within 60 days of the giving of the notice required by § 11-102.1 of this title, except those offers which have terminated because of the granting of an extended lease under § 11-137 of this title.

(g) If a deed for a unit contains an affidavit by the grantor that the provisions of this section have been fulfilled, then the grantee in that deed takes title to the unit free and clear of all claims and rights of any person arising under this section.

(h) (1) If the household does not accept the purchase offer made under this section, the owner shall:

(i) If the household qualifies as to income under § 11-137(b)(1) of this title, pay the household $375 when the household vacates the unit and reimburse the household for moving expenses as defined in § 11-101 of this title in excess of $375 up to $750 which are actually and reasonably incurred; or

(ii) If the household does not qualify as to income under § 11-137(b)(1) of this title, reimburse the household for moving expenses as defined in § 11-101 of this title up to $750 which are actually and reasonably incurred.

(2) The household shall make a written request for moving expense reimbursement to the developer, accompanied by reasonable evidence of the costs incurred, within 30 days following moving. The developer shall reimburse the household within 30 days following receipt of the request.

§ 11-137. Designated household; lease of unit.

(a)(1) In this section the following words have the meanings indicated:

(2) "Annual income" means the total income from all sources, of a designated household, for the income tax year immediately preceding the year in which the notice is given under § 11-102.1 of this title, whether or not included in the definition of gross income for federal or State tax purposes. For purposes of this section, the inclusions and exclusions from annual income are the same as those listed in § 9-104(a)(8) of the Tax - Property Article, "gross income" as that term is defined for the property tax credits for homeowners by reason of income and age, but shall not include unreimbursed medical expenses if the tenant provides reasonable evidence of the unreimbursed medical expenses or consents in writing to authorize disclosure of relevant information regarding medical expense reimbursement at the time of applying for an extended lease.

(3) "Designated household" means any of the following households:

(i) A household which includes a senior citizen who has been a member of the household for a period of at least 12 months preceding the giving of the notice required by § 11-102.1 of this title; or

(ii) A household which includes an individual with a disability who has been a member of the household for a period of at least 12 months preceding the giving of the notice required by § 11-102.1 of this title.

(4) (i) "Disability" means:

1. A physical or mental impairment that substantially limits one or more of an individual's major life activities; or

2. A record of having a physical or mental impairment that substantially limits one or more of an individual's major life activities.

(ii) "Disability" does not include the current illegal use of or addition to:

1. A controlled dangerous substance as defined in § 5-101 of the Criminal Law Article: or

2. A controlled substance as defined in *21 U.S.C.* § *802.*

(5)"Household" means only those persons domiciled in the unit at the time the notice required by § 11-102.1 of this title is given.

(6) "Rental facility" means property containing 10 or more dwelling units intended to be leased to persons who occupy the dwellings as their residences.

(7) "Senior citizen" means a person who is at least 62 years old on the date that the notice required by § 11-102.1 of this title is given.

(8) "Unreimbursed medical expenses" means the cost of medical expenses not otherwise paid for by insurance or some other third party, including medical and hospital insurance premiums, co-payments, and deductibles; Medicare A and B premiums; prescription medications; dental care; vision care; and nursing care provided at home or in a nursing home or home for the aged.

(b) A developer may not grant a unit in a rental facility occupied by a designated household entitled to receive the notice required by § 11-102.1 of this title without offering to the tenant of the unit a lease extension for a period of at least 3 years from the giving of the notice required by § 11-102.1 of this title, if the household meets the following criteria:

(1) Had an annual income which did not exceed the income eligibility figure applicable for the county or incorporated municipality in which the rental facility is located, as provided under subsection (n) of this section;

(2) Is current in its rent payment and has not violated any other material term of the lease; or

(3) Has provided the developer within 60 days after the giving of the notice required by § 11-102.1 of this title with an affidavit under penalty of perjury:

(i) Stating that the household is applying for an extended lease under this section;

(ii) Setting forth the household's annual income for the calendar year preceding the giving of the notice required by § 11-102.1 of this title together with reasonable supporting documentation of the household income and, where applicable, of unreimbursed medical expenses or a written authorization for disclosure of relevant information regarding medical expense reimbursement by doctors, hospitals, clinics, insurance companies, or similar persons, entities, or organizations that provide medical treatment coverage to the household;

(iii) Setting forth facts showing that a member of the household is either a handicapped citizen or a senior citizen who, in either event, has been a member of the household for at least 12 months preceding the giving of the notice required by § 11-102.1 of this title; and

(iv) Has executed an extended lease and returned it to the developer within 60 days after the giving of the notice required by § 11-102.1 of this title.

(c) The developer shall deliver to each tenant entitled to receive the notice required by § 11-102.1 of this title, simultaneously with the notice:

(1) An application on which may be included all of the information required by subsection (b)(3) of this section;

(2) A lease containing the terms required by this section and clearly indicating that the lease will be effective only if:

(i) The tenant executes and returns the lease not later than 60 days after the giving of the notice required by § 11-102.1 of this title; and

(ii) The household is allocated 1 of the units required to be made available to qualified households based on its ranking under subsection (k) of this section and the number of tenants executing and returning leases;

(3) A notice, delivered in the form specified in § 11-102.1(f) of this title, setting forth the rights and obligations of the tenant under this section; and

(4) A copy of the public offering statement which is registered with the Secretary of State.

(d) Within 75 days after the giving of the notice required by § 11-102.1 of this title, the developer shall notify each household which submits to the developer the documentation required by subsection (b)(3) of this section:

(1) Whether the household meets the criteria of subsection (b) of this section, and, if not, an explanation of which criteria have not been met; and

(2) Whether the extended lease has become effective.

(e) Within 75 days after the giving of the notice required by § 11-102.1 of this title, the developer shall provide to any county, incorporated municipality, or housing agency which has a right to purchase units in the rental facility under § 11-139 of this title:

(1) A notice indicating the number of units in the rental facility being made available to qualified households under subsection (k)(1) of this section;

(2) A list of all households meeting the criteria of subsection (b) of this section, indicating the ranking of each in relation to that number;

(3) A list of all households returning the affidavit required by subsection (b) of this section which do not meet all the criteria of subsection (b) of this section and copies of the notifications sent to these households under subsection (d) of this section; and

(4) A list of all households as to whom a lease has become effective.

(f) (1) The extended lease shall provide for a term commencing on acceptance and terminating not less than 3 years from the giving of the notice required by § 11-102.1 of this title.

(2) Annually, on the commencement date of the extended lease, the rental fee for the unit may be increased. The increase may not exceed an amount determined by multiplying the annual rent for the preceding year by the percentage increase for the rent component of the U.S. Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) (1967 = 100), as published by the U.S. Department of Labor, for the most recent 12-month period.

(3) Except as this section otherwise permits or requires, the extended lease shall contain the same terms and conditions as the lease in effect on the day preceding the giving of the notice required by § 11-102.1 of this title.

(g) A designated household which exercises its rights under this section shall not be denied an opportunity to buy a unit at a later date, if one is available.

(h) (1) A designated household which executes an extended lease under this section which is accepted thereafter may not terminate its extended lease under § 11-102.1 of this title. A designated household may terminate its extended lease at any time, with notice to the developer or any subsequent titleholder as follows:

(i) At least a 1-month notice in writing shall be given when less than 12 months remain on the lease; and

(ii) At least a 3-month notice in writing shall be given when 12 months or more remain on the lease.

(2) Any lease executed under this section shall set forth the provisions for termination contained in this subsection.

(i) The title to units subject to the provisions of this section may be granted to a person who is not a member of the designated household, provided that:

(1) The provisions of this section continue to apply despite any transfer of title to a unit occupied by a designated household as provided in this section;

(2) The designated household is provided written notice of the change of ownership of title by the new titleholder; and

(3) The vendor of any such unit provides the purchaser written disclosure that the unit is occupied by a designated household subject to the provisions of this section at the time of or prior to the execution of a contract of sale.

(j) The extended tenancy provided for in this section shall cease upon the occurrence of any of the following:

(1) 90 days after the death of the last surviving senior citizen or individual with a disability residing in the unit, or 90 days after the last senior citizen or individual with a disability residing in the unit has moved from the unit;

(2) Eviction for failure to pay rent due in a timely fashion or violation of a material term of the lease; or

(3) Voluntary termination of the lease by the designated household under subsection (h) of this section.

(k) (1) A developer shall set aside a percentage of the total number of units within a condominium for designated households. A developer is not required to grant extended leases covering more than 20 percent of the units within a condominium to designated households.

(2) (i) If the number of units occupied by designated households which meet the criteria of subsection (b) of this section exceeds 20 percent, then the number of available units for tenancy under the provisions of this section shall be allocated as determined by the local governing body.

(ii) If the local government body fails to provide for allocation, then units shall be allocated by the developer.

(iii) 1. Except as provided in subsubparagraph 2 of the subparagraph, the developer shall allocate the units based on seniority by continuous length of residence.

2. Among designated households that include individuals with disabilities, priority shall be given to households that include an individual with a physical impairment who requires wheelchair accessible housing.

(l) (1) If a conversion to condominium involves substantial rehabilitation or reconstruction of such a nature that the work involved does not permit the continued occupancy of a unit because of danger to the health and safety of the tenants, then any designated household executing an extended lease under the provisions of this

section may be required to vacate their unit not earlier than the expiration of the 180-day period and to relocate at the expense of the developer in a comparable unit in the rental facility to permit such work to be performed.

(2) If there is no comparable unit available, then the designated household may be required to vacate the rental facility. When the work is completed, the developer shall notify the household of its completion. The household shall have 30 days from the date of that notice to return to their original or a comparable rental unit. The term of the extended lease of that household shall begin upon their return to the rental unit.

(3) The developer shall give 180 days' notice prior to the date that units must be vacated. The notice shall explain the household's rights under this subsection and subsection (m) of this section.

(m) (1) The developer shall pay households that qualify as to income under subsection (b)(1) of this section $375 when the household vacates the unit and for moving expenses as defined in § 11-101 of this title in excess of $375 up to $750 which are actually and reasonably incurred. The household shall make a written request for reimbursement accompanied by reasonable evidence of the costs incurred within 30 days of moving. The developer shall reimburse the household within 30 days following receipt of the request.

(2) If a household does not qualify as to income under subsection (b)(1) of this section, the developer shall reimburse moving expenses as defined in § 11-101 of this title, up to $750, actually and reasonably incurred to the designated households eligible under this subsection. The designated household shall make a written request for reimbursement accompanied by reasonable evidence of the costs incurred within 30 days of moving. The developer shall reimburse the designated household within 30 days following receipt of the request.

(3) The developer shall also pay a compensation equivalent to 3 months' rent within 15 days of moving to the designated households eligible under this subsection.

(4) The following designated households which meet the applicable criteria of subsection (b) of this section are eligible under this subsection:

(i) A designated household which does not execute an extended lease;

(ii) A designated household which is precluded from having an extended tenancy by the limitation of subsection (k) of this section; or

(iii) A designated household which is required to vacate their rental unit under subsection (l)(2) of this section.

(5) A developer shall also reimburse moving expenses as defined in § 11-101 of this title, up to $750, actually and reasonably incurred, to a designated household who returns to their rental unit under subsection (l)(2) of this section. The designated household shall make a written request for reimbursement accompanied by reasonable evidence of the costs incurred within 30 days following the designated household's return. The developer shall reimburse the designated household within 30 days following receipt of the request.

(n) (1)(i) The Secretary of State shall prepare income eligibility figures for each county and standard metropolitan statistical area of the State.

(ii) Except in Baltimore City, the figures shall reasonably approximate:

1. 80 percent of the median household income for each country;

2. 80 percent of the median household income for each metropolitan statistical area; and

3. The uncapped low income limits as adjusted for family size calculated by the U.S. Department of

Housing and Urban Development for assisted housing programs.

(iii) In Baltimore City, the figure shall reasonably approximate 100% of the median household income for the Baltimore Metropolitan Statistical Area.

(1) Except in Baltimore City, a county or incorporated municipality may by law, ordinance, or resolution select from the figures prepared by the Secretary of State under paragraph (1)(ii) of this subsection, the applicable income eligibility figure or figures to be used in the county or incorporated municipality.

(2) The figure prepared by the Secretary of State under paragraph (1)(iii) of this subsection shall be the income eligibility figure used in Baltimore City.

(3) Except in Baltimore City, if a county or incorporated municipality does not select an income eligibility figure or figures, 80 percent of the median household income for the county shall be used.

§ 11-138. Rental facility; local government purchase

(a) In this section, "rental facility" means property containing 10 or more dwelling units intended to be leased to persons who occupy the dwellings as their residences.

(b) (1) A county or an incorporated municipality may provide, by local law or ordinance, that a rental facility may not be granted to a purchaser for the purpose of subjecting it to a condominium regime unless the county, incorporated municipality or housing agency has first been offered in writing the right to purchase the rental facility on substantially the same terms and conditions offered by the owner to the purchaser. The local law or ordinance shall designate the title and mailing address of the person to whom the offer to the county, incorporated municipality or housing agency shall be delivered.

(2) The offer shall contain a contingency entitling the county, incorporated municipality or housing agency, to secure financing within 180 days from the date of the offer.

(3) Unless written acceptance of the offer is sooner delivered to the owner by the county, incorporated municipality or housing agency, the offer shall terminate, without further act, 60 days after it is delivered to the county, incorporated municipality or housing agency. If the offer terminates, the owner may grant the rental facility to any person for any purpose on terms and conditions not more favorable to a buyer than those offered by the owner to the county, incorporated municipality or housing agency.

(4) If the county, incorporated municipality, or housing agency purchases the rental facility, it shall retain or provide for the retention of:

(i)The property as a rental facility for at least 3 years from the date of acquisition; or

(ii) At least 20 percent of the units in the facility as rental units for 15 years from the date of acquisition for households that do not exceed the applicable income eligibility figure under 11-137(n) of this title for the county or incorporated municipality in which the rental facility is located.

(c) A local law or ordinance adopted under subsection (b) of this section may provide that the owner of a rental facility is exempt from the provisions of this section if the purchaser of the rental facility enters into an agreement with the county, incorporated municipality, or housing agency to retain the property as a rental facility for a period not to exceed 3 years after the date of acquisition of the property.

(d) The provisions of any local law or ordinance adopted under this section shall not apply to any of the following transfers of a rental facility:

(1) Any transfer made pursuant to the terms of a bona fide mortgage or deed of trust agreement;

(2) Any transfer to a mortgagee in lieu of foreclosure or any transfer pursuant to any other proceedings, arrangement or deed in lieu of foreclosure;

(3) Any transfer made pursuant to a judicial sale or other judicial proceeding brought to secure payment of a debt or for the purpose of securing the performance of an obligation;

(4) Any transfer of the interest of one co-tenant to another co-tenant by operation of law or otherwise;

(5) Any transfer made by will or descent or by intestate distribution;

(6) Any transfer made to any municipal, county or State government or to any agencies, instrumentalities or political subdivisions thereof;

(7) Any transfer to a spouse, son or daughter;

(8) Any transfer made pursuant to the liquidation of a partnership or corporation; or

(9) Any transfer into a partnership or corporation wholly owned by the person(s) so contributing.

(e) Any county, incorporated municipality or housing agency, by execution and delivery by the appropriate official to the grantor of an instrument in recordable form, may waive its right to purchase a particular rental facility under this section.

(f) Within 30 days of the enactment of a law or ordinance under this section, the county or incorporated municipality shall forward a copy of the law or ordinance to the Secretary of State.

§ 11-139. Local government's right to purchase units.

(a) (1) A county or an incorporated municipality may provide by local law or ordinance, that a unit in a rental

facility occupied by a tenant entitled to receive the notice required by § 11-136 of this title may not be granted unless the county, incorporated municipality, or housing agency has first been offered in writing the right to purchase the unit at the same price and on the same terms and conditions initially offered for that unit to any other person. The local law or ordinance shall designate the title and mailing address of the person to whom the offer to the county, incorporated municipality or housing agency is to be delivered and the title of the person who may accept the offer on behalf of the county, incorporated municipality or housing agency.

(2) The local law or ordinance shall provide that the offer to the county, incorporated municipality or housing agency shall be made at the same time an offer is made to a tenant of the unit under § 11-136 of this title. If a tenant accepts an offer of a unit made under § 11-136 of this title, then the rights of the county, incorporated municipality or housing agency to such unit under an offer made under this section, whether or not accepted, shall terminate.

(3) Unless written acceptance of the offer is sooner delivered to the owner of the rental facility by the county, incorporated municipality or housing agency, the offer shall terminate, without further act, 120 days after it is delivered to the county, incorporated municipality or housing agency.

(b) A county, incorporated municipality or housing agency may not accept an offer made under this section for any unit if that unit together with the aggregate of other units previously accepted or not accepted, subject to an extended lease by a designated family under § 11-136 of this title, exceeds 20 percent of the total number of units in the condominium.

(c) If a grant for a unit contains an affidavit by the grantor that the provisions of any law or ordinance enacted under this section have been fulfilled, then the grantee in that grant takes title to the unit free and clear of all claims and rights of any county, incorporated municipality or housing agency under a local law or ordinance enacted under this section.

(d) Within 30 days of the enactment of a law or ordinance under this section, the county or incorporated municipality shall forward a copy of the law or ordinance to the Secretary of State.

§11-139.1. Electronic transmission of notice.

(a) Notwithstanding language contained in the governing documents of a council of unit owners, the council of unit owners may provide notice of a meeting or deliver information to a unit owner by electronic transmission if:

(1) The governing body of the council of unit owners gives the council of unit owners the authority to provide notice of a meeting or deliver information by electronic transmission;

(2) The unit owner gives the council of unit owners prior written authorization to provide notice of a meeting or deliver information by electronic transmission; and

(3) An officer or agent of the council of unit owners certifies in writing that the council of unit owners has provided notice of a meeting or delivered material or information as authorized by the unit owner.

(b) Notice or delivery by electronic transmission shall be considered ineffective if:

(1) The council of unit owners is unable to deliver two consecutive notices; and

(2) The inability to deliver the electronic transmission becomes known to the person responsible for the sending of the electronic transmission.

(c) The inadvertent failure to deliver notice by electronic transmission does not invalidate any meeting or other action.

§11-139.2. Electronic transmission of votes or proxies

(a) Notwithstanding language contained in the governing
documents of the council of unit owners, the board of directors of the council of unit owners may authorize unit owners to submit a vote or proxy by electronic transmission if the electronic transmission contains information that verifies that the vote or proxy is authorized by the unit owner or the unit owner's proxy.

(b) If the governing documents of the council of unit owners require voting by secret ballot and the anonymity of voting by electronic transmission cannot be guaranteed, voting by electronic transmission shall be permitted if unit owners have the option of casting anonymous printed ballots.

§ 11-140. Legislative intent; local legislative finding and declaration of rental housing emergency; local laws and regulations to meet emergency.

(a) The intent of the General Assembly of Maryland is to facilitate the orderly development of condominiums in Maryland. The General Assembly recognizes, however, that the conversion of rental dwellings to condominiums can have an adverse impact on the availability of rental units, resulting in the displacement of tenants.

(b) A county or incorporated municipality may, by legislative finding, recognize and declare that a rental housing emergency exists in all or part of its jurisdiction and has been caused by the conversion of rental housing to condominiums. The jurisdiction shall consider and make findings as to:

(1) The nature and incidence of condominium conversions;

(2) The resulting hardship to and displacement of tenants; and

(3) The scarcity of rental housing.

(c) Upon finding and declaration of a rental housing emergency caused by the conversion of rental housing to condominiums, a county or an incorporated municipality may by the enactment of laws, ordinances, and regulations, take the following actions to meet the emergency:

(1) Grant to a designated family as defined in § 11-137 of this title a right to an extended lease for a period in addition to that period provided for in § 11-137 of this title. The right to an extended lease may not, in any event, result in a requirement that a developer set aside for an extended lease more than 20 percent of the total number of units.

(2) Otherwise extend any of the provisions of § 11-137 of this title except that:

(i) More than 20 percent of the total number of units may not be required to be set aside; and

(ii) The term of an extended lease for any family made a designated family by a county or an incorporated municipality may not exceed 3 years.

(3) Require that the notice required to be given under § 11-102.1 of this title be altered to disclose the effects of any actions taken under this section.

(d) Within 10 days of the enactment of a law, ordinance, or regulation under this section, a county or incorporated municipality shall forward a copy of the law, ordinance or regulation to the Secretary of State.

§ 11-141. Title additional and supplemental.

(a) The provisions of this title are in addition and supplemental to all other provisions of the public general laws, the public local laws, and any local enactment in the State.

(b) If the words "single family residential unit", "property", "blocks", or other designation denoting a unit of land, appear in the Code, the public local laws, or any local

enactment, a reference to a condominium unit or regime, whichever is appropriate, is deemed inserted after these descriptive terms where appropriate to implement this title.

(c) If the application of the provisions of this title conflict with the application of other provisions of the public general laws, public local laws, or any local enactment, in the State, the provisions of this title shall prevail.

§ 11-142. Applicability to existing condominiums.

(a) Except as otherwise provided in this section, this title is applicable to all condominiums. However, with respect to condominiums established before July 1, 1982, the declaration or master deed, bylaws, or condominium plat need not be amended to comply with the requirements of this title.

(b) Except to the extent that the declaration or master deed, bylaws, or plat provide otherwise, §§ 11-114 and 11-123 of this title are applicable to all condominiums.

(c) Unless the developer elects to conform to the requirements of § 11-120 of this title, § 11-120 of this title is not applicable to those condominiums created prior to July 1, 1974 under circumstances where the developer reserved the right to expand the condominium.

(d) As to condominiums created prior to July 1, 1981, compliance with § 11-124 of this title as in effect on June 30, 1981, is deemed compliance with § 11-126 of this title as effective on July 1, 1981.

(e) Section 11-133 of this title is applicable only to leases or management and similar contracts executed after July 1, 1974.

(f) Sections 11-127, 11-131, 11-136, 11-137, 11-138, 11-139, and 11-140 of this title do not apply to the conversion of residential rental property for which a notice of intention to create a condominium was issued before July 1, 1981, if:

(1) (i) On or before March 15, 1982, units in the residential rental property have been publicly offered for sale as condominium units; and

(ii) On or before March 15, 1982, 35 percent of the units in the residential rental property are under a contract to be sold pursuant to a bona fide, arm's length transaction;

(2) (i) On or before March 15, 1982, the residential rental property has been subjected to a condominium regime, or, in the case of an expanding condominium, the residential rental property is shown on the condominium plat filed on or before March 15, 1982;

(ii) Units in the condominium have been publicly offered for sale on or before April 15, 1982; and

(iii) On or before May 15, 1982, at least 10 percent of the units in the condominium, or in the case of an expanding condominium, 10 percent of the total number of units to be contained in the condominium as fully expanded, are under a contract to be sold in a bona fide, arm's length transaction; or

(3) A developer or its affiliate entered into a contract to purchase the residential rental property between January 1, 1980 and December 31, 1980, and the developer or its affiliate does not meet the requirements of paragraph (1) or (2) of this subsection. Such a developer or its affiliate shall comply with §§ 11-136 and 11-137 of this title.

§ 11-143. Short title.

This title may be cited as the Maryland Condominium Act.

MARYLAND HOMEOWNERS ASSOCIATION ACT

§ 11B-101. Definitions

(a) In this title the following words have the meanings indicated, unless the context requires otherwise.

(b) "Common areas" means property which is owned or leased by a homeowners association.

(c) "Declarant" means any person who subjects property to a declaration

(d) (1) "Declaration" means an instrument, however denominated, recorded among the land records of the county in which the property of the declarant is located, that creates the authority for a homeowners association to impose on lots, or on the owners or occupants of lots, or on another homeowners association, condominium, or cooperative housing corporation any mandatory fee in connection with the provision of services or otherwise for the benefit of some or all of the lots, the owners or occupants of lots, or the common areas.

(2) "Declaration" includes any amendment or supplement to the instruments described in paragraph (1) of this subsection.

(3) "Declaration" does not include a private right-of-way or similar agreement unless it requires a mandatory fee payable annually or at more frequent intervals.

(e) "Depository" or "homeowners association depository" means the document file created by the clerk of the court of each county and the City of Baltimore where a homeowners association may periodically deposit information as required by this title.

(f) (1) "Development" means the property subject to a declaration.

(2) "Development" includes property comprising a condominium or cooperative housing corporation to the extent that the property is part of a development.

(3) "Development" does not include a cooperative housing corporation or a condominium.

(g) "Electronic Transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that:

(1) May be retained, retrieved, and reviewed by a recipient of the communication; and

(2) May be reproduced directly in paper form by a recipient through an automated process.

(h) "Governing body" means the homeowners association, board of directors, or other entity established to govern the development.

(i) (1) "Homeowners association" means a person having the authority to enforce the provisions of a declaration.

(2) "Homeowners association" includes an incorporated or unincorporated association.

(j) (1) "Lot" means any plot or parcel of land on which a dwelling is located or will be located within a development.

(2) "Lot" includes a unit within a condominium or cooperative housing corporation if the condominium or cooperative housing corporation is part of a development.

(k) "Primary development" means a development such that the purchaser of a lot will pay fees directly to its homeowners association.

(l) "Recorded covenants and restrictions" means any instrument of writing which is recorded in the land records of the jurisdiction within which a lot is located, and which

instrument governs or otherwise legally restricts the use of such lot.

(m) "Related development" means a development such that the purchaser of a lot will pay fees to the homeowners association of such development through the homeowners association of a primary development or another development.

(n) "Unaffiliated declarant" means a person who is not affiliated with the vendor of a lot but who has subjected such property to a declaration required to be disclosed by this title.

§ 11B-102. Applicability of title and Sections 11B-105 through 11B-108 and 11B-110

(a) Except as expressly provided in this title, the provisions of this title apply to all homeowners associations that exist in the State after July 1, 1987.

(b) The provisions of §§ 11B-105 and 11B-108 of this title do not apply to the initial sale of lots within the development to members of the public if on July 1, 1987:

(1) More than 50 percent of the lots included within or to be included within the development have been sold under a bona fide arm's length contract to members of the public who intend to occupy or rent the lots for residential purposes; and

(2) Less than 100 lots included within or to be included within the development have not been sold under a bona fide arm's length contract to members of the public who intend to occupy or rent the lots for residential purposes.

(c) The provisions of § 11B-110 of this title do not apply to common area improvements substantially completed before July 1, 1987.

(d) The provisions of § 11B-105 of this title do not apply to developments containing 12 or fewer lots or in which 12 or fewer lots remain to be sold as of July 1, 1987.

(e) Except as provided in § 11B-101(f) of this title, this title does not apply to any property which is:

(1) Part of a condominium regime governed by Title 11 of this article;

(2) Part of a cooperative housing corporation; or

(3) To be occupied and used for nonresidential purposes.

(f) For any contract for the sale of a lot that is entered into before July 1, 1987, the provisions of §§ 11B-105, 11B-106, 11B-107, and 11B-108 of this title do not apply.

§ 11B-103. Variance of title's provisions and waiver of rights conferred thereby, and evasion of title's requirements, limitations, or prohibitions prohibited.

Except as expressly provided in this title, the provisions of this title may not be varied by agreement, and rights conferred by this title may not be waived. A declarant or vendor may not act under a power of attorney or use any other device to evade the requirements, limitations, or prohibitions of this title.

§ 11B-104. Building code or zoning laws, ordinances, and regulations to be given full force and effect; local laws, ordinances, or regulations.

(a) The provisions of all laws, ordinances, and regulations concerning building codes or zoning shall have full force and effect to the extent that they apply to a development and shall be construed and applied with reference to the overall nature and use of the property without regard to whether the property is part of a development.

(b) A local government may not enact any law, ordinance, or regulation which would:

(1) Impose a burden or restriction on property which is part of a development because it is part of a development;

(2) Require that additional disclosures relating to the development be made to purchasers of lots within the development, other than the disclosures required by § 11B-105, § 11B-106, or § 11B-107 of this title;

(3) Provide that the disclosures required by § 11B-105, § 11B-106, or § 11B-107 of this title be registered or otherwise subject to the approval of any governmental agency;

(4) Provide that additional cancellation rights be provided to purchasers, other than the cancellation rights under § 11B-108(b) and (c) of this title;

(5) Create additional implied warranties or require additional express warranties on improvements to common areas other than those warranties described in § 11B-110 of this title; or

(6) Expand the open meeting requirements of § 11B-111 of this title or open record requirements of § 11B-112 of this title.

(c) Subject to the provisions of this title, a code home rule county located in the Southern Maryland class, as identified in Article 25B, Section 2 of the code, may establish a homeowners association commission with the authority to hear and resolve disputes between a homeowners association and a homeowner regarding the enforcement of the recorded covenants or restrictions of the homeowners association by providing alternative dispute resolution services, including binding arbitration.

§ 11B-105. Initial sale of lots in developments containing more than 12 lots.

(a) A contract for the initial sale of a lot in a development containing more than 12 lots to a member of the public who intends to occupy or rent the lot for residential purposes is not enforceable by the vendor unless:

(1) The purchaser is given, at or before the time a contract is entered into between the vendor and the purchaser, or within 7 calendar days of entering into the contract, the disclosures set forth in subsection (b) of this section;

(2) The purchaser is given notice of any changes in mandatory fees and payments exceeding 10 percent of the amount previously stated to exist or any other substantial and material amendment to the disclosures after the same becomes known to the vendor; and

(3) The contract of sale contains a notice in conspicuous type, which shall include bold and underscored type, in a form substantially the same as the following:

"This sale is subject to the requirements of the Maryland Homeowners Association Act (the "Act"). The Act requires that the seller disclose to you at or before the time the contract is entered into, or within 7 calendar days of entering into the contract, certain information concerning the development in which the lot you are purchasing is located. The content of the information to be disclosed is set forth in § 11B-105(b) of the Act (the "MHAA information") as follows:

(The notice shall include at this point the text of § 11B-105(b) in its entirety).

If you have not received all of the MHAA information 5 calendar days or more before entering into the contract, you have 5 calendar days to cancel this contract after receiving all of the MHAA information. You must cancel the contract in writing, but you do not have to state a reason. The seller must also provide you with notice of any changes in mandatory fees exceeding 10% of the amount previously stated to exist

and copies of any other substantial and material amendment to the information provided to you. You have 3 calendar days to cancel this contract after receiving notice of any changes in mandatory fees, or copies of any other substantial and material amendment to the MHAA information which adversely affects you. If you do cancel the contract you will be entitled to a refund of any deposit you made on account of the contract. However, unless you return the MHAA information to the seller when you cancel the contract, the seller may keep out of your deposit the cost of reproducing the MHAA information, or $100, whichever amount is less.

By purchasing a lot within this development, you will automatically be subject to various rights, responsibilities, and obligations, including the obligation to pay certain assessments to the homeowners association within the development. The lot you are purchasing may have restrictions on:

(1) Architectural changes, design, color, landscaping, or appearance;

(2) Occupancy density;

(3) Kind, number, or use of vehicles;

(4) Renting, leasing, mortgaging, or conveying property;

(5) Commercial activity; or

(6) Other matters.

You should review the MHAA information carefully to ascertain your rights, responsibilities, and obligations within the development."

(b) The vendor shall provide the purchaser the following information in writing:

(1) (i) The name, principal address, and telephone number of the vendor and of the declarant, if the declarant is not the vendor; or

(ii) If the vendor is a corporation or partnership, the names and addresses of the principal officers of the corporation, or general partners of the partnership;

(2) (i) The name, if any, of the homeowners association; and

(ii) If incorporated, the state in which the homeowners association is incorporated and the name of the Maryland resident agent;

(3) A description of:

(i) The location and size of the development, including the minimum and maximum number of lots currently planned or permitted, if applicable, which may be contained within the development; and

(ii) Any property owned by the declarant or the vendor contiguous to the development which is to be dedicated to public use;

(4) If the development is or will be within or a part of another development, a general description of the other development;

(5) If the declarant has reserved in the declaration the right to annex additional property to the development, a description of the size and location of the additional property and the approximate number of lots currently planned to be contained in the development, as well as any time limits within which the declarant may annex such property;

(6) A copy of:

(i) The articles of incorporation, the declaration, and all recorded covenants and restrictions of the primary development and of other related developments to the extent reasonably available, to which the purchaser shall become obligated on becoming an owner of the lot, including a statement that these obligations are enforceable against an owner and the owner's tenants, if applicable; and

(ii) The bylaws and rules of the primary development and of other related developments to the extent reasonably available, to which the purchaser shall become obligated on becoming an owner of the lot, including a statement that these obligations are enforceable against an owner and the owner's tenants, if applicable;

(7) A description or statement of any property which is currently planned to be owned, leased, or maintained by the homeowners association;

(8) A copy of the estimated proposed or actual annual budget for the homeowners association for the current fiscal year, including a description of the replacement reserves for common area improvements, if any, and a copy of the current projected budget for the homeowners association based upon the development fully expanded in accordance with expansion rights contained in the declaration;

(9) A statement of current or anticipated mandatory fees or assessments to be paid by owners of lots within the development for the use, maintenance, and operation of common areas and for other purposes related to the homeowners association and whether the declarant or vendor will be obligated to pay the fees in whole or in part;

(10) (i) A brief description of zoning and other land use requirements affecting the development; or

(ii) A written disclosure of where the information is available for inspection;

(11) A statement regarding:

(i) When mandatory homeowners association fees or assessments will first be levied against owners of lots;

(ii) The procedure for increasing or decreasing such fees or assessments;

(iii) How fees or assessments and delinquent charges will be collected;

(iv) Whether unpaid fees or assessments are a personal obligation of owners of lots;

(v) Whether unpaid fees or assessments bear interest and if so, the rate of interest;

(vi) Whether unpaid fees or assessments may be enforced by imposing a lien on a lot under the terms of the Maryland Contract Lien Act; and

(vii) Whether lot owners will be assessed late charges or attorneys' fees for collecting unpaid fees or assessments and any other consequences for the nonpayment of the fees or assessments;

(12) If any sums of money are to be collected at settlement for contribution to the homeowners association other than prorated fees or assessments, a statement of the amount to be collected and the intended use of such funds; and

(13) A description of special rights or exemptions reserved by or for the benefit of the declarant or the vendor, including:

(i) The right to conduct construction activities within the development;

(ii) The right to pay a reduced homeowners association fee or assessment; and

(iii) Exemptions from use restrictions or architectural control provisions contained in the declaration or provisions by which the declarant or the vendor intends to maintain control over the homeowners association.

(c) Except as provided in subsection (d) of this section, the requirements of subsection (b) of this section shall be deemed to have been fulfilled if the information required to be disclosed is provided to the purchaser in writing in a clear and concise manner. The disclosure may be summarized or produced in a collection of documents, including plats, the declaration, or the organizational documents of the

homeowners association, provided those documents effectively convey the required information to the purchaser.

(d) (1) (i) Subject to the provisions of subparagraph (ii) of this paragraph, if any of the information required to be disclosed by subsection (b) of this section concerns property that is subjected to a declaration by a person who is not affiliated with the vendor, within 20 calendar days after receipt of a written request from the vendor of such property, and receipt of a reasonable fee therefore not to exceed the cost, if any, of reproduction, an unaffiliated declarant shall notify the vendor in writing of the information that is contained in the depository, and furnish the information necessary to enable the vendor to comply with subsection (b) of this section; and

(ii) An unaffiliated declarant may not be required to furnish information regarding a homeowners association over which the unaffiliated declarant has no control, or with respect to any declaration which the unaffiliated declarant did not file.

(2) A vendor is not liable to the purchaser for any erroneous information provided by an unaffiliated declarant, so long as the vendor provides the purchaser with a certificate stating the name of the person who provided the information along with an address and telephone number for contacting such person.

(e) (1) In satisfying the requirements of subsection (b) of this section, the vendor shall be entitled to rely upon the disclosures contained in the depository after June 30, 1989.

(2) In satisfying a vendor's request for any information described under subsection (b) of this section, a homeowners association:

(i) Shall be entitled to direct the vendor to obtain such information from the depository for all disclosures contained in the depository after June 30, 1989; and

(ii) May not be required to supply a vendor with any information which is contained in the depository.

(f) The provisions of this section do not apply to a sale of a lot in an action to foreclose a mortgage or deed of trust.

§ 11B-106. Resale of lot; initial sale of lot in development containing 12 or fewer lots.

(a) A contract for the resale of a lot within a development, or for the initial sale of a lot within a development containing 12 or fewer lots, to a member of the public who intends to occupy or rent the lot for residential purposes, is not enforceable by the vendor unless:

(1) The purchaser is given, on or before entering into the contract for the sale of such lot, or within 20 calendar days of entering into the contract, the disclosures set forth in subsection (b) of this section;

(2) The purchaser is given any changes in mandatory fees and payments exceeding 10 percent of the amount previously stated to exist and any other substantial and material amendment to the disclosures after they become known to the vendor; and

(3) The contract of sale contains a notice in conspicuous type, which shall include bold and underscored type, in a form substantially the same as the following:

"This sale is subject to the requirements of the Maryland Homeowners Association Act (the "Act"). The Act requires that the seller disclose to you at or before the time the contract is entered into, or within 20 calendar days of entering into the contract, certain information concerning the development in which the lot you are purchasing is located. The content of the information to be disclosed is set forth in § 11B-106(b) of the Act (the "MHAA information") as follows:

¡ (The notice shall include at this point the text of § 11B-106(b) in its entirety).

If you have not received all of the MHAA information 5 calendar days or more before entering into the contract, you have 5 calendar days to cancel this contract after receiving all

of the MHAA information. You must cancel the contract in writing, but you do!not have to state a reason. The seller must also provide you with notice of any changes in mandatory fees exceeding 10% of the amount previously stated to exist and copies of any other substantial and material amendment to the information provided to you. You have 3 calendar days to cancel this contract after receiving notice of any changes in mandatory fees, or copies of any other substantial and material amendment to the MHAA information which adversely affects you. If you do cancel the contract you will be entitled to a refund of any deposit you made on account of the contract. However, unless you return the MHAA information to the seller when you cancel the contract, the seller may keep out of your deposit the cost of reproducing the MHAA information, or $100, whichever amount is less.

By purchasing a lot within this development, you will automatically be subject to various rights, responsibilities, and obligations, including the obligation to pay certain assessments to the homeowners association within the development. The lot you are purchasing may have restrictions on:

(1) Architectural changes, design, color, landscaping, or appearance;

(2) Occupancy density;

(3) Kind, number, or use of vehicles;

(4) Renting, leasing, mortgaging, or conveying property;

(5) Commercial activity; or

(6) Other matters.

You should review the MHAA information carefully to ascertain your rights, responsibilities, and obligations within the development."

(b) The vendor shall provide the purchaser the following information in writing:

(1) A statement as to whether the lot is located within a development;

(2) (i) The current monthly fees or assessments imposed by the homeowners association upon the lot;

(ii) The total amount of fees, assessments, and other charges imposed by the homeowners association upon the lot during the prior fiscal year of the homeowners association; and

(iii) A statement of whether any of the fees, assessments, or other charges against the lot are delinquent;

(3) The name, address, and telephone number of the management agent of the homeowners association, or other officer or agent authorized by the homeowners association to provide to members of the public, information regarding the homeowners association and the development, or a statement that no agent or officer is presently so authorized by the homeowners association;

(4) A statement as to whether the owner has actual knowledge of:

(i) The existence of any unsatisfied judgments or pending lawsuits against the homeowners association; and

(ii) Any pending claims, covenant violations actions, or notices of default against the lot; and

(5) A copy of:

(i) The articles of incorporation, the declaration, and all recorded covenants and restrictions of the primary development, and of other related developments to the extent reasonably available, to which the purchaser shall become obligated on becoming an owner of the lot, including a statement that these obligations are enforceable against an owner's tenants, if applicable; and

(ii) The bylaws and rules of the primary development, and of other related developments to the extent reasonably available, to which the purchaser shall

become obligated on becoming an owner of the lot, including a statement that these obligations are enforceable against an owner and the owner's tenants, if applicable.

(c) (1) Within 30 calendar days of any resale transfer of a lot within a development, the transferor shall notify the homeowners association for the primary development of the transfer.

(2) The notification shall include, to the extent reasonably available, the name and address of the transferee, the name and forwarding address of the transferor, the date of transfer, the name and address of any mortgagee, and the proportionate amount of any outstanding homeowners association fee or assessment assumed by each of the parties to the transaction.

(d) The requirements of subsection (b) of this section shall be deemed to have been fulfilled if the information required to be disclosed is provided to the purchaser in writing in a clear and concise manner. The disclosures may be summarized or produced in any collection of documents, including plats, the declaration, or the organizational documents of the homeowners association, provided those documents effectively convey the required information to the purchaser.

(e) In satisfying the requirements of subsection (b) of this section, the vendor shall be entitled to rely upon the disclosures contained in the depository after June 30, 1989.

(f) The provisions of subsections (a), (b), (d), and (e) of this section, do not apply to the sale of a lot in an action to foreclose a mortgage or deed of trust.

§ 11B-106.1. Meeting to elect governing body of homeowners association.

(a) Time of meeting.- A meeting of the members of the homeowners association to elect a governing body of the homeowners association shall be held within:

(1) 60 days from the date that at least 75% of the total number of lots that may be part of the development after all phases are complete are sold to members of the public for residential purposes; or

(2) If a lesser percentage is specified in the governing documents of the homeowners association, 60 days from the date the specified lesser percentage of the total number of lots in the development after all phases are complete are sold to members of the public for residential purposes.

(b) Notice to lot owners.-

(1) Before the date of the meeting held under subsection (a) of this section, the declarant shall deliver to each lot owner notice that the requirements of subsection (a) of this section have been met.

(2) The notice shall include the date, time, and place of the meeting to elect the governing body of the homeowners association.

(c) Term of members of governing body.- The term of each member of the governing body of the homeowners association appointed by the declarant shall end 10 days after the meeting under subsection (a) of this section is held, if a replacement board member is elected.

(d) Delivery of required items to governing body.- Within 30 days from the date of the meeting held under subsection (a) of this section, the declarant shall deliver the following items to the governing body at the declarant's expense:

(1) The deeds to the common areas;

(2) Copies of the homeowners association's filed articles of incorporation, declaration, and all recorded covenants, plats, restrictions, and any other records of the primary development and of related developments;

(3) A copy of the bylaws and rules of the primary development and of other related developments as filed in the depository of the county in which the development is located;

(4) The minute books, including all minutes;

(5) Subject to the restrictions of § 11B-112 of this title, all books and records of the homeowners association, including financial statements, minutes of any meeting of the governing body, and completed business transactions;

(6) Any policies, rules, and regulations adopted by the governing body;

(7) The financial records of the homeowners association from the date of creation to the date of transfer of control, including budget information regarding estimated and actual expenditures by the homeowners association and any report relating to the reserves required for major repairs and replacement of the common areas of the homeowners association;

(8) A copy of all contracts to which the homeowners association is a party;

(9) The name, address, and telephone number of any contractor or subcontractor employed by the homeowners association;

(10) Any insurance policies in effect;

(11) Any permit or notice of code violations issued to the homeowners association by the county, local, State, or federal government;

(12) Any warranty in effect and all prior insurance policies;

(13) The homeowners association funds, including operating funds, replacement reserves, investment accounts, and working capital;

(14) The tangible property of the homeowners association;

(15) A roster of current lot owners, including their mailing addresses, telephone numbers, and lot numbers, if known;

(16) Individual member files and records, including assessment account records, correspondence, and notices of any violations; and

(17) Drawings, architectural plans, or other suitable documents setting forth the necessary information for location, maintenance, and repairs of all common areas.

(e) Contracts of homeowners association.-

(1) This subsection does not apply to a contract entered into before October 1, 2009.

(2) (i) In this subsection, "contract" means an agreement with a company or individual to handle financial matters, maintenance, or services for the homeowners association.

(ii) "Contract" does not include an agreement relating to the provision of utility services or communication systems.

(3) Until all members of the governing body are elected by the lot owners at a transitional meeting under subsection (a) of this section, a contract entered into by the governing body may be terminated, at the discretion of the governing body and without liability for the termination, not later than 30 days after notice.

(f) Failure to comply with section.- If the declarant fails to comply with the requirements of this section, an aggrieved lot owner may submit the dispute to the Division of Consumer Protection of the Office of the Attorney General under § 11B-115(c) of this title.

§ 11B-107. Initial sale of lot not intended to be occupied or rented for residential purposes

(a) A contract for the initial sale of a lot in a development of any size to a person who does not intend to occupy or rent the lot for residential purposes is not enforceable by the vendor unless:

(1) The purchaser is given, at or before the time a contract is entered into between the vendor and the

purchaser, or within 7 calendar days of entering into the contract, the disclosures set forth in subsection (b) of this section;

(2) The purchaser is given notice of any change in mandatory fees and payments exceeding 10 percent of the amount previously stated to exist or any other substantial and material amendment to the disclosures after the same becomes known to the vendor; and

(3) The purchaser is given at or before the time a contract is entered into between the vendor and the purchaser, a notice in a form substantially the same as the following:

"NOTICE

The seller is required by law to furnish you at or before the time a contract is entered into, or within 7 calendar days of entering into the contract, all of the information listed in § 11B-107(b) of the Maryland Homeowners Association Act. The information is as follows: (The notice shall include at this point the text of § 11B-107(b) in its entirety)."

(b) The vendor shall provide the purchaser the following information in writing:

(1) The name, principal address, and telephone number of the vendor and of the declarant, if the declarant is not the vendor;

(2) A description of:

(i) The location and size of the development, including the minimum and maximum number of lots currently planned or permitted, if applicable, which may be contained within the development; and

(ii) Any property owned by the declarant or the vendor contiguous to the development which is to be dedicated to public use; and

(3) A copy of the bylaws and rules of the primary development, and of other related developments to the

extent available, to which the purchaser shall become obligated on becoming an owner of the lot, including a statement that these obligations are enforceable against an owner and the owner's tenants, if applicable.

(c) In satisfying a vendor's request for any information described under subsection (b) of this section, a homeowners association:

(1) Shall be entitled to direct the vendor to obtain the information from the depository for all disclosures contained in the depository after June 30, 1989; and

(2) May not be required to supply a vendor with any information which is contained in the depository.

(d) The provisions of this section do not apply to a sale of a lot in an action to foreclose a mortgage or deed of trust.

§ 11B-108. Cancellation of contract

(a) A person who enters into a contract as a purchaser but who has not received all of the disclosures required by § 11B-105, § 11B-106, or § 11B-107 of this title, as applicable, shall, prior to settlement, be entitled to cancel the contract and to the immediate return of deposits made on account of the contract.

(b) (1) Any purchaser who has not received all of the disclosures required under § 11B-105 or § 11B-106 of this title, as applicable, 5 calendar days or more before the contract was entered into, within 5 calendar days following receipt by the purchaser of the disclosures required by § 11B-105(a) and (b) or § 11B-106(a) and (b) of this title, as applicable, may cancel in writing the contract without stating a reason and without liability on the part of the purchaser.

(2) The purchaser shall be entitled to the return of any deposits made on account of the contract, except that the vendor shall be entitled to retain the cost of reproducing the information specified in § 11B-105(b), § 11B-106(b), or § 11B-107(b) of this title, as applicable, or $100, whichever

amount is less, if the disclosures are not returned to the vendor at the time the contract is cancelled.

(c) Any purchaser may within 3 calendar days following receipt by the purchaser of a change in mandatory fees and payments exceeding 10 percent of the amount previously stated to exist or any other substantial and material amendment to the disclosures required by § 11B-105 or § 11B-106 of this title, as applicable, which adversely affects the purchaser, cancel in writing the contract without stating a reason and without liability on the part of the purchaser, and the purchaser shall be entitled to the return of deposits made on account of the contract.

(c-1) If any deposits are held in trust by a licensed real estate broker, the return of the deposits to a purchaser under subsection (a), (b), or (c) of this section shall comply with the procedures set forth in § 17-505 of the Business Occupations and Professions Article.

(d) The rights of a purchaser under this section may not be waived in the contract and any attempted waiver is void. However, if any purchaser proceeds to settlement, the purchaser's right to cancel under this section is terminated.

(e) In satisfying the requirements of subsection (b) of this section, the vendor shall be entitled to rely upon the disclosures contained in the depository after June 30, 1989.

(f) The provisions of this section do not apply to a sale of a lot in an action to foreclose a mortgage or deed of trust.

§ 11B-109. Untrue statements or omissions by vendor

(a) Any vendor, required under § 11B-105, § 11B-106, or § 11B-107 of this title to disclose information to a purchaser, who makes an untrue statement of a material fact, or who omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, shall be liable for damages proximately caused by the untrue statement or omission to the person purchasing a lot from

that vendor. However, an action may not be maintained to enforce a liability created under this section unless brought within one year after the facts constituting the cause of action have or should have been discovered.

(b) A vendor may not be liable under subsection (a) if the vendor had, after reasonable investigation, reasonable grounds to believe, and did believe, at the time the information required to be disclosed under § 11B-105, § 11B-106, or § 11B-107 of this title was provided to the purchaser, that the statements were true and that there was no omission to state a material fact necessary to make the statements not misleading.

(c) The provisions of this section do not apply to trustees, mortgagees, assignees of mortgagees or other persons selling a lot in an action to foreclose a mortgage or deed of trust.

§ 11B-110. Warranties; notice of defect

(a) (1) In addition to the implied warranties on private dwelling units under § 10-203 of this article and the express warranties on private dwelling units under § 10-202 of this article, there shall be an implied warranty to the homeowners association that the improvements to common areas are:

(i) Free from faulty materials;

(ii) Constructed in accordance with sound engineering standards; and

(iii) Constructed in a workmanlike manner.

(2) (i) Subject to the provisions of subparagraph (ii) of this paragraph, if the improvements to the common areas were constructed by the vendor, its agents, servants, employees, contractors, or subcontractors, then the warranty on improvements shall be from the vendor of the lots within the development.

(ii) If the improvements to the common areas were constructed on the common areas prior to its conveyance to the homeowners association, then the warranty on improvements shall be from the grantor of the common areas.

(3) (i) The warranty on improvements to the common areas begins with the first transfer of title to a lot to a member of the public by the vendor of the lot.

(ii) The warranty on improvements to the common areas not completed at the first transfer of title to a lot shall begin with the completion of the improvement or with its availability for use by lot owners, whichever occurs later.

(iii) The warranty extends for a period of 2 years from commencement under subparagraph (i) or (ii) of this paragraph or 2 years from the date on which the lot owners, other than the declarant and its affiliates, first elect a controlling majority of the members of the governing of the homeowners association, whichever occurs later.

(4) Suit for enforcement of the warranty on improvements to the common areas may be brought by either the homeowners association or by an individual lot owner.

(b) Notice of a defect shall be given within the warranty period and suit for enforcement of the warranty shall be brought within one year of the expiration of the warranty period.

(c) Warranties shall not apply to defects caused through abuse or failure to perform maintenance by a lot owner or the homeowners association.

§ 11B-111. Meetings of homeowners association or its governing body

Except as provided in this title, and notwithstanding anything contained in any of the documents of the homeowners association:

(1) Subject to the provisions of paragraph (4) of this section, all meetings of the homeowners association, including meetings of the board of directors or other governing body of the homeowners association or a committee of the homeowners association, shall be open to all members of the homeowners association or their agents;

(2) All members of the homeowners association shall be given reasonable notice of all regularly scheduled open meetings of the homeowners association;

(3) (i) This paragraph does not apply to any meeting of a governing body that occurs at any time before the lot owners, other than the developer, have a majority of votes in the homeowners association, as provided in the declaration;

(ii) Subject to subparagraph (iii) of this paragraph and to reasonable rules adopted by a governing body, a governing body shall provide a designated period of time during a meeting to allow lot owners an opportunity to comment on any matter relating to the homeowners association;

(iii) During a meeting at which the agenda is limited to specific topics or at a special meeting, the lot owners' comments may be limited to the topics listed on the meeting agenda; and

(iv) The governing body shall convene at least one meeting each year at which the agenda is open to any matter relating to the homeowners association;

(4) A meeting of the board of directors or other governing body of the homeowners association or a committee of the homeowners association may be held in closed session only for the following purposes:

(i) Discussion of matters pertaining to employees and personnel;

(ii) Protection of the privacy or reputation of individuals in matters not related to the homeowners association's business;

(iii) Consultation with legal counsel on legal matters;

(iv) Consultation with staff personnel, consultants, attorneys, board members, or other persons in connection with pending or potential litigation or other legal matters;

(v) Investigative proceedings concerning possible or actual criminal misconduct;

(vi) Consideration of the terms or conditions of a business transaction in the negotiation stage if the disclosure could adversely affect the economic interests of the homeowners association;

(vii) Compliance with a specific constitutional, statutory, or judicially imposed requirement protecting particular proceedings or matters from public disclosure; or

(viii) Discussion of individual owner assessment accounts; and

(5) If a meeting is held in closed session under paragraph (4) of this section:

(i) An action may not be taken and a matter may not be discussed if it is not permitted by paragraph (4) of this section; and

(ii) A statement of the time, place, and purpose of a closed meeting, the record of the vote of each board or committee member by which the meeting was closed, and the authority under this section for closing a meeting shall be included in the minutes of the next meeting of the board of directors or the committee of the homeowners association.

§ 11B-111.1. Family child care homes

(a) (1) In this section, the following words have the meanings indicated.

(2) "Child care provider" means the adult who has primary responsibility for the operation of a family child care home.

(3) "Family child care home" means a unit registered under Title 5, Subtitle 5 of the Family Law Article.

(4) "No-impact home-based business" means a business that:

(i) Is consistent with the residential character of the dwelling unit;

(ii) Is subordinate to the use of the dwelling unit for residential purposes and requires no external modifications that detract from the residential appearance of the dwelling unit;

(iii) Uses no equipment or process that creates noise, vibration, glare, fumes, odors, or electrical or electronic interference detectable by neighbors or that causes an increase of common expenses that can be solely and directly attributable to a no-impact home-based business; and

(iv) Does not involve use, storage, or disposal of any grouping or classification of materials that the United States Secretary of Transportation or the State or any local governing body designates as a hazardous material.

(b) (1) The provisions of this section relating to family child care homes do not apply to a homeowners association that is limited to housing for older persons, as defined under the federal Fair Housing Act.

(2) The provisions of this section relating to no-impact home-based businesses do not apply to a homeowners association that has adopted, prior to July 1, 1999, procedures in accordance with its covenants, declaration, or bylaws for the prohibition or regulation of no-impact home-based businesses.

(c) (1) Subject to the provisions of subsections (d) and (e)(1) of this section, a recorded covenant or restriction, a provision in a declaration, or a provision of the bylaws or rules of a homeowners association that prohibits or restricts commercial or business activity in general, but does not expressly apply to family child care homes or no-impact

home-based businesses, may not be construed to prohibit or restrict:

(i) The establishment and operation of family child care homes or no-impact home-based businesses; or

(ii) Use of the roads, sidewalks, and other common areas of the homeowners association by users of the family child care home.

(2) Subject to the provisions of subsections (d) and (e)(1) of this section, the operation of a family child care home or no-impact home-based business shall be:

(i) Considered a residential activity; and

(ii) A permitted activity.

(d) (1) (i) Except as provided in subparagraph (ii) of this paragraph and subject to the provisions of paragraphs (2) and (3) of this subsection, a homeowners association may include in its declaration, bylaws, or recorded covenants and restrictions a provision expressly prohibiting the use of a residence as a family child care home or no-impact home-based business.

(ii) A homeowners association may not include a provision described under subparagraph (i) of this paragraph expressly prohibiting the use of a residence as a family child care home in its declaration, bylaws, or recorded covenants and restrictions until the lot owners, other than the developer, have 90% of the votes in the homeowners association.

(iii) A provision described under subparagraph (i) of this paragraph expressly prohibiting the use of a residence as a family child care home or no-impact home-based business shall apply to an existing family child care home or no-impact home-based business in the homeowners association.

(2) A provision described under paragraph (1)(i) of this subsection expressly prohibiting the use of a residence as a family child care home or no-impact home-based business may not be enforced unless it is approved by a simple majority of the total eligible voters of the homeowners

association, not including the developer, under the voting procedures contained in the declaration or bylaws of the homeowners association.

(3) If a homeowners association includes in its declaration, bylaws, or recorded covenants and restrictions a provision prohibiting the use of a residence as a family child care home or no-impact home-based business, it shall also include a provision stating that the prohibition may be eliminated and family child care homes or no-impact home-based businesses may be approved by a simple majority of the total eligible voters of the homeowners association under the voting procedures contained in the declaration or bylaws of the homeowners association.

(4) If a homeowners association includes in its declaration, bylaws, or recorded covenants and restrictions a provision expressly prohibiting the use of a residence as a family child care home or no-impact home-based business, the prohibition may be eliminated and family child care or no-impact home-based business activities may be permitted by the approval of a simple majority of the total eligible voters of the homeowners association under the voting procedures contained in the declaration or bylaws of the homeowners association.

(e) A homeowners association may include in its declaration, bylaws, rules, or recorded covenants and restrictions a provision that:

(1) Requires child care providers to pay on a pro rata basis based on the total number of family child care homes operating in the homeowners association any increase in insurance costs of the homeowners association that are solely and directly attributable to the operation of family child care homes in the homeowners association; and

(2) Imposes a fee for use of common areas in a reasonable amount not to exceed $50 per year on each family child care home or no-impact home-based business which is registered and operating in the homeowners association.

(f) (1) If the homeowners association regulates the number or percentage of family child care homes under subsection (e)(1) of this section, in order to assure compliance with this regulation, the homeowners association may require residents to notify the homeowners association before opening a family child care home.

(2) The homeowners association may require residents to notify the homeowners association before opening a no-impact home-based business.

(g) (1) A child care provider in a homeowners association:

(i) Shall obtain the liability insurance described under §§ 19-106 and 19-202 of the Insurance Article in at least the minimum amount described under that statute; and

(ii) May not operate without the liability insurance described under item (i) of this paragraph.

(2) A homeowners association may not require a child care provider to obtain insurance in an amount greater than the minimum amount required under paragraph (1) of this subsection.

(h) A homeowners association may restrict or prohibit a no-impact home-based business in any common areas.

§ 11B-111.2. Candidate or proposition sign

(a) In this section, "candidate sign" means a sign on behalf of a candidate for public office or a slate of candidates for public office.

(b) Except as provided in subsection (c) of this section, a recorded covenant or restriction, a provision in a declaration, or a provision in the bylaws or rules of a homeowners association may not restrict or prohibit the display of:

(1) A candidate sign; or

(2) A sign that advertises the support or defeat of any question submitted to the voters in accordance with the Election Law Article.

(c) A recorded covenant or restriction, a provision in a declaration, or a provision in the bylaws or rules of a homeowners association may restrict the display of a candidate sign or a sign that advertises the support or defeat of any proposition:

(1) In the common areas;

(2) In accordance with provisions of federal, State, and local law; or

(3) If a limitation to the time period during which signs may be displayed is not specified by a law of the jurisdiction in which the homeowners association is located, to a time period not less than:

(i) 30 days before the primary election, general election, or vote on the proposition; and

(ii) 7 days after the primary election, general election, or vote on the proposition.

§ 11B-111.3. Distribution of written information and materials

(a) This section does not apply to the distribution of information or materials at any time before the lot owners, other than the developer, have a majority of votes in the homeowners association, as provided in the declaration.

(b) In this section, the door-to-door distribution of any of the following information or materials may not be considered a distribution for purposes of determining the manner in which a governing body distributes information under this section:

(1) Any information or materials reflecting the assessments imposed on lot owners in accordance with a

recorded covenant, the declaration, bylaw, or rule of the homeowners association; and

(2) Any meeting notices of the governing body.

(c) Except for reasonable restrictions to the time of distribution, a recorded covenant or restriction, a provision in a declaration, or a provision of the bylaws or rules of a homeowners association may not restrict a lot owner from distributing written information or materials regarding the operation of or matters relating to the operation of the homeowners association in any manner or place that the governing body distributes written information or materials.

§ 11B-111.4. Meeting of lot owners

(a) This section does not apply to any meetings of lot owners occurring at any time before the lot owners, other than the developer, have a majority of the votes in the homeowners association, as provided in the declaration.

(b) Subject to reasonable rules adopted by the governing body, lot owners may meet for the purpose of considering and discussing the operation of and matters relating to the operation of the homeowners association in any common areas or in any building or facility in the common areas that the governing body of the homeowners association uses for scheduled meetings.

§ 11B-111.5. Court appointment of receiver.

(a) If a homeowners association fails to fill vacancies on the governing body sufficient to constitute a quorum in accordance with the bylaws, three or more owners of lots may petition the circuit court for the county where the condominium is located to appoint a receiver to manage the affairs of the homeowners association.

(b) (1) At least 30 days before petitioning the circuit court, the lot owners acting under the authority granted by subsection (a) of this section shall mail to the governing

body a notice describing the petition and the proposed action.

(2) The lot owners shall mail a copy of the notice to the owner of each lot in the development.

(c) No quorum within notice period.- If the governing body fails to fill vacancies sufficient to constitute a quorum within the notice period, the lot owners may proceed with the petition.

(d) A receiver appointed by a court under this section may not reside in or own a lot in the development governed by the homeowners association.

(e) (1) A receiver appointed under this section shall have all powers and duties of a duly constituted governing body.

(2) The receiver shall serve until the homeowners association fills vacancies on the governing body sufficient to constitute a quorum.

(f) Common expenses.- The salary of the receiver, court costs, and reasonable attorney's fees are expenses of the homeowners association.

§ 11B-111.6. Fidelity insurance.

(a) In this section, "fidelity insurance" includes a fidelity bond.

(b) This section does not apply to a homeowners association:

(1) That has four or fewer units; and
(2) For which 3 months' worth or gross annual assessments is less than $2,500.00.

(c) (1) The board of directors or other governing body of a homeowners association shall purchase fidelity insurance not later than the time of the first conveyance of a lot to a person

other than the declarant and shall keep fidelity insurance in place for each year thereafter.

(2) The fidelity insurance required under paragraph (1) of this subsection shall provide for the indemnification of the homeowners association against loss resulting from acts or omissions arising from fraud, dishonesty, or criminal acts by:

(i) Any officer, director, managing agent, or other agent or employee charged with the operation or maintenance of the homeowners association who controls or disburses funds; and

(ii) Any management company employing a management agent or other employee charged with the operation or maintenance of the homeowners association who controls or disburses funds.

(d) A copy of the fidelity insurance policy or fidelity bond shall be included in the books and records kept and made available by or on behalf of the homeowners association under § 11B-112 of this title.

(e) (1) The amount of the fidelity insurance required under subsection (a) of this section shall equal at least the lesser of:

(i) 3 months' worth of gross annual homeowners association fees and the total amount held in all investment accounts at the time the fidelity insurance is issued; or

(ii) $3,000,000.

(2) The total liability of the insurance to all insured persons under the fidelity insurance may not exceed the sum of the fidelity insurance.

(f) If a lot owner believes that the board of directors or other governing body of a homeowners association has failed to comply with the requirements of this section, the aggrieved lot owner may submit the dispute to the Division of Consumer Protection of the Office of the Attorney General under § 11B-115 of this title.

§ 11B-112. Books and records of homeowners association; disclosures to be deposited into depository.

(a) (1) (i) Subject to the provisions of paragraph (2) of this subsection, all books and records kept by or on behalf of the homeowners association shall be made available for examination or copying, or both, by a lot owner, a lot owner's mortgagee, and their respective duly authorized agents or attorneys, during normal business hours, and after reasonable notice.

(ii) Books and records required to be made available under subparagraph (i) of this paragraph shall first be made available to a lot owner no later than 15 business days after a lot is conveyed by the declarant and the lot owner requests to examine or copy the books and records.

(iii) If a lot owner requests in writing a copy of financial statements of the homeowners association or the minutes of a meeting of the governing body of the homeowners association to be delivered, the governing body of the homeowners association shall compile and send the requested information by mail, electronic transmission, or personal delivery:

1. Within 21 days after receipt of the written request, if the financial statements or minutes were prepared within the 3 years immediately preceding receipt of the request; or

2. Within 45 days after receipt of the written request, if the financial statements or minutes were prepared more than 3 years before receipt of the request.

(2) Books and records kept by or on behalf of a homeowners association may be withheld from public inspection to the extent that they concern:

(i) Personnel records, not including information on individual salaries, wages, bonuses, and other compensation paid to employees;

(ii) An individual's medical records;

(iii) An individual's financial records, including assets, income, liabilities, net worth, bank balances, financial history or activities, and creditworthiness;

(iv) Records relating to business transactions that are currently in negotiation;

(v) The written advice of legal counsel; or

(vi) Minutes of a closed meeting of the governing body of the homeowners association, unless a majority of a quorum of the governing body of the homeowners association that held the meeting approves unsealing the minutes or a recording of the minutes for public inspection.

(b) (1) Except for a reasonable charge imposed on a person desiring to review or copy the books and records or who requests delivery of information, the homeowners association may not impose any charges under this section.

(2) A charge imposed under paragraph (1) of this subsection for copying books and records may not exceed the limits authorized under Title 7, Subtitle 2 of the Courts Article.

(c) (1) Each homeowners association that was in existence on June 30, 1987 shall deposit in the depository by December 31, 1988, and each homeowners association established subsequent to June 30, 1987 shall deposit in the depository by the later of the date 30 days following its establishment, or December 31, 1988, all disclosures, current to the date of deposit, specified:

(i) By § 11B-105(b) of this title except for those disclosures required by paragraphs (6)(i), (8), (9), and (12);

(ii) By § 11B-106(b) of this title except for those disclosures required by paragraphs (1), (2), (4), and (5)(i); and

(iii) By § 11B-107(b) of this title.

(2) Beginning January 1, 1989, within 30 days of the adoption of or amendment to any of the disclosures required by this title to be deposited in the depository, a homeowners association shall deposit the adopted or amended disclosures in the depository.

(3) If a homeowners association fails to deposit in the depository any of the disclosures required to be deposited by this section, or by § 11B-105(b)(6)(ii) or §11B-106(b)(5)(ii) of this title, then those disclosures which were not deposited shall be unenforceable until the time they are deposited.

§ 11B-112.1. Late Charges

The declaration or bylaws of a homeowners association may provide for a late charge of $15 or one-tenth of the total amount of any delinquent assessment or installment, whichever is greater, provided the charge may not be imposed more than once for the same delinquent payment and may be imposed only if the delinquency has continued for at least 15 calendar days.

§ 11B-112.2. Annual Budget

(a) This section applies only to a homeowners association that has responsibility under its declaration for maintaining and repairing common areas.

(b) (1) The board of directors or other governing body of a homeowners association shall cause to be prepared and submitted to the lot owners an annual proposed budget at least 30 days before its adoption.

(2) The annual proposed budget may be sent to each lot owner by electronic transmission, by posting on the homeowners association's home page, or by including the

annual proposed budget in the homeowners association's newsletter.

(c) The annual budget shall provide information on or expenditures for at least the following items:

(1) Income;

(2) Administration;

(3) Maintenance;

(4) Utilities;

(5) General expenses;

(6) Reserves; and

(7) Capital expenses

(d) (1) The budget shall be adopted at an open meeting of he homeowners association or any other body to which the homeowners association delegates responsibilities for preparing and adopting the budget.

(2) (i) Notice of the meeting at which the proposed budget will e considered shall be sent to each lot owner.

(ii) Notice under subparagraph (i) of this paragraph may be sent by electronic transmission, by posting on the homeowners association's home page, or by including the notice in the homeowners association's newsletter.

(e) Except for an expenditure made by the homeowners association because of a condition that, if not corrected, could reasonably result in a threat to the health or safety of the lot owners or a significant risk of damage to the development, any expenditures that would result in an increase in an amount of assessments for the current fiscal year of the homeowners association in excess of 15% of the budgeted amount previously adopted shall be approved by an amendment to the budget adopted at a special meeting for

which not less than 10 days written notice shall be provided to the lot owners.

(f) The adoption of a budget does not impair the authority of the homeowners association to obligate the homeowners association for expenditures for any purpose consistent with any provision of this title.,

§ 11B-113. Homeowners association depository

(a) There is a homeowners association depository in the office of the clerk of the court in each county and the City of Baltimore.

(b) Consistent with the duties of a clerk of a court as enumerated in § 2-201 of the Courts and Judicial Proceedings Article, the clerk of the court shall establish and thereafter maintain a depository for the purpose of making available to the public upon request the information to be deposited by homeowners associations.

(c) The depository shall:

(1) Be established and maintained in each county and the City of Baltimore as a document file separate from the land records of the county or City;

(2) Contain a record of the names of all homeowners associations for each county and the City of Baltimore;

(3) Contain all disclosures deposited by a homeowners association; and

(4) Be available to the public for viewing and for obtaining copies during the regular business hours of the office of the clerk.

(d) (1) The clerk of the court is authorized to regulate the form and manner of documents deposited into the depository and to collect fees for a deposit.

(2) The clerk of the court shall permit the deposit of copies of disclosures, however reproduced.

(3) The clerk of the court may adopt regulations as necessary or desirable to implement the depository.

(4) The State Court Administrator shall establish, so as to cover the reasonable and ordinary expenses of maintaining the depository, the amount of the fees that the clerk of the court may charge for deposits in the depository.

(5) (i) The clerk of the court shall maintain a depository index; and

(ii) All disclosures shall be filed under the name of the homeowners association.

(e) Material contained in the depository may not be viewed as recordation under Title 3 of this article.

§11B-113.1. Electronic Transmission of Notice

(a) Notwithstanding language contained in the governing
documents of a homeowners association, the homeowners association may provide notice of a meeting or deliver information to a lot owner by electronic transmission if:

(1) The board of directors or other governing body of the homeowners association gives the homeowners association the authority to provide notice of a meeting or deliver information by electronic transmission;

(2) The lot owner gives the homeowners association prior written authorization to provide notice of a meeting or deliver information by electronic transmission; and

(3) An officer or agent of the homeowners association certifies in writing that the homeowners association has provided notice of a meeting or delivered material or information as authorized by the lot owner.

(b) Notice or delivery by electronic transmission shall be considered ineffective if:

(1) The homeowners association is unable to deliver two consecutive notices; and

(2) The inability to deliver the electronic transmission becomes known to the person responsible for sending the electronic transmission.

(c) The inadvertent failure to deliver notice by electronic transmission does not invalidate any meeting or other action.

§11B-113.2. Electronic Transmission of Votes or Proxies

(a) Notwithstanding language contained in the governing documents of the homeowners association, the board of directors or other governing body of the homeowners association may authorize lot owners to submit a vote or proxy by electronic transmission if the electronic transmission contains information that verifies that the vote or proxy is authorized by the lot owner or the lot owner's proxy.

(b) If the governing documents of the homeowners association require voting by secret ballot and the anonymity of voting by electronic transmission cannot be guaranteed, voting by electronic transmission shall be permitted if lot owners have the option of casting anonymous printed ballots.

§11B-113.3 Deletion of Ownership Restrictions Based On Race, Religion, or National Origin

(a) This section applies to any recorded covenant or restriction that restricts ownership based on race, religious belief, or national origin including a covenant or restriction that is part of a uniform general scheme or plan of development.

(b) Except as provided in subsection (c) of this section, a homeowners association may delete a recorded covenant or restriction that restricts ownership based on race, religious belief, or national origin from the deeds or other declarations

of property in the development if at least 85% of the lot owners in the development agree to the deletion of the recorded covenant or restriction from the deeds or other declarations.

(c) If the deeds or other declarations of property in the development expressly provide for a method of amendment or deletion of a recorded covenant or restriction, a recorded covenant or restriction that restricts ownership based on race, religious belief, or national origin may be deleted as provided for in the deeds or declarations or in accordance with subsection (b) of this section.

(d) After the lot owners in the development agree to the deletion of a recorded covenant or restriction that restricts ownership based on race, religious belief, or national origin as provided in subsection (a) of this section, the governing body of the homeowners association shall record with the clerk of the court in the jurisdiction where the development is located an amendment to the deeds or other declarations that include the recorded covenant or restriction, executed by at least 85% of the lot owners in the development, that provides for the deletion of the recorded covenant or restriction from the deeds or declarations of the property in the development.

§ 11B-113.4 Annual Charge

(a) It is the intent of the general assembly to prevent unfair treatment of property owners by a homeowners association when annual charges based on the assessed value of property imposed by the homeowners association increase at such a rate that it creates an unexpected windfall for the homeowners association.

(b) In this section, the term "annual charge" means a charge based on the current assessed value of property for county and state property taxes that is levied by a homeowners association on property in a development.

(c) This section only applies to a development that:

(1) Contains at least 13,000 acres of land and has a population of at least 80,000; and

(2) Is governed by a homeowners association that levies an annual charge on property within the development.

(d)(1) A homeowners association shall base the annual charge for the revalued properties on the phased in value of property as provided under § 8-103 of the tax - property article.

(2) If the value of an improved property has been reduced by the State or county assessments office after, or by reason of, a protest, appeal, credit, or other adjustment, the homeowners association shall reduce the annual charge on the property based on the reduced value.

(e) Until the annual charge for the revalued property is based on the phased in value of property as required under subsection (d) of this section, if the value of the properties revalued as of the most recent date of finality as provided in § 8-104 of the tax - property article exceeds the prior valuation by more than 10%:

(1) The increase shall be considered an unexpected windfall to the homeowners association that should be offset; and

(2) Beginning with the first year following the revaluation of the property for state property tax purposes, the homeowners association shall provide to the owner of the revalued property a rebate or credit in an amount equal to the portion of the annual charge that is attributable to the growth in the value of the revalued property in excess of 10%.

(f) Subsections (d) and (e) of this section do not apply if a governing body certifies on or before April 1 in the first year following the revaluation of property values for state property tax purposes that the revenues from the annual charges are insufficient to meet the debt service requirements during the next taxable year on all bonds that the governing body anticipates will be outstanding

during that year.

(g) Notwithstanding any provision of the law to the contrary, when calculating an annual charge, a homeowners association may not consider the rate of assessed value of property to have increased by more than 10% in a taxable year.

§ 11B-113.5 Howard County: annexation of land in Columbia

(a) This section establishes the process for the annexation of parcels of land that are subject to the deed, agreement, and declaration establishing any of the villages or town center in Columbia in Howard County.

(b) Notwithstanding any provision of law or contract, a parcel of land located in that area of land in Howard County that is subject to the deed, agreement, and declaration of covenants, easements, charges, and liens dated December 13, 1966, and recorded in the land records of Howard County in Liber W.H.H. 463, Folio 158, et seq. (the Columbia Association Declaration) that is not part of the village or town center in which the land is located may be annexed into the village or town center if:

(1) The owner or developer of the land makes an application for annexation to the village or town center community associated; and

(2) The Columbia Association or its successor and the village or town center community association approve the annexation

(c) An instrument that consolidates a parcel of land into the village or town center in which the land is located shall be executed and filed for recordation in the land records of Howard County.

(d) (1) A parcel of land that is annexed into a village or town center in accordance with this section shall be subject to the

recorded covenants and restrictions of the village or town center in which the parcel of land is located.

(2) An annexation completed in accordance with this section may not abrogate or in any way affect any approval previously granted or condition previously imposed under a recorded covenant or contract regarding improvements constructed on the annexed property.

§ 11B-114. Electronic payment fee

(a) In this section, "electronic payment" means payment by credit card or debit card.

(b) A homeowners association may require a person from whom payment is due to pay a reasonable electronic payment fee if the person elects to pay the homeowners association by means of electronic payment.

(c) An electronic payment fee may not exceed the amount of any fee that may be charged to the homeowners association in connection with use of the credit card or debit card.

(d) If a homeowners association elects to charge an electronic payment fee under this section, the homeowners association shall specify on or include notice with each bill and other invoices for which electronic payment is authorized that an electronic payment fee will be charged.

§ 11B-115. Enforcement authority of Division of Consumer Protection

(a) (1) In this section, "consumer" means an actual or prospective purchaser, lessee, assignee, or recipient of a lot in a development.

(2) "Consumer" includes a co-obligor or surety for a consumer.

(b) This section is intended to provide minimum standards for protection of consumers in the State.

(c) (1) To the extent that a violation of any provision of this title affects a consumer, that violation shall be within the scope of the enforcement duties and powers of the Division of Consumer Protection of the Office of the Attorney General, as described in Title 13 of the Commercial Law Article.

(2) The provisions of this title shall otherwise be enforced by each unit of State government within the scope of the authority of the unit.

(d) (1) A county or municipal corporation may adopt a law, ordinance, or regulation for the protection of a consumer to the extent and in the manner provided for under § 13-103 of the Commercial Law Article.

(2) Within 30 days of the effective date of a law, ordinance, or regulation adopted under this subsection that is expressly applicable to a development, the county or municipal corporation shall forward a copy of the law, ordinance, or regulation to the homeowners association depository in the office of the clerk of the court in the county where the development is located.

§ 11B-115.1. Enforcement by Division of Consumer Protection

A lot owner who believes that the board of directors or other governing body of a homeowners association has failed o comply with the election procedures provisions of the governing documents of the homeowners association may submit the dispute to the Division of Consumer Protection of he Office of the Attorney General if the provisions concern:

(1) Notice about the date, time, and place for the election of the board of directors or other governing body;

(2) The manner in which a call is made for nominations for the board of directors or other governing body;

(3) The format of the election board;

(4) The format, provision, and use of proxies during the election process; or

(5) The manner in which a quorum is determined for election purposes.

§ 11B-116. Amendment of governing document.

(a) In this section, "governing document" includes:

(1) a declaration;

(2) bylaws;

(3) a deed and agreement; and

(4) recorded covenants and restrictions.

(b) Notwithstanding the provisions of a governing document, a homeowners association created before January 1, 1960, may amend the governing document once every 5 years, or more frequently if allowed by the governing document, by the affirmative vote of lot owners having at least two-thirds of the votes in the development, or by a lower percentage if required in the governing document.

§ 11B-117. Liability for homeowners association assessments and charges on lots

(a) As provided in the declaration, a lot owner shall be liable for all homeowners association assessments and charges that come due during the time that the lot owner owns the lot.

(b) In addition to any other remedies available at law, a homeowners association may enforce the payment of the assessments and charges provided in the declaration by the imposition of a lien on a lot in accordance with the Maryland Contract Lien Act.

(c) (1) This subsection does not limit or affect the priority of:

(i) A lien for the annual charge provided first priority over a deed of trust or mortgage by the deed, agreement, and declaration of covenants, easements, charges, and liens dated December 13, 1966, and recorded in the land records of Howard County (the Columbia Association Declaration); or

(ii) Any lien, secured interest, or other encumbrance with priority that is held by or for the benefit of, purchased by, assigned to, or securing any indebtedness to:

1. The State or any county or municipal corporation in the State;

2. Any unit of State government or the government of any county or municipal corporation in the State; or

3. An instrumentality of the State or any county or municipal corporation in the State.

(2) In the case of a foreclosure of a mortgage or deed of trust on a lot in a homeowners association, a portion of the homeowners association's liens on the lot, as prescribed in paragraph (3) of this subsection, shall have priority over a claim of the holder of a first mortgage or a first

deed of trust that is recorded against the lot on or after October 12, 2011.

(3) The portion of the homeowners association's liens that has priority under paragraph (2) of this subsection:

(i) Shall consist solely of not more than 4 months, or the equivalent of 4 months, of unpaid regular assessments for common expenses that are levied by the homeowners association in accordance with the requirements of the declaration or bylaws of the homeowners association;

(ii) May not include:

1. Interest;

2. Costs of collection;

3. Late charges;

4. Fines;

5. Attorney's fees;

6. Special assessments; or

7. Any other costs or sums due under the declaration or bylaws of the homeowners association or as provided under any contract, law, or court order; and

(iii) May not exceed a maximum of $1,200

(4) (i) Subject to subparagraph (ii) of this paragraph, at the request of the holder of a first mortgage or first deed of trust on a lot in a homeowners association, the governing body shall provide to the holder written information about the portion of any lien filed under the Maryland Contract Lien Act that has priority as prescribed under paragraph (3) of this subsection, including information that is sufficient to allow the holder to determine the basis for the portion of the lien that has priority.

(ii) At the time of making a request under subparagraph (i) of this paragraph, the holder shall provide the governing body of the homeowners association with the written contact information of the holder.

(iii) If the governing body of the homeowners association fails to provide written information to the holder under subparagraph (i) of this paragraph within 30 days after the filing of the statement of lien among the land records of each county in which the homeowners association is located, the portion of the homeowners association's liens does not have priority as prescribed under paragraph (2) of this subsection.

§ 11B-118. Short title.

This title may be cited as the Maryland Homeowners Association Act.

MARYLAND COOPERATIVE HOUSING CORPORATION ACT

§ 5-6B-01. Definitions

(a) In this subtitle the following terms have the meanings indicated.

(b) "Articles of Incorporation" means the charter by which a cooperative housing corporation becomes incorporated under this article.

(c) "Blanket encumbrance" means any contract binding on a cooperative housing corporation and creating a lien or security interest or other encumbrance or imposing restrictions on any real or personal property owned by the cooperative housing corporation.

(d) "Bylaws" means the document which details and governs the internal organization and operation of the cooperative housing corporation.

(e) "Conversion" means the creation of a cooperative housing corporation from a property which was immediately previously a residential rental facility.

(f) "Cooperative housing corporation" means a domestic or foreign corporation qualified in this State, either stock or nonstock, having only one class of stock or membership, in which each stockholder or member, by virtue of such ownership or membership, has a cooperative interest in the corporation.

(g) "Cooperative interest" means the ownership interest in a cooperative housing corporation which is coupled with a possessory interest in real or personal property or both and evidenced by a membership certificate.

(h) "Cooperative project" means all the real and personal property in this State owned or leased by the

cooperative housing corporation for the primary purpose of residential use.

(i) (1) "Developer" means a person who:

(i) Owns an equitable interest, including a cooperative interest, in a unit prior to its initial sale to a member of the public;

(ii) Exercises control over cooperative interests before they are transferred to initial purchasers, excluding management agents and sales agents acting in their capacities as such; or

(iii) Receives a material portion of the sales proceeds, not including customary brokerage commissions or payment for indebtedness to an institutional banker, from the initial sale of a cooperative interest to a member of the public.

(2) "Developer" does not include a cooperative housing corporation.

(j) "Electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that:

(1) May be retained, retrieved, and reviewed by a recipient of the communication; and

(2) May be reproduced directly in paper form by a recipient through an automated process.

(k) "Initial purchaser" means a member of the public, not an affiliate of or a successor to the developer, who, for value, acquires a cooperative interest as part of the initial sale of a cooperative interest which is used for residential purposes.

(l) "Initial sale" means the first transfer of a cooperative interest to an initial purchaser.

(m) "Member" means a person who owns a cooperative interest.

(n) "Membership certificate" means:

(1) A document, including a stock certificate issued by a cooperative housing corporation, evidencing ownership of a cooperative interest; or

(2) If there is no other document which satisfies paragraph (1) of this subsection, a proprietary lease.

(o) "Moving expenses" means costs incurred to:

(1) Hire contractors, labor, trucks, or equipment for the transportation of personal property;

(2) Pack and unpack personal property;

(3) Disconnect and install personal property;

(4) Insure personal property to be moved; and

(5) Disconnect and reconnect utilities such as telephone service, gas, water, and electricity.

(p) "No-impact home-based business" means a business that:

(1) Is consistent with the residential character of the dwelling unit;

(2) Is subordinate to the use of the dwelling unit for residential purposes and requires no external modifications that detract from the residential appearance of the dwelling unit;

(3) Uses no equipment or process that creates noise, vibration, glare, fumes, odors, or electrical or electronic interference detectable by neighbors; and

(4) Does not involve use, storage, or disposal of any grouping or classification of materials that the United

States Secretary of Transportation or the State or any local governing body designates as a hazardous material.

(q) (1) "Proprietary lease" means an agreement with the cooperative housing corporation under which a member has an exclusive possessory interest in a unit and a possessory interest in common with other members in that portion of a cooperative project not constituting units and which creates a legal relationship of landlord and tenant between the cooperative housing corporation and the member, respectively.

(2) "Proprietary lease" includes, if there is no other document that satisfies paragraph (1) of this subsection, a membership certificate.

(r) "Residential rental facility" means property containing at least 10 dwelling units leased for residential purposes.

(s) "Unit" means a portion of the cooperative project leased for exclusive occupancy by a member under a proprietary lease.

§ 5-6B-02. Contract for initial sale of cooperative interest; public offering statements.

(a) A contract for the initial sale of a cooperative interest to a member of the public for residential use is not enforceable against the initial purchaser unless:

(1) The initial purchaser is given at or before the time a contract is entered into between the developer and the initial purchaser, a public offering statement containing all of the information required by this section; and

(2) The contract contains, in conspicuous type, a notice of the initial purchaser's right to receive a public offering statement and the rescission rights provided under this title.

(b) The public offering statement shall contain at least the following:

(1) The name and address of the developer;

(2) The following statements:

(i) A boundary survey or metes-and-bounds description of the cooperative project together with a location survey of all improvements, including recreational facilities, streets, and roads, and a drawing of any proposed improvements not yet constructed within the cooperative project;

(ii) A statement of the form of ownership of all real and personal property which is intended by the developer to be owned or leased by the cooperative housing corporation;

(iii) A statement as to whether streets abutting the cooperative project are to be dedicated to public use or maintained by the cooperative housing corporation;

(iv) A statement of the projected completion dates for proposed improvements and, in the case of a contract for the initial sale of a cooperative interest in a cooperative housing corporation which has not yet been formed, a statement of the projected date of formation;

(v) A statement whether and under what conditions units may be sublet or cooperative interests sold by members;

(vi) A description of the voting and other rights in the cooperative housing corporation which attach to a cooperative interest as such rights are described in § 2-105 of this article;

(vii) An opinion, based on stated factual assumptions, as to whether the members under current laws will be entitled to a pass-through of deductions from federal and State income taxes for payments made by the cooperative housing corporation for real estate taxes and interest on the property of the cooperative housing corporation;

(viii) A statement of the rights and responsibilities of members regarding the blanket encumbrance and a statement as to the nature and extent of any protection to the initial purchaser if the developer or cooperative housing

corporation defaults on such a blanket encumbrance after transfer or a statement that there is no such protection;

(ix) A statement that a deposit made in connection with the purchase of a cooperative interest will be held in an

escrow account in the same manner as provided in § 10-301 of the Real Property Article in the case of sales of new, uncompleted single family units;

(x) A statement of any fees required by the cooperative housing corporation in connection with the transfer of membership or issuance of a proprietary lease;

(xi) A statement of the common charges, known or anticipated, however denominated, which may be levied against a member;

(xii) A statement of the cooperative interest associated with each unit and the underlying debt responsibility associated with each unit on a pro rata basis, if applicable;

(xiii) A statement as to whether the cooperative housing corporation has or will obtain insurance coverage for casualty, property damage, and public liability and if so, in what amounts;

(xiv) In the case of a cooperative housing corporation containing buildings substantially completed more than 5 years prior to the date of the notice required under § 5-6B-05 of this subtitle, a statement of the physical condition and state of repair of the major structural, mechanical, electrical, and plumbing components of the improvements, to the extent reasonably ascertainable, the estimated costs of repairs for which a present need is disclosed in the statement, and a statement of repairs which the developer intends to make. The developer is entitled to rely on the reports of architects or engineers authorized to practice their profession in this State; and

(xv) A statement of all warranties and disclaimers being made to the initial purchaser and to the cooperative housing corporation by the developer;

(3) Copies of the proposed or final:

(i) Contract of sale;

(ii) Membership certificate;

(iii) Proprietary lease;

(iv) Articles of incorporation;

(v) Bylaws;

(vi) Rules, if any;

(vii) Floor plans;

(viii) Blanket encumbrances;

(ix) Member loan documents and any contract, note, mortgage given to the developer, or other instrument to be entered into with the developer as part of the initial sale;

(x) Any lease other than the proprietary lease to a third party of real or personal property to which the cooperative housing corporation is a party; and

(xi) Any management contract, employment contract, or other contract excluding contracts of insurance affecting the use, maintenance or access to all or part of the real or personal property of the cooperative housing corporation;

(4) A copy of the projected annual operating budget for the cooperative housing corporation including, where applicable:

(i) Insurance;

(ii) Administration;

(iii) Maintenance;

(iv) Utilities;

(v) General expenses;

(vi) Reserves;

(vii) Capital items;

(viii) Debt service; and

(ix) Taxes; and

(5) If applicable, a copy of the notice and materials required by § 5-6B-05 of this subtitle, and a copy of the financial standards required to be established under § 5-6B-06(a)(2)(i) of this subtitle.

(c) Statements required in this section may be summarized or produced in a collection of documents which effectively conveys the required information to the initial purchaser.

(d) The requirements of this section do not apply to the sale of any cooperative interest in a unit which is to be used and occupied for nonresidential purposes.

§ 5-6B-03. Rescission; amendments to public offering statement; failure of developer to comply with section; liability for misrepresentation; waiver of rights; sale of units for nonresidential purposes.

(a) Within 15 days after a contract is signed or a public offering statement is received, whichever occurs later, the initial purchaser may rescind, in writing, the contract without any liability on the initial purchaser's part, and shall thereupon be entitled to the prompt return of the deposit made on account of the contract.

(b) (1) After a contract is signed and before the issuance of a membership certificate, the developer must deliver to the initial purchaser a copy of any amendments, supplements, or modifications to the public offering statement.

(2) The initial purchaser may rescind, in writing, the contract within 5 days after receiving any of the aforesaid items which are material in nature, without any liability on the

initial purchaser's part, and shall be entitled to the return of any deposit made on account of the contract.

(c) If the developer fails to comply with the requirements of this section, the initial purchaser before the issuance of a membership certificate may rescind, in writing, the contract, without liability on the initial purchaser's part and shall thereupon be entitled to the prompt return of any deposits made on account of the contract.

(c-1) If any deposits are held in trust by a licensed real estate broker, the return of the deposits to an initial purchaser under subsection (a), (b), or (c) of this section shall comply with the procedures set forth in § 17-505 of the Business Occupations and Professions Article.

(d) (1) Any developer who, in disclosing the information required under subsections (a) and (b) of § 5-6B-02, makes an untrue statement of a material fact, or omits to state a material fact necessary in order to make the statements made not misleading, in the light of circumstances under which they were made, shall be liable to a person purchasing a cooperative interest from the developer.

(2) However, an action may not be maintained to enforce any liability created under this section unless brought within 1 year after the facts constituting the cause of action are or should have been discovered.

(3) A developer may not be liable under paragraph (1) of this subsection if the developer, after reasonable investigation, had reasonable grounds to believe, and did believe, at the time the information required to be disclosed under § 5-6B-02 of this subtitle, was provided to the purchaser, that the statements were true, and that there was no omission to state a material fact necessary to make the statements not misleading.

(e) The rights of initial purchasers under this section may not be waived and an attempted waiver is void. If a membership certificate is issued and delivered, the initial

purchaser's rights to rescind under this section are terminated.

(f) The requirements of this section do not apply to the sale of any unit which is to be used and occupied for nonresidential purposes.

§ 5-6B-04. Warranties

(a) (1) There is an implied warranty from the developer to the cooperative housing corporation on the roof, foundation, and other structural elements, ceilings, floors, walls, mechanical, electrical, and plumbing systems.

(2) The warranty shall provide that the developer is responsible for correcting defects in materials or workmanship, and that the building elements specified in this description are within acceptable industry standards in effect when the building or buildings were constructed.

(3) The warranty begins with the first transfer of a cooperative interest in the cooperative housing corporation to an initial purchaser. The warranty on a portion of the cooperative project not completed at the time of the transfer begins with the completion of that building element or with its availability for use by members, whichever occurs later. The warranty extends for a period of 3 years from the commencement date of the warranty.

(4) A suit for enforcement of the warranty on a portion of the cooperative project shall be brought by the cooperative housing corporation or by a member.

(b) Notice of a defect shall be given to the developer within the warranty period and suit for enforcement of the warranty shall be brought within 1 year after expiration of the warranty period.

(c) Warranties do not apply to any damage caused through abuse or failure to perform maintenance by a member or the cooperative housing corporation.

§ 5-6B-05. Notice of conversion to tenants

(a) (1) At least 180 days before a tenant is required to vacate a portion of a residential rental facility used as a residence that is acquired or is to be acquired by a cooperative housing corporation or that is owned by or is to be owned by a corporation that may become a cooperative housing corporation, the owner and the landlord of each tenant in possession of a portion of the residential rental facility shall give the tenant a notice in substantially the form specified in subsection (f) of this section.

(2) For effective notice, the owner and the landlord, at least 15 days before giving the notice required by this section, shall file with the Secretary of State a copy of the notice, a list of the tenants to whom the owner and the landlord anticipate giving notice, and an affidavit in substantially the following form:

"I hereby affirm under the penalty of perjury that the notice requirements of § 5-6B-05 of the Corporations and Associations Article, if applicable, have been fulfilled.

Developer

By ....."

(3) If a tenant first leases a portion of the premises as a residence after the notice required by this subsection has been given, the owner and the landlord, if other than the owner, shall inform the tenant in writing that the notice has been given. The tenant shall be so informed on or before signing the lease or taking possession, whichever occurs first.

(b) The notice shall be considered to have been given to each tenant if delivered by hand or mailed, postage prepaid, to the tenant's last known address.

(c) A tenant leasing a portion of a residential rental facility as a residence at the time the notice referred to in subsection (a) of this section is given to the tenant may not

be required to vacate the premises prior to the expiration of 180 days from the giving of the notice except for:

(1) Breach of a covenant in the lease occurring before or after the notice is given;

(2) Nonpayment of rent occurring before or after the notice is given; or

(3) Failure of the tenant to vacate the premises at the time that is indicated by the tenant in a notice given to the landlord under subsection (e) of this section.

(d) (1) If the lease term of a tenant who leases a portion of a residential rental facility as a residence at the time the notice referred to in subsection (a) of this section is given would ordinarily terminate during the 180-day period, the lease term shall be extended, at the option of the tenant, until the expiration of the 180-day period.

(2) The extended term shall be at the same rent and on the same terms and conditions as were applicable on the last day of the lease term.

(e) A tenant who leases a portion of a residential rental facility as a residence at the time the notice referred to in subsection (a) of this section is given may terminate the lease, without penalty for termination, upon at least 30 days' written notice to the landlord.

(f) The notice referred to in subsection (a) of this section shall be sufficient for the purposes of this section if it is in substantially the following form. As to rental facilities containing fewer than 10 units, "Section 2" of the notice is not required to be given.

"NOTICE OF INTENTION TO CREATE A COOPERATIVE HOUSING CORPORATION

..... (date)

This is to inform you that the residential rental facility known as ..... has been or may be acquired by a cooperative housing corporation or that the current owner of the residential rental facility has or may become a

cooperative housing corporation in accordance with the Maryland Cooperative Housing Corporation Act. You may be required to move out of your residence after 180 days have passed from the date of this notice, or in other words, after ..... (date).

Section 1

Rights that Apply to All Tenants

If you are a tenant in this residential rental facility and you have not already given notice that you intend to move, you have the following rights, provided you have previously paid your rent and continue to pay your rent and abide by the other terms and conditions of your lease.

(1) You may remain in your residence on the same rent, terms, and conditions of your existing lease until either the end of your lease term or until ..... (date) (the end of the 180-day period), whichever is later. If your lease term ends during the 180-day period, it will be extended on the same rent, terms, and conditions until ..... (date) (the end of the 180-day period). In addition, certain households may be entitled to extend their leases beyond the 180 days as described in Section 2.

(2) You have the right to purchase your residence before it can be sold publicly. A purchase offer describing your right to purchase is included with this notice.

(3) If you do not choose to purchase your residence, and the annual income for all present members of your household did not exceed ..... (the income eligibility figure for the appropriate area which equals approximately 80 percent of the median income for your county or standard metropolitan area) for 20__, you are entitled to receive $375 when you move out of your residence. You are also entitled to be reimbursed for moving expenses, as defined in the Maryland Cooperative Housing Corporation Act, over $375 up to $750 which are actually and reasonably incurred. If the annual income for all present members of your household did exceed ..... (the income eligibility figure for the appropriate area which equals approximately 80 percent of

the median income for your county or standard metropolitan area) for 20__, you are entitled to be reimbursed up to $750 for moving expenses, as defined in the Maryland Cooperative Housing Corporation Act, actually and reasonably incurred. To receive reimbursement for moving expenses, you must make a written request, accompanied by reasonable evidence of your expenses, within 30 days after you move. You are entitled to be reimbursed within 30 days after your request has been received.

(4) If you want to move out of your residence before the end of the 180-day period or the end of your lease, you may cancel your lease without penalty by giving at least 30 days' prior written notice. However, once you give notice of when you intend to move, you will not have the right to remain in your residence beyond that date.

Section 2

Right to 3-Year Lease Extension or 3-Month Rent Payment for Certain Handicapped Citizens and Senior Citizens

The developer who converts this residential rental facility to a cooperative housing corporation must offer extended leases to qualified households for up to 20 percent of the units in the residential rental facility. Households which receive extended leases will have the right to continue renting their residences for at least 3 years from the date of this notice. A household may cancel an extended lease by giving 3 months' written notice if more than 1 year remains on the lease, and 1 month's written notice if 1 year or less remains on the lease.

Rents under these extended leases may be increased only once each year and are limited by increases in the cost of living index. Read the enclosed lease to learn the additional rights and responsibilities of tenants under extended leases.

In determining whether your household qualifies for an extended lease, the following definitions apply:

(1) "Handicapped citizen" means a person with a measurable limitation of mobility due to congenital defect, disease, or trauma.

(2) "Senior citizen" means a person who is at least 62 years old on the date of this notice.

(3) "Annual income" means the total income from all sources for all present members of your household for the income tax year immediately preceding the year in which this notice is issued, whether or not included in the definition of gross income for federal or State tax purposes. For purposes of this section, the inclusions to and exclusions from annual income are the same as for "gross income" as that term is defined in § 9-104(a)(8) of the Tax - Property Article for the property tax credits for homeowners by reason of income and age, reduced by unreimbursed medical expenses if the tenant provides reasonable evidence of the unreimbursed medical expenses or consents in writing to authorize disclosure of relevant information regarding medical expense reimbursement at the time of applying for an extended lease. Total income means the same as "gross income" as defined in § 9-104(a)(8) of the Tax - Property Article.

To qualify for an extended lease you must meet all of the following criteria:

(1) A member of the household must be a handicapped citizen or a senior citizen and must be living in your unit as of the date of this notice and must have been a member of your household for at least the 12 months immediately preceding the date of this notice;

(2) Annual income for all present members of your household must not have exceeded ..... (80 percent of applicable median income) for 20__; and

(3) You must be current in your rental payment and otherwise be in good standing under your existing lease.

If you meet all of these qualifications and you desire an extended lease, then you must complete the enclosed form and execute the enclosed lease and return the completed

form and executed lease to the office listed below within 60 days after the date of this notice, or in other words, by ..... (date). If your completed form and executed lease are not received within that time, you will not be entitled to an extended lease.

If the number of qualified households requesting extended leases exceeds the 20 percent limitation, the extended leases shall be allocated as determined by the local governing body. If the local governing body fails to provide for allocation, units shall be allocated by the developer based on seniority by continuous length of residence.

Due to the 20 percent limitation your application for an extended lease must be processed before your lease becomes effective. Your lease will become effective if it is determined that your household is qualified and falls within the 20 percent limitation.

If you return the enclosed form and lease by .....(date), you will be notified within 75 days after the date of this notice, or in other words, by .....(date), whether you are qualified and whether your household falls within the 20 percent limitation.

You may apply for an extended lease and, at the same time, choose to purchase a cooperative interest. If you apply for and receive an extended lease, your contract will be void. If you do not receive an extended lease, your contract will be effective and you will be obligated to purchase a cooperative interest.

If you qualify for an extended lease, but due to the 20 percent limitation, your lease is not effective, the developer must pay you an amount equal to 3 months' rent within 15 days after you move. You are also entitled to up to $750 reimbursement for your moving expenses, as described in Section 1.

If you qualify for an extended lease, but do not want one, you are also entitled to both the moving expense reimbursement previously described and the payment equal to 3 months' rent. In order to receive the 3 months' rent

payment, you must complete and return the enclosed form within 60 days after the date of this notice or by ..... (date), but you should not execute the enclosed lease.

All applications, forms, executed leases, and moving expense requests should be addressed or delivered to:

.....

.....

....."

(g) The failure of a landlord or owner to give notice as required by this section is a defense to an action for possession.

(h) This section does not apply to a tenant whose lease term expires during the 180-day period and who has given written notice of intent not to renew the lease before the notice required by subsection (a) of this section is given.

(i) A tenant may not waive the rights under this section except as otherwise provided under this subtitle.

(j) At the expiration of the 180-day period a tenant shall become a tenant from month-to-month subject to the same rent, terms, and conditions as those existing at the giving of the notice required by subsection (a) of this section, if the tenant's initial lease has expired and the tenant has not:

(1) Entered into a new lease;

(2) Vacated under subsection (e) of this section; or

(3) Been notified in accordance with applicable law prior to the expiration of the 180-day period that the tenant must vacate at the end of that period.

§ 5-6B-06. Option to purchase

(a) (1) An owner required to give notice under § 5-6B-05 of this subtitle shall offer in writing to each tenant

entitled to receive that notice the right to purchase the cooperative interest which is coupled with the proprietary lease for that portion of the residential rental facility occupied by the tenant as the tenant's residence. The offer shall be at a price and on terms and conditions at least as favorable as the price, terms, and conditions offered for the cooperative interest which is coupled with the proprietary lease for that portion of the residential rental facility to any other person during the 180-day period following the giving of the notice required by § 5-6B-05 of this subtitle. Settlement cannot be required any earlier than 120 days after the offer is accepted by the tenant.

(2) (i) The cooperative housing corporation shall adopt uniform objective standards concerning financial responsibility which shall apply to all tenants and initial purchasers.

(ii) The tenant's acceptance of the owner's offer is conditioned on the tenant meeting the financial standards established by the cooperative housing corporation under subparagraph (i) of this paragraph.

(3) The offer to each tenant shall be made concurrently with the giving of the notice required by § 5-6B-05 of this subtitle, shall be a part of that notice, and shall state that:

(i) The offer will terminate upon the earlier to occur of termination of the lease by the tenant or 60 days after delivery;

(ii) Acceptance of the offer by a tenant who meets the criteria for an extended lease under § 5-6B-07(b) of this subtitle is contingent upon the tenant not receiving an extended lease;

(iii) Settlement cannot be required earlier than 120 days after acceptance by the tenant; and

(iv) The household is entitled to reimbursement for moving expenses as provided in subsection (h) of this section.

(4) Delivery of a notice in the form specified in § 5-6B-05(f) of this subtitle meets the requirements of subsection (a) of this section.

(b) (1) Notwithstanding the provisions of subsection (a) of this section, an owner may make alterations or additions to the size, location, configuration, and physical condition of the residential rental facility. The developer is not required to make the boundaries of a portion of the residential rental facility occupied by a tenant as the tenant's residence coincide with the boundaries of a proposed unit.

(2) If the boundaries of a portion of the residential rental facility occupied by a tenant as the tenant's residence do not coincide with the boundaries of a proposed unit, then, to the extent reasonable and practicable, the owner shall offer in writing to that tenant the right to purchase a substantially equivalent cooperative interest. The offer shall be at a price and on terms and conditions at least as favorable as the price, terms, and conditions offered for the cooperative interest which is coupled with the proprietary lease for that portion of the residential rental facility to any other person and shall contain the statements required by paragraph (2) of subsection (a) of this section.

(c) Unless written acceptance of an offer made under subsection (a) or (b) of this section is first delivered to the owner by the tenant, the offer shall terminate, without further act, upon the earlier to occur of:

(1) Termination of the lease by the tenant; or

(2) 60 days after the offer is delivered to the tenant.

(d) Acceptance of an offer by a tenant who meets the criteria for an extended lease under § 5-6B-07 of this subtitle shall be contingent upon the tenant not receiving an extended lease.

(e) (1) Except as provided in paragraph (2) of this subsection, if the offer terminates, the owner may not offer to sell that cooperative interest at a price or on terms and conditions more favorable to the offeree than the price, terms, and conditions offered to the tenant during the 180-

day period following the giving of the notice required by § 5-6B-05 of this subtitle.

(2) The owner may reoffer to sell that cooperative interest to the tenant on terms and conditions more favorable to the offeree, and if the owner does so, the offer shall supercede the first offer.

(f) Within 75 days after the giving of the notice required by § 5-6B-05 of this subtitle, the developer shall provide to any county, incorporated municipality, or housing agency which has a right to purchase cooperative interests in the residential rental facility under § 5-6B-09 of this subtitle a list of the names and units of all tenants who have validly accepted offers made under this section within 60 days of the giving of the notice required by § 5-6B-05 of this subtitle, except those offers which have terminated because of the granting of an extended lease under § 5-6B-07 of this subtitle.

(g) If a membership certificate for a unit contains an affidavit by the issuer or transferor that the provisions of this section have been fulfilled, then the holder or transferee takes title to the cooperative interest free and clear of all claims and rights of a person arising under this section.

(h) (1) If the household does not accept the purchase offer made under this section, the owner shall:

(i) If the household qualifies as to income under § 5-6B-07 of this subtitle, pay the household $375 when the household vacates the unit and reimburse the household for moving expenses in excess of $375 up to $750 which are actually and reasonably incurred; or

(ii) If the household does not qualify as to income under § 5-6B-07 of this subtitle, reimburse the household for moving expenses up to $750 which are actually and reasonably incurred.

(2) The household shall make a written request for moving expense reimbursement to the developer, accompanied by reasonable evidence of the costs incurred,

within 30 days after moving. The developer shall reimburse the household within 30 days following receipt of the request.

§ 5-6B-07. Lease extension for designated households

(a) (1) In this section the following words have the meanings indicated.

(2) "Annual income" means the total income, from all sources, of a designated household, for the income tax year immediately preceding the year in which the notice is given under § 5-6B-05 of this subtitle, whether or not included in the definition of gross income for federal or State tax purposes. For purposes of this section, the inclusions and exclusions from annual income are the same as those listed in § 9-104(a)(8) of the Tax - Property Article for "gross income" as that term is defined for the property tax credits for homeowners by reason of income and age, reduced by unreimbursed medical expenses if the tenant provides reasonable evidence of the unreimbursed medical expenses or consents in writing to authorize disclosure of relevant information regarding medical expense reimbursement at the time of applying for an extended lease.

(3) "Designated household" means a household which includes a senior citizen or a handicapped citizen, provided that the senior citizen or the handicapped citizen has been a member of the household for a period of at least 12 months immediately preceding the giving of the notice required by § 5-6B-05 of this subtitle.

(4) "Handicapped citizen" means a person with a measurable limitation of mobility due to congenital defect, disease, or trauma.

(5) "Household" means only those persons domiciled in the unit at the time the notice required by § 5-6B-05 of this subtitle is given.

(6) "Senior citizen" means a person who is at least 62 years old on the date that the notice required by § 5-6B-05 of this subtitle is given.

(b) A developer may not sell a cooperative interest with respect to a unit in a residential rental facility occupied by a member of a designated household entitled to receive the notice required by § 5-6B-05 of this subtitle without offering to the tenant of the unit a lease extension for a period of at least 3 years from the giving of the notice required by § 5-6B-05 of this subtitle, if the household meets the following criteria:

(1) Had an annual income which did not exceed the income eligibility figure applicable for the county or standard metropolitan statistical area in which the residential rental facility is located, as provided under subsection (n) of this section;

(2) Is current in its rent payment and has not violated any other material terms of the lease;

(3) Has provided the developer within 60 days after the giving of the notice required by § 5-6B-05 of this subtitle with an affidavit under penalty of perjury, with a statement:

(i) Asserting that the household is applying for an extended lease under this section;

(ii) Setting forth the household's annual income for the calendar year preceding the giving of the notice required by § 5-6B-05 of this subtitle, together with reasonable supporting documentation of the household income and, where applicable, of unreimbursed medical expenses or a written authorization for disclosure of relevant information regarding medical expense reimbursement by doctors, hospitals, clinics, insurance companies, or similar persons, entities, or organizations that provide medical treatment coverage to the household; and

(iii) Setting forth facts showing that a member of the household is either a handicapped citizen or a senior citizen who, in either event, has been a member of the household for

at least the 12 months immediately preceding the giving of the notice required by § 5-6B-05 of this subtitle; and

(4) Has executed an extended lease and returned it to the developer within 60 days after the giving of the notice required by § 5-6B-05 of this subtitle.

(c) The developer shall deliver to each tenant entitled to receive the notice required by § 5-6B-05 of this subtitle, simultaneously with the notice:

(1) An application on which may be included all of the information required by paragraph (3) of subsection (b) of this section;

(2) A lease containing the terms required by this section and clearly indicating that the lease will be effective, but only if:

(i) The tenant executes and returns the lease not later than 60 days after the giving of the notice required by § 5-6B-05 of this subtitle; and

(ii) The household is allocated one of the units required to be made available to qualified households based on its ranking under subsection (k) of this section and the number of tenants executing and returning leases;

(3) A copy of the public offering statement; and

(4) A notice setting forth the rights and obligations of the tenant under this section. Delivery of a notice in the form specified in § 5-6B-05(f) of this subtitle meets the requirements of this subsection.

(d) Within 75 days after giving the notice required by § 5-6B-05 of this subtitle, the developer shall notify each household which submits to the developer the documentation required by subsection (b)(3) of this section:

(1) Whether the household meets the criteria of subsection (b) of this section, and, if not, an explanation of which criteria have not been met; and

(2) Whether the extended lease has become effective.

(e) Within 75 days after the giving of the notice required by § 5-6B-05 of this subtitle, the developer shall provide to any county, incorporated municipality, or housing agency that has a right to purchase units in the residential rental facility under § 5-6B-09 of this subtitle:

(1) A notice indicating the number of units in the cooperative housing corporation being made available to qualified households under subsection (k)(1) of this section;

(2) A list of all households meeting the criteria of subsection (b) of this section, indicating the ranking of each in relation to that number;

(3) A list of all households returning the affidavit required by subsection (b) of this section that do not meet all the criteria of subsection (b) of this section and copies of the notifications sent to these households under subsection (d) of this section; and

(4) A list of all households as to whom a lease has become effective.

(f) (1) The extended lease shall provide for a term commencing on acceptance and terminating not less than 3 years from the giving of the notice required by § 5-6B-05 of this subtitle.

(2) Annually, on the commencement date of the extended lease, the rental fee for the unit may be increased. The increase shall not exceed an amount determined by multiplying the annual rent for the preceding year by the percentage increase for the rent component of the U.S. Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI - W) (1967 = 100), as published by the U.S. Department of Labor, for the most recent 12-month period.

(3) Except as this section otherwise permits or requires, the extended lease shall contain the same terms and conditions as the lease in effect on the day preceding the giving of the notice required by § 5-6B-05 of this subtitle.

(g) A designated household which exercises its rights under this section may not be denied an opportunity to purchase a cooperative interest at a later date, if one is available.

(h) (1) Except as provided in paragraph (2) of this subsection, a designated household which executes an extended lease under this section which is later accepted may not terminate its extended lease under § 5-6B-05 of this subtitle.

(2) A designated household may terminate its extended lease at any time, with notice to the developer or any subsequent titleholder as follows:

(i) At least a 1-month prior notice in writing shall be given when less than 12 months remain on the lease; and

(ii) At least a 3-months' prior notice in writing shall be given when 12 months or more remain on the lease.

(3) A lease executed under this section shall set forth the provisions for terminating contained in this subsection.

(i) (1) The cooperative interests with respect to units subject to the provisions of this section may be transferred to a person who is not a member of the designated household, provided that:

(i) The provisions of this section continue to apply despite any transfer of a cooperative interest with respect to a unit occupied by a designated household as provided in this section;

(ii) The designated household is provided written notice of the change of ownership of the cooperative interest by the new owner of such interest; and

(iii) The seller of the cooperative interest provides the purchaser written disclosure that the unit is occupied by a designated household subject to the provisions of this section at the time of or prior to the execution of a contract.

(2) Notwithstanding any provisions in the articles of incorporation, bylaws, or proprietary lease that limit, prohibit, or restrict occupancy by persons other than the owner of the cooperative interest with respect to the unit, the designated household may occupy the unit under the extended lease provided for in this section.

(j) The extended tenancy provided for in this section shall cease upon the occurrence of one of the following:

(1) 90 days after the death of the last surviving senior citizen or handicapped citizen residing in the unit or 90 days after the last senior citizen or handicapped citizen has moved from the unit;

(2) Eviction for failure to pay rent due in a timely fashion or violation of any other material term of the lease; or

(3) Voluntary termination of the lease by the designated household under subsection (h) of this section.

(k) (1) A developer shall set aside a percentage of the total number of units within a cooperative project for designated households. A developer is not required to grant extended leases covering more than 20 percent of the units within a cooperative project to designated households.

(2) If the number of units occupied by designated households that meet the criteria of subsection (b) of this section exceeds 20 percent of the total number of units, then the number of available units for tenancy under the provisions of this section shall be allocated as determined by the local governing body. If the local governing body fails to provide for allocation, units shall be allocated by the developer based on seniority by continuous length of residence.

(l) (1) If a conversion involves substantial rehabilitation or reconstruction of such a nature that the work involved does not permit the continued occupancy of a unit because of danger to the health and safety of the tenants, any designated household executing an extended lease under the provisions of this section shall be required to vacate the unit not earlier than the expiration of the 180-day period and

to relocate at the expense of the developer in a comparable unit in the residential rental facility to permit the work to be performed.

(2) If there is no comparable unit available, then the designated household shall be required to vacate the residential rental facility. When the work is completed, the developer shall notify the household of its completion. The household shall have 30 days after the date of that notice to return to the original or a comparable rental unit. The term of the extended lease of that household shall begin upon the return to the rental unit.

(3) The developer shall give 180 days' notice prior to the date that units must be vacated. The notice shall explain the household's rights under this subsection and subsection (m) of this section.

(m) (1) The developer shall pay households that qualify as to income under subsection (b)(1) of this section $375 when the household vacates the unit and for moving expenses in excess of $375 up to $750 which are actually and reasonably incurred. The household shall make a written request for reimbursement accompanied by reasonable evidence of the costs incurred within 30 days after moving. The developer shall reimburse the household within 30 days following receipt of the request.

(2) If a household does not qualify as to income under subsection (b)(1) of this section, the developer shall reimburse moving expenses, up to $750, actually and reasonably incurred to the designated households eligible under this subsection. The designated household shall make a written request for reimbursement accompanied by reasonable evidence of the costs incurred within 30 days after moving. The developer shall reimburse the designated household within 30 days following receipt of the request.

(3) The developer shall also pay compensation equivalent to 3 months rent within 15 days of moving to the designated household eligible under this subsection.

(4) The following designated households which meet the applicable criteria of subsection (b) of this section are eligible under this subsection:

(i) A designated household which does not execute an extended lease;

(ii) A designated household which is precluded from having an extended tenancy by the limitations of subsection (k) of this section; or

(iii) A designated household which is required to vacate the rental unit under subsection (l)(2) of this section.

(5) A developer shall also reimburse moving expenses, up to $750, actually and reasonably incurred, to a designated household that returns to the rental unit under subsection (l)(2) of this section. The designated household shall make a written request for reimbursement accompanied by reasonable evidence of the costs incurred within 30 days following the designated household's return. The developer shall reimburse the designated household within 30 days following receipt of the request.

(n) (1) The Secretary of State shall prepare an income eligibility figure for each county and standard metropolitan statistical area of the State, which shall reasonably approximate 80 percent of the median income for each county and standard metropolitan statistical area.

(2) (i) A county or incorporated municipality which is in a standard metropolitan statistical area may by ordinance or resolution adopt the income eligibility figure applicable to the county or standard metropolitan statistical area.

(ii) If the county or incorporated municipality does not adopt an income eligibility figure, the county figure shall control.

§ 5-6B-08. Right of local governments to first right of purchase

(a) (1) A county or an incorporated municipality may provide, by local law or ordinance, that a residential rental facility may not be granted to a purchaser for the purpose of conversion unless the county, incorporated municipality, or housing agency has first been offered in writing the right to purchase the rental facility on substantially the same terms and conditions offered by the owner to the purchaser. The local law or ordinance shall designate the title and mailing address of the person to whom the offer to the county, incorporated municipality, or housing agency shall be delivered.

(2) The offer shall contain a contingency entitling the county, incorporated municipality, or housing agency, to secure financing within 180 days from the date of the offer, provided that the county, incorporated municipality, or housing agency shall use its best efforts to secure financing as soon as possible.

(3) Unless written acceptance of the offer is first delivered to the owner by the county, incorporated municipality, or housing agency, the offer shall terminate, without further act, 60 days after it is delivered to the county, incorporated municipality, or housing agency. If the offer terminates, the owner may grant the residential rental facility to any person for any purpose on terms and conditions not more favorable to a buyer than those offered by the owner to the county, incorporated municipality, or housing agency.

(4) If the county, incorporated municipality, or housing agency purchases the residential rental facility, it shall retain or provide for the retention of the property as a residential rental facility for at least 3 years from the date of acquisition.

(b) A local law or ordinance adopted under subsection (a) of this section may provide that the owner of a residential rental facility is exempt from the provisions of this section if the purchaser of the rental facility enters into an agreement with the county, incorporated municipality, or housing agency to retain the property as a residential rental facility for a

period not to exceed 3 years after the date of acquisition of the property.

(c) The provisions of any local law or ordinance adopted under this section shall not apply to the following transfers of a residential rental facility:

(1) A transfer as a result of a foreclosure made under the terms of a mortgage or deed of trust;

(2) A transfer to a mortgagee in lieu of foreclosure or a transfer under other proceedings, arrangement or deed in lieu of foreclosure;

(3) A transfer made under a judicial sale or other judicial proceeding brought to secure payment of a debt or for the purpose of securing the performance of an obligation;

(4) A transfer of the interest of one co-tenant to another co-tenant by operation of law or otherwise;

(5) A transfer made by will or descent or by interstate distribution;

(6) A transfer made to a municipal or county government, to the State government, or to an agency, instrumentality, or political subdivision of government;

(7) A transfer to a spouse, son, or daughter;

(8) A transfer made under the liquidation of a partnership or corporation; or

(9) A transfer into a partnership or corporation wholly owned by the person(s) so contributing.

(d) A county, incorporated municipality, or housing agency, by execution and delivery by the appropriate official to the grantor of an instrument in recordable form, may waive its right to purchase a particular residential rental facility under this section.

(e) Within 30 days after the enactment of a law or ordinance under this section, the county or incorporated

municipality shall forward a copy of the law or ordinance to the Secretary of State.

(f) If a deed for a residential rental facility contains an affidavit by the grantor that the provisions of this section have been fulfilled, then the grantee in that deed takes title to the residential rental facility free and clear of all claims and rights of a county, incorporated municipality, or housing agency arising under this section.

§ 5-6B-09. Authority of local governments to require first right of purchase at same terms.

(a) (1) A county or an incorporated municipality may provide by local law or ordinance, that the cooperative interest with respect to a unit in a residential rental facility occupied by a tenant entitled to receive the notice required by § 5-6B-05 of this subtitle may not be transferred unless the county, incorporated municipality, or housing agency has first been offered in writing the right to purchase the cooperative interest at the same price and on the same terms and conditions initially offered to any other person. The local law or ordinance shall designate the title and mailing address of the person to whom the offer to the county, incorporated municipality, or housing agency is to be delivered and the title of the person who may accept the offer on behalf of the county, incorporated municipality, or housing agency.

(2) The local law or ordinance shall provide that the offer to the county, incorporated municipality, or housing agency shall be made at the same time an offer is made to a tenant of the unit under § 5-6B-06 of this subtitle. If a tenant accepts an offer of a unit made under § 5-6B-06 of this subtitle, then the rights of the county, incorporated municipality, or housing agency to such unit under an offer made under this section, whether or not accepted, shall terminate.

(3) Unless written acceptance of the offer is first delivered to the owner of the residential rental facility by the county, incorporated municipality, or housing agency, the

offer shall terminate, without further act, 120 days after it is delivered to the county, incorporated municipality, or housing agency.

(b) A county, incorporated municipality, or housing agency may not accept an offer made under this section for a cooperative interest with respect to a unit if that unit together with the aggregate of other units previously accepted or not accepted, subject to an extended lease by a designated family under this subtitle, exceeds 20 percent of the total number of units in the cooperative project.

(c) If a membership certificate for a cooperative interest contains an affidavit by the grantor that the provisions of a law or ordinance enacted under this section have been fulfilled, then the grantee in that grant takes title to the cooperative interest free and clear of all claims and rights of any county, incorporated municipality, or housing agency under a local law or ordinance enacted under this section.

(d) Within 30 days of the enactment of a law or ordinance under this section, the county or incorporated municipality shall forward a copy of the law or ordinance to the Secretary of State.

§ 5-6B-10. Actions by local governments to protect consumers from displacement during rental housing emergency.

(a) The intent of the General Assembly of Maryland is to facilitate the orderly development of cooperative housing corporations in Maryland. The General Assembly recognizes, however, that the conversion of residential rental facilities to cooperative housing corporations or condominiums can have an adverse impact on the availability of rental units, resulting in the displacement of tenants.

(b) A county or incorporated municipality may, by legislative finding, recognize and declare that a rental housing emergency exists in all or a part of its jurisdiction and has been caused by the conversion of residential rental facilities.

Any legislative finding shall exist for one year, subject to any extensions for periods of one year at a time. The jurisdiction shall consider and make findings as to:

(1) The nature and incidence of conversions of residential rental facilities;

(2) The resulting hardship to and displacement of tenants; and

(3) The scarcity of rental housing.

(c) Upon the finding and declaration of a rental housing emergency caused by the conversion of rental housing, a county or an incorporated municipality may by the enactment of laws, ordinances, and regulations, take the following actions to meet the emergency:

(1) Grant to a designated family as defined in § 5-6B-07 of this subtitle a right to an extended lease for a period in addition to that period provided for in § 5-6B-07 of this subtitle. The right to an extended lease may not, in any event, result in a requirement that a developer set aside for an extended lease more than 20 percent of the total number of units.

(2) Otherwise extend the provisions of § 5-6B-07 of this subtitle except that:

(i) More than 20 percent of the total number of units may not be required to be set aside; and

(ii) The term of an extended lease for a family made a designated family by a county or an incorporated municipality may not exceed 3 years.

(3) Require that the notice required to be given under § 5-6B-05 of this subtitle be altered to disclose the effects of any actions taken under this section.

(d) Within 10 days after the enactment of a law, ordinance, or regulation under this section, a county or incorporated municipality shall forward a copy of the law, ordinance, or regulation to the Secretary of State.

§ 5-6B-11. Deposits made on sale of cooperative interests held in escrow.

Deposits taken in connection with the sale by a developer of cooperative interests with respect to units intended for residential use shall be deposited or held in an!escrow account in the same manner as provided in § 10-301 of the Real Property Article in the case of sales of new, uncompleted single family units, unless a corporate surety bond is obtained and maintained as provided in § 10-301 of the Real Property Article.

§ 5-6B-12. Consumer protection standards and enforcement

(a) This section is intended to provide minimum standards for the protection of consumers in the State.

(b) (1) For purposes of this section, "consumer" means an actual or prospective purchaser, lessee, assignee, or transferee of a cooperative interest with respect to a residential unit.

(2) "Consumer" includes a co-obligor or surety for a consumer.

(c) (1) To the extent that a violation of a provision of this subtitle affects a consumer, that violation shall be within the scope of the enforcement duties and powers of the Division of Consumer Protection of the Office of the Attorney General, as described in Title 13 of the Commercial Law Article.

(2) The provisions of this subtitle shall otherwise be enforced by each agency of the State within the scope of its authority.

(d) A county or incorporated municipality, or an agency of one of those jurisdictions, may adopt laws or ordinances for the protection of a consumer to the extent and in the manner provided for under § 13-103 of the Commercial Law Article.

(e) Within 30 days after the effective date of a law, ordinance, or regulation enacted under this section which is expressly applicable to cooperative housing corporation, the local jurisdiction shall forward a copy of the law, ordinance, or regulation to the Secretary of State.

§ 5-6B-13. Cooperative interests not security or investment security.

(a) A cooperative interest is not a security under the Maryland Securities Act.

(b) The provisions of Title 8 of the Commercial Law Article where consistent with this article shall apply to membership certificates in cooperative housing corporations.

§ 5-6B-14. Restraints of trade

The fact that economic activity is organized under this subtitle may not cause the activity to be deemed a conspiracy or combination in restraint of trade or an illegal monopoly, or an attempt to lessen competition or fix prices arbitrarily.

§ 5-6B-15. Applicability of general corporation law

To the extent not inconsistent with this subtitle, the provisions of this article applicable to stock and nonstock corporations shall apply to all cooperative housing corporations.

§ 5-6B-16. Cooperative interest deemed personal property

(a) A cooperative interest is personal property and, after receipt by the cooperative housing corporation of any outstanding membership certificate and proprietary lease with respect to that cooperative interest, that cooperative interest shall be transferred by appropriate notation made on the books and records of the cooperative housing corporation and the execution and delivery to the transferee by the

cooperative housing corporation of a membership certificate and proprietary lease, if any.

(b) The possessory interest evidenced by a proprietary lease is a part of and may not be severed from the cooperative interest evidenced by the membership certificate.

§ 5-6B-17. Perfection of security interests and cooperative interests

(a) Except as provided in subsection (b) of this section, a security interest in a cooperative interest shall attach, be perfected, and be enforceable as provided in Title 9 of the Commercial Law Article.

(b) The security interest may be perfected by the secured party's taking possession of the membership certificate or by filing a financing statement as provided in Title 9 of the Commercial Law Article.

(c) On request of a secured party, the cooperative housing corporation shall note on its books and records the interest of the secured party in the cooperative interest.

§ 5-6B-18. Assignment of votes

(a) Except as otherwise provided in the articles of incorporation or bylaws, the votes in a cooperative housing corporation shall be assigned so that each unit has one vote.

(b) Cooperative housing corporations shall not engage in mergers or consolidations if such action is undertaken for the purpose of circumventing §§ 5-6B-02 through 5-6B-12 of this subtitle.

§ 5-6B-18.1. No-impact home-based businesses

(a) The provisions of this section relating to no-impact home-based businesses do not apply to a cooperative housing corporation that has adopted, prior to July 1, 1999,

procedures in accordance with its articles of incorporation or a proprietary lease or a provision of its bylaws for the prohibition or regulation of no-impact home-based businesses.

(b) (1) Subject to the provisions of subsection (c) of this section, a provision in the articles of incorporation or a proprietary lease or a provision of the bylaws of a cooperative housing corporation that prohibits or restricts commercial or business activity in general, but does not expressly apply to no-impact home-based businesses, may not be construed to prohibit or restrict the establishment and operation of no-impact home-based businesses.

(2) Subject to the provisions of subsection (c) of this section, the operation of a no-impact home-based business shall be:

(i) Considered a residential activity; and

(ii) A permitted activity.

(c) (1) (i) Subject to the provisions of paragraphs (2) and (3) of this subsection, a cooperative housing corporation may include in its articles of incorporation, bylaws, or proprietary leases a provision expressly prohibiting the use of a residential unit as a no-impact home-based business.

(ii) A provision described under subparagraph (i) of this paragraph expressly prohibiting the use of a residential unit as a no-impact home-based business shall apply to an existing no-impact home-based business in the cooperative project.

(2) A provision described under paragraph (1)(i) of this subsection expressly prohibiting the use of a residential unit as a no-impact home-based business may not be enforced unless it is approved by a simple majority of the total eligible voters of the cooperative housing corporation under the voting procedures contained in the articles of incorporation or bylaws of the corporation.

(3) If a cooperative housing corporation includes in its articles of incorporation, bylaws, or proprietary leases a provision prohibiting the use of a residential unit as a no-impact home-based business, it shall also include a provision stating that the prohibition may be eliminated and no-impact home-based businesses may be approved by a simple majority of the total eligible voters of the cooperative housing corporation under the voting procedures contained in the articles of incorporation or bylaws of the corporation.

(4) If a cooperative housing corporation includes in its articles of incorporation, bylaws, or proprietary leases a provision expressly prohibiting the use of a residential unit as a no-impact home-based business, the prohibition may be eliminated and no-impact home-based business activities may be permitted by the approval of a simple majority of the total eligible voters of the cooperative housing corporation under the voting procedures contained in the articles of incorporation or bylaws of the corporation.

(d) A cooperative housing corporation may:

(1) Restrict or prohibit a no-impact home-based business in any areas constituting those portions of a cooperative project possessed in common by the members; and

(2) Impose a fee for use of any areas constituting those portions of a cooperative project possessed in common by the members in a reasonable amount not to exceed $50 per year on each no-impact home-based business operating in the cooperative project.

§ 5-6B-18.2. Election related candidate signs or signs advertising questions or propositions

(a) In this section, "candidate sign" means a sign on behalf of a candidate for public office or a slate of candidates for public office.

(b) Except as provided in subsection (c) of this section, a recorded covenant or restriction, a provision in a

declaration, or a provision in the bylaws or rules of a cooperative housing corporation may not prohibit or restrict the display of:

(1) A candidate sign; or

(2) A sign that advertises the support or defeat of any question submitted to the voters in accordance with the Election Law Article.

(c) A recorded covenant or restriction, a provision in a declaration, or a provision in the bylaws or rules of a cooperative housing corporation may restrict the display of a candidate sign or a sign that advertises the support or defeat of any proposition:

(1) In any areas constituting those portions of a cooperative project possessed in common by the members;

(2) In accordance with provisions of federal, State, and local law; or

(3) If a limitation to the time period during which signs may be displayed is not specified by a law governing the jurisdiction in which the cooperative housing corporation is located, to a time period not less than:

(i) 30 days before the primary election, general election, or vote on the proposition; and

(ii) 7 days after the primary election, general election, or vote on the proposition.

§5-6B-18.3. Notice or delivery by electronic transmission

(a) Notwithstanding language contained in the governing documents of a cooperative housing corporation, the cooperative housing corporation may provide notice of a meeting or deliver information to a member by electronic transmission if:

(1) The board of directors of the cooperative housing corporation gives the cooperative housing corporation the authority to provide notice of a meeting or deliver information by electronic transmission;

(2) The member gives the cooperative housing corporation prior written authorization to provide notice of a meeting or deliver information by electronic transmission; and

(3) An officer or agent of the cooperative housing corporation certifies in writing that the cooperative housing corporation has provided notice of a meeting or delivered information to the member.

(b) Notice or delivery by electronic transmission shall be considered ineffective if:

(1) The cooperative housing corporation is unable to deliver two consecutive notices; and

(2) The inability to deliver the electronic transmission becomes known to the person responsible for the sending of the electronic transmission.

(c) The inadvertent failure to deliver notice by electronic transmission does not invalidate any meeting or other action.

§5-6B-18.4. Voting by electronic transmission

(a) Notwithstanding language contained in the governing documents of a cooperative housing corporation, the board of directors of the cooperative housing corporation may authorize members to submit a vote or proxy by electronic transmission if the electronic transmission contains information that verifies that the vote or proxy is authorized by the member or the member's proxy.

(b) If the governing documents of the cooperative housing corporation require voting by secret ballot and the anonymity of voting by electronic transmission cannot be guaranteed, voting by electronic transmission shall be

permitted if members have the option of casting anonymous printed ballots.

§ 5-6B-18.5. Books and records

(a) (1) (i) Except as provided in paragraph (2) of this subsection, all books and records kept by or on behalf of a cooperative housing corporation shall be made available for examination or copying, or both, by a member, a member's mortgagee, and their respective duly authorized agents or attorneys, during normal business hours, and after reasonable notice.

(ii) If a member requests in writing a copy of financial statements of the cooperative housing corporation or the minutes of a meeting of the board of directors or other governing body of the cooperative housing corporation to be delivered, the board of directors or other governing body of the cooperative housing corporation shall compile and send the requested information by mail, electronic transmission, or personal delivery:

1. Within 21 days after receipt of the written request, if the financial statements or minutes were prepared within the 3 years immediately preceding receipt of the request; or

2. Within 45 days after receipt of the written request, if the financial statements or minutes were prepared more than 3 years before receipt of the request.

(2) Books and records kept by or on behalf of a cooperative housing corporation may be withheld from public inspection to the extent that they concern:

(i) Personnel records, not including information on individual salaries, wages, bonuses, and other compensation paid to employees;

(ii) An individual's medical records;

(iii) An individual's personal financial records, including assets, income, liabilities, net worth, bank balances, financial history or activities, and creditworthiness;

(iv) Records relating to business transactions that are currently in negotiation;

(v) The written advice of legal counsel; or

(vi) Minutes of a closed meeting of the board of directors or other governing body of the cooperative housing corporation, unless a majority of a quorum of the board of directors or governing body that held the meeting approves unsealing the minutes or a recording of the minutes for public inspection.

(b) Except for a reasonable charge imposed on a person desiring to review or copy the books and records or who requests delivery of information, the cooperative housing corporation may not impose any charges under this section.

§ 5-6B-18.6. Fidelity insurance.

(a) (1) The board of directors or other governing body of a cooperative housing corporation shall purchase fidelity insurance not later than the time of the first sale of a cooperative interest with respect to a unit to a person other than the developer and shall keep fidelity insurance in place for each year thereafter.

(2) The fidelity insurance required under paragraph (1) of this subsection shall provide for the indemnification of the cooperative housing corporation against loss resulting from acts or omissions arising from fraud, dishonesty, or criminal acts by:

(i) Any officer, director, managing agent, or other agent or employee charged with the operation or maintenance of the cooperative housing corporation who controls or disburses funds; and

(ii) Any management company employing a management agent or other employee charged with the

operation or maintenance of the cooperative housing corporation who controls or disburses funds.

(b) A copy of the fidelity insurance policy shall be included in the books and records kept and made available by or on behalf of the cooperative housing corporation under § 5-6B-18.5 of this subtitle.

(c) (1) The amount of the fidelity insurance required under subsection (a) of this section shall equal at least the lesser of:

(i) 3 months' worth of gross common charges and the total amount held in all investment accounts at the time the fidelity insurance is issued; or

(ii) $3,000,000.

(2) The total liability of the insurance to all insured persons under the fidelity insurance may not exceed the sum of the fidelity insurance.

(d) If a member believes that the board of directors or other governing body of a cooperative housing corporation has failed to comply with the requirements of this section, the aggrieved member may submit the dispute to the Division of Consumer Protection of the Office of the Attorney General under § 5-6B-12 of this subtitle.

§ 5-6B-19. Statewide effect of act

(a) (1) Except as provided in §§ 5-6B-08 through 5-6B-10 and § 5-6B-12 of this subtitle, the provisions of this subtitle are statewide in their effect.

(2) Except as provided in this subtitle, a county, city, or other jurisdiction may not enact any law, ordinance, or regulation which would impose a burden or restriction on a cooperative housing corporation that is not imposed on all other property of similar character not a cooperative housing corporation. Any such law, ordinance, or regulation is preempted by the subject and material of this title and is void.

(b) The provisions of all laws, ordinances, and regulations concerning building codes or zoning shall have full force and effect to the extent that they apply to property which is a cooperative housing corporation and shall be construed and applied with reference to the overall nature and use of the property without regard to the form of ownership. A law, ordinance, or regulation concerning building codes or zoning may not establish any requirement or standard governing the use, location, placement, or construction of any land and improvements which comprise a cooperative project, unless the requirement or standard is uniformly applicable to all land and improvements of the same kind or character not comprising cooperative projects.

§ 5-6B-20. Applicability of act

(a) (1) Except as provided in paragraph (2) of this subsection, this subtitle is applicable to all cooperative housing corporations.

(2) The articles of incorporation, bylaws, membership certificates, or proprietary leases of a cooperative housing corporation established before July 1, 1986 need not be amended to comply with the requirements of this subtitle.

(b) Section 5-6B-02 shall apply to the initial sale of cooperative interests being offered for sale on or after July 1, 1986, if on that date, the developer has not sold any cooperative interests to initial purchasers.

(c) The provisions of §§ 5-6B-02 through 5-6B-04 and §§ 5-6B-06 through 5-6B-12 of this subtitle are not applicable to cooperative housing corporations in which cooperative interests have been sold to initial purchasers prior to July 1, 1986 if by January 1, 1987, the developer has sold 75 percent or more of the cooperative interests to initial purchasers.

(d) (1) Except as provided in paragraph (2) of this subsection, the notice required by § 5-6B-05 shall be given to

any tenant in possession of any portion of a residential rental facility on or after January 1, 1987.

(2) The requirements of paragraph (1) of this subsection do not apply to nonresidential tenants.

(e) Any security interest in a cooperative interest which is perfected in any manner and has attached prior to July 1, 1986 shall continue to be perfected on and after that date.

(f) (1) A corporation, trust, unincorporated association, or other entity existing on July 1, 1986 that desires to confirm its status as a cooperative housing corporation under this subtitle, shall file a resolution with the board of directors or governing body of the entity electing to confirm the status.

(2) If the entity is unincorporated, the entity shall file original articles of incorporation reflecting its status with the Department of Assessments and Taxation.

CORPORATIONS & ASSOCIATIONS ARTICLE
MARYLAND NON-STOCK CORPORATION ACT

§ 5-201 Application of Maryland General Corporation Law

The provisions of the Maryland General Corporation Law apply to nonstock corporations unless:

(1) The context of the provisions clearly requires otherwise; or

(2) Specific provisions of this subtitle or other subtitles governing specific classes of corporations provide otherwise.

§ 5-202. Provisions in charter or bylaws

(a) The charter of each nonstock corporation formed after June 1, 1951, shall provide that the corporation has no authority to issue capital stock.

(b) Notwithstanding any other provision of this article, the charter or bylaws of a nonstock corporation may:

(1) Divide the directors or members of the corporation into classes;

(2) Prescribe the tenure and conditions of office of its directors, but no class of director may be elected to serve for a period shorter than the interval between annual meetings unless:

(i) All or a class of directors must be members; and

(ii) Qualifications for membership have the effect of shortening their tenure of office;

(3) Prescribe the rights, privileges, and qualifications of its members;

(4) Prescribe the manner of giving notice of any meeting of its members;

(5) Provide for the number or proportion of voting members whose presence in person or by proxy constitutes a quorum at any meeting of its members;

(6) Provide that any action may be taken or authorized by any number or proportion of the votes of all its members or all its directors entitled to vote;

(7) Deny or limit the right of its members to vote by proxy; and

(8) Provide for the right of members to vote by mail on a stated proposal or for the election of directors or any officers who are elected by members.

§ 5-203. Calling of organization meeting

Notwithstanding the provisions of Title 2 of this article, the organization meeting of the board of directors named in the charter of a nonstock corporation may be called by either:

(1) A majority of the incorporators; or

(2) Not less than one third of the directors named in the charter.

§ 5-204. Directors as members

(a) For purposes of any law or rule relating to members of a nonstock corporation, the directors of a nonstock corporation, under either of the circumstances described in subsection (b) of this section:

(1) Also constitute the members of the corporation; and

(2) When meeting as directors, may exercise the rights and powers of members.

(b) This section applies if:

(1) Neither the charter nor the bylaws of the corporation provide for members; or

(2) The non-stock corporation in fact has no members.

§ 5-205. When membership reduced by death or resignation

(a) A non-stock corporation is not required to dissolve merely because the death or resignation of a member reduces the actual number of members to less than required by its charter or bylaws.

(b) As long as there is a remaining member, he may fill vacancies and continue the corporate existence.

§ 5-206. Insufficient number of members present at meeting

(a) If the number of members present at a properly called meeting of the members of a non-stock corporation is insufficient to approve a proposed action, another meeting of the members may be called for the same purpose if:

(1) The notice of the meeting stated that the procedure authorized by this section might be invoked; and

(2) By majority vote, the members present in person or by proxy call for the additional meeting.

(b) Fifteen days notice of the time, place, and purpose of the additional meeting shall be given by advertisement in a newspaper published in the county where the principal office of the corporation is located. The notice shall contain the quorum and voting provisions of subsection (c) of this section.

(c) At the additional meeting, the members present in person or by proxy constitute a quorum. A majority of the members present in person or by proxy may approve or

authorize the proposed action at the additional meeting and may take any other action which could have been taken at the original meeting if a sufficient number of members had been present.

§ 5-207. Consolidation, merger, and transfer of assets

(a) A non-stock corporation may consolidate or merge only with another non-stock corporation.

(b) A consolidation, merger, or transfer of assets of a non-stock corporation shall be effected as provided in Title 3 of this article.

(c) Notwithstanding § 3-105(e) of this article, a proposed consolidation, merger, or transfer of assets of a non-stock corporation organized to hold title to property for a labor organization, and for related purposes, shall be approved by the same affirmative vote of the members of the corporation that the constitution or bylaws of the labor organization requires for the same action.

§ 5-208. Dissolution of forfeiture of charter

(a) Except as otherwise provided in this section, the dissolution or forfeiture of the charter of a non-stock corporation shall be effected as provided in Title 3 of this article. In dissolution or on forfeiture of the charter of the corporation, the directors have the powers and duties of directors of a stock corporation under this article.

(b) If a Maryland non-stock corporation dissolves or its charter is forfeited:

(1) Every liability and obligation of the corporation shall be paid and discharged or adequate provision for payment and discharge shall be made;

(2) Assets held by the corporation subject to legally valid requirements for their return, transfer, or conveyance on dissolution or forfeiture shall be disposed of in accordance with these requirements;

(3) Assets held by the corporation subject to limitations permitting their use only for charitable, religious, eleemosynary, benevolent, educational, or similar purposes, but not held subject to legally valid requirements for their return, transfer, or conveyance by reason of dissolution or forfeiture, shall be transferred or conveyed under a plan of distribution, adopted in the manner and by the vote required for authorization of dissolution of the corporation, to one or more Maryland or foreign corporations or associations having a similar or analogous character or purpose, or associated or connected with the corporation;

(4) Other assets shall be distributed as provided in the charter or the bylaws to the extent that the charter or bylaws determine the distributive rights of members or any class or classes of members, or provide for distribution to others; and

(5) Any remaining assets may be distributed to any person, society, organization, or Maryland or foreign corporation specified in a plan of distribution, adopted in the manner and by the vote required for authorization of dissolution of the corporation.

(c) Unless the decree of a court of competent jurisdiction provides otherwise, the provisions of § 3-412 of this article relating to distributions in dissolution of stock corporations or §§ 3-517 and 3-518 of this article relating to distributions on forfeiture of the charters of stock corporations, as the case may be, apply to the distribution of assets to any member or other person entitled or otherwise designated to receive a distribution in liquidation of a non-stock corporation. For purposes of this section, the term "stockholders" in §§ 3-412, 3-518, and 3-519 of this article includes every person so entitled or designated to receive a distribution in liquidation.

CORPORATIONS & ASSOCIATIONS ARTICLE

GENERAL PROVISIONS RELATING TO DIRECTORS AND OFFICERS OF CORPORATIONS

§ 2-401. Function of directors

(a) The business and affairs of a corporation shall be managed under the direction of a board of directors.

(b) All powers of the corporation may be exercised by or under authority of the board of directors except as conferred on or reserved to the stockholders by law or by the charter or bylaws of the corporation.

§ 2-402. Number of Directors

(a) Each corporation shall have at least one director.

(b) Subject to the provisions of subsection (a) of this section and except for a corporation that has elected to be subject to § 3-804(b) of this article, a Maryland corporation shall have the number of directors provided in its charter until changed by the bylaws.

(c) Subject to the provisions of subsection (a) of this section and except for a corporation that has elected to be subject to § 3-804(b) of this article, the bylaws may:

(1) Alter the number of directors set by the charter; and

(2) Authorize a majority of the entire board of directors to alter within specified limits the number of directors set by the charter or the bylaws, but the action may not affect the tenure of office of any director.

§ 2-403. Qualifications of directors

(a) Each director of a corporation shall have the qualifications required by the charter or bylaws of the corporation.

(b) Unless required by its charter or bylaws, a director need not be a stockholder in the corporation.

§ 2-404. Election and Tenure of Directors

(a) Until successors are elected and qualify, the board of directors consists of the individuals named as directors in the charter.

(b) (1) Except as provided in paragraph (2) of this subsection, at each annual meeting of stockholders, the stockholders shall elect directors to hold office until the earlier of:

(i) The next annual meeting of stockholders and until their successors are elected and qualify; or

(ii) The time provided in the terms of any class or series of stock pursuant to which such directors are elected.

(2) Except for a corporation that has elected to be subject to § 3-803 of this article, if the directors are divided into classes, the term of office may be provided in the bylaws, except that:

(i) The term of office of a director may not be longer than five years or, except in the case of an initial or substitute director, shorter than the period between annual meetings; and

(ii) The term of office of at least one class shall expire each year.

(c) Each share of stock may be voted for as many individuals as there are directors to be elected and for whose election the share is entitled to be voted.

(d) Unless the charter or bylaws of a corporation provide otherwise, a plurality of all the votes cast at a meeting at which a quorum is present is sufficient to elect a director.

§ 2-405. Directors holding over

(a) In case of failure to elect directors at the designated time, the directors holding over shall continue to manage the business and affairs of the corporation until their successors are elected and qualify.

(b) A director not elected annually in accordance with § 2-501(b) of this title shall be deemed to be continuing in office and shall not be deemed to be holding over under subsection (a) of this section until after the time at which an annual meeting is required to be held under § 2-501(b) of this title or the charter or bylaws of the corporation.

§ 2-405.1. Standard of care required of directors

(a) A director shall perform his duties as a director, including his duties as a member of a committee of the board on which he serves:

(1) In good faith;

(2) In a manner he reasonably believes to be in the best interests of the corporation; and

(3) With the care that an ordinarily prudent person in a like position would use under similar circumstances.

(b) (1) In performing his duties, a director is entitled to rely on any information, opinion, report, or statement, including any financial statement or other financial data, prepared or presented by:

(i) An officer or employee of the corporation whom the director reasonably believes to be reliable and competent in the matters presented;

(ii) A lawyer, certified public accountant, or other person, as to a matter which the director reasonably believes to be within the person's professional or expert competence; or

(iii) A committee of the board on which the director does not serve, as to a matter within its designated authority, if the director reasonably believes the committee to merit confidence.

(2) A director is not acting in good faith if he has any knowledge concerning the matter in question which would cause such reliance to be unwarranted.

(c) A person who performs his duties in accordance with the standard provided in this section shall have the immunity from liability described under § 5-417 of the Courts and Judicial Proceedings Article.

(d) The duty of the directors of a corporation does not require them to:

(1) Accept, recommend, or respond on behalf of the corporation to any proposal by an acquiring person as defined in § 3-801 of this article;

(2) Authorize the corporation to redeem any rights under, modify, or render inapplicable, a stockholder rights plan;

(3) Elect on behalf of the corporation to be subject to or refrain from electing on behalf of the corporation to be subject to any or all of the provisions of Title 3, Subtitle 8 of this article;

(4) Make a determination under the provisions of Title 3, Subtitle 6 or Subtitle 7 of this article; or

(5) Act or fail to act solely because of:

(i) The effect the act or failure to act may have on an acquisition or potential acquisition of control of the corporation; or

(ii) The amount or type of any consideration that may be offered or paid to stockholders in an acquisition.

(e) An act of a director of a corporation is presumed to satisfy the standards of subsection (a) of this section.

(f) An act of a director relating to or affecting an acquisition or a potential acquisition of control of a corporation may not be subject to a higher duty or greater scrutiny than is applied to any other act of a director.

(g) Nothing in this section creates a duty of any director of a corporation enforceable otherwise than by the corporation or in the right of the corporation.

§ 2-405.2. Corporate limitations on director liability

The charter of the corporation may include any provision expanding or limiting the liability of its directors and officers to the corporation or its stockholders as described under § 5-418 of the Courts and Judicial Proceedings Article.

§ 2-406. Removal or resignation of director

(a) The stockholders of a corporation may remove any director, with or without cause, by the affirmative vote of a majority of all the votes entitled to be cast generally for the election of directors, except:

(1) As provided in subsection (b) of this section;

(2) As otherwise provided in the charter of the corporation; or

(3) For a corporation that has elected to be subject to § 3-804(a) of this article.

(b) Unless the charter of the corporation provides otherwise:

(1) If the stockholders of any class or series are entitled separately to elect one or more directors, a director elected by a class or series may not be removed without cause except by the affirmative vote of a majority of all the votes of that class or series;

(2) If a corporation has cumulative voting for the election of directors and less than the entire board is to be removed, a director may not be removed without cause if the votes cast against the director's removal would be sufficient to elect him if then cumulatively voted at an election of the entire board of directors, or, if there is more than one class of directors, at an election of the class of directors of which he is a member; and

(3) If the directors have been divided into classes, a director may not be removed without cause.

(c) Resignation of director.- A resignation of a director given in writing or by electronic transmission may provide that:

(1) The resignation will be effective at a later time or on the occurrence of an event;

(2) The resignation is irrevocable on the occurrence of the event; and

(3) If the resignation will be effective on the failure of the director to receive a specified vote for reelection, the resignation is irrevocable.

§ 2-407. Vacancy on board

(a) (1) Except as provided in paragraph (2) of this subsection and except for a corporation that has elected to become subject to Section 3-804(c) of this article, the stockholders may elect a successor to fill a vacancy on the board of directors which results from the removal of a director.

(2) If the stockholders of any class or series are entitled separately to elect one or more directors, the stockholders of that class or series may elect a successor to fill a vacancy on the board of directors which results from the removal of a director elected by that class or series.

(b) (1) Except as provided in paragraph (2) of this subsection or unless the charter or the bylaws of the corporation provide otherwise:

(i) A majority of the remaining directors, whether or not sufficient to constitute a quorum, may fill a vacancy on the board of directors which results from any cause except an increase in the number of directors; and

(ii) A majority of the entire board of directors may fill a vacancy which results from an increase in the number of directors.

(2) If the stockholders of any class or series are entitled separately to elect one or more directors, a majority of the remaining directors elected by that class or series or the sole remaining director elected by that class or series may fill any vacancy among the number of directors elected by that class or series.

(c) (1) A director elected by the board of directors to fill a vacancy serves until the next annual meeting of stockholders and until his successor is elected and qualifies.

(2) A director elected by the stockholders to fill a vacancy which results from the removal of a director serves for the balance of the term of the removed director.

§ 2-408. Action by directors

(a) Unless this article or the charter or bylaws of the corporation require a greater proportion, the action of a majority of the directors present at a meeting at which a quorum is present is the action of the board of directors.

(b) (1) Unless the bylaws of the corporation provide otherwise, a majority of the entire board of directors constitutes a quorum for the transaction of business.

(2) The bylaws may provide that less than a majority, but not less than one-third of the entire board of directors, may constitute a quorum unless:

(i) There are only 2 or 3 directors, in which case not less than 2 may constitute a quorum; or

(ii) There is only 1 director, in which case that one will constitute a quorum.

(c) Any action required or permitted to be taken at a meeting of the board of directors or of a committee of the board may be taken without a meeting if a unanimous consent which sets forth the action is:

(1) Given in writing or by electronic transmission by each member of the board or committee; and

(2) Filed in paper or electronic form with the minutes of proceedings of the board or committee.

(d) (1) The charter may provide that one or more directors or a class of directors shall have more or less than one vote per director on any matter.

(2) If the charter provides that one or more directors shall have more or less than one vote per director on any matter, every reference in this article to a majority or other proportion of directors shall refer to a majority or other proportion of votes of the directors.

§ 2-409. Meetings of directors

(a) Unless the bylaws of the corporation provide otherwise, a regular or special meeting of the board of directors may be held at any place in or out of the State or by means of remote communication.

(b) (1) Notice of each meeting of the board of directors shall be given as provided in the bylaws.

(2) Unless the bylaws provide otherwise, the notice:

(i) Shall be in writing or delivered by electronic transmission; and

(ii) Need not state the business to be transacted at or the purpose of any regular or special meeting of the board of directors.

(c) Whenever this article or the charter or bylaws of a corporation require notice of the time, place, or purpose of a meeting of the board of directors or a committee or the board, a person who is entitled to the notice waives notice if the person:

(1) Before or after the meeting delivers a written waiver or a waiver by electronic transmission which is filed with the records of the meeting; or

(2) Is present at the meeting.

(d) (1) Unless restricted by the charter or bylaws of the corporation, members of the board of directors or a

committee of the board may participate in a meeting by means of a conference telephone or other communications equipment if all persons participating in the meeting can hear each other at the same time.

(2) Participation in a meeting by these means constitutes presence in person at the meeting.

§ 2-410. Dissent of director to action of board

(a) A director of a corporation who is present at a meeting of its board of directors at which action on any corporate matter is taken is presumed to have assented to the action unless:

(1) He announces his dissent at the meeting; and

(2) (i) His dissent is entered in the minutes of the meeting;

(ii) He files his written dissent to the action with the secretary of the meeting before the meeting is adjourned; or

(iii) He forwards his written dissent within 24 hours after the meeting is adjourned, by certified mail, return receipt requested, bearing a postmark from the United States Postal Service, to the secretary of the meeting or the secretary of the corporation.

(b) The right to dissent does not apply to a director who:

(1) Voted in favor of the action; or

(2) Failed to make his dissent known at the meeting.

§ 2-411. Executive and other committees. (Omitted).

§ 2-412. Required and permitted officers

(a) Each Maryland corporation shall have the following officers:

(1) A president;

(2) A secretary; and

(3) A treasurer.

(b) In addition to the required officers, a Maryland corporation may have any other officer provided for in the bylaws.

§ 2-413. Election, tenure, and removal of officers

(a) Unless the bylaws provide otherwise, the board of directors shall elect the officers.

(b) Unless the bylaws provide otherwise, an officer serves for one year and until his successor is elected and qualifies.

(c) (1) If the board of directors in its judgment finds that the best interests of the corporation will be served, it may remove any officer or agent of the corporation.

(2) The removal of an officer or agent does not prejudice any of his contract rights.

(d) Unless the bylaws provide otherwise, the board of directors may fill a vacancy which occurs in any office.

§ 2-414. Powers and duties of officers and agents

(a) As between himself and the corporation, an officer or agent of the corporation has the authority and shall

perform the duties in the management of the assets and affairs of the corporation as:

(1) Provided in the bylaws; and

(2) Determined from time to time by resolution of the board of directors not inconsistent with the bylaws.

(b) The rights of any third party are not affected or impaired by any bylaw or resolution referred to in subsection (a) of this section unless the third party has knowledge of the bylaw or resolution.

§ 2-415. Holding more than one office

(a) If permitted by the bylaws, a person may hold more than one office in a corporation but may not serve concurrently as both president and vice president of the same corporation.

(b) A person who holds more than one office in a corporation may not act in more than one capacity to execute, acknowledge, or verify an instrument required by law to be executed, acknowledged, or verified by more than one officer.

§ 2-416. Financial assistance to officers and employers (Omitted)

§ 2-417. (Repealed)

§ 2-418. Indemnification of directors, officers, employees, and agents

(a) In this section the following words have the meanings indicated.

(1) "Director" means any person who is or was a director of a corporation and any person who, while a director of a corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation,

partnership, joint venture, trust, limited liability company, other enterprise, or employee benefit plan.

(2) "Corporation" includes any domestic or foreign predecessor entity of a corporation in a merger, consolidation, or other transaction in which the predecessor's existence ceased upon consummation of the transaction.

(3) “Director” means any person who is or was a director of a corporation and any person who, while a director of a corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, limited liability company, other enterprise, or employee benefit plan.

(4) "Expenses" include attorney's fees.

(5) ((i) "Official capacity" means:

1. When used with respect to a director, the office of director in the corporation; and

2. When used with respect to a person other than a director as contemplated in subsection (j) of this section, the elective or appointive office in the corporation held by the officer, or the employment or agency relationship undertaken by the employee or agent in behalf of the corporation.

(iii) "Official capacity" does not include service for any other foreign or domestic corporation or any partnership, joint venture, trust, other enterprise, or employee benefit plan.

(6) "Party" includes a person who was, is, or is threatened to be made a named defendant or respondent in a proceeding.

(7) "Proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative.

(b) (1) A corporation may indemnify any director made a party to any proceeding by reason of service in that capacity unless it is established that:

(i) The act or omission of the director was material to the matter giving rise to the proceeding; and

1. Was committed in bad faith; or

2. Was the result of active and deliberate dishonesty; or

(ii) The director actually received an improper personal benefit in money, property, or services; or

(iii) In the case of any criminal proceeding, the director had reasonable cause to believe that the act or omission was unlawful.

(2) (i) Indemnification may be against judgments, penalties, fines, settlements, and reasonable expenses actually incurred by the director in connection with the proceeding.

(ii) However, if the proceeding was one by or in the right of the corporation, indemnification may not be made in respect of any proceeding in which the director shall have been adjudged to be liable to the corporation.

(3) (i) The termination of any proceeding by judgment, order, or settlement does not create a presumption that the director did not meet the requisite standard of conduct set forth in this subsection.

(ii) The termination of any proceeding by conviction, or a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the director did not meet that standard of conduct.

(4) A corporation may not indemnify a director or advance expenses under this section for a proceeding brought by that director against the corporation, except:

(i) For a proceeding brought to enforce indemnification under this section; or

(ii) If the charter or bylaws of the corporation, a resolution of the board of directors of the corporation, or an agreement approved by the board of directors of the corporation to which the corporation is a party expressly provide otherwise.

(c) A director may not be indemnified under subsection (b) of this section in respect of any proceeding charging improper personal benefit to the director, whether or not involving action in the director's official capacity, in which the director was adjudged to be liable on the basis that personal benefit was improperly received.

(d) Unless limited by the charter

(1) A director who has been successful, on the merits or otherwise, in the defense of any proceeding referred to in subsection (b) of this section, or in the defense of any claim, issue, or matter in the proceeding, shall be indemnified against reasonable expenses incurred by the director in connection with the proceeding, claim, issue, or matter in which the director has been successful.

(2) A court of appropriate jurisdiction, upon application of a director and such notice as the court shall require, may order indemnification in the following circumstances:

(i) If it determines a director is entitled to reimbursement under paragraph (1) of this subsection, the court shall order indemnification, in which case the director shall be entitled to recover the expenses of securing such reimbursement; or

(ii) If it determines that the director is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the director has met the standards of conduct set forth in subsection (b) of this section or has been adjudged liable under the circumstances described in subsection (c) of this section, the court may order such indemnification as the court shall deem proper. However, indemnification with respect to any proceeding by or in the right of the corporation or in which liability shall have

been adjudged in the circumstances described in subsection (c) shall be limited to expenses.

(3) A court of appropriate jurisdiction may be the same court in which the proceeding involving the director's liability took place.

(e) (1) Indemnification under subsection (b) of this section may not be made by the corporation unless authorized for a specific proceeding after a determination has been made that indemnification of the director is permissible in the circumstances because the director has met the standard of conduct set forth in subsection (b) of this section.

(2) Such determination shall be made:

(i) By the board of directors by a majority vote of a quorum consisting of directors not, at the time, parties to the proceeding, or, if such a quorum cannot be obtained, then by a majority vote of a committee of the board consisting solely of one or more directors not, at the time, parties to such proceeding and who were duly designated to act in the matter by a majority vote of the full board in which the designated directors who are parties may participate;

(ii) By special legal counsel selected by the board of directors or a committee of the board by vote as set forth in subparagraph (i) of this paragraph, or, if the requisite quorum of the full board cannot be obtained therefore and the committee cannot be established, by a majority vote of the full board in which directors who are parties may participate; or

(iii) By the stockholders.

(3) Authorization of indemnification and determination as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible. However, if the determination that indemnification is permissible is made by special legal counsel, authorization of indemnification and determination as to reasonableness of expenses shall be made in the

manner specified in subparagraph (ii) of paragraph (2) of this subsection (e) (2) of this section.

(4) Shares held by directors who are parties to the proceeding may not be voted on the subject matter under this subsection.

(f) (1) Reasonable expenses incurred by a director who is a party to a proceeding may be paid or reimbursed by the corporation in advance of the final disposition of the proceeding upon receipt by the corporation of:

(i) A written affirmation by the director of the director's good faith belief that the standard of conduct necessary for indemnification by the corporation as authorized in this section has been met; and

(ii) A written undertaking by or on behalf of the director to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

(2) The undertaking required by subparagraph (ii) of paragraph (1) of this subsection shall be an unlimited general obligation of the director but need not be secured and may be accepted without reference to financial ability to make the repayment.

(3) Payments under this subsection shall be made as provided by the charter, bylaws, or contract or as specified in subsection (e) (2) of this section.

(g) The indemnification and advancement of expenses provided or authorized by this section may not be deemed exclusive of any other rights, by indemnification or otherwise, to which a director may be entitled under the charter, the bylaws, a resolution of stockholders or directors, an agreement or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office.

(h) This section does not limit the corporation's power to pay or reimburse expenses incurred by a director in connection with an appearance as a witness in a proceeding

at a time when the director has not been made a named defendant or respondent in the proceeding.

(i) For purposes of this section:

(1) The corporation shall be deemed to have requested a director to serve an employee benefit plan where the performance of the director's duties to the corporation also imposes duties on, or otherwise involves services by, the director to the plan or participants or beneficiaries of the plan;

(2) Excise taxes assessed on a director with respect to an employee benefit plan pursuant to applicable law shall be deemed fines; and

(3) Action taken or omitted by the director with respect to an employee benefit plan in the performance of the director's duties for a purpose reasonably believed by the director to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the corporation.

(j) Unless limited by the charter:

(1) An officer of the corporation shall be indemnified as and to the extent provided in subsection (d) of this section for a director and shall be entitled, to the same extent as a director, to seek indemnification pursuant to the provisions of subsection (d);

(2) A corporation may indemnify and advance expenses to an officer, employee, or agent of the corporation to the same extent that it may indemnify directors under this section; and

(3) A corporation, in addition, may indemnify and advance expenses to an officer, employee, or agent who is not a director to such further extent, consistent with law, as may be provided by its charter, bylaws, general or specific action of its board of directors, or contract.

(k) (1) A corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the corporation, or who, while a director, officer, employee, or agent of the corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan against any liability asserted against and incurred by such person in any such capacity or arising out of such person's position, whether or not the corporation would have the power to indemnify against liability under the provisions of this section.

(2) A corporation may provide similar protection, including a trust fund, letter of credit, or surety bond, not inconsistent with this section.

(3) The insurance or similar protection may be provided by a subsidiary or an affiliate of the corporation.

(l) Any indemnification of, or advance of expenses to, a director in accordance with this section, if arising out of a proceeding by or in the right of the corporation, shall be reported in writing to the stockholders with the notice of the next stockholders' meeting or prior to the meeting.

§ 2-419. Interested director transactions

(a) If subsection (b) of this section is complied with, a contract or other transaction between a corporation and any of its directors or between a corporation and any other corporation, firm, or other entity in which any of its directors is a director or has a material financial interest is not void or voidable solely because of any one or more of the following:

(1) The common directorship or interest;

(2) The presence of the director at the meeting of the board or a committee of the board which authorizes, approves, or ratifies the contract or transaction; or

(3) The counting of the vote of the director for the authorization, approval, or ratification of the contract or transaction.

(b) Subsection (a) of this section applies if:

(1) The fact of the common directorship or interest is disclosed or known to:

(i) The board of directors or the committee, and the board or committee authorizes, approves, or ratifies the contract or transaction by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum; or

(ii) The stockholders entitled to vote, and the contract or transaction is authorized, approved, or ratified by a majority of the votes cast by the stockholders entitled to vote other than the votes of shares owned of record or beneficially by the interested director or corporation, firm, or other entity; or

(2) The contract or transaction is fair and reasonable to the corporation.

(c) Common or interested directors or the stock owned by them or by an interested corporation, firm, or other entity may be counted in determining the presence of a quorum at a meeting of the board of directors or a committee of the board or at a meeting of the stockholders, as the case may be, at which the contract or transaction is authorized, approved, or ratified.

(d) (1) If a contract or transaction is not authorized, approved, or ratified in one of the ways provided for in subsection (b) (1) of this section, the person asserting the validity of the contract or transaction bears the burden of proving that the contract or transaction was fair and reasonable to the corporation at the time it was authorized, approved, or ratified.

(2) This subsection does not apply to the fixing by the board of directors of reasonable compensation for a director, whether as a director or in any other capacity.

(e) Any procedures authorized by § 2-418 of this subtitle shall be deemed to satisfy subsection (b)(1) of this section. Any charter, bylaw, contract, or transaction requiring or permitting indemnification, including advances of expenses, in accordance with § 2-418 of this subtitle is fair and reasonable to the corporation.

§ 2-501. Annual meeting

(a) Each corporation shall hold an annual meeting of its stockholders to elect directors and transact any other business within its powers.

(b) (1) If the charter or bylaws of a corporation registered under the Investment Company Act of 1940 so provides, the corporation is not required to hold an annual meeting in any year in which the election of directors is not required to be acted upon under the Investment Company Act of 1940.

(2) If a corporation is required under paragraph (1) of this subsection to hold a meeting of stockholders to elect directors, the meeting shall be designated as the annual meeting of stockholders for that year.

(c) (1) Except as provided in paragraph (2) of this subsection, the meeting shall be held:

(i) At the time or in the manner provided in the bylaws; or

(2) If a corporation is required under subsection (b) (1) of this section to hold a meeting of stockholders to elect directors, the meeting shall be held no later than 120 days after the occurrence of the event requiring the meeting.

(d) Except as this article provides otherwise, any business may be considered at an annual meeting without

the purpose of the meeting having been specified in the notice.

(e) The failure to hold an annual meeting does not invalidate the corporation's existence or affect any otherwise valid corporate act.

§ 2-502. Special meeting

(a) A special meeting of the stockholders of a corporation may be called by:

(1) The president;

(2) The board of directors; or

(3) Any other person specified in the charter or the bylaws.

(b) (1) Except as provided in subsections (c) and (d) of this section, and except for a corporation that has elected to be subject to § 3-805 of this article, the secretary of a corporation shall call a special meeting of the stockholders on the written request of stockholders entitled to cast at least 25 percent of all the votes entitled to be cast at the meeting.

(2) A request for a special meeting shall state the purpose of the meeting and the matters proposed to be acted on at the meeting.

(3) The secretary shall:

(i) Inform the stockholders who make the request of the reasonably estimated cost of preparing and mailing a notice of the meeting; and

(ii) On payment of these costs to the corporation, notify each stockholder entitled to notice of the meeting.

(c) Unless requested by stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting, a special meeting need not be called to consider any matter which is substantially the same as a matter voted on at any

special meeting of the stockholders held during the preceding 12 months.

(d) (1) Subject to paragraph (2) of this subsection, a corporation may include in its charter or bylaws a provision that requires the written request of stockholders entitled to cast a greater or lesser percentage of all votes entitled to be cast at the meeting than that required by subsection (b)(1) of this section in order to call a special meeting of the stockholders.

(2) The percentage provided for in the charter or bylaws may not be greater than a majority of all the votes entitled to be cast at the meeting.

(e) The board of directors has the sole power to fix:

(1) The record date for determining stockholders entitled to request a special meeting of the stockholders and the record date for determining stockholders entitled to notice of and to vote at the special meeting; and

(2) The date, time, and place, if any, and the means of remote communication, if any, by which stockholders and proxy holders may be considered present in person and may vote at the special meeting.

§ 2-502.1. Participation in meeting via conference communications

(a) Unless restricted by the charter or bylaws of the corporation, a corporation may allow stockholders to participate in a meeting by means of a conference telephone or other communications equipment if all persons participating in the meeting can hear each other at the same time.

(b) Participation in a meeting by the means authorized by subsection (a) of this section constitutes presence in person at the meeting.

§ 2-503. Place of meetings

(a) Unless the charter provides otherwise, meetings of stockholders shall be held as is:

(1) Provided in the charter or bylaws; or

(2) Set by the board of directors under the provisions of the charter or bylaws.

(b) (1) Subject to paragraph (2) of this subsection, if the board of directors is authorized to determine the place of a meeting of the stockholders, the board may determine the place of a meeting of the stockholders, the board may determine that the meeting not be held at any place, but instead may be held solely by means of remote communication, as authorized by subsection (c) of this section.

(2) At the request of a stockholder, the board of directors shall provide a place for a meeting of the stockholders.

(c) If authorized by the board of directors and subject to any guidelines and procedures that the board adopts, stockholders and proxy holders not physically present at a meeting of the stockholders, by means of remote communication:

(1) May participate in the meeting of the stockholders; and

(2) May be considered present in person and may vote at the meeting of the stockholders, whether the meeting is held at a designated place or solely by means of remote communications, if:

(i) The corporation implements reasonable measures to verify that each person considered present and authorized to vote at the meeting by means of remote communication is a stockholder or proxy holder;

(ii) The corporation implements reasonable measures to provide the stockholders and proxy holders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with the proceedings; and

(iii) In the event any stockholder or proxy holder votes or takes other action at the meeting by means of remote communication, a record of the vote or other action is maintained by the corporation.

§ 2-504. Notice; meetings; stockholder proposals

(a) Not less than 10 nor more than 90 days before each stockholder's meeting, the secretary of the corporation shall give notice in writing or by electronic transmission of the meeting to:

(1) Each stockholder entitled to vote at the meeting; and

(2) Each other stockholder entitled to notice of the meeting.

(b) The notice shall state:

(1) The time of the meeting, the place of the meeting, if any, and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and may vote at the meeting; and

(2) The purpose of the meeting, if:

(i) The meeting is a special meeting; or

(ii) Notice of the purpose is required by any other provision of this article.

(c) (1) For purposes of this section, notice is given to a stockholder when it is:

(i) Personally delivered to the stockholder;

(ii) Left at the stockholder's residence or usual place of business;

(iii) Mailed to the stockholder at the stockholder's address as it appears on the records of the corporation; or

(iv) Transmitted to the stockholder by an electronic transmission to any address or number of the stockholder at which the stockholder receives electronic transmissions.

(2) If a corporation has received a request from a stockholder that notice not be sent by electronic transmissions, the corporation may not provide notice to the stockholder by electronic transmission.

(d) (1) An affidavit of the secretary, an assistant secretary, the transfer agent, or other agent of the corporation that notice has been given by a form of electronic transmission, in the absence of actual fraud, shall be prima facie evidence of the facts stated in the affidavit.

(2) Notice given by electronic transmission shall be considered ineffective if:

(i) The corporation is unable to deliver two consecutive notices; and

(ii) The inability to deliver the notices becomes known to the secretary, an assistant secretary, the transfer agent, or other person responsible for the giving of notice.

(3) The inadvertent failure to deliver notice under paragraph (2) of this subsection does not invalidate any meeting or other action.

(e) Whenever this article or the charter or bylaws of a corporation require notice of a meeting of the stockholders, each person who is entitled to the notice waives notice if the person:

(1) Before or after the meeting delivers a written waiver or a waiver by electronic transmission which is filed with the records of stockholders meetings; or

(2) Is present at the meeting in person or by proxy.

(f) The charter or bylaws may require any stockholder proposing a nominee for election as a director or any other matter for consideration at a meeting of the stockholders to provide advance notice of the nomination or proposal to the corporation of not more than before a date or within a period of time specified in the charter or bylaws.

§ 2-504.1 Single Notice

(a) Subject to Section 2-504(d) of this subtitle, any notice given by a corporation to a stockholder under this article or the charter or bylaws of the corporation is effective if given by a single notice, in writing or by electronic transmission, to all stockholders who share an address unless the corporation has received a request from a stockholder in writing or by electronic transmission that a single notice not been given.

(b) This section does not limit the manner in which a corporation otherwise may give notice to stockholders.

§ 2-505. Informal action by stockholders

(a) Except as provided in subsection (b) of this section, any action required or permitted to be taken at a meeting of the stockholders may be taken without a meeting if a unanimous consent which sets forth the action is:

(1) Given in writing or by electronic transmission by each stockholder entitled to vote on the matter; and

(2) Filed in paper or electronic form with the records of stockholders meetings.

(b) (1) Unless the charter requires otherwise, the holders of any class of stock, other than common stock entitled to vote generally in the election of directors, may take action or consent to any action by delivering a consent in

writing or by electronic transmission of the stockholders entitled to cast not less than the minimum number of votes that would be necessary to authorize or take the action at a stockholders meeting if the corporation gives notice of the action to each holder of the class of stock not later than 10 days after the effective time of the action.

(2) If authorized by the charter of a corporation, the holders of common stock entitled to vote generally in the election of directors may take action or consent to any action by delivering a consent in writing or by electronic transmission of the stockholders entitled to cast not less than the minimum number of votes that would be necessary to authorize or take the action at a stockholders meeting if the corporation gives notice of the action not later than 10 days after the effective date of the action to each holder of the class of common stock and to each stockholder who, if the action had been taken at a meeting, would have been entitled to notice of the meeting.

(c) Any consent authorized by this section shall be delivered to the corporation by delivery to its principal office in the state, its resident agent, or the officer or agent of the corporation that has custody of the book in which proceedings of minutes of stockholders meetings are recorded.

(d) A stockholder may deliver the consent authorized by this section in paper form, by hand, by certified or registered mail, return receipt requested, or by electronic transmission.

(e) The board of directors may adopt reasonable procedures for delivering consents instead of holding a meeting under this section.

(f) A written consent may not take effect unless written consents signed by a sufficient number of stockholders to take action are delivered to the corporation within 60 days after the date on which the earliest consent is dated in accordance with procedures adopted under subsection (e) of this section.

(g) Any charter documents filed with the department in

accordance with an action taken under this section may provide that the action was approved by the stockholders in the manner provided by this section.

§ 2-506. Quorum; voting

(a) Unless this article or the charter of a corporation provides otherwise, at a meeting of stockholders:

(1) The presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting constitutes a quorum; and

(2) A majority of all the votes cast at a meeting at which a quorum is present is sufficient to approve any matter which properly comes before the meeting.

(b) Subject to other provisions of this article, unless the charter of a corporation provides otherwise, if two or more classes of stock are entitled to vote separately on any matter for which this article requires approval by two thirds of all the votes entitled to be cast, the matter shall be approved by two-thirds of all the votes of each class.

(c) Alternate requirements for certain corporations.-

(1) This subsection applies to a corporation that:

(i) Has a class of equity securities registered under the Securities Exchange Act of 1934 and at least three directors who are not officers or employees of the corporation; or

(ii) Is registered as an open-end investment company under the Investment Company Act of 1940.

(2) Unless the character or bylaws of a corporation provide otherwise, at a meeting of stockholders the presence, in person or by proxy, of a majority of all votes entitled to be cast at the meeting constitutes a quorum.

(3) For purposes of this subsection, a quorum provision in the bylaws of a corporation may not be less than one-third of the votes entitled to be cast at the meeting.

§ 2-507. General right to vote; proxies

(a) Unless the charter provides for a greater or lesser number of votes per share or limits or denies voting rights, each outstanding share of stock, regardless of class, is entitled to one vote on each matter submitted to a vote at a meeting of stockholders. However, a share is not entitled to be voted if any installment payable on it is overdue and unpaid.

(b) (1) A stockholder may vote the stock the stockholder owns of record either:

(i) In person; or

(ii) By proxy as provided in subsection (c) of this section.

(2) Unless a proxy provides otherwise, it is not valid more than 11 months after its date.

(3) Unless otherwise agreed in writing, the holder of record of stock which actually belongs to another shall issue a proxy to vote the stock to the actual owner on the owner's demand.

(c) (1) A stockholder may authorize another person to act as proxy for the stockholder as provided in this subsection.

(2) (i) A stockholder may sign a writing authorizing another person to act as proxy.

(ii) Signing may be accomplished by the stockholder or the stockholder's authorized agent signing the writing or causing the stockholder's signature to be affixed to the writing by any reasonable means, including facsimile signature.

(3) (i) Subject to subparagraph (ii) of this paragraph, a stockholder may authorize another person to act as proxy by transmitting, or authorizing the transmission of, an authorization for the person to act as proxy to:

1. The person authorized to act as proxy; or

2. Any other person authorized to receive the proxy authorization on behalf of the person authorized to act as the proxy, including a proxy solicitation firm or proxy support service organization.

(ii) The authorization may be transmitted by a telegram, cablegram, datagram, electronic mail, or any other electronic or telephonic means.

(4) A copy, facsimile telecommunication, or other reliable reproduction of the writing or transmission authorized under paragraphs (2) and (3) of this subsection may be substituted for the original writing or transmission for any purpose for which the original writing or transmission could be used.

(d) (1) A proxy is revocable by a stockholder at any time without condition or qualification unless:

(i) The proxy states that it is irrevocable; and

(ii) The proxy is coupled with an interest.

(2) A proxy may be made irrevocable for as long as it is coupled with an interest.

(3) The interest with which a proxy may be coupled includes an interest in the stock to be voted under the proxy or another general interest in the corporation or its assets or liabilities.

MARYLAND CONTRACT LIEN ACT

§ 14-201. Definitions

(a) In this subtitle the following words have the meanings indicated unless the context requires otherwise.

(b) (1) "Contract" means a real covenant running with the land or a contract recorded among the land records of a county or Baltimore City.

(2) "Contract" includes a declaration or bylaws recorded under the provisions of the Maryland Condominium Act or the Maryland Real Estate Time-Sharing Act.

(c) (1) "Damages" means unpaid sums due under a contract, plus interest accruing on the unpaid sums due under a contract or as provided by law, including fines levied under the Maryland Condominium Act or the Maryland Real Estate Time-Sharing Act.

(2) "Damages" does not include consequential or punitive damages.

(d) "Lien" means a lien created under this subtitle.

(e) "Party" means any person who:

(1) Is a signatory to a contract;

(2) Is described in a contract as having the benefit of any provision of the contract; or

(3) Owns property subject to the provisions of a contract.

(f) "Statement of lien" means the statement described under § 14-203(j) of this subtitle.

§ 14-202. Creation of lien by contract

(a) A lien on property may be created by a contract and enforced under this subtitle if:

(1) The contract expressly provides for the creation of a lien; and

(2) The contract expressly describes:

(i) The party entitled to establish and enforce the lien; and

(ii) The property against which the lien may be imposed.

(b) A lien may only secure the payment of:

(1) Damages;

(2) Costs of collection;

(3) Late charges permitted by law; and

(4) Attorney's fees provided for in a contract or awarded by a court for breach of a contract.

§ 14-203. Creation of lien as result of breach of contract.

(a) (1) A party seeking to create a lien as the result of a breach of contract shall, within 2 years of a breach of contract, give written notice to the party against whose property the lien is intended to be imposed.

(2) Except as provided in paragraph (3) of this subsection, notice under this subsection shall be served by:

(i) Certified or registered mail, return receipt requested, addressed to the owner of the property against which the lien is sought to be imposed at the owner's last known address; or

(ii) Personal delivery to the owner by the party seeking a lien or the party's agent.

(3) If a party seeking to create a lien is unable to serve an owner under paragraph (2) of this subsection, notice under this subsection shall be served by:

(i) The mailing of a notice to the owner's last known address; and

(ii) Posting notice in a conspicuous manner on the property by the party seeking to create a lien or the party's agent in the presence of a competent witness. In the instance of a contractual lien on a building, the notice shall be posted in a conspicuous manner on the door or other front part of the building.

(b) A notice under subsection (a) of this section shall include:

(1) The name and address of the party seeking to create the lien;

(2) A statement of intent to create a lien;

(3) An identification of the contract;

(4) The nature of the alleged breach;

(5) The amount of alleged damages;

(6) A description of the property against which the lien is intended to be imposed sufficient to identify the property, and stating the county or counties in which the property is located; and

(7) A statement that the party against whose property the lien is intended to be imposed has the right to a hearing under subsection (c) of this section.

(c) (1) A party to whom notice is given under subsection (a) of this section may, within 30 days after the notice is served on the party, file a complaint in the circuit court for the county in which any part of the property is

located to determine whether probable cause exists for the establishment of a lien.

(2) A complaint filed under this subsection shall include:

(i) The name of the complainant and the name of the party seeking to establish the lien;

(ii) A copy of the notice served under subsection (a) of this section; and

(iii) An affidavit containing a statement of facts that would preclude establishment of the lien for the damages alleged in the notice.

(3) A party filing a complaint under this subsection may request a hearing at which any party may appear to present evidence.

(d) If a complaint is filed, the party seeking to establish the lien has the burden of proof.

(e) The clerk of the circuit court shall docket the proceedings under this section, and all process shall issue out of and all pleadings shall be filed in a single action.

(f) Before any hearing held under subsection (c) of this section, the party seeking to establish a lien may supplement, by means of an affidavit, any information contained in the notice given under subsection (a) of this section.

(g) (1) If a complaint is filed under subsection (c) of this section, the court shall review any pleadings filed, including any supplementary affidavit filed under subsection (f) of this section, and shall conduct a hearing if requested under subsection (c)(3) of this section.

(2) If the court determines that probable cause exists to establish a lien, it shall order the lien imposed.

(3) The order to impose a lien shall state that the owner of the property against which the lien is imposed may

file a bond of a specified amount to have the lien against the property removed.

(h) (1) If the court orders a lien to be imposed under subsection (g) of this section, or if the owner of the property against which a lien is intended to be imposed fails to file a complaint under subsection (c) of this section the party seeking to create the lien may file a statement of lien among the land records of each county in which any portion of the property is located.

(2) The party seeking to create the lien may file the lien statement in the county land records:

(i) If a complaint was filed under subsection (c) of this section, 30 days after the date of the court order allowing the creation of the lien; or

(ii) If a complaint was not filed under subsection (c) of this section, 30 days after the owner was served under subsection (a)(2) or (3) of this section.

(3) Unless the party seeking to create the lien and the owner agree otherwise, if the party seeking to create the lien fails to file the lien statement within 90 days after the expiration of the applicable time period described in paragraph (2) of this subsection, the party seeking to create the lien may:

(i) Not file the lien statement in the county land records; and

(ii) File for a new lien by complying with the requirements of subsections (a) through (h) of this section.

(4) A lien imposed under this subtitle has priority from the date the statement of lien is filed.

(5) Until an order imposing a lien is entered by the court, the owner of the property against which the lien is imposed may have the lien removed at any time by filing with the clerk of the circuit court a bond in the amount specified by the court under subsection (g)(3) of this section.

(i) (1) Until an order is entered by the court either establishing or denying a lien, the action shall proceed to trial on any matter at issue.

(2) The court may award costs and reasonable attorney's fees to any party under this subtitle.

(j) (1) Subject to paragraph (2) of this subsection, a statement of lien is sufficient for purposes of this subtitle if it is in substantially the following form:

STATEMENT OF LIEN

This is to certify that the property described as _____ is subject to a lien under Title 14, Subtitle 2 of the Real Property Article, Maryland Annotated Code, in the amount of $_____. The property is owned by _____.

I hereby affirm under the penalty of perjury that notice was given under § 14-203(a) of the Real Property Article, and that the information contained in the foregoing statement of lien is true and correct to the best of my knowledge, information, and belief.

_____
(name of party claiming lien)

(2) (i) This paragraph applies only to a lien that is subject to § 11-110(f) or § 11B-117(c) of this article.

(ii) In addition to satisfying the requirements of paragraph (1) of this subsection, a statement of lien is sufficient for purposes of this subtitle if the statement includes specific information about the amount of the regular monthly assessments, or the equivalent of the regular monthly assessments, for common expenses in substantially the following form:

The amount of the regular monthly assessments, or the equivalent of the regular monthly assessments, for common expenses, that is the basis of the priority portion of this lien as

provided in § 11-110(f) or § 11B-117(c) of the Real Property Article, is $_____, This sum represents _____ months of unpaid regular assessments, at $_____ per month.

(k) If an order is entered under subsection (i) of this section denying a lien, or if a bond is filed under subsection (h) of this section, the clerk of the circuit court shall enter a notation in the land records releasing the lien.

§ 14-204. Enforcement and foreclosure of lien

(a) A lien may be enforced and foreclosed by the party who obtained the lien in the same manner, and subject to the same requirements, as the foreclosure of mortgages or deeds of trust on property in this State containing a power of sale or an assent to a decree.

(b) If the owner of property subject to a lien is personally liable for alleged damages, suit for any deficiency following foreclosure may be maintained in the same proceeding, and suit for a monetary judgment for unpaid damages may be maintained without waiving any lien securing the same.

(c) Any action to foreclose a lien shall be brought within 12 years following recordation of the statement of lien.

§ 14-205. Exemptions

The provisions of this subtitle do not apply to land installment contracts or to deeds of trust or mortgages on property in this State.

§ 14-206. Short title.

This subtitle may be cited as the Maryland Contract Lien Act.

REAL PROPERTY ARTICLE

§ 2-119. Covenants restricting installation of solar-collector systems

(a) (1) In this section, the following words have the meanings indicated.

(2) "Restriction on use" includes any covenant, restriction, or condition contained in:

(i) A deed;

(ii) A declaration;

(iii) A contract;

(iv) The bylaws or rules of a condominium or homeowners association;

(v) A security instrument; or

(vi) Any other instrument affecting:

1. The transfer or sale of real property; or

2. Any other interest in real property.

(3) "Solar collector system" means a solar collector or other solar energy device, the primary purpose of which is to provide for the collection, storage, and distribution of solar energy for electricity generation, space heating, space cooling, or water heating.

(4) "Solar easement" means an interest in land that:

(i) Is conveyed or assigned in perpetuity; and

(ii) Limits the use of the land to preserve the receipt of sunlight across the land for the use of a property owner's solar collector system.

(b) (1) A restriction on use regarding land use may not impose or act to impose unreasonable limitations on the installation of a solar collector system on the roof or exterior walls of improvements, provided that the property owner owns or has the right to exclusive use of the roof or exterior walls.

(2) For purposes of paragraph (1) of this subsection, an unreasonable limitation includes a limitation that:

(i) Significantly increases the cost of the solar collector system; or

(ii) Significantly decreases the efficiency of the solar collector system.

(c) (1) A property owner who has installed or intends to install a solar collector system may negotiate to obtain a solar easement in writing.

(2) Any written instrument creating a solar easement shall include:

(i) A description of the dimensions of the solar easement expressed in measurable terms, including vertical or horizontal angles measured in degrees or the hours of the day on specified dates when direct sunlight to a specified surface of a solar collector system may not be obstructed;

(ii) The restrictions place on vegetation, structures, and other objects that would impair the passage of sunlight through the solar easement; and

(iii) The terms under which the solar easement may be revised or terminated.

(3) A written instrument creating a solar easement shall be recorded in the land records of the county where the property is located.

(d) This section does not apply to a restriction on use on historic property that is listed in, or determined by the Director of the Maryland Historical Trust to be eligible for inclusion in, the Maryland Register of Historic Properties.

§ 10-201. Definitions.

(a) In this subtitle the following words have the meanings indicated unless otherwise apparent from context.

(b) "Improvements" includes every newly constructed private dwelling unit, and fixture and structure which is made a part of a newly constructed private dwelling unit at the time of construction by any building contractor or subcontractor.

(c) "Purchaser" means the original purchaser of improved realty, and the heirs and personal representatives of the original purchaser.

(d) "Realty" includes both freehold estates and redeemable leasehold estates.

(e) "Vendor" means any person engaged in the business of erecting or otherwise creating an improvement on realty, or to whom a completed improvement has been granted for resale in the course of his business.

§ 10-202. Creation of express warranties; exclusion or modification of express warranty.

(a) Express warranties by a vendor are created as follows:

(1) Any written affirmation of fact or promise which relates to the improvement and is made a part of the basis of the bargain between the vendor and the purchaser creates an express warranty that the improvement conforms

to the affirmation or promise.

(2) Any written description of the improvement, including plans and specifications of it, which is made a part of the basis of the bargain between the vendor and the purchaser creates an express warranty that the improvement conforms to the description.

(3) Any sample or model which is made a part of the basis of the bargain between the vendor and the purchaser creates an express warranty that the improvement conforms substantially to the sample or model.

(b) To create an express warranty, it is not necessary to use formal words, such as "warranty" or "guarantee," or that there be a specific intention to make a warranty. However, an affirmation merely of the value of the improvement or a statement purporting to be an opinion or commendation of the improvement does not create a warranty.

(c) If an express warranty is made under subsection (a), neither words in the contract of sale, the deed, other instrument of grant, nor merger of the contract of sale into the deed or any other instrument of grant is effective to exclude or modify the warranty. At any time after the execution of the contract of sale, the warranty may be excluded or modified wholly or partially by a written instrument, signed by the purchaser, setting forth in detail the warranty to be excluded or modified, the consent of the purchaser to exclusion or modification, and the terms of the new agreement with respect to it.

§ 10-203. Implied warranties.

(a) Except as provided in subsection (b) or unless excluded or modified pursuant to subsection (d), in every sale, warranties are implied that, at the time of the delivery of the deed to a completed improvement or at the time of completion of an improvement not completed when the deed

is delivered, the improvement is:

(1) Free from faulty materials;

(2) Constructed according to sound engineering standards;

(3) Constructed in a workmanlike manner; and

(4) Fit for habitation.

(b) The warranties of subsection (a) do not apply to any condition that an inspection of the premises would reveal to a reasonably diligent purchaser at the time the contract is signed.

(c) If the purchaser, expressly or by implication, makes known to the vendor the particular purpose for which the improvement is required, and it appears that the purchaser relies on the vendor's skill and judgment, there is an implied warranty that the improvement is reasonably fit for the purpose.

(d) Neither words in the contract of sale, nor the deed, nor merger of the contract of sale into the deed is effective to exclude or modify any implied warranty. However, if the contract of sale pertains to an improvement then completed, an implied warranty may be excluded or modified wholly or partially by a written instrument, signed by the purchaser, setting forth in detail the warranty to be excluded or modified, the consent of the purchaser to exclusion or modification, and the terms of the new agreement with respect to it.

§ 10-204. Breach of warranty; expiration of warranty; limitation of actions.

(a) If any warranty provided for in this subtitle is breached, the court may award legal or equitable relief, or both, as justice requires.

(b) Unless an express warranty specifies a longer period of time, the warranties provided for in this subtitle expire:

(1) In the case of a dwelling completed at the time of the delivery of the deed to the original purchaser, one year after the delivery or after the taking of possession by the original purchaser, whichever occurs first;

(2) In the case of a dwelling not completed at the time of delivery of the deed to the original purchaser, one year after the date of the completion or taking of possession by the original purchaser, whichever occurs first; and

(3) In the case of structural defects, two years after the date of completion, delivery, or taking possession, whichever occurs first.

(c) The warranties provided under this section do not expire on the subsequent sale of a dwelling by the original purchaser to a subsequent purchaser, but continue to protect the subsequent purchaser until the warranties provided under subsection (b) of this section expire. The warranties provided under this section do not apply to any defect caused by the original purchaser.

(d) Any action arising under this subtitle shall be commenced within two years after the defect was discovered or should have been discovered or within two years after the expiration of the warranty, whichever occurs first.

§ 14-118. Immunity of officers and directors

(a) (1) in this section, "governing body" means a person who has the authority to enforce:

(i) The provisions of a declaration, as defined under § 11-103 of the Maryland Condominium Act: [FN1]

(ii) Articles of incorporation of a council of unit owners, of a cooperative housing corporation as defined under the Maryland Cooperative Housing Corporation Act, or of a homeowners association, as defined under the Maryland Cooperative Housing Corporation Act, or of a homeowners

association, as defined under the Maryland Homeowners Association Act.

(iii) The provisions of bylaws, rules, and regulations of a condominium, as defined under the Maryland Condominium Act, of a cooperative housing corporation as defined under the Maryland Cooperative Housing Corporation Act, or a homeowners association, as defined under the Maryland Homeowners Association Act.

(2) Governing body includes:

(i) A homeowners association, as defined under the Maryland Homeowners Association Act;

(ii) A council of unit owners of a condominium, as described in the Maryland Condominium Act; or

(iii) A cooperative housing corporation.

(b) A person sustaining an injury as a result of the tortious act of an officer or director of a governing body while the officer or director is acting within the scope of the officer's or director's duties may recover only in an action brought against the governing body for the damages described under § 5- 422(b) of the Courts and Judicial Proceedings Article.

(c) In a proceeding against a governing body, a director or officer of a governing body shall have the immunity from liability described under § 5-422(c) of the Courts and Judicial Proceedings Article.

§ 14-128. Display of United States flag

(a) The provisions of this section shall apply to any residential property, including property that is subject to the provisions of:

(1) Title 8, Title 8A, Title 11, Title 11A, or Title 11B of this article; or

(2) Title 5, Subtitle 6B of the Corporations and Associations Article.

(b) Regardless of the terms of any contract, deed, covenant, restriction, instrument, declaration, rule bylaw, lease agreement, rental agreement, or any other document concerning the display of flags or decorations by a homeowner or tenant on residential property, a homeowner or tenant may not be prohibited from displaying on the premises of the property in which the homeowner or tenant is entitled to reside one portable, removable flag of the United States in a respectful manner, consistent with 4 U.S.C. §§ 4 through 10, as amended, and subject to reasonable rules and regulations adopted pursuant to subsection (d) of this section.

(c) The terms of any contract, deed, covenant, restriction, instrument, declaration, rule, bylaw, lease agreement, rental agreement, or any other document concerning the display of flags or decorations by a homeowner or tenant on residential property may not prohibit or unduly restrict the right of a homeowner or tenant to display on the premises of the property in which the homeowner or tenant is entitled to reside one portable, removable flag of the United States in a respectful manner, consistent with 4 U.S.C §§ 4 through 10, as amended, and subject to reasonable rules and regulations adopted under subsection (d) of this section.

(d) (1) Subject to paragraph (2) of this subsection, the board of directors of a condominium, homeowners association, or housing cooperative, or a landlord may adopt reasonable rules and regulations regarding the placement and manner of display of the flag of the United States and a flagpole used to display the flag of the United States on the premises of the property in which the homeowner or tenant is entitled to reside.

(2) Before adopting any rules or regulations under paragraph (1) of this subsection, the board of directors of the condominium, homeowners association, or housing cooperative, or the landlord shall:

(i) Hold an open meeting on the proposed rules and regulations for the purpose of providing affected homeowners and tenants an opportunity to be heard; and

(ii) Provide advance noticed of the time and place of the open meeting by publishing the notice in a community newsletter, on a community bulletin board, by means provided in the documents governing the condominium, homeowners association, or housing cooperative, or in the lease, or by other means reasonably calculated to inform the affected homeowners and tenants.

§ 14-130. Installation and use of clotheslines on residential property

(a) (1) In this section the following words have the meanings indicated.

(2) (i) "Single-family property" includes:

1. A single-family detached home;

2. A townhouse; and

3. A property that is subject to:

A. Title 11 of this article;

B. Title 11B of this article; or

C. Title 5, Subtitle 6B of the Corporations and Associations Article.

(ii) "Single-family property" does not include property that contains more than four dwelling units.

(3) "Townhouse" means a single-family dwelling unit that is constructed in a horizontal series of attached units with property lines separating the units.

(b) This section does not apply to a restriction concerning the installation or use of clotheslines on historic property that is listed in, or determined by the Director of the Maryland Historical Trust to be eligible for inclusion in the Maryland Register of Historic Properties.

(c) A contract, deed, covenant, restriction, instrument, declaration, rule, bylaw, lease agreement, rental agreement, or any other document concerning the installation or use of clotheslines on single-family property may not prohibit a homeowner or tenant from installing or using clotheslines on single-family property.

(d) Notwithstanding any other provision of law or the terms of any contract, deed, covenant, restriction, instrument, declaration, rule, bylaw, lease agreement, rental agreement, or any other document concerning the tenant may not be prohibited from installing or using clotheslines on single-family property.

(e) This section does not prohibit reasonable restrictions on:

(1) The dimensions, placement, or appearance of clotheslines for the purpose of protecting aesthetic values; or

(2) The placement of clotheslines for the purpose of protecting persons or property in the event of fire or other emergencies.

(f) Before adopting any restriction concerning the installation or use of clotheslines on single-family property, a landlord or the governing body of a condominium, homeowners association, or housing cooperative shall:

(1) Hold an open meeting on the proposed restriction for the purpose of providing affected homeowners and tenants an opportunity to be heard; and

(2) Provide advance notice of the time and place of the open meeting by publishing the notice:

(i) In a community newsletter

(ii) On a community bulletin board

(iii) By means provided in the lease or governing documents of the condominium, homeowners association, or housing cooperative; or

(iv) By other means reasonably calculated to inform the affected homeowners and tenants.

§ 14-131. Community Association Managers Registry

(a) (1) In this section the following terms have the meanings indicated.

(2) "Community association" means:

(i) A condominium council of unit owners organized under Title 11, Subtitle 1 of this article;

(ii) A homeowners association organized under Title 11B of this article; or

(iii) A cooperative housing corporation organized under Title 5, Subtitle 6B of the Corporations and Associations Article.

(3) "Community association management" means to manage the common property and services of a community association with the authority of the community association in its business, legal, financial, or other transactions with association members and nonmembers for a fee, commission, or other valuable consideration, including:

(i) Collecting monthly assessments;

(ii) Preparing budgets, financial statements, or other financial reports;

(iii) Negotiating contracts or otherwise coordinating or arranging for services or the purchase of property or goods for or on behalf of a community association;

(iv) Executing the resolutions and decisions of a community association and assisting the governing body of a community association and association members in complying with laws, contracts, covenants, rules, and bylaws;

(v) Managing the operation and maintenance of community-owned properties, including community centers, pools, golf courses, and parking areas; and

(vi) Arranging, conducting, or coordinating meetings of a community association or the governing body of an association.

(4) "Office" means the Prince George's County Office of Community Relations.

(5) "Registry" means the Community Association Managers Registry.

(b) This section applies only in Prince George's County.

(c) On or after January 1, 2011, the Office shall establish a Registry.

(d) Any entity, including a sole proprietorship, that provides community association management services for community associations located in the county shall register with the Registry and renew its registrati8on by January 31 of each year.

(e) (1) The Office shall:

(i) Provide the registration form; and

(ii) Collect a fee from each entity that registers under this section.

(2) The annual fee charged shall be set at $100.

(f) The registration form shall include:

(1) The name, address, and telephone number of the entity providing community association management services;

(2) The names, titles, and business telephone numbers of the principal officers of the entity;

(3) The designated contact person of the entity, including name, address, title, telephone number, and electronic mail address;

(4) The length of time the entity has been in existence and the length of time the entity has provided community association management services; and

(5) A listing of all community associations in the county as of December 31 of the previous year for which the entity provided community association management services.

(g) The Office may make any information received under this section available to the public, subject to the provisions of the Maryland Public Information Act.

(h) A person who commits a willful violation of this section or who causes a person to commit a willful violation of this section is guilty of a misdemeanor and on conviction is subject to a fine not exceeding $1,000.

MONTGOMERY COUNTY CODE, CHAPTER 10B

COMMON OWNERSHIP COMMUNITIES

Article 1. Commission on Common Ownership Communities.

§ 10B-1. Findings; purpose.

The Council finds that there is often unequal bargaining power between governing bodies, owners, and residents of homeowners' associations, residential condominiums, and cooperative housing projects. Owners and residents in these common ownership communities are in effect citizens of quasi-governments, which provide services in lieu of government services, levy assessments, and otherwise have a significant impact on the lives and property of owners and residents.

Owners and residents in common ownership communities require the protection of democratic governance. In furtherance of this goal, the Council finds a need to regulate elections, budget adoption, enforcement procedures, and resolution of disputes with adequate due process protections. The Council also finds that the creation of a Commission on Common Ownership Communities will through regulation and education promote an equitable balance between the powers of governing bodies, owners, and residents.

The County Council finds that a Commission on Common Ownership Communities is necessary to advise the County Council, the County Executive, and offices of County government as necessary on ways to:

(a) ensure proper establishment and operation of homeowners' associations, condominium associations, and cooperative housing corporations;

(b) promote education, public awareness and association membership understanding of the rights and obligations of living in a common ownership community;

(c) reduce the number and divisiveness of disputes, and encourage informal resolution of disputes;

(d) maintain property values and quality of life in these communities;

(e) assist and oversee in the development of coordinated community and government policies, programs, and services which support these communities; and

(f) prevent potential public financial liability for repair or replacement of common ownership community facilities.

§ 10B-2. Definitions.

In this Chapter, the following words have the following meanings:

(a) Commission means the Commission on Common Ownership Communities.

(b) Common ownership community includes:

(1) a development subject to a declaration enforced by a homeowners' association, as those terms are used in state law;

(2) a residential condominium, as that term is used in state law; and

(3) a cooperative housing project, as that term is used in state law.

(c) Department means the Department of Housing and Community Affairs.

§ 10B-3. Commission on Common Ownership Communities.

(a) The County Executive must appoint, subject to confirmation by the Council, a Commission on Common Ownership Communities. The Commission consists of 15 voting members.

(1) Eight members should be selected from unit or lot owners or residents of self-managed and professionally managed condominiums, self-managed and professionally managed cooperative housing corporations, and self-managed and professionally managed homeowners' associations, and may include members or former members of governing boards.

(2) Seven members should be selected from persons who are members of professions associated with common ownership communities (such as persons involved in housing development and real estate sales and attorneys who represent associations, developers, housing management or tenants), including at least one person who is a professional community association manager.

(b) Designees of the County Council, Planning Board, Department of Environmental Protection, Department of Permitting Services, Department of Public Works and Transportation, and Department of Housing and Community Affairs are ex-officio nonvoting members of the Commission.

(c) Each voting member serves a 3-year term. Of the members first appointed, one-third must be appointed for 1-year terms, one-third must be appointed for 2-year terms, and one-third must be appointed for 3-year terms. A member must not serve more than 2 consecutive full terms. A member appointed to fill a vacancy serves the rest of the unexpired term. Members continue in office until their successors are appointed and qualified.

(d) The County Executive, with the consent of the Council, may remove a voting member of the Commission for neglect of or inability to perform the duties of the office, misconduct in office, or serious violation of law. Before the Executive removes a member, the Executive must give the member notice of the reason for removal and a fair opportunity to reply.

(e) Section 2-148(c) applies only to voting members of the Commission.

(f) The Commission must elect one voting member as chair and another as vice chair, to serve at the pleasure of the Commission, and may elect other officers as it determines.

(g) Voting members of the Commission receive no compensation for their services.

(h) The Commission meets at the call of the chair as often as required to perform its duties, but at least once each month. A majority of the voting members are a quorum for the transaction of business, and a majority of the voting members present at any meeting may take any official action.

(i) The Department must provide the Commission with staff, offices and supplies as are appropriated for it.

(j) The Commission must submit an annual report by September 1 to the County Executive and the County Council summarizing its activities, needs, and recommendations, and the extent to which the goals of this Chapter are being met.

§ 10B-4. Administrative support.

In selecting staff to carry out the Department's responsibilities under this Chapter, the Director must consider the recommendations of the Commission.

§ 10B-5. Duties of the Department of Housing and Community Affairs.

The Department, in consultation with the Commission, must:

(a) research, assemble, analyze and disseminate pertinent data and educational materials about activities and programs which assist common ownership communities; plan and conduct educational and other programs, meetings and conferences to promote the operation of common ownership communities;

(b) maintain a master roster of homeowners' associations, condominiums, and cooperatives, their

leadership, and their professional management companies if applicable;

(c) develop and maintain an information and referral system for all services in the County related directly to common ownership communities, and recommend other services when needed;

(d) maintain a collection of common ownership community association documents for use as a model and for reference;

(e) provide technical assistance to association governing bodies on matters such as transition, elections, rules adoption and enforcement, selection of association managers, storm water management and other services;

(f) develop and maintain a manual for the mutual benefit of common ownership communities and government agencies;

(g) develop and maintain an operations manual which will serve as a guide on operations to common ownership community leadership;

(h) advise common ownership communities and professional association managers of changes in the laws and regulations that affect their communities or operations; and

(i) operate a dispute resolution process to furnish mediation and administrative hearings.

(j) assist the Commission in carrying out its duties and in implementing Commission decisions under Article 2.

§ 10B-6. Duties of the Commission on Common Ownership Communities.

The Commission must:

(a) adopt rules and procedures as necessary to carry out the purposes of this Chapter;

(b) keep a record of its activities and minutes of all meetings, which must be kept on file and open to the public at reasonable business hours upon request;

(c) cooperate with the County Executive and all government agencies concerned with matters within the jurisdiction of the Commission;

(d) examine by means of public or private meetings, conferences, and public hearings, conditions in common ownership communities which may result in unmet community, resident, or public needs; and

(e) advise the citizens of the County, the County Council, and the County Executive, and County, state, and federal agencies on matters involving common ownership communities, and recommend such programs, procedures, or legislation as it finds necessary.

§ 10B-7. Registration; fees.

(a) (1) Each common ownership community must register with the Commission annually, and identify its elected leadership and managing agents, on a form provided by the Commission.

(2) Failure to register, or making a false statement on a registration form, is a class A violation and also makes the community ineligible to file a dispute under Article 2.

(3) The governing body of a homeowners' association, the council of unit owners of a condominium, and the board of directors of a cooperative housing corporation are responsible for compliance with this subsection, including the payment of any registration fee.

(b) The County Executive by regulation adopted under method (2) may establish reasonable fees in amounts sufficient to fund the provision of dispute resolution and technical assistance by the Commission and the Department. These fees may include:

(1) a per unit annual charge to common ownership communities to renew registration;

(2) fees for service, that seek to recover the actual cost of the service, for technical assistance and dispute resolution; and

(3) a per unit charge to developers when documents are recorded.

§ 10B-7A. Notification Requirements

The governing body of a community association must, at least annually, distribute information in a form reasonably calculated to notify all owners about the availability of dispute resolution, education, and other services to owners and residents of common ownership communities through the Office and the Commission. The governing body may satisfy this requirement by including with any annual notice or other mailing to all members of the community association any written materials developed by the Office to describe the Commission's services.

Article 2. Dispute Resolution.

§ 10B-8. Defined terms.

In this Article and Article 3, the following terms have the following meanings:

(1) Association document means:

(A) the master deeds, declaration, incorporation documents, bylaws, and rules of any common ownership community;

(B) any written private agreement between any parties concerning the operation of the community or maintenance or control of common or limited common property; and

(C) any similar document concerning the operation or governance of a common ownership community. Association document does not include a lease covered by Chapter 29 unless the lease provides that it may be enforced under this Chapter.

(2) Common element includes:

(A) in a condominium or cooperative, all portions of the common ownership community other than the units; or

(B) in a homeowners' association, any real estate in a homeowners' association community that is owned or leased by the association, other than a unit; and

(C) in all common ownership communities, any other interest in real estate for the benefit of owners which is subject to the declaration.

(3) Community association means the legal entity, incorporated or unincorporated, that is responsible for the governance or common property of a common ownership community.

(4) Dispute means any disagreement between 2 or more parties that involves:

(A) the authority of a governing body, under any law or association document, to:

(i) require any person to take any action, or not to take any action, involving a unit or common element;

(ii) require any person to pay a fee, fine, or assessment;

(iii) spend association funds; or

(iv) alter or add to a common element; or

(B) the failure of a governing body, when required by law or an association document, to:

(i) properly conduct an election;

(ii) give adequate notice of a meeting or other action;

(iii) properly conduct a meeting;

(iv) properly adopt a budget or rules;

(v) maintain or audit books and records;

(vi) allow inspection of books and records;

(vii) maintain or repair a common element if the failure results in significant personal injury or property damage; or

(viii) exercise its judgment in good faith concerning the enforcement of the association documents against any person that is subject to those documents.

(5) Dispute does not include any disagreement that only involves:

(A) title to any unit or any common element;

(B) the percentage interest or vote allocable to a unit;

(C) the interpretation or enforcement of any warranty;

(D) the collection of an assessment validly levied against a party; or

(E) the exercise of a governing body's judgment or discretion in taking or deciding not to take any legally authorized action.

(6) Governing body of a community association means the council of unit owners, board of directors, or any other body authorized by an association document to adopt binding rules or regulations.

(7) Owner includes:

(A) a unit owner in a condominium;

(B) a lot owner in a homeowners' association, and

(C) a member of a cooperative housing corporation.

(8) Party includes:

(A) an owner;

(B) a governing body; and

(C) an occupant of a dwelling unit in a common ownership community.

(9) Unit or lot includes:

(A) any physical portion of a common ownership community with distinct property boundaries that:

(i) provides complete, independent living facilities for one or more individuals,

(ii) contains permanent provisions for living, sleeping, eating, cooking, and sanitation, and

(iii) is designated for exclusive ownership, control, or occupancy by those individuals; and

(B) all legally enforceable rights and interests incidental to individual ownership of real property in a common ownership community.

§ 10B-9. Filing disputes; exhaustion of association remedies.

(a) The Commission may hear any dispute between or among parties.

(b) A party must not file a dispute with the Commission until the party makes a good faith attempt to exhaust all procedures or remedies provided in the association documents.

(c) However, a party may file a dispute with the Commission 60 days after any procedure or remedy provided in the association documents has been initiated before the association.

(d) After a community association finds that a dispute exists, the association must notify the other parties of their rights to file the dispute with the Commission. The association must not take any action to enforce or implement

its decision for 14 days after it notifies the other parties of their rights.

(e) Except as provided in Section 10B-9A, when a dispute is filed with the Commission, a community association must not take any action to enforce or implement the association's decision, other than filing a civil action under subsection (f), until the process under this Article is completed.

(f) Any party may file a civil action arising out of an association document or a law regulating the association's powers and procedures at any time. The court may stay all proceedings for at least 90 days after the court is notified that a dispute has been properly filed under this Article so that a hearing under Section 10B-13 may be completed. Whether or not a stay is issued, the court may hear the action *de novo* only if a hearing panel assigned to the dispute has not issued a decision under Section 10B-13(e).

§ 10B-9A. Request for relief from stay.

(a) At any time after a dispute is filed under Section 10B-9, a community association may submit a request to lift the automatic stay required under Section 10B-9(e) to a hearing panel appointed under Section 10B-12, or if no hearing panel has been appointed, a special standing panel authorized to consider requests for relief from stays.

(b) The special panel must consist of 3 voting members of the Commission designated by the chair, and must include at least one representative of each membership category.

(c) An association that requests relief from a stay must serve a copy of its request on any other party named in the dispute by certified mail or personal service. A certificate of service must accompany any request submitted under this Section. A party served with a copy of the request must file its opposition, if any, within 10 days after receiving service.

(d) If a request for relief from a stay which states facts sufficient to show a need for immediate action is not granted

or denied within 20 days after the request was filed, the request must be treated as granted.

(e) Except as provided in subsection (d), a request for relief from stay may only be granted if the assigned panel finds that:

(1) enforcing the stay would result in undue harm to the community association; and

(2) lifting the stay will not result in undue harm to the rights or interests of any opposing party.

§ 10B-10. Production of evidence.

(a) The Commission may:

(1) compel the attendance at a hearing of witnesses and parties, administer oaths, take the testimony of any person under oath and, in connection with any dispute, require the production of any relevant evidence; and

(2) issue summonses to compel the attendance of witnesses and parties and the production of documents, records and other evidence in any matter to which this Article applies.

(b) If any person does not comply with any summons issued under this Article to compel the attendance of persons or the production of documents, records or other evidence in any matter to which this Article applies, the County Attorney, on behalf of the Commission, may enforce the summons in a court with jurisdiction. Failure to comply with a Commission summons is also a class A violation.

(c) Any court with jurisdiction may, on request of the Commission, in accordance with state law and the Maryland Rules of Procedure:

(1) require compliance with a summons;

(2) require the attendance of a named person before the Commission at a specified time and place;

(3) require the production of records, documents, or other evidence;

(4) require the transfer of custody of records, documents, or other evidence to the court; or

(5) prohibit the destruction of any records, documents, or other evidence until a lawful investigation by the Commission is ended.

(d) A court may punish any disobedience of any order entered under this Section as a contempt of court

§ 10B-11. Mediation; dismissal before hearing.

(a) The Department may investigate facts and assemble documents relevant to a dispute filed with the Commission, and may summarize the issues in the dispute. The Department may notify a party if, in its opinion, a dispute was not properly filed with the Commission, and may inform each party of the possible sanctions under Section 10B-13(d).

(b) If the Department, after reviewing a dispute, finds that, assuming all facts alleged by the party which filed the dispute are true, there are no reasonable grounds to conclude that a violation of applicable law or any association document has occurred, it may so inform the Commission. The Commission, in its discretion, may dismiss a dispute if it finds that there are no reasonable grounds to conclude that a violation of applicable law or any association document has occurred, or it may order the Department to investigate further. The Commission may reconsider the dismissal of a dispute under this subsection if any party, in a motion to reconsider filed within 30 days after the dispute is dismissed, shows that:

(1) the Commission erroneously interpreted or applied applicable law or an association document; or

(2) material issues of fact which are necessary to a fair resolution of the dispute remain unresolved.

(c) Any party may request mediation.

(d) If a party requests mediation, the Commission must notify all parties of the filing and of the mediation session.

(e) The Commission must provide a qualified mediator to meet with the parties within 30 days after a party requests mediation to attempt to settle the dispute.

(f) If any party refuses to attend a mediation session, or if mediation does not successfully resolve the dispute within 10 days after the first mediation session is held, the Commission must promptly schedule a hearing under Section 10B-13 unless a hearing has already been held under Section 10B-13.

§ 10B-12. Hearing Panel.

(a) If a hearing is scheduled, the chair of the Commission must convene a 3-member panel to hear the dispute.

(b) The chair must choose 2 members of the panel from the voting members of the Commission. The persons selected must represent 2 different membership groups of the Commission. The 2 Commission members must designate the third member from a list of volunteer arbitrators trained or experienced in common ownership community issues maintained by the Commission. The third member must chair the panel. If a suitable arbitrator is not available, the chair of the Commission must choose the third panelist from among the voting members of the Commission, and must designate the chair of the panel.

(c) Each panelist must not have any interest in the dispute to be heard.

(d) If the Commission chair decides that a hearing should be held by a hearing examiner instead of a hearing panel, the chair, with the approval of the Commission, may designate the Office of Zoning and Administrative Hearings to conduct the hearing.

(e) If the parties to a dispute agree that the hearing should be held and the dispute decided by a hearing examiner instead of a hearing panel, the chair must designate the Office of Zoning and Administrative Hearings or

another hearing examiner to conduct the hearing and issue a decision.

§ 10B-13. Administrative hearing.

(a) A hearing panel appointed under Section 10B-12 must hold a hearing on each dispute that is not resolved by mediation under Section 10B-11 unless the Commission finds that:

(1) the dispute is essentially identical to another dispute between the same parties on which a hearing has already been held under this Section; or

(2) the dispute is clearly not within the jurisdiction of the Commission.

(b) Sections 2A-1 through 2A-11 apply to a hearing held under this Section. However, the parties need not be given more than 15 days' notice before the hearing is held, if the Commission finds that an expedited hearing is necessary. At any hearing, a party or a witness may be advised by counsel.

(c) If any party, after proper notice, does not appear at the scheduled hearing, the hearing panel may order any relief to another party that the facts on record warrant.

(d) The hearing panel may award costs, including a reasonable attorney's fee, to any party if another party:

(1) filed or maintained a frivolous dispute, or filed or maintained a dispute in other than good faith;

(2) unreasonably refused to accept mediation of a dispute, or unreasonably withdrew from ongoing mediation; or

(3) substantially delayed or hindered the dispute resolution process without good cause.

The hearing panel may also award costs or attorney's fees if an association document so requires and the award is reasonable under the circumstances. The hearing panel may

also require the losing party in a dispute to pay all or part of the filing fee.

(e) the hearing panel must apply state and County laws and all relevant case law to the facts of the dispute, and may order the payment of damages and any other relief that the law and the facts warrant. The decision of the hearing panel is binding on the parties, subject to judicial review under Section 2A-11.

(f) If the hearing has been held under Section 10B-12(d) by the Office of Zoning and Administrative Hearings, the hearing examiner must forward a recommended decision and order to a Commission panel. The Commission panel may adopt, reverse, modify, or remand the recommended decision before issuing its final order as provided in this Section.

(g) An appeal of a decision under this Section must be consolidated with any case filed under Section 10B-9(f) that arises out of the same facts.

(h) The court hearing an appeal must sustain the decision of the hearing panel unless the decision is:

(1) inconsistent with applicable law;

(2) not supported by substantial evidence on the record; or

(3) arbitrary and capricious, considering all facts before the hearing panel.

(i) The Commission, acting through the Department and the County Attorney, may enforce a decision of the hearing panel by taking any appropriate legal action.

(j) In addition to any other penalty allowed by law, any person who does not comply with a final Commission order issued under this Chapter has committed a class A civil violation. Each day that a person does not comply with a Commission order is a separate offense.

§ 10B-14. Settlement of disputes; assistance to parties.

(a) Settlement of a dispute by mediation agreed to by the parties is binding, has the force and effect of a contract, and may be enforced accordingly.

(b) The Department may inform any party who has settled a dispute by mediation, or any party who prevails in a hearing held under Section 10B-13, about how the agreement or decision can be enforced.

§ 10B-15. Regulations.

The County Executive must promulgate, under method (2), regulations for the dispute resolution process.

Article 3. Open Conduct.

§ 10B-16. Repealed

§ 10B-17. Voting procedures.

(a) Not less than 10 nor more than 90 days before an election for the governing body of an association, the governing body must notify all members of the association of election procedures and the date of the election. An initial election for the governing body must be held not later than 60 days after the date that 50 percent of the units have been conveyed by the developer to the initial purchasers.

(b) All election materials prepared with funds of the association:

(1) must list candidates in alphabetical order; and

(2) must not suggest a preference among candidates.

(c) Any unsigned absentee ballot, to be valid, must be:

(1) received in a signed, sealed envelope, bearing the identification of the dwelling unit and proportional voting percent, if any, on the outside; and

(2) opened only at a meeting at which all candidates or their delegates have a reasonable opportunity to attend.

(d) Any proxy or power of attorney valid under state law may be used at any association meeting. However, a proxy and any power of attorney created for the purpose of a governing body's election must be appointed only to meet a quorum or to vote on matters other than an election for a governing body unless the proxy or power of attorney contains a directed vote on the election. If a proxy or power of attorney form must be approved before it is cast, the approving authority must not unreasonably withhold its consent. A general power of attorney valid under state law may be used for any purpose at an association meeting that is consistent with the provisions of the general power of attorney, including for an election of the governing body.

(e) In an election for a governing body, for each unit that a members owns the member must not cast more than one vote for each candidate.

(f) Until the time for voting closes, an association must not open or count election ballots.

(g) Unless the association documents provide for other terms of office:

(1) a member elected to the governing body of an association is elected for a term of two 2 years; and

(2) the individual terms of the entire governing body are staggered, so that as close to one-third as possible are elected each year.

§ 10B-18. Budget.

Unless the association documents provide otherwise:

(a) the governing body must provide members of the association with the proposed budget of the association at least 30 days before the governing body votes on the budget; and

(b) the governing body must provide members of the association with any proposed amendment to the budget at least 30 days before the governing body votes on the amendment, if the amendment will result in an increase or decrease of more than 15 percent of the approved budget. This requirement does not apply to expenditures made to respond to an imminent threat to health or safety or of serious property damage.

§ 10B-19. Enforcement.

(a) The Commission may enforce this Article by legal action.

(b) In addition to any action by the Commission and any other action authorized by law, including the filing of a dispute under Article 2, any person may file an action:

(1) for injunctive relief to enforce this Article or correct any violation of it, and

(2) to recover damages for a loss sustained as a result of a violation of this Article.

PRINCE GEORGE'S COUNTY CODE

COMMON OWNERSHIP COMMUNITIES

SUBTITLE 13. HOUSING AND PROPERTY STANDARDS.

DIVISION 11. COMMON OWNERSHIP COMMUNITIES PROGRAM.

Sec. 13-314. Legislative findings and declaration of purpose.

The County Council for Prince George's County, Maryland, hereby finds that Prince George's County is facing significant issues with respect to the lack of management and oversight as it relates to Common Ownership Communities; that there is a lack of homeowner education with regard to the real estate process, governance, enforcement procedures, and resolution of disputes; that there exists a misunderstanding amongst homeowners of the responsibilities of the developer/builder as it relates to the establishment and direction of an efficiently operated homeowner association/Common Ownership Community; and that in order to effectively respond, the County Council for Prince George's County, Maryland hereby declares that it is the public policy of Prince George's County to establish a program to assist in addressing the needs of Common Ownership Communities by providing education, training and dispute mediation services through the Common Ownership Communities Program.

Sec. 13-315. Common Ownership Communities Program.

(a) There is hereby established a Common Ownership Communities Program. The Common Ownership Communities Program shall be administered by the Director of the Office of Community Relations.

(b) Rules and regulations, consistent with the purpose and spirit of the Common Ownership Communities Program, shall be promulgated by the County Executive, subject to County Council approval by resolution. Said rules and regulations shall govern the implementation and

administration of the Common Ownership Communities Program.

Sec. 13-316. Definitions.

As used in this Division:

(a) **Common Ownership Community** means:

(1) A condominium, as defined pursuant to state law;

(2) A cooperative housing corporation, as defined pursuant to state law; or

(3) A homeowners association, as defined pursuant to state law.

(b) **Director** means the Director of the Office of Community Relations.

(c) **Office** means the Office of Community Relations.

Sec. 13-317. Director; duties and responsibilities.

(a) The Director shall have operational responsibility for carrying out the duties prescribed in this Division and for enforcing the provisions of this Division.

(b) The Director is authorized to:

(1) research, assemble, analyze and disseminate pertinent data and educational materials about activities and programs which assist Common Ownership Communities; plan and conduct educational and other programs, meetings and conferences to promote the operation of Common Ownership Communities;

(2) maintain a master roster of Common Ownership Communities, their leadership, and their professional management companies if applicable;

(3) develop and maintain an information, assistance and referral system for all services in the County related directly to Common Ownership Communities, and recommend other services when needed;

(4) maintain a collection of Common Ownership Community association documents for use as a model and for reference;

(5) develop an education program for residents in a Common Ownership Community that includes but is not limited to governance of a Common Ownership Community, rights and duties of residents in a Common Ownership Community, and dispute resolution;

(6) develop an education program for Common Ownership Community governing bodies that includes but is not limited to adoption and enforcement of rules, transition from developer control, conduct of elections, and selection of community management and other professional services; and

(7) operate a dispute mediation process.

Sec. 13-318. Registration.

(a) A Common Ownership Community shall register with the Office on or before December 31 of each year, and identify its elected leadership and managing agents, on a form provided by the Office.

(b) The governing body of a homeowners' association, the council of unit owners of a condominium, and the board of directors of a cooperative housing corporation are responsible for compliance with this subsection.

CHARLES COUNTY CODE

HOMEOWNER ASSOCIATIONS

§ 247-1. Findings; purpose.

The provision of a forum for alternative dispute resolution in disputes between homeowners' associations and homeowners involving recorded covenants or restrictions of the homeowners' association would be beneficial to all parties. Section 11B-104(c) of the Annotated Code of Maryland empowers the County to establish a homeowners' association commission to hear and resolve such disputes, and the Homeowners' Association Dispute Review Board established pursuant to this article shall serve as said commission.

§ 247-2. Definitions.

In this article, the following terms have the following meanings:

Association Document –

A. The master deeds, declaration, incorporation documents, bylaws, and rules of any homeowners' association;

B. Any written private agreement between any parties concerning the operation of the community or maintenance or control of common or limited common property; and

C. Any similar document concerning the operation or governance of a homeowners' association.

Board – The Homeowners' Association Dispute Review Board.

Common Ownership Community – A development subject to a declaration enforced by a homeowners' association, as those terms are used in state law;
Dispute –

A. Any disagreement between two or more parties that involves:

(1) The authority of a governing body, under any law or association document, to:

(a) Require any person to take any action, or not to take any action, involving a unit or property;

(b) Require any person to pay a fee, fine, or assessment; or

(c) Alter or add to a common area or element; or

(2) The failure of a governing body, when required by law or an association document, to:

(a) Properly conduct an election;

(b) Give adequate notice of a meeting or other action;

(c) Properly conduct a meeting;

(d) Properly adopt a budget or rules;

(e) Maintain or audit books and records; or

(f) Allow inspection of books and records.

B. "Dispute" does not include any disagreement that only involves:

(1) Title to any unit or any common area or element;

(2) The percentage interest or vote allocatable to a unit;

(3) The interpretation or enforcement of any warranty;

(4) The collection of an assessment validly levied against a party; or

(5) The judgment or discretion of a governing body in taking or deciding not to take any legally authorized action;

(6) An allegation of a public nuisance which is the subject of a complaint filed with the Charles County Nuisance Board.

Governing Body of a Homeowners' Association – The council of unit owners, board of directors, or any other body authorized by an association document to adopt binding rules or regulations.

Homeowners Association – The legal entity, incorporated or unincorporated, that is responsible for the governance or common property of a common ownership community.

Owner – A lot owner in a homeowners' association.

Party includes:

(1) An owner; and

(2) A governing body.

§ 247-3. Homeowners' Association Dispute Review Board.

A. The County Commissioners shall appoint a Homeowners' Association Dispute Review Board consisting of seven voting members.

(1) Two members should be selected from residents of self-managed and professionally managed homeowners'

associations within Charles County, and may include members or former members of governing boards.

(2) One member should be selected from persons involved in housing development and real estate sales.

(3) Two members should be selected from persons who are members of professions associated with common ownership communities (such as attorneys who represent associations, developers, housing management or tenants) or investor-owners of units in common ownership communities, including at least one person who is a professional community association manager.

(4) Two members should be Charles County residents who are not members of the classes set forth in Subsection A(1), (2), and (3) of this section.

B. Designees of the Department of Planning and Growth Management are ex officio nonvoting members of the Board. The County Commissioners may also designate other persons as ex officio nonvoting members of the Board.

C. Each member serves a three-year term. Of the members first appointed, two must be appointed for one-year terms, two must be appointed for two-year terms, and three must be appointed for three-year terms. A member appointed to fill a vacancy serves the rest of the unexpired term. Members continue in office until their successors are appointed.

D. Voting members of the Board receive no compensation for their services.

E. The Board must submit an annual report by September 1 to the County Commissioners summarizing its activities, needs, and recommendations, and the extent to which the goals of this article are being met.

§ 247-4. Filing of disputes; exhaustion of association remedies.

A. The Board may hear any dispute between or among parties. Either party may file a dispute with the Board by submitting, in writing, a description of the dispute, naming all parties, in a form approved by the Board. The County Commissioners may set a fee for filing disputes with the Board to offset administrative costs.

B. A party must not file a dispute with the Board until the party makes a good faith attempt to exhaust all procedures or remedies provided in the association documents.

C. However, a party may file a dispute with the Board 60 days after any procedure or remedy provided in the association documents has been initiated before the association.

D. After a homeowners' association finds that a dispute exists, the association must notify the other parties of their rights to file the dispute with the Board. The association must not take any action to enforce or implement its decision for 14 days after it notifies the other parties of their rights.

E. When a dispute is filed with the Board, a homeowners' association must not take any action to enforce or implement the association's decision, except filing a civil action under Subsection F, below, until the process under this article is completed.

F. If, at the time of the filing of a dispute with the Board, or at any time prior to the resolution of a dispute by the Board, there is an existing civil action involving the same parties and same general facts, the Board shall stay its proceedings pending the outcome of the civil action. In the event that the resolution of the civil action decides all issues that constitute the dispute as filed before the Board, or otherwise renders a Board decision on the dispute moot, the Board may dismiss the dispute.

§ 247-5. Production of evidence.

A. The Board may:

(1) Compel the attendance at a hearing of witnesses and parties, administer oaths, take the testimony of any person under oath and, in connection with any dispute, require the production of any relevant evidence; and

(2) Issue summonses to compel the attendance of witnesses and parties and the production of documents, records and other evidence in any matter to which this article applies.

B. If any person does not comply with any summons issued under this article to compel the attendance of persons or the production of documents, records or other evidence in any matter to which this article applies, the County Attorney, on behalf of the Board, may enforce the summons in a court with jurisdiction.

C. Any court with jurisdiction may, on request of the Board, in accordance with state law and the Maryland Rules of Procedure:

(1) Require compliance with a summons;

(2) Require the attendance of a named person before the Board at a specified time and place;

(3) Require the production of records, documents, or other evidence;

(4) Require the transfer of custody of records, documents, or other evidence to the court; or

(5) Prohibit the destruction of any records, documents, or other evidence until a lawful investigation by the Board is ended.

D. The failure to comply with any order entered under this section may be punishable as contempt of court.

§ 247-6. Mediation; dismissal before hearing.

A. The Board may investigate facts and assemble documents relevant to a dispute filed with the Board, and may notify a party if, in its opinion, a dispute was not properly filed with the Board.

B. If the Board, after reviewing and considering a dispute, finds that, assuming all facts alleged by the party which filed the dispute are true, there are no reasonable grounds to conclude a violation of applicable law or any association document has occurred, it may in its discretion dismiss the dispute. The Board may reconsider the dismissal of a dispute under this subsection if any party, in a motion to reconsider filed within 30 days after the dispute is dismissed, shows that:

(1) The Board erroneously interpreted or applied applicable law or an association document; or

(2) Material issues of fact which are necessary to a fair resolution of the dispute remain unresolved.

C. Any party may request mediation.

D. If a party requests mediation, the Board must notify all parties of the filing and of the mediation session.

E. The County must provide a qualified mediator to meet with the parties within 30 days after a party requests mediation to attempt to settle the dispute.

F. If any party refuses to attend a mediation session, or if mediation does not successfully resolve the dispute within 10 days after the first mediation session is held, the Board must promptly schedule a hearing under § 247-7 unless a hearing has already been scheduled under § 247-7.

§ 247-7. Administrative hearing.

A. The Board shall hold a hearing on each dispute that is properly filed unless the Board finds that:

(1) The dispute is essentially identical to another dispute between the same parties on which a hearing has already been held under this section; or

(2) The dispute is clearly not within the jurisdiction of the Board.

B. The Board shall give notice to the parties to a dispute by either personal delivery or by certified mail restricted delivery, return receipt requested. Said notice shall be received by the parties at least 14 days prior to the public hearing regarding the dispute, and shall give notice of the time and place of the hearing and a description of the dispute.

C. At any hearing, a party or a witness may be advised by counsel.

D. Each participating Board member must not have any interest in the dispute to be heard.

E. If any party, after proper notice, does not appear at the scheduled hearing, the Board may order any relief to another party that the facts on record warrant.

F. The Board must apply state and County laws and all relevant case law to the facts of the dispute. At the close of all of the evidence, the Board shall deliberate, and, within 14 days, the Board shall issue its written decision and order.

G. A decision of the Board authorized under this article is binding on the parties, subject to review only by the Circuit Court for Charles County upon a petition for judicial review filed pursuant to the Maryland Rules of procedure by any party aggrieved by the decision within the time prescribed for petitions for review of administrative agency decisions by such rules of procedure.

H. Failure to comply with a lawful order of the Board issued under this article is a civil infraction under Article 25B, Section 13C of the Maryland Code. Each day that a person does not comply with a Board order is a separate offense.