
By: **Delegates Brown, Kagan, Moe, Frush, Hill, and Pitkin**
Introduced and read first time: January 25, 1999
Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Condominium Act - Disclosure Requirements - Public Offering**
3 **Statement**

4 FOR the purpose of requiring the vendor of a condominium to provide the purchaser
5 with a current public offering statement; requiring the public offering statement
6 to include certain information about the collection of assessments; requiring a
7 plain language summary of certain information required in the public offering
8 statement; providing that a public offering statement is current only if certain
9 information is updated and filed annually; and generally relating to certain
10 disclosure requirements under the Maryland Condominium Act.

11 BY repealing and reenacting, with amendments,
12 Article - Real Property
13 Section 11-126(a) and (b) and 11-127(d)
14 Annotated Code of Maryland
15 (1996 Replacement Volume and 1998 Supplement)

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
17 MARYLAND, That the Laws of Maryland read as follows:

18 **Article - Real Property**

19 11-126.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (6) A STATEMENT OF THE POLICY AND PROCEDURES FOR COLLECTING
27 ASSESSMENTS AND HANDLING COLLECTION OF DELINQUENCIES, INCLUDING
28 REASONABLE DETAILS CONCERNING:

29 (I) THE NUMBER OF UNIT OWNERS WHO ARE DELINQUENT OR IN
30 ARREARS IN AN AMOUNT EQUAL TO OR GREATER THAN 50% OF THE ANNUAL
31 ASSESSMENT OF THE UNIT OWNER;

32 (II) THE NUMBER OF LIENS FILED AGAINST UNIT OWNERS UNDER
33 THE MARYLAND CONTRACT LIEN ACT;

34 (III) THE NUMBER OF JUDGMENTS OBTAINED AGAINST UNIT
35 OWNERS FOR UNPAID ASSESSMENTS; AND

1 (IV) THE TOTAL AMOUNT OF ARREARAGES AMONG ALL UNIT
2 OWNERS;

3 [(6)] (7) A copy of any lease to which it is anticipated the unit owners or
4 the council of unit owners will be a party following closing;

5 [(7)] (8) A description of any contemplated expansion of the
6 condominium with a general description of each stage of expansion and the maximum
7 number of units that can be added to the condominium;

8 [(8)] (9) A copy of the floor plan of the unit or the proposed condominium
9 plats;

10 [(9)] (10) A description of any recreational or other facilities which are to
11 be used by the unit owners or maintained by them or by the council of unit owners,
12 and a statement as to whether or not they are to be part of the common elements;

13 [(10)] (11) A statement as to whether streets within the condominium are
14 to be dedicated to public use or maintained by the council of unit owners;

15 [(11)] (12) A statement of any judgments against the council of unit owners
16 and the existence of any pending suits to which the council of unit owners is a party;

17 [(12)] (13) In the case of a condominium containing buildings substantially
18 completed more than 5 years prior to the filing of the application for registration
19 under § 11-127 of this title, a statement of the physical condition and state of repair
20 of the major structural, mechanical, electrical, and plumbing components of the
21 improvements, to the extent reasonably ascertainable, and estimated costs of repairs
22 for which a present need is disclosed in the statement and a statement of repairs
23 which the vendor intends to make. The vendor is entitled to rely on the reports of
24 architects or engineers authorized to practice their profession in this State;

25 [(13)] (14) A description of any provision in the declaration or bylaws
26 limiting or providing for the duration of developer control or requiring the phasing-in
27 of unit owner participation, or a statement that there is no such provision;

28 [(14)] (15) If the condominium is one which will be created by the
29 conversion of a rental facility, a copy of the notice and materials required by §§
30 11-102.1 and 11-137 of this title;

31 [(15)] (16) A statement of whether the unit being purchased is subject to
32 an extended lease under § 11-137 of this title, or local law, and a copy of any extended
33 lease; [and]

34 (17) A PLAIN LANGUAGE SUMMARY OF THE INFORMATION REQUIRED
35 UNDER PARAGRAPHS (4), (5), (6), AND (12) OF THIS SUBSECTION; AND

36 [(16)] (18) Any other information required by regulation duly adopted and
37 issued by the Secretary of State.

1 11-127.

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

5 (II) A PUBLIC OFFERING STATEMENT IS CURRENT ONLY IF THE
6 INFORMATION REQUIRED UNDER § 11-126(B)(2), (4), (5), (6), AND (12) OF THIS SUBTITLE
7 IS UPDATED AND FILED BY THE DEVELOPER ANNUALLY.

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

12 (ii) This written statement shall be filed within 30 days after the
13 anniversary date for registration of the public offering statement for the
14 condominium and annually thereafter until the registration of the condominium is
15 terminated.

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

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

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
26 October 1, 1999.