

SENATE BILL 865

N1, C1

4r3041
CF HB 1328

By: **Senator Benson**

Introduced and read first time: January 31, 2014

Assigned to: Judicial Proceedings

Committee Report: Favorable

Senate action: Adopted

Read second time: March 8, 2014

CHAPTER _____

1 AN ACT concerning

2 **Maryland Cooperative Housing Act – Transparency Requirements and**
3 **Member Rights**

4 FOR the purpose of requiring certain meetings of a cooperative housing corporation to
5 be open to the members of the cooperative housing corporation; requiring that
6 members be given reasonable notice of certain meetings of the cooperative
7 housing corporation; requiring the governing body of a cooperative housing
8 corporation to provide a designated period of time during a meeting to allow
9 members an opportunity to comment on certain matters, subject to certain rules
10 and provisions of law; requiring the governing body of a cooperative housing
11 corporation to convene a certain number of meetings each year at which the
12 agenda is open to any matter relating to the cooperative housing corporation;
13 specifying the reasons for which a cooperative housing corporation may hold a
14 meeting in closed session; placing certain limitations on the actions that may be
15 taken at a closed meeting of a cooperative housing corporation; requiring the
16 minutes of a certain meeting of a cooperative housing corporation to include
17 certain information relating to a closed meeting of the cooperative housing
18 corporation; requiring a cooperative housing corporation to allow any member to
19 distribute certain written information or materials in a certain place and in a
20 certain manner; authorizing a cooperative housing corporation to place
21 reasonable restrictions on the time of any distribution of written information or
22 materials; authorizing the members of a cooperative housing corporation to
23 meet in certain areas for certain purposes, subject to reasonable rules adopted
24 by the governing body; requiring certain cooperative housing corporations to
25 deposit into a certain depository certain disclosures on or before a certain date

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 or within a certain time frame; providing that certain disclosures are
 2 unenforceable until the time they are deposited; establishing a cooperative
 3 housing corporation depository in the office of the clerk of the court in each
 4 county and the City of Baltimore; requiring the clerk of court to establish and
 5 maintain the depository for a certain purpose, consistent with certain duties of a
 6 clerk of court; describing the form, contents, and availability of the depository;
 7 authorizing the clerk of court to regulate the form and manner of documents
 8 deposited into the depository, to collect certain fees, and to adopt certain
 9 regulations to implement the depository; requiring the clerk of court to permit
 10 the deposit of copies of disclosures, however reproduced; requiring the State
 11 Court Administrator to establish certain fees in order to cover certain costs
 12 related to the depository; requiring the clerk of court to maintain a depository
 13 index and to file certain disclosures in a certain manner; providing that
 14 material contained in the depository may not be viewed as recorded under
 15 certain circumstances; authorizing a proprietary lease or the bylaws of a
 16 cooperative housing corporation to provide for certain late charges, subject to
 17 certain requirements and limitations; establishing a certain dispute settlement
 18 mechanism for certain complaints or demands arising between certain
 19 cooperative housing corporations and their members; prohibiting the governing
 20 body of a cooperative housing corporation from taking certain actions with
 21 respect to the rights of a member for a violation of certain rules or provisions,
 22 unless the governing body follows certain procedures; authorizing a member to
 23 appeal a certain decision of the governing body of a cooperative housing
 24 corporation to the courts of Maryland; authorizing the governing body or certain
 25 members of a cooperative housing corporation to sue a certain member for
 26 certain damages or for injunctive relief, under certain circumstances;
 27 authorizing a court to award certain fees to the prevailing party in a certain
 28 proceeding; providing that the failure of a governing body to enforce certain
 29 provisions is not a waiver of the right to enforce the provision on other
 30 occasions; prohibiting the governing body of a certain cooperative housing
 31 corporation from bringing an action to evict a member based on the failure of
 32 the member to pay certain assessments, except under certain circumstances;
 33 defining certain terms; and generally relating to cooperative housing
 34 corporations.

35 BY renumbering

36 Article – Corporations and Associations

37 Section 5–6B–18.1 through 5–6B–18.6 and 5–6B–19 and 5–6B–20, respectively
 38 to be Section 5–6B–22 through 5–6B–27 and 5–6B–33 and 5–6B–34,
 39 respectively

40 Annotated Code of Maryland

41 (2007 Replacement Volume and 2013 Supplement)

42 BY repealing and reenacting, with amendments,

43 Article – Corporations and Associations

44 Section 5–6B–01 and 5–6B–27(d)

45 Annotated Code of Maryland

1 (2007 Replacement Volume and 2013 Supplement)

2 BY adding to

3 Article – Corporations and Associations

4 Section 5–6B–19 through 5–6B–21 and 5–6B–28 through 5–6B–32

5 Annotated Code of Maryland

6 (2007 Replacement Volume and 2013 Supplement)

7 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
8 MARYLAND, That Section(s) 5–6B–18.1 through 5–6B–18.6 and 5–6B–19 and
9 5–6B–20, respectively, of Article – Corporations and Associations of the Annotated
10 Code of Maryland be renumbered to be Section(s) 5–6B–22 through 5–6B–27 and
11 5–6B–33 and 5–6B–34, respectively.

12 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
13 read as follows:

14 **Article – Corporations and Associations**

15 5–6B–01.

16 (a) In this subtitle the following terms have the meanings indicated.

17 (b) “Articles of incorporation” means the charter by which a cooperative
18 housing corporation becomes incorporated under this article.

19 (c) **“ASSESSMENT” MEANS ANY SHARE OF COMMON COSTS OR OTHER**
20 **EXPENSE CHARGED TO A MEMBER BY A COOPERATIVE HOUSING CORPORATION.**

21 [(c)] (D) “Blanket encumbrance” means any contract binding on a
22 cooperative housing corporation and creating a lien or security interest or other
23 encumbrance or imposing restrictions on any real or personal property owned by the
24 cooperative housing corporation.

25 [(d)] (E) “Bylaws” means the document which details and governs the
26 internal organization and operation of the cooperative housing corporation.

27 [(e)] (F) “Conversion” means the creation of a cooperative housing
28 corporation from a property which was immediately previously a residential rental
29 facility.

30 [(f)] (G) “Cooperative housing corporation” means a domestic or foreign
31 corporation qualified in this State, either stock or nonstock, having only one class of
32 stock or membership, in which each stockholder or member, by virtue of such
33 ownership or membership, has a cooperative interest in the corporation.

1 **[(g)] (H)** “Cooperative interest” means the ownership interest in a
2 cooperative housing corporation which is coupled with a possessory interest in real or
3 personal property or both and evidenced by a membership certificate.

4 **[(h)] (I)** “Cooperative project” means all the real and personal property in
5 this State owned or leased by the cooperative housing corporation for the primary
6 purpose of residential use.

7 **(J) “DEPOSITORY” MEANS THE COOPERATIVE HOUSING CORPORATION**
8 **DEPOSITORY CREATED BY THE CLERK OF THE COURT OF EACH COUNTY AND**
9 **THE CITY OF BALTIMORE WHERE A COOPERATIVE HOUSING CORPORATION MAY**
10 **DEPOSIT INFORMATION AS REQUIRED BY THIS SUBTITLE.**

11 **[(i)] (K)** (1) “Developer” means a person who:

12 (i) Owns an equitable interest, including a cooperative interest,
13 in a unit prior to its initial sale to a member of the public;

14 (ii) Exercises control over cooperative interests before they are
15 transferred to initial purchasers, excluding management agents and sales agents
16 acting in their capacities as such; or

17 (iii) Receives a material portion of the sales proceeds, not
18 including customary brokerage commissions or payment for indebtedness to an
19 institutional banker, from the initial sale of a cooperative interest to a member of the
20 public.

21 (2) “Developer” does not include a cooperative housing corporation.

22 **[(j)] (L)** “Electronic transmission” means any form of communication, not
23 directly involving the physical transmission of paper, that creates a record that:

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

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

28 **(M) “GOVERNING BODY” MEANS THE BOARD OF DIRECTORS OR OTHER**
29 **ENTITY ESTABLISHED TO GOVERN THE COOPERATIVE HOUSING CORPORATION.**

30 **[(k)] (N)** “Initial purchaser” means a member of the public, not an affiliate
31 of or a successor to the developer, who, for value, acquires a cooperative interest as
32 part of the initial sale of a cooperative interest which is used for residential purposes.

1 **[(l)] (O)** “Initial sale” means the first transfer of a cooperative interest to an
2 initial purchaser.

3 **[(m)] (P)** “Member” means a person who owns a cooperative interest.

4 **[(n)] (Q)** “Membership certificate” means:

5 (1) A document, including a stock certificate issued by a cooperative
6 housing corporation, evidencing ownership of a cooperative interest; or

7 (2) If there is no other document which satisfies paragraph (1) of this
8 subsection, a proprietary lease.

9 **[(o)] (R)** “Moving expenses” means costs incurred to:

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

12 (2) Pack and unpack personal property;

13 (3) Disconnect and install personal property;

14 (4) Insure personal property to be moved; and

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

17 **[(p)] (S)** “No–impact home–based business” means a business that:

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

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

22 (3) Uses no equipment or process that creates noise, vibration, glare,
23 fumes, odors, or electrical or electronic interference detectable by neighbors; and

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

27 **[(q)] (T)** (1) “Proprietary lease” means an agreement with the
28 cooperative housing corporation under which a member has an exclusive possessory
29 interest in a unit and a possessory interest in common with other members in that
30 portion of a cooperative project not constituting units and which creates a legal

1 relationship of landlord and tenant between the cooperative housing corporation and
2 the member, respectively.

3 (2) "Proprietary lease" includes, if there is no other document that
4 satisfies paragraph (1) of this subsection, a membership certificate.

5 [(r)] (U) "Residential rental facility" means property containing at least 10
6 dwelling units leased for residential purposes.

7 [(s)] (V) "Unit" means a portion of the cooperative project leased for
8 exclusive occupancy by a member under a proprietary lease.

9 **5-6B-19.**

10 (A) THIS SECTION APPLIES TO ANY MEETING OF A COOPERATIVE
11 HOUSING CORPORATION, THE GOVERNING BODY OF A COOPERATIVE HOUSING
12 CORPORATION, OR A COMMITTEE OF A COOPERATIVE HOUSING CORPORATION,
13 NOTWITHSTANDING ANYTHING CONTAINED IN THE DOCUMENTS OF THE
14 COOPERATIVE HOUSING CORPORATION.

15 (B) SUBJECT TO THE PROVISIONS OF SUBSECTION (E) OF THIS
16 SECTION, ALL MEETINGS OF THE COOPERATIVE HOUSING CORPORATION SHALL
17 BE OPEN TO THE MEMBERS OF THE COOPERATIVE HOUSING CORPORATION OR
18 THEIR AGENTS.

19 (C) ALL MEMBERS SHALL BE GIVEN REASONABLE NOTICE OF ALL
20 REGULARLY SCHEDULED OPEN MEETINGS OF THE COOPERATIVE HOUSING
21 CORPORATION.

22 (D) (1) THIS SUBSECTION DOES NOT APPLY TO A MEETING OF A
23 GOVERNING BODY THAT OCCURS AT ANY TIME BEFORE THE MEMBERS, OTHER
24 THAN THE DEVELOPER, HAVE A MAJORITY OF VOTES IN THE COOPERATIVE
25 HOUSING CORPORATION.

26 (2) SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION AND TO
27 REASONABLE RULES ADOPTED BY A GOVERNING BODY, A GOVERNING BODY
28 SHALL PROVIDE A DESIGNATED PERIOD OF TIME DURING A MEETING TO ALLOW
29 MEMBERS AN OPPORTUNITY TO COMMENT ON ANY MATTER RELATING TO THE
30 COOPERATIVE HOUSING CORPORATION.

31 (3) DURING A MEETING AT WHICH THE AGENDA IS LIMITED TO
32 SPECIFIC TOPICS OR AT A SPECIAL MEETING, THE COMMENTS OF MEMBERS MAY
33 BE LIMITED TO THE TOPICS LISTED ON THE MEETING AGENDA.

1 **(4) THE GOVERNING BODY SHALL CONVENE AT LEAST ONE**
2 **MEETING EACH YEAR AT WHICH THE AGENDA IS OPEN TO ANY MATTER**
3 **RELATING TO THE COOPERATIVE HOUSING CORPORATION.**

4 **(E) (1) A MEETING OF A COOPERATIVE HOUSING CORPORATION MAY**
5 **BE HELD IN CLOSED SESSION ONLY FOR THE PURPOSE OF:**

6 **(I) DISCUSSING MATTERS PERTAINING TO EMPLOYEES AND**
7 **PERSONNEL;**

8 **(II) PROTECTING THE PRIVACY OR REPUTATION OF**
9 **INDIVIDUALS IN MATTERS NOT RELATED TO THE BUSINESS OF THE**
10 **COOPERATIVE HOUSING CORPORATION;**

11 **(III) CONSULTING WITH LEGAL COUNSEL ON LEGAL**
12 **MATTERS;**

13 **(IV) CONSULTING WITH STAFF PERSONNEL, CONSULTANTS,**
14 **ATTORNEYS, BOARD MEMBERS, OR OTHER PERSONS IN CONNECTION WITH**
15 **PENDING OR POTENTIAL LITIGATION OR OTHER LEGAL MATTERS;**

16 **(V) CONDUCTING INVESTIGATIVE PROCEEDINGS**
17 **CONCERNING POSSIBLE OR ACTUAL CRIMINAL MISCONDUCT;**

18 **(VI) CONSIDERING THE TERMS OR CONDITIONS OF A**
19 **BUSINESS TRANSACTION IN THE NEGOTIATION STAGE IF THE DISCLOSURE**
20 **COULD ADVERSELY AFFECT THE ECONOMIC INTERESTS OF THE COOPERATIVE**
21 **HOUSING CORPORATION;**

22 **(VII) COMPLYING WITH A SPECIFIC CONSTITUTIONAL,**
23 **STATUTORY, OR JUDICIALLY IMPOSED REQUIREMENT PROTECTING**
24 **PARTICULAR PROCEEDINGS OR MATTERS FROM PUBLIC DISCLOSURE; OR**

25 **(VIII) DISCUSSING INDIVIDUAL OWNER ASSESSMENT**
26 **ACCOUNTS.**

27 **(2) IF A MEETING IS HELD IN CLOSED SESSION UNDER**
28 **PARAGRAPH (1) OF THIS SUBSECTION:**

29 **(I) AN ACTION MAY NOT BE TAKEN AND A MATTER MAY NOT**
30 **BE DISCUSSED IF IT IS NOT PERMITTED BY PARAGRAPH (1) OF THIS**
31 **SUBSECTION; AND**

1 **(II) THE MINUTES OF THE NEXT MEETING OF THE**
2 **COOPERATIVE HOUSING CORPORATION SHALL INCLUDE:**

3 **1. A STATEMENT OF THE TIME, PLACE, AND**
4 **PURPOSE OF A CLOSED MEETING;**

5 **2. A RECORD OF THE VOTE OF EACH BOARD OR**
6 **COMMITTEE MEMBER BY WHICH THE MEETING WAS CLOSED; AND**

7 **3. A STATEMENT OF THE AUTHORITY UNDER THIS**
8 **SUBSECTION FOR CLOSING THE MEETING.**

9 **5-6B-20.**

10 **(A) THIS SECTION DOES NOT APPLY TO THE DISTRIBUTION OF**
11 **INFORMATION OR MATERIALS AT ANY TIME BEFORE THE MEMBERS, OTHER**
12 **THAN THE DEVELOPER, HAVE A MAJORITY OF VOTES IN THE COOPERATIVE**
13 **HOUSING CORPORATION.**

14 **(B) SUBJECT TO SUBSECTION (C) OF THIS SECTION, A COOPERATIVE**
15 **HOUSING CORPORATION SHALL ALLOW ANY MEMBER TO DISTRIBUTE WRITTEN**
16 **INFORMATION OR MATERIALS REGARDING MATTERS RELATING TO THE**
17 **OPERATION OF THE COOPERATIVE HOUSING CORPORATION IN THE SAME PLACE**
18 **AND MANNER AS THE GOVERNING BODY DISTRIBUTES WRITTEN INFORMATION**
19 **OR MATERIALS OTHER THAN:**

20 **(1) INFORMATION OR MATERIALS REFLECTING ASSESSMENTS**
21 **IMPOSED ON MEMBERS THAT THE GOVERNING BODY DISTRIBUTES**
22 **DOOR-TO-DOOR; OR**

23 **(2) MEETING NOTICES THAT THE GOVERNING BODY DISTRIBUTES**
24 **DOOR-TO-DOOR.**

25 **(C) A COOPERATIVE HOUSING CORPORATION MAY PLACE REASONABLE**
26 **RESTRICTIONS ON THE TIME OF ANY DISTRIBUTION OF WRITTEN INFORMATION**
27 **OR MATERIALS.**

28 **5-6B-21.**

29 **(A) THIS SECTION DOES NOT APPLY TO ANY MEETINGS OF MEMBERS**
30 **OCCURRING AT ANY TIME BEFORE THE MEMBERS, OTHER THAN THE**
31 **DEVELOPER, HAVE A MAJORITY OF THE VOTES IN THE COOPERATIVE HOUSING**
32 **CORPORATION.**

1 **(B) SUBJECT TO REASONABLE RULES ADOPTED BY THE GOVERNING**
2 **BODY, MEMBERS MAY MEET FOR THE PURPOSE OF CONSIDERING AND**
3 **DISCUSSING MATTERS RELATING TO THE OPERATION OF THE COOPERATIVE**
4 **HOUSING CORPORATION IN THE AREA THAT THE GOVERNING BODY OF THE**
5 **COOPERATIVE HOUSING CORPORATION USES FOR SCHEDULED MEETINGS.**

6 5-6B-27.

7 (d) A copy of the fidelity insurance policy or fidelity bond shall be included in
8 the books and records kept and made available by or on behalf of the cooperative
9 housing corporation under [§ 5-6B-18.5] **§ 5-6B-26** of this subtitle.

10 5-6B-28.

11 **(A) (1) ON OR BEFORE DECEMBER 31, 2015, EACH COOPERATIVE**
12 **HOUSING CORPORATION THAT WAS IN EXISTENCE ON JUNE 30, 2015, SHALL**
13 **DEPOSIT IN THE DEPOSITORY ALL DISCLOSURES REQUIRED BY PARAGRAPH (3)**
14 **OF THIS SUBSECTION.**

15 **(2) EACH COOPERATIVE HOUSING CORPORATION ESTABLISHED**
16 **AFTER JUNE 30, 2015, SHALL DEPOSIT IN THE DEPOSITORY ALL DISCLOSURES**
17 **REQUIRED BY PARAGRAPH (3) OF THIS SUBSECTION BY THE LATER OF THE**
18 **DATE 30 DAYS FOLLOWING THE ESTABLISHMENT OR DECEMBER 31, 2015.**

19 **(3) THE DISCLOSURES REQUIRED TO BE DEPOSITED UNDER THIS**
20 **SUBSECTION INCLUDE:**

21 **(I) THE CONTENTS OF THE PUBLIC OFFERING STATEMENT,**
22 **AS REQUIRED UNDER § 5-6B-02(B) OF THIS SUBTITLE; AND**

23 **(II) THE CONTENTS OF PROPRIETARY LEASE AGREEMENTS**
24 **ISSUED BY THE COOPERATIVE HOUSING CORPORATION.**

25 **(B) BEGINNING JANUARY 1, 2016, WITHIN 30 DAYS AFTER THE**
26 **ADOPTION OF OR AMENDMENT TO ANY OF THE DISCLOSURES REQUIRED BY THIS**
27 **TITLE TO BE DEPOSITED IN THE DEPOSITORY, A COOPERATIVE HOUSING**
28 **CORPORATION SHALL DEPOSIT THE ADOPTED OR AMENDED DISCLOSURES IN**
29 **THE DEPOSITORY.**

30 **(C) ANY DISCLOSURE REQUIRED TO BE DEPOSITED BY THIS SECTION**
31 **SHALL BE UNENFORCEABLE UNTIL THE TIME THAT IT IS DEPOSITED.**

32 5-6B-29.

1 **(A) THERE IS A COOPERATIVE HOUSING CORPORATION DEPOSITORY IN**
2 **THE OFFICE OF THE CLERK OF THE COURT IN EACH COUNTY AND THE CITY OF**
3 **BALTIMORE.**

4 **(B) CONSISTENT WITH THE DUTIES OF A CLERK OF A COURT AS**
5 **ENUMERATED IN § 2-201 OF THE COURTS AND JUDICIAL PROCEEDINGS**
6 **ARTICLE, THE CLERK OF THE COURT SHALL ESTABLISH AND THEREAFTER**
7 **MAINTAIN A DEPOSITORY FOR THE PURPOSE OF MAKING AVAILABLE TO THE**
8 **PUBLIC ON REQUEST THE INFORMATION TO BE DEPOSITED BY COOPERATIVE**
9 **HOUSING CORPORATIONS.**

10 **(C) THE DEPOSITORY SHALL:**

11 **(1) BE ESTABLISHED AND MAINTAINED IN EACH COUNTY AND**
12 **THE CITY OF BALTIMORE AS A DOCUMENT FILE SEPARATE FROM THE LAND**
13 **RECORDS OF THE COUNTY OR CITY;**

14 **(2) CONTAIN A RECORD OF THE NAMES OF ALL COOPERATIVE**
15 **HOUSING CORPORATIONS FOR EACH COUNTY AND THE CITY OF BALTIMORE;**

16 **(3) CONTAIN ALL DISCLOSURES DEPOSITED BY A COOPERATIVE**
17 **HOUSING CORPORATION; AND**

18 **(4) BE AVAILABLE TO THE PUBLIC FOR VIEWING AND FOR**
19 **OBTAINING COPIES DURING THE REGULAR BUSINESS HOURS OF THE OFFICE OF**
20 **THE CLERK.**

21 **(D) (1) THE CLERK OF THE COURT IS AUTHORIZED TO REGULATE THE**
22 **FORM AND MANNER OF DOCUMENTS DEPOSITED INTO THE DEPOSITORY AND TO**
23 **COLLECT FEES FOR A DEPOSIT.**

24 **(2) THE CLERK OF THE COURT SHALL PERMIT THE DEPOSIT OF**
25 **COPIES OF DISCLOSURES, HOWEVER REPRODUCED.**

26 **(3) THE CLERK OF THE COURT MAY ADOPT REGULATIONS AS**
27 **NECESSARY OR DESIRABLE TO IMPLEMENT THE DEPOSITORY.**

28 **(4) THE STATE COURT ADMINISTRATOR SHALL ESTABLISH, SO**
29 **AS TO COVER THE REASONABLE AND ORDINARY EXPENSES OF MAINTAINING**
30 **THE DEPOSITORY, THE AMOUNT OF THE FEES THAT THE CLERK OF THE COURT**
31 **MAY CHARGE FOR DEPOSITS IN THE DEPOSITORY.**

1 **(5) (I) THE CLERK OF THE COURT SHALL MAINTAIN A**
2 **DEPOSITORY INDEX; AND**

3 **(II) ALL DISCLOSURES SHALL BE FILED UNDER THE NAME**
4 **OF THE COOPERATIVE HOUSING CORPORATION.**

5 **(E) MATERIAL CONTAINED IN THE DEPOSITORY MAY NOT BE VIEWED AS**
6 **RECORDED UNDER TITLE 3 OF THE REAL PROPERTY ARTICLE.**

7 **5-6B-30.**

8 **(A) SUBJECT TO THE REQUIREMENTS OF THIS SECTION, A**
9 **PROPRIETARY LEASE OR THE BYLAWS OF A COOPERATIVE HOUSING**
10 **CORPORATION MAY PROVIDE FOR A LATE CHARGE OF NO MORE THAN \$15 OR**
11 **ONE-TENTH OF THE TOTAL AMOUNT OF ANY DELINQUENT ASSESSMENT OR**
12 **INSTALLMENT OWED BY A MEMBER, WHICHEVER IS GREATER.**

13 **(B) A LATE CHARGE MAY NOT BE IMPOSED MORE THAN ONCE FOR THE**
14 **SAME DELINQUENT ASSESSMENT OR INSTALLMENT.**

15 **(C) A LATE CHARGE MAY ONLY BE IMPOSED IF THE DELINQUENCY HAS**
16 **CONTINUED FOR A PERIOD OF 15 DAYS OR MORE.**

17 **5-6B-31.**

18 **(A) THE DISPUTE SETTLEMENT MECHANISM PROVIDED BY THIS**
19 **SECTION APPLIES TO ANY COMPLAINT OR DEMAND FORMALLY ARISING ON OR**
20 **AFTER JANUARY 1, 2015, UNLESS THE BYLAWS OF THE COOPERATIVE HOUSING**
21 **CORPORATION OR THE PROPRIETARY LEASE OF THE MEMBER WHO ARE**
22 **PARTIES TO THE DISPUTE STATE OTHERWISE.**

23 **(B) (1) EXCEPT AS PROVIDED IN THIS SUBSECTION, A GOVERNING**
24 **BODY MAY NOT IMPOSE A FINE, SUSPEND VOTING, BRING AN ACTION TO EVICT,**
25 **OR INFRINGE ON ANY OTHER RIGHTS OF A MEMBER FOR A VIOLATION OF:**

26 **(I) THE RULES OF THE COOPERATIVE HOUSING**
27 **CORPORATION; OR**

28 **(II) THE PROVISIONS OF THE MEMBER'S PROPRIETARY**
29 **LEASE.**

1 **(2) THE GOVERNING BODY SHALL SERVE THE MEMBER WITH A**
2 **WRITTEN DEMAND TO CEASE AND DESIST FROM THE ALLEGED VIOLATION**
3 **SPECIFYING:**

4 **(I) THE ALLEGED VIOLATION;**

5 **(II) THE ACTION REQUIRED TO ABATE THE VIOLATION; AND**

6 **(III) 1. A TIME PERIOD OF NOT LESS THAN 10 DAYS**
7 **DURING WHICH THE VIOLATION MAY BE ABATED WITHOUT FURTHER SANCTION**
8 **IF THE VIOLATION IS A CONTINUING ONE; OR**

9 **2. A STATEMENT THAT ANY FURTHER VIOLATION OF**
10 **THE SAME RULE MAY RESULT IN THE IMPOSITION OF SANCTION AFTER NOTICE**
11 **AND HEARING IF THE VIOLATION IS NOT CONTINUING.**

12 **(3) (I) IF THE VIOLATION CONTINUES PAST THE PERIOD**
13 **SPECIFIED UNDER PARAGRAPH (2)(III)1 OF THIS SUBSECTION, OR IF THE SAME**
14 **RULE IS VIOLATED SUBSEQUENTLY, THE GOVERNING BODY SHALL SERVE THE**
15 **MEMBER WITH WRITTEN NOTICE OF A HEARING TO BE HELD BY THE GOVERNING**
16 **BODY IN SESSION.**

17 **(II) THE HEARING NOTICE SHALL SPECIFY:**

18 **1. THE NATURE OF THE ALLEGED VIOLATION;**

19 **2. THE TIME AND PLACE OF THE HEARING, WHICH**
20 **TIME MAY BE NOT LESS THAN 10 DAYS FROM THE GIVING OF THE NOTICE;**

21 **3. AN INVITATION TO ATTEND THE HEARING AND**
22 **PRODUCE ANY STATEMENT, EVIDENCE, AND WITNESSES ON BEHALF OF THE**
23 **MEMBER; AND**

24 **4. THE PROPOSED SANCTION TO BE IMPOSED.**

25 **(4) (I) THE GOVERNING BODY SHALL HOLD A HEARING ON THE**
26 **ALLEGED VIOLATION IN EXECUTIVE SESSION, IN ACCORDANCE WITH THE**
27 **NOTICE PROVIDED UNDER PARAGRAPH (3) OF THIS SUBSECTION.**

28 **(II) AT THE HEARING, THE MEMBER SHALL HAVE THE**
29 **RIGHT TO PRESENT EVIDENCE AND TO PRESENT AND CROSS-EXAMINE**
30 **WITNESSES REGARDING THE ALLEGED VIOLATION.**

1 **(III) PRIOR TO IMPOSING ANY SANCTION ON THE MEMBER,**
2 **THE GOVERNING BODY SHALL PLACE IN THE MINUTES OF THE MEETING PROOF**
3 **OF THE NOTICE PROVIDED TO THE MEMBER UNDER PARAGRAPH (3) OF THIS**
4 **SUBSECTION, WHICH SHALL INCLUDE:**

5 **1. A COPY OF THE NOTICE, TOGETHER WITH A**
6 **STATEMENT OF THE DATE AND MANNER OF THE DELIVERY OF THE NOTICE; OR**

7 **2. A STATEMENT THAT THE MEMBER IN FACT**
8 **APPEARED AT THE HEARING.**

9 **(IV) THE GOVERNING BODY SHALL PLACE IN THE MINUTES**
10 **OF THE MEETING THE RESULTS OF THE HEARING AND THE SANCTION, IF ANY,**
11 **IMPOSED ON THE MEMBER.**

12 **(C) A MEMBER MAY APPEAL A DECISION OF A GOVERNING BODY MADE**
13 **IN ACCORDANCE WITH THE DISPUTE SETTLEMENT PROCEDURE DESCRIBED IN**
14 **THIS SECTION TO THE COURTS OF MARYLAND.**

15 **(D) (1) IF A MEMBER FAILS TO COMPLY WITH THIS SUBTITLE, THE**
16 **BYLAWS OF A COOPERATIVE HOUSING CORPORATION, OR A DECISION**
17 **RENDERED BY THE GOVERNING BODY IN ACCORDANCE WITH THIS SECTION, THE**
18 **GOVERNING BODY OR ANY OTHER MEMBER OF THE COOPERATIVE HOUSING**
19 **CORPORATION MAY SUE THE MEMBER FOR ANY DAMAGES CAUSED BY THE**
20 **FAILURE OR FOR INJUNCTIVE RELIEF.**

21 **(2) THE PREVAILING PARTY IN A PROCEEDING AUTHORIZED**
22 **UNDER THIS SUBSECTION IS ENTITLED TO AN AWARD FOR COUNSEL FEES AS**
23 **DETERMINED BY COURT.**

24 **(E) THE FAILURE OF A GOVERNING BODY TO ENFORCE A PROVISION OF**
25 **THIS TITLE, THE PROPRIETARY LEASE OF A MEMBER, OR THE BYLAWS OF THE**
26 **COOPERATIVE HOUSING CORPORATION ON ANY OCCASION IS NOT A WAIVER OF**
27 **THE RIGHT TO ENFORCE THE PROVISION ON ANY OTHER OCCASION.**

28 **5-6B-32.**

29 **(A) THIS SECTION APPLIES ONLY TO A COOPERATIVE PROJECT THAT IS**
30 **NO LONGER SUBJECT TO A MORTGAGE OR DEED OF TRUST.**

31 **(B) NOTWITHSTANDING THE ARTICLES OF INCORPORATION, BYLAWS,**
32 **OR REGULATIONS OF A COOPERATIVE HOUSING CORPORATION OR THE**
33 **PROPRIETARY LEASE OF ANY MEMBER, A GOVERNING BODY MAY NOT BRING AN**

1 ACTION TO EVICT A MEMBER BASED SOLELY ON THE FAILURE OF THE MEMBER
2 TO PAY ASSESSMENTS OWED TO THE COOPERATIVE HOUSING CORPORATION
3 UNLESS:

4 (1) THE MEMBER HAS BEEN DELINQUENT IN PAYING
5 ASSESSMENTS FOR A PERIOD OF 6 MONTHS OR MORE;

6 (2) THE GOVERNING BODY HAS GIVEN THE MEMBER NOTICE AND
7 AN OPPORTUNITY TO BE HEARD REGARDING THE DELINQUENCY, CONSISTENT
8 WITH § 5-6B-31 OF THIS SUBTITLE;

9 (3) THE GOVERNING BODY HAS GIVEN THE MEMBER AN
10 OPPORTUNITY TO CURE THE DELINQUENCY; AND

11 (4) THE MEMBER HAS FAILED TO CURE THE DELINQUENCY.

12 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
13 October 1, 2014.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.