

Article - Corporations and Associations

[\[Previous\]](#)[\[Next\]](#)

§5-6B-02.

(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.

[\[Previous\]](#)[\[Next\]](#)