

## DISCLOSURE STATEMENT

FOR

CORNERSTONE HILL COMMUNITY ASSOCIATION, INC.

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Date: July \_\_\_\_\_, 2009

### Attached Exhibits

- Exhibit A – Articles of Incorporation
  - Exhibit B – Declaration of Covenants, Conditions, Easements and Restrictions
  - Exhibit C – Bylaws
  - Exhibit D – Community Codes
  - Exhibit E – Estimated Community Association Budget(s)
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### PREAMBLE

The information in this Disclosure Statement is being provided in accordance with the Maryland Homeowners Association Act. The narrative portion of this Disclosure Statement listed in Sections 1 through 14 below is a summary only of certain provisions of the Governing Documents (i.e., the Declaration, Articles of Incorporation, Bylaws and Community Codes of the Community Association) and current development plans for the Cornerstone Hill community and is not meant as a substitute for a careful review of the Governing Documents and budgets of the Community Association attached as exhibits to this Disclosure Statement. The information summarized in this Disclosure Statement is based on current development plans and other information currently available and is subject to change and modification from time to time. Purchasers are advised that modifications, changes and supplements to the information contained in this Disclosure Statement are probable.

Every purchaser of a residence in Cornerstone Hill automatically becomes a member of Cornerstone Hill Community Association, Inc. (the “**Community Association**”). All members of the Community Association are subject to the covenants, conditions, easements and restrictions, rights and obligations contained within the Amended Declaration of Covenants, Conditions, Easements and Restrictions for the Community Association recorded or to be recorded among the Land Records of Allegany County, Maryland (the “**Declaration**”, as the same may be amended and modified from time to time). Obligations of the members of the Community Association under the Declaration include, but are not limited to, the obligation to pay assessments to the Community Association. The property which is or may hereafter be annexed within the jurisdiction of the Community Association shall be referred to in this Disclosure Statement as the “**Development**”. Capitalized terms used in this Disclosure Statement, unless otherwise defined herein, have the meanings specified in the Declaration.



### SECTION 3

The Development is located in the City of Cumberland, Allegany County, Maryland. It is presently contemplated that the Development will contain approximately three and six tenths (3.6) acres; however, pursuant to Section 2.2 of the Declaration, the Declarant has the right to annex within the Community Association additional property contiguous to or in the vicinity of the Development. Under current development plans, it is anticipated that the Development will contain approximately fifty-two (52) fee simple single-family attached townhouses.

### SECTION 4

The Development is not within or a part of any other development.

### SECTION 5

The Declarant has reserved the right to annex within the Development any real property contiguous to or in the vicinity of the Cornerstone Hill community. The Declarant's right to annex property within the Community Association, including any time limits on such annexation, is set forth in Article 2 of the Declaration.

### SECTION 6

I. A copy of the Community Association's Articles of Incorporation, as filed with the Maryland State Department of Assessments and Taxation is attached hereto as **Exhibit A**. A copy of the Declaration is attached hereto as **Exhibit B**. The provisions of the Declaration will be enforceable against any Owner and such Owner's tenants. As used in this Disclosure Statement, the term "**Owner**" or "**Owners**" shall mean the owner of a Living Unit within the Development.

II. In addition to the covenants, restrictions and easements referenced in the Preamble above, any Living Units may be subject to other covenants, restrictions, easements and other matters of record, which may be enforced against any Owner and such Owner's tenants. Among such other recorded covenants, restrictions, easements and other matters of record are certain conservation, public utility, public improvement and/or other easements and rights of way as are shown on the plats of subdivision for the Development recorded among the Land Records of Allegany County, Maryland and/or as may otherwise be recorded among such Land Records. Purchasers are encouraged to review the foregoing covenants, restrictions, easements and other matters of record as they may include provisions restricting the use of Living Units. Other recorded covenants, restrictions, easements and other matters of record, if any, should be available for review in the Land Records of Allegany County, Maryland. THE DEVELOPMENT AND EACH LIVING UNIT ARE SUBJECT TO A RESTRICTION ON THE TRANSFER OF SAID LIVING UNIT TO INSURE THAT FOR A PERIOD OF FIFTEEN (15) YEARS THE LIVING UNITS WILL REMAIN AFFORDABLE. OWNERS WILL BE PROHIBITED FROM TRANSFERRING ANY LIVING UNIT TO ANY BUYER WHO DOES NOT MEET THE INCOME ELIGIBILITY RESTRICTIONS FOR AFFORDABLE HOUSING AS DEFINED BY THE STATE OF MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT.

III. A copy of the Bylaws of Cornerstone Hill Community Association, Inc. (“Bylaws”) is attached to this Disclosure Statement as Exhibit C. The initial Community Codes of the Community Association are attached to this Disclosure Statement as Exhibit D. Additional Community Codes may be adopted from time to time by the Declarant and/or the Board of Directors. The Bylaws and Community Codes are enforceable against any Owner and such Owner’s tenants.

## SECTION 7

I. Pursuant to Section 4.1 of the Declaration, the Community Association shall be responsible for the management, operation and control of the Community Areas. “Community Areas” means all Community Property – *i.e.*, real property owned or leased by the Community Association (including improvements thereto) for the common use and enjoyment of the Owners – together with those areas, if any, for which the Community Association assumes maintenance or other responsibilities pursuant to the Declaration, any Declaration of Annexation, any Community Code or any agreement. The Community Association is required to maintain, repair, replace and keep in good order the Community Areas and any landscaping and facilities situated thereon.

II. All Community Property and completed facilities must be annexed within the Community Association in accordance with the terms and conditions of the approved regulatory plans for the Development, as such plans may be amended from time to time, and must otherwise be in accordance with the terms of any regulatory plan enforcement agreement, including a phasing schedule. The Declarant reserves the right to seek an amendment to such regulatory plans for the purpose of modifying the location or amount of real property comprising the Community Property and for the purpose of modifying the improvements to be constructed on the Community Property. The Declarant makes no representation or warranty regarding the construction or availability of any of the Community Area improvements planned to be included within the jurisdiction of or maintained by the Community Association, nor has the Declarant authorized any other party to make such representation or warranty.

## SECTION 8

I. A copy of the estimated proposed annual operating budget for the current fiscal year of the Community Association and a copy of the current projected budget for the Community Association, as fully expanded, are attached hereto as Exhibit E. **The budgets are, of course, estimates and the Declarant cannot warrant or in any manner represent that sufficient funds have been budgeted to cover all common expenses that may be incurred. Because actual expenditures may differ from estimated expenditures, due to future expenses of the Community Association being other than anticipated and other variable factors, such estimates are not intended or considered as guarantees of any kind whatsoever.**

II. Proposed reserves are shown on the attached budget. Please note that pursuant to Section 5.9 of the Declaration, the amount of reserves to be kept shall be determined by the Board of Directors of the Community Association.

## SECTION 9

The current anticipated mandatory Community Association assessment to be paid by each Owner of a Living Unit is estimated to be Twenty-Five Dollars (\$25.00) per month, as shown on the budget attached hereto as **Exhibit E**. However, based on actual expenses (including reserves) incurred by the Community Association, future assessments may be greater or less than the amount shown on the attached budget. Pursuant to Section 5.3 of the Declaration, the annual assessment may be increased by the Board of Directors of the Community Association. The assessments shall be used for purposes contained within Section 5.2 of the Declaration including, but not limited to, maintenance of the Community Areas and the operation of the Community Association. Pursuant to Section 5.7 of the Declaration, the Declarant is exempt from the payment of all assessments and other charges levied by the Community Association.

## SECTION 10

The Development is presently zoned R-E Estate Residential. Properties with such zoning classifications may be used for the purposes set forth in the City Code of the City of Cumberland. Purchasers are encouraged to review the City Code, land use plans, and other materials regarding land use proposals and requirements affecting the Development at the City of Cumberland Office of Planning and Zoning, 57 North Liberty Street, Cumberland, Maryland 21502, phone: (301) 722-2000. The Declarant reserves the right to seek zoning changes, amendments and modifications to the Development Plan for the community.

## SECTION 11

All mandatory homeowner's association fees or assessments and other permitted charges imposed upon Owners by the Community Association will be subject to collection in accordance with Articles 5 and 6 of the Declaration and the provisions of the Maryland Contract Lien Act, Section 14-201, *et seq.*, Real Property Article, Annotated Code of Maryland (1996) as amended. Please note the following:

1. Pursuant to Section 5.5 of the Declaration, Assessments shall commence as to each Living Unit on the date that the Living Unit has been conveyed by the Declarant to the initial homeowner of such Living Unit. General Assessments shall be adjusted based upon the number of months remaining in the fiscal year in which the Assessments commence.
2. The procedure for increasing or decreasing fees, assessments or charges of the Community Association is set forth in Section 5.3 of the Declaration.
3. Delinquent fees, assessments and charges will be collected in accordance with Article 6 of the Declaration.
4. Pursuant to Section 5.1 of the Declaration, unpaid fees, assessments and charges, together with interest, costs, late fees and reasonable attorneys' fees, shall be the personal obligation of the owner of a Living Unit.

5. Interest may be charged on any unpaid assessment at the maximum rate of interest permitted by law.

6. Pursuant to Section 6.1 of the Declaration, unpaid assessments may be collected by the imposition of a lien on a Living Unit in accordance with the Maryland Contract Lien Act.

7. Living Unit owners may be assessed interest, costs, late fees, reasonable attorneys' fees and other legal and collection costs for unpaid assessments as set forth in Section 5.1 of the Declaration.

## SECTION 12

In addition to the obligation of a purchaser of a Living Unit to pay a pro rata share of any fees, assessments or charges of the Community Association at settlement, pursuant to Section 5.8 of the Declaration, the initial homeowner of each Living Unit shall pay a one-time assessment in the amount of Seventy-Five Dollars (\$75.00) upon settlement on the completed Living Unit (the "**Initial Contribution**"). The Initial Contribution has been established to assist with the funding of the initial operation of the Community Association. The Initial Contribution shall be in addition to all other Community Association assessments and shall not be considered an advance payment of such assessments. The Community Association may, but shall not be obligated to, collect a working capital contribution in addition to the Initial Contribution and all other assessments, which working capital contribution would be payable by subsequent homeowners of Living Units upon re-sales of Living Units.

## SECTION 13

Certain special rights or exemptions reserved by or for the benefit of the Declarant are contained within the Declaration, including, but not limited to:

1. Pursuant to Article 2 and Appendix Two, any real property shown on the Development Plan and any real property contiguous to or in the vicinity of the Development, may be annexed within the jurisdiction of the Community Association unilaterally by the Declarant, regardless of the ownership of such real property at the time of annexation. So long as the Declarant owns any portion of the Development or any property so annexed, the Declarant may unilaterally amend the Declaration or in order to remove (de-annex) any portion of the Development from the force and effect of the Declaration and the other Governing Documents.

2. As specified in Section 4.3, the right to vote with respect to each Class B membership held by the Declarant (one (1) vote for each such Class B membership) is set forth in Section 4.3 of the Declaration.

3. Pursuant to Section 5.6 of the Declaration, the Declarant is exempt from the payment of Community Association assessments.

4. Pursuant to Article 7, the Declarant shall have the sole discretionary authority over design review for improvements made within the Development for the duration of the Declarant's Rights and Obligations Period. If the Declarant appoints a Design Review Committee in accordance with Article 7, the Declarant shall have the right to veto any action by the Design Review Committee within ten (10) calendar days after notice of such action.

5. Pursuant to Section 10.2(a), the Declarant, during the Declarant's Rights and Obligations Period, may establish, modify, cancel, limit, create exceptions to, or expand Community Codes.

6. Pursuant to Section 11.1(a), the Declarant reserves the right to grant easements, both temporary and permanent, to all public authorities (including, but not limited to, all State and County governmental authorities and agencies) and utility companies over any part of the Development.

7. Pursuant to Section 11.1(c), there is reserved unto the Declarant (and to such other parties as the Declarant may specifically, and in writing, assign such rights) for the benefit of the Development, blanket easements upon, across and under the Development for (i) vehicular and pedestrian ingress and egress, (ii) curb cuts, slope or grading easements, (iii) for the placement of signs, including, without limitation, signs relating to the Development and signs used for sales and marketing purposes, (iv) the right to erect entry features, promotional and sales displays and other similar items within the Development provided they do not unreasonably and materially interfere with the use, operation and enjoyment of Living Units and (v) for the installation, replacement, repair and maintenance of all utilities.

8. Pursuant to Section 11.1(f), an easement is reserved to the Declarant to enter and utilize the Development during the period of construction and sales within the Development, and to maintain such facilities and perform such operations as in the sole opinion of the Declarant may be reasonably required, convenient or incidental to the construction and sale of residences, including, without limitation, business offices, sales and/or rental offices, storage areas, construction yards, signs, displays and model units.

9. Pursuant to Section 11.1(g), the Declarant reserves the right to enter any portion of the Development for the purpose of carrying out any obligations it may have, or assume, with respect to the curing of any defects in workmanship or materials in the Development or the improvements thereon. There is further reserved unto the Declarant and its agents a non-exclusive easement over, across and through all of the Community Property for the purpose of access, the storage of building supplies, materials and equipment and, without any limitation, for any and all purposes reasonably related to the completion of the Development, construction or repair of the Development.

10. Pursuant to Section 11.1(h), for a period of fifteen (15) years from the date of conveyance of the first Living Unit, the Declarant reserves a blanket easement and right on, over and under any portion of the Development to maintain and to correct drainage of surface or subsurface water in order to maintain reasonable standards of health, safety and appearance; provided, however, that the Declarant shall have no obligation to exercise that right. Such right

expressly includes the right to cut any trees, bushes or shrubbery, make any gradings of the soil, or to take any other similar action reasonably necessary, following which the Declarant shall restore the affected property to its original condition as near as practicable.

11. Pursuant to Section 14.2, until fifteen (15) years after the recordation of the Declaration, or until such time as the Declarant no longer owns any portion of the Development, whichever shall occur later, the Declarant shall have the right, without the consent of the members of the Community Association or any other party, to modify, amend or change the Governing Documents of the Community Association at any time and from time to time as the Declarant may deem necessary or desirable (i) to correct errors or omissions thereto; (ii) to bring any provision of the Governing Documents into compliance with any applicable governmental statute, rule, regulation, or judicial determination which is in conflict therewith; (iii) to enable any reputable title insurance company to issue title insurance coverage with respect to any portion of the Development; (iv) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, to make, purchase, insure or guarantee mortgage loans on Living Units; (v) to satisfy the requirements of any governmental or quasi-governmental agency; or (vi) as may be necessary to reflect the changes in the Fair Housing Laws.

12. Pursuant to Appendix Two, the right to conduct all lawful activities required or related to the completion of the Community Plan, as the Community Plan may be amended from time to time.

13. Pursuant to Section A-104 of Appendix Two, the Declarant shall be exclusively responsible for conducting the affairs of the Community Association until at least one (1) Owner, other than the Declarant, has been elected to a seat on the Board of Directors.

14. Pursuant to Section A-103(a) of, Appendix Two, the Community Association shall make no amendments to the Governing Documents or take any action that may adversely affect the Declarant's interests, including, without limitation, the Declarant's Rights and Obligations, without the Declarant's prior written consent.

**For a more complete statement of Community Association rights and exemptions reserved by or for the benefit of the Declarant and other information regarding the Community Association, purchasers of Living Units are encouraged to review the Governing Documents and estimated budgets of the Community Association attached hereto as Exhibit A through E. If any provisions of this Disclosure Statement or Governing Documents are not understood, purchasers should seek competent legal advice.**

**EXHIBIT A**

**Articles of Incorporation**

**EXHIBIT B**

**Amended Declaration of Covenants, Conditions, Easements and Restrictions**

**EXHIBIT C**

**By-laws**

**EXHIBIT D**

**Community Codes**

**EXHIBIT E**

**Budget**