

ASSEMBLY BILL

No. 555

Introduced by Assembly Members Dutra and Correa

February 21, 2001

An act to add Part 4 (commencing with Section 11500) to Division 4 of the Business and Professions Code, relating to common interest development managers.

LEGISLATIVE COUNSEL'S DIGEST

AB 555, as introduced, Dutra. Common interest development managers.

Existing law, the Davis-Stirling Common Interest Development Act, establishes a scheme for the regulation of common interest developments.

This bill would establish a program for the registration of managers of common interest developments. The bill would create the California Common Interest Development Manager Registration Council and it would have specified duties and powers, including the charging of fees to applicants for registration as common interest development managers.

Because this bill would make it a misdemeanor for a person to violate the registration requirements and other provisions of the bill, it would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature hereby finds and declares all of
2 the following:

3 (a) A large number of Californians find housing in the more
4 than 33,000 common interest developments in this state.
5 California common interest developments contain over three
6 million homes, that house more than nine million people.

7 (b) Homes in common interest developments are no different
8 than homes that are not, in that they most often represent the
9 owner’s single largest lifetime investment.

10 (c) The ability of an owner living in a common interest
11 development to maintain the value of his or her investment, and to
12 enjoy his or her home is directly affected by the quality of the
13 management provided by the community association to which the
14 homeowner belongs, and which oversees the operation of the
15 common interest development.

16 (d) The management and operation of common interest
17 developments is governed by a complex set of laws contained in
18 the Civil, Corporations, Government, and Health and Safety
19 Codes, and in federal statutes. In addition to possessing an
20 understanding of this significant body of law, the successful
21 professional common interest development management and the
22 operations of a common interest development require
23 fundamental skills in subjects including, but not limited to,
24 finance, accounting, contract administration, human resources,
25 and parliamentary procedure.

26 (e) Common interest development managers are delegated the
27 authority, by the governing body of the common interest
28 development, to collect, invest and expend hundreds of thousands,
29 and sometimes millions of dollars annually in homeowner
30 assessments, for the purpose of maintaining and operating the
31 community.

32 (f) Mismanagement of common interest developments has
33 resulted in financial and personal harm to common interest
34 developments, as well as legal liability for the owners living in the
35 common interest development.



1 (g) The growth in common interest developments, coupled
2 with the addition of governing statutes, has created a demand for
3 individuals who possess the necessary skills and technical
4 expertise to act as common interest development managers.

5 (h) Currently, there are no statutory mandatory educational or
6 skill standards that individuals who may be hired for compensation
7 to manage a common interest development are required to meet.
8 This lack of required qualifications has resulted in problems in the
9 area of common interest development management. In essence,
10 any person can be a common interest development manager
11 without education.

12 (i) To protect the over nine million Californians who reside in
13 common interest developments in this state, common interest
14 development managers should be required to obtain certain
15 minimal skills if they offer their services for compensation to
16 California common interest developments, and to provide this
17 information to the public who could be most harmed.

18 SEC. 2. Part 4 (commencing with Section 11500) is added to
19 Division 4 of the Business and Professions Code, to read:

20
21 PART 4. THE COMMON INTEREST DEVELOPMENT
22 MANAGER REGISTRATION ACT

23
24 CHAPTER 1. PURPOSE AND DEFINITIONS

25
26 11500. This part shall be known and may be cited as the
27 Common Interest Development Manager Registration Act.

28 11501. The primary purpose of this part is to (a) institute
29 consistent minimum standards of education, competence, and fair
30 and ethical behavior for individuals who are hired for
31 compensation as managers of common interest developments,
32 including community apartment projects, planned developments,
33 condominium projects, and stock cooperatives, as set forth in the
34 Davis-Stirling Common Interest Development Act, Sections 1350
35 to 1376, inclusive, of the Civil Code; (b) promote statewide
36 awareness of, and compliance with the laws governing common
37 interest developments; (c) ensure long-term viability of a major
38 segment of the state's housing stock and its supporting
39 infrastructure; and (d) protect the financial and personal
40 investments of homeowners in common interest developments.

1 11502. The following definitions apply only to the provisions
2 of this part.

3 (a) “Approved provider” means an organization qualified by
4 the council to provide educational courses to common interest
5 development managers.

6 (b) “Common interest development” means a residential
7 development, as defined in Section 1351 of the Civil Code,
8 including each of the following:

9 (1) A community apartment project.
10 (2) A condominium project.
11 (3) A stock cooperative.
12 (4) A planned development.

13 (c) “Community association” means an incorporated or
14 unincorporated association established to manage a common
15 interest development in which membership is a condition of
16 ownership, and which is authorized to impose assessments and
17 fees upon the members of the association.

18 (d) “Council” means the California Common Interest
19 Development Manager Registration Council, established pursuant
20 to Section 11507.

21 (e) “Financial services” means an act performed or offered for
22 a common interest development or community association,
23 including, but not limited to, the preparation of internal unaudited
24 financial statements, internal accounting functions, billing of
25 assessments and bookkeeping services for a common interest
26 development.

27 (f) “Individual” means a person who is in the process of
28 applying to obtain registration.

29 (g) “Management services” means an act performed or offered
30 to be performed in an advisory capacity, for compensation, for a
31 common interest development including, but not limited to, the
32 following:

33 (1) Administering or supervising the financial or common area
34 assets of a common interest development.
35 (2) Implementing resolutions and directives of the board of
36 directors of the common interest development elected to oversee
37 the operation of a common interest development, as specified in
38 Section 1365.5 of the Civil Code.



1 (3) Implementing provisions of governing documents, as
2 defined in Section 1351 of the Civil Code, which govern the
3 operation of the common interest development.

4 (4) Administering a community association's contracts,
5 including insurance contracts, within the scope of the community
6 association's duties or with other common interest development
7 managers, vendors, and other third-party providers of goods and
8 services to a common interest development.

9 (h) "Person" means only a natural person and shall also mean
10 an individual.

11 (i) "Provisional registrant" means an individual who has
12 applied for and received a temporary registration issued pending
13 completion of all requirements for registration and who is working
14 under the supervision of a registrant, except as provided for in
15 subdivision (d) of Section 11517.

16 (j) "Registrant" means an individual who, having satisfied the
17 requirements of this part, has been registered as a common interest
18 development manager by the council.

19 11503. (a) "Common interest development manager"
20 means an individual who, in an advisory capacity, for
21 compensation or in expectation of compensation, whether acting
22 as an independent contractor to, employee of, general manager or
23 executive director of, or agent of a common interest development,
24 provides management or financial services, negotiates an
25 agreement to provide management or financial services, or
26 represents himself or herself to act in the capacity of providing
27 management or financial services to a common interest
28 development.

29 (b) "Common interest development manager" also means any
30 of the following:

31 (1) An individual who may be a partner in a partnership in the
32 capacity to advise and direct the activity of a registrant, or who acts
33 as a principal on behalf of a company that provides management
34 or financial services to a common interest development.

35 (2) An individual operating under a fictitious business name
36 who provides management or financial services to a common
37 interest development.

38 (3) An individual who agrees to provide management or
39 financial services to a common interest development.



1 (4) A supervisor of an individual who provides management or
2 financial services to a common interest development.

3 11504. It is unlawful for any individual to act as a common
4 interest development manager in this state without first obtaining
5 a registration or a provisional registration issued by the council.
6 Nothing in this part shall be construed to require a common interest
7 development to hire for compensation a common interest
8 development manager, unless required to do so by the governing
9 documents of the common interest development.

10 11505. The following persons and organizations may engage
11 in the specified acts without being registered as a common interest
12 development manager:

13 (a) An attorney at law or a legal firm rendering legal services
14 to a common interest development or a community association.

15 (b) A licensed accountant providing accounting services or
16 acting in the capacity of a certified public accountant, other than
17 those described in Section 11503.

18 (c) A regulated financial institution providing the scope of its
19 services.

20 (d) A receiver, trustee in bankruptcy, or other person acting
21 under order of a court of competent jurisdiction.

22 (e) A maintenance or repair person, security guard, janitor,
23 housekeeper, receptionist, telephone operator, accounting or data
24 entry clerk, staff person for a recreational or community relations
25 program, administrative or clerical support personnel, customer
26 service personnel, a construction manager performing work as a
27 construction manager, and similar positions, who carry out duties
28 other than those duties described in Section 11503.

29 11506. A partnership, corporation, or other business entity
30 may perform acts for which registration is required if each person
31 performing the tasks on behalf of the business entity is a registrant
32 under this part, or is exempt as provided in Section 11505.

33

34 CHAPTER 2. THE CALIFORNIA COMMON INTEREST DEVELOPMENT
35 MANAGER REGISTRATION COUNCIL

36

37 11507. (a) The California Common Interest Development
38 Manager Registration Council is hereby created. The council is a
39 single organization that shall incorporate as a nonprofit California
40 corporation. The council’s initial governing body shall consist of



1 not less than seven individuals. Six of the initial council
2 representatives shall be individuals who are currently practicing as
3 common interest development managers as defined in Section
4 11503. Each member shall have a minimum of 10 years experience
5 managing common interest developments in California. Each
6 member and future members shall represent a society, association
7 or other organization operating as a California nonprofit
8 corporation, that chooses to participate in the council, and that
9 represents individuals who, for compensation, work as common
10 interest development managers as defined in Section 11503. Six
11 of the initial members of the council shall include two
12 representatives each from the California Association of
13 Community Managers, the California Legislative Action
14 Committee of the Community Associations Institute, and the
15 Executive Council of Homeowners. The seventh member of the
16 council shall be an attorney with a minimum of 10 years general
17 counsel experience representing common interest developments
18 in California. A majority of the manager members of the council
19 shall appoint the attorney member. The seven representatives shall
20 act as the council organizing committee and shall be responsible
21 for ensuring that other organizations wishing to participate in and
22 having representation on the council meet the criteria set forth in
23 this section, and any other council guidelines for membership and
24 participation as determined by the organizing committee.

25 (b) The initial members of the council shall serve for a term of
26 three years after the effective date of this statute. Thereafter, the
27 bylaws of the council shall specify an election of qualified
28 members to the council. The term of each council member elected
29 by the registrants shall be three years.

30 11508. The primary purpose of the council is to register any
31 and all individuals that the council determines have met
32 educational and other required qualifications for becoming a
33 common interest development manager as set forth in this part.

34 11509. The council shall appoint one council member who
35 represents the participating organization with the largest number
36 of individual common interest development manager members in
37 this state, as the first presiding officer of the council. That member
38 shall serve in the capacity as presiding officer for the first two years
39 of the council's existence. Thereafter, the presiding officer shall be
40 elected annually by a majority of the council membership. The



1 council may hire staff to carry out clerical and administrative
2 duties as necessary.

3 11510. (a) The council shall adopt a set of bylaws governing
4 its operations and membership. The bylaws shall be adopted with
5 a majority vote of the council's membership.

6 (b) The council shall establish an election process to elect
7 members to the council by registrants in good standing in
8 accordance with the requirements set forth in subdivision (b) of
9 Section 11507. Each member duly elected to the council in
10 accordance with the bylaws, except for the requirement set forth
11 in Section 11507, shall be a registrant in good standing. The
12 council may appoint a qualified registrant to fulfill the term of a
13 member of the council upon the member's resignation, death, or
14 other circumstances that prevent the completion of a term.

15 (c) Upon enactment of mandatory registration, the bylaws shall
16 be amended only by a vote or written consent of a majority of a
17 quorum of not less than 25 percent of registered common interest
18 development managers as of the record date. The council shall
19 establish reasonable procedures and requirements for initiation of
20 proposed bylaw amendment either by the council or by the
21 registrants.

22 11511. The council's duties include, but are not limited to, the
23 following:

24 (a) Creating qualifications for and developing an official roster
25 of approved providers that offer educational courses and programs
26 consistent with the educational requirements for common interest
27 development managers as set forth in Section 11512. Approved
28 providers may be listed by type or by the title of the specific
29 organization. The council shall review and approve the curriculum
30 of each organization that requests to be an approved provider. The
31 council shall approve providers who satisfactorily offer the
32 necessary education and courses required by this part for common
33 interest development manager registration. The council shall
34 publish a roster of approved provider. The council shall
35 periodically review requests for approving providers, and update
36 its roster, but not less than once every six months. The council may
37 charge a fee for the processing of an application to become a
38 provider.

39 (b) The council shall develop an official application form
40 specifying the information an individual shall submit for the



1 purpose of becoming a registered common interest development
2 manager or applying for provisional registration. The council may
3 charge a fee for the processing of an application to become a
4 registrant.

5 (c) The council shall receive completed applications for
6 common interest development manager registration, and shall
7 review the credentials of the individual applicants to determine if
8 they meet the educational requirements set forth in Section 11512.
9 The council may consider experience or alternative certifications
10 as described in Sections 11513 and 11514 as a substitute for all or
11 part of an applicant's required education.

12 (d) Upon determining that an individual applicant has satisfied
13 the educational requirements to become a common interest
14 development manager, has paid any required fees, and has
15 provided proof of fidelity insurance as required by Section 11522,
16 the council shall issue a registration to that individual. Each
17 registration shall contain a unique registration number. The
18 council shall register that individual in an index of registered
19 common interest development managers along with each
20 individual's unique registration number. The index shall be made
21 available to every common interest development in this state that
22 requests a copy, as well as any law enforcement or government
23 agency which requests a copy.

24 (e) The council may charge a fee to applicants to cover the costs
25 of its duties. Fees shall not exceed the council's actual cost of doing
26 business, as calculated on an annual basis. Application fees for the
27 first year of the council's existence shall be based on an estimated
28 cost basis. If at the conclusion of the first year, fees exceeded costs,
29 the council may choose to refund any excess to applicants who
30 have been registered, or apply any excess fees to applicants'
31 registration renewals.

32 (f) The council shall set forth requirements for periodic
33 registration renewal. Renewals shall not be required more than
34 once every three years. Renewals shall, at a minimum, require
35 every registered common interest development manager to have
36 received continuing education as specified in Section 11516. The
37 council may establish additional renewal requirements as it deems
38 necessary and may charge a fee for renewals.

39 (g) The council may receive complaints about the conduct of
40 any common interest development manager it has registered. The



1 council may investigate the complaints to determine if a common
 2 interest development manager has committed any violations
 3 specified in Section 11517. If the council finds that a registered
 4 common interest development manager has violated one or more
 5 provisions of Section 11517, at its discretion, the council may
 6 invoke disciplinary actions including, but not limited to,
 7 suspension or revocation of a registration issued to that manager
 8 and removal of his or her name from the registration index. The
 9 council shall, as part of its bylaws, establish due process
 10 procedures for any investigation it conducts, including, but not
 11 limited to, notification to the manager that a complaint has been
 12 received and that an investigation will be undertaken, and an
 13 opportunity for the manager to respond to the allegations and
 14 present the council with evidence that he or she did not commit an
 15 alleged violation.

16

17 CHAPTER 3. COMMON INTEREST DEVELOPMENT MANAGER
 18 REGISTRATION REQUIREMENTS

19

20 11512. In order to register as a common interest development
 21 manager, the applicant shall remit any required application fee and
 22 the council shall find that an applicant satisfactorily demonstrates
 23 on his or her application that he or she meets the following
 24 minimum qualifications:

25 (a) The applicant has not been convicted of a felony in the
 26 previous five years.

27 (b) The applicant is at least 18 years of age.

28 (c) The applicant has successfully graduated high school or an
 29 equivalent.

30 (d) The applicant is a United States citizen, has permanent
 31 residency status, or has the legal right to work in the United States.

32 (e) The applicant is a California resident. If the applicant is not
 33 a resident of California, he or she shall still be eligible to apply for
 34 registration if he or she meets the educational and other
 35 requirements in Section 11512 from an approved provider.

36 (f) The applicant has knowledge of the English language,
 37 including reading, writing and spelling, and of arithmetical
 38 computation common to community association and business
 39 opportunity practices.



1 (g) The applicant has a general and fair understanding of
2 community association law and standard business practices.

3 (h) The applicant has a general and fair understanding of the
4 obligations between principals of community associations,
5 standards of practice related to California common interest
6 developments, and the canons of business ethics pertaining
7 thereto.

8 (i) The applicant has successfully completed the following
9 educational requirements:

10 (1) Sixteen hours of instruction in California law that is related
11 to the management of common interest developments, including,
12 but not limited to, the following courses of study:

13 (A) The topics covered by the Davis-Stirling Common Interest
14 Development Act, Sections 1350 to 1376, inclusive, of the Civil
15 Code, including, but not limited to, types of California common
16 interest developments, disclosure requirements for common
17 interest developments, meeting requirements for common interest
18 development governing bodies and members, financial disclosure
19 and reporting requirements, and access to common interest
20 development records.

21 (B) Personnel issues, including, but not limited to, general
22 matters related to independent contractor or employee status,
23 issues related to types of harassment, the Unruh Civil Rights Act,
24 and the Americans with Disabilities Act.

25 (C) Risk management as it pertains to common interest
26 developments, including but not limited to required insurance
27 coverage and preventative maintenance programs.

28 (D) Property protection, including, but not limited to, general
29 matters relating to hazardous materials such as asbestos, radon and
30 lead, the Vehicle Code, local and municipal regulations, family
31 day care centers, energy conservation, Federal Communications
32 Commission rules and regulations, and solar energy systems.

33 (E) The business affairs of common interest developments,
34 including, but not limited to, necessary compliance with all
35 required local, state and federal laws and treatises.

36 (F) Interpretation of governing documents, codes, and
37 regulations relating to the activities and affairs of common interest
38 developments.

39 (2) Fourteen hours of instruction in general management that
40 is related to the managerial and business skills needed for



1 management of a common interest development, including, but
2 not limited to, the following:

3 (A) Finance courses, including but not limited to budget
4 preparation, management and administration of association
5 financial affairs, bankruptcy laws, and assessment collection
6 activities.

7 (B) Contract negotiation and administration.

8 (C) Supervision of common interest development employees
9 and staff. This subject is only required if a certificate holder acts
10 as a supervisor of employees.

11 (D) Management of common interest development
12 maintenance programs.

13 (E) Management and administration of common interest
14 development rules, regulations, parliamentary procedures, and
15 architectural standards.

16 (F) Management and administration of common interest
17 development recreational programs and facilities.

18 (G) Management and administration of owner and resident
19 communications.

20 (H) Training and strategic planning for the governing body,
21 committees, and other activities of residents in a California
22 common interest development.

23 (I) Risk management as it pertains to common interest
24 development properties, activities and emergency preparedness.

25 (J) Implementation of common interest development policies
26 and procedures.

27 (K) Ethics for California common interest development
28 managers.

29 (L) Professional conduct and standards of practice for
30 California common interest development managers.

31 (M) Current issues relating to California common interest
32 developments.

33 11513. An applicant for registration as a common interest
34 development manager may petition the council to accept
35 certifications that the applicant has previously received as an
36 alternative to the educational requirements set forth in Section
37 11512. The council, at its discretion shall consider certifications
38 including, but not necessarily limited to, the certified community
39 association manager (CCAM) designation given to an individual
40 who has met the educational, experience and ethical qualifications



1 established by the California Association of Community
2 Managers, a statewide professional association, and the
3 professional community association manager (PCAM)
4 designation given to an individual who has met the educational,
5 experience, and ethical qualifications established by the
6 Community Associations Institute. Applicants petitioning the
7 council to accept an alternative certification shall satisfy all other
8 requirements set forth in Section 11512, and shall submit any
9 required application fee to the council.

10 11514. An applicant for registration as a common interest
11 development manager may petition the council to accept a
12 minimum of three years of continuous experience as a practicing
13 common interest development manager in this state as an
14 alternative to part of the educational requirements set forth in
15 paragraph (2) of subdivision (i) of Section 11512. Applicants
16 petitioning the council to accept experience as an alternative to
17 those requirements shall satisfy all other requirements set forth in
18 Section 11512 and shall submit any required application fee to the
19 council.

20 11515. All registrations issued by the council pursuant to this
21 part shall be valid for three years from the date of the applicant's
22 registration. At the end of the three-year period, the registration
23 shall expire, unless renewed as set forth in Section 11516.

24 11516. (a) An individual shall apply to the council for the
25 renewal of his or her registration no sooner than 90 days prior to
26 the expiration of the registration. Proof of compliance with the
27 continuing education requirements set forth in this section shall
28 accompany the application for renewal.

29 (b) A registration shall be renewed only if the registrant
30 submits proof of successful completion of 15 hours of continuing
31 education by an approved provider, including all of the following:

32 (1) A minimum of seven hours of instruction in California law
33 by an approved provider pertaining to common interest
34 developments, including but not limited to relevant legislation,
35 regulations, articles, reports, studies, court decisions and treatises.

36 (2) Eight hours of instruction in other courses and programs by
37 an approved provider to enable a registrant to achieve a high level
38 of competence in serving the objectives of consumers who may
39 engage the services of a registrant to manage their common



1 interest development, including organizational and management
2 techniques.

3 11517. (a) The council may issue a provisional registration to
4 an individual actively engaged in completing the requirements for
5 registration who has not yet achieved the education necessary for
6 registration, provided that the individual (1) complies with all of
7 the other application requirements set forth in Section 11512 and
8 (2) works under the supervision of a registrant until all other
9 requirements have been satisfied.

10 (b) An individual who has applied for provisional registration
11 may lawfully provide services to a common interest development
12 once an application has been filed with the council and the
13 applicant is working under the supervision of a registrant.

14 (c) The council shall require the provisional registrant to
15 register the name and registration number of the registrant holder
16 who will supervise his or her activities.

17 (d) A provisional registration shall automatically expire after
18 one year and shall not be renewed except that, on a showing of
19 good cause, the council may allow up to an additional 90 days after
20 the one-year period to satisfy the requirements for a registrant. An
21 individual may apply for registration prior to the expiration of his
22 or her provisional registration if he or she has satisfied all of the
23 requirements set forth in Section 11512.

24 (e) The council may waive the requirement set forth in
25 subdivision (b) if the council determines that a registrant is not
26 available to supervise a provisional registrant as required in
27 subdivision (b). If the council waives the requirement it may set
28 forth comparable requirements as deemed necessary for the
29 provisional registration holder to meet the necessary requirements
30 to become a registrant.

31 11518. Any individual who is registered as a common interest
32 development manager, or who has applied for a provisional
33 registration, and who is either compensated or being considered
34 for compensation by a common interest development, shall
35 provide the common interest development with the following
36 information:

37 (a) A copy of his or her registration or provisional registration
38 number or a statement of nonregistration.

39 (b) Proof that he or she has met the requirements for fidelity
40 insurance, as required by Section 11522.



1 (c) The location of his or her primary office.
2

3 CHAPTER 4. DENIAL, SUSPENSION OR REVOCATION OF
4 REGISTRATION
5

6 11519. Any of the following acts by an individual may be
7 considered grounds for the council to deny that individual
8 registration as a common interest development manager, or to
9 suspend or revoke a registration already issued to that individual:

10 (a) He or she has procured or attempted to procure a registration
11 by fraud, misrepresentation, or deceit, or by making material
12 misstatements of fact in an application for registration, or any
13 renewal thereof.

14 (b) He or she has entered a plea of nolo contendere to, been
15 found guilty of, or been convicted of, a felony or a crime of moral
16 turpitude, and the time for appeal has lapsed or the judgment of
17 conviction has been affirmed on appeal, irrespective of an order
18 granting probation following conviction, or a subsequent order
19 under Section 1203.4 of the Penal Code allowing the registrant to
20 withdraw his or her guilty plea and enter a plea of not guilty, or
21 dismissing the accusation or information.

22 (c) He or she has knowingly authorized, directed, connived in,
23 or aided in the publication, advertisement, distribution, or
24 circulation of any materially false statement or representation
25 concerning his or her business opportunity dealing with common
26 interest development management.

27 (d) He or she has willfully and falsely used the term “common
28 interest development manager” or any other name or insignia in
29 any community association organization of which he or she is not
30 a member.

31 (e) He or she has willfully disregarded or violated the
32 Davis-Stirling Common Interest Development Act, the
33 Corporations Code, or any rules or regulations pertinent to the
34 operation of a common interest development.

35 (f) He or she has acted or conducted himself or herself in a
36 manner that would have warranted the denial of his or her
37 application for registration, has had a registration or any type of
38 license that was issued by a state agency of this or any other state
39 or federal government denied, or has had a registration or license
40 of any type denied, revoked, or suspended for acts, that, if done by

1 a registrant, would be grounds for the revocation of the
2 registration, if the registrant was provided fair notice of the
3 charges and an opportunity for a hearing and other due process
4 protections contained in Administrative Procedure Act, Chapter
5 3.5 (commencing with Section 11340), Chapter 4 (commencing
6 with Section 11370), and Chapter 5 (commencing with Section
7 11500) of Part 1 of Division 3 of Title 2 of the Government Code,
8 and only upon the express finding of a violation of law by the
9 agency or entity.

10 (g) He or she has demonstrated negligence or incompetence in
11 performing any act for which he or she is required to have
12 registration.

13 (h) He or she as a registrant has willfully engaged in any other
14 conduct constituting fraud or dishonest dealing.

15 11520. The council shall establish a formal process to
16 investigate complaints against registrants and provisional
17 registrants. The council may investigate a complaint against a
18 registrant or a provisional registrant if a written complaint is filed
19 by another registrant, or the majority of a board of directors of a
20 common interest development via a formal resolution.

21 11521. The council may investigate any records of a common
22 interest development pertaining to the activities of a registrant if
23 the common interest development has lodged a complaint against
24 a registrant and the council determines that an investigation of that
25 complaint is warranted.

26 11522. A registrant shall not be found to have willfully
27 committed any of the acts set forth in Section 11518, or violated
28 any provisions of this part, if the registrant was following a
29 specific direction or order of the board of directors of the common
30 interest development which employed that registrant, and the
31 registrant has made a good faith effort to notify the board of
32 directors of the issue.

33 11523. (a) The superior court in and for the county in which
34 an individual acts as a common interest development manager in
35 violation of this part, may, upon petition by any person,
36 organization, or other entity issue an injunction or other
37 appropriate order restraining the conduct. The proceedings under
38 this paragraph shall be governed by Chapter 3 (commencing with
39 Section 525) of Title 7, of Part 2 of the Code of Civil Procedure.



1 (b) A person who violates a provision of this part is guilty of a
2 misdemeanor, which offense is punishable by a fine not exceeding
3 one thousand dollars (\$1,000), or by imprisonment in a county jail
4 for not more than one year, or by both.

5 (c) If a party is found liable in any action filed pursuant to this
6 section, the party shall be required to pay all attorney's fees and
7 court costs.

8
9 CHAPTER 5. FIDELITY INSURANCE OF REGISTRANTS

10
11 11524. (a) Each individual registered pursuant to this part
12 shall show evidence of fidelity insurance at all times while being
13 compensated as a manager of a common interest development in
14 an amount sufficient to protect the funds of the common interest
15 development.

16 (b) The fidelity insurance required by this section shall be for
17 the benefit of any person or persons damaged by any violation of
18 this part by fraud, dishonesty, or the disappearance of funds.

19 (c) The fidelity insurance required by this section may be
20 provided by the fidelity insurance policy of the common interest
21 development or by a fidelity insurance policy that covers the funds
22 of the common interest development obtained by a management
23 firm.

24 SEC. 3. No reimbursement is required by this act pursuant to
25 Section 6 of Article XIII B of the California Constitution because
26 the only costs that may be incurred by a local agency or school
27 district will be incurred because this act creates a new crime or
28 infraction, eliminates a crime or infraction, or changes the penalty
29 for a crime or infraction, within the meaning of Section 17556 of
30 the Government Code, or changes the definition of a crime within
31 the meaning of Section 6 of Article XIII B of the California
32 Constitution.

