

- (7) Failure to maintain financials records pursuant to the management agreement and the Declarations.
- (8) Submitted inaccurate DRE forms (failing to notify of changes).
- (9) Securing unauthorized association expenditures contrary to the Declarations (i.e. car lease, maintenance, fees).
- (10) Payments to third-party service providers without appropriate contracts (maid and maintenance service).
- (11) Charging the association with personal costs (insurance and property tax for adjoining property).
- (12) Assumption of association foreclosed interests.
- (13) Revising DRE-reviewed documents and agreements, such as management contracts, without notice and subsequent review by the DRE.
- (14) Expenditure of association reserve funds for non-reserve items. While typically permitted under the legal documents, a special note should be considered.
- (15) Expenditure of association funds to enhance the sponsor's interests (maid's unit, golf membership and camping club).
- (16) Inadequate records of association meetings and voting irregularities (proxy person not in attendance).
- (17) Failure to establish association operating and reserve accounts.
- (18) Failure to secure fidelity insurance or bonds in compliance with Section 11267(a)(9)
- (19) Failure to secure errors and omissions insurance coverage for the managing entity
- (20) Commingled association funds with personal funds.
- (21) Failure to establish contractual obligations with third-parties pursuant to the Declarations and the Regulations (car lease, soda machine, washer and dryer).
- (22) Receipt of management fees in excess of contractual limitations.
- (23) Charging the association for services that were not provided (accounting, audits).

Vacant Unit Budgets

By analogy to the "vacant lot" budgets permitted under Regulation 2792.16(c) for other types of common interest subdivisions, as a matter of policy, it is permissible for the time-share Restrictions to exempt the developer of a time-share project from the payment of that portion of any assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of units which are part of the project (units subject to the time-share Restrictions) but not built, or if built, not renovated or otherwise subject to occupancy.