

**1.**  
**PRO FORMA OPERATING BUDGET**  
For Fiscal Year July 1, 2017 – June 30, 2018

1. Cash on Hand: \$22,653.03      Emergency Legal Fund: \$36,092.56
2. Budgeted Dues, interest and other income during fiscal year July 1, 2016 – June 30, 2017: \$21,600.00
3. Budgeted expenses during fiscal year July 1, 2016 – June 30, 2017: \$21,600.00

**2.**  
**MISCELLANEOUS INFORMATION**

- a. The name and address of the person designated to receive official communications to the Association is: John Kegebein, Vice- President.
- b. A homeowner has the right to have notices from the Bay Village Homeowners Association sent to up to two different specified addresses. In order to do so, you will need to provide the Homeowners Association your name(s), address of the home in Bay Village, the two addresses where you want notices sent. Send that information to P.O. Box 986, Watsonville, CA 95077.
- c. If the Association has a “general” notice that applies to all homes in Bay Village, a homeowner can request that the message be sent to the homeowner by first class mail or email. If the homeowner has requested that notices be sent to a second address, the Association shall send the notice to the second address by first class mail. The homeowner shall make the request for delivery of “general” notices by first class mail or email in writing and send the request to P.O. Box 986, Watsonville, CA 95077.
- d. The minutes, minutes proposed for adoption that are marked to indicated draft status, or a summary of the minutes, of any board meeting, other than an executive session, shall be available to members with 30 days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any member upon request and upon reimbursement of the association’s costs for making that distribution.
- e. The Association’s mailing address for overnight payment of assessments is: PO Box 986, Watsonville, CA 95077

**3.**  
**ANNUAL ASSESSMENT INFORMATION**

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3. ASSOCIATION POLICIES AND PROCEDURES FOR COLLECTION OF DELINQUENT ASSESSMENTS

1. ASSESSMENT DISCLOSURE SUMMARY

EACH JULY, THE ASSOCIATION BOARD OF DIRECTORS DETERMINES WHETHER TO ASSESS THE HOMEOWNERS IN ORDER TO PAY FOR BUDGETED ADMINISTRATIVE EXPENSES SUCH AS POSTAGE, COPYING CHARGES, POST OFFICE BOX RENTAL, AND LEGAL FEES. IF AN ASSESSMENT IS DETERMINED NECESSARY, THE AMOUNT OF THE ASSESSMENT IS \$36.00 PER HOUSEHOLD FOR THE FISCAL YEAR ENDING JUNE 30. THE ASSESSMENT IS DUE THIRTY DAYS FROM THE DATE OF THE NOTICE OF THE ASSESSMENT. **WHEN AN OWNER MAKES A PAYMENT, THE OWNER MAY REQUEST A RECEIPT AND THE ASSOCIATION SHALL PROVIDE IT. THE RECEIPT SHALL INDICATE THE DATE OF PAYMENT AND THE PERSON WHO RECEIVED IT. THE ASSOCIATION SHALL PROVIDE A MAILING ADDRESS FOR OVERNIGHT PAYMENT OF ASSESSMENTS.**

2. STATUTORY NOTICE CONCERNING ASSESSMENTS

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

## ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or non-judicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months' delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or non-judicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code inclusive)

In a judicial or non-judicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use non-judicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and provide an owner certain documents in this regard. (Section 5685 of the Civil Code)  
The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

## PAYMENTS

When an owner makes a payment, he or she may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

## MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist. (Section 5665 of the Civil Code)  
THE BOARD OF DIRECTORS MUST MEET WITH AN OWNER WHO MAKES A PROPER WRITTEN REQUEST FOR A MEETING TO DISCUSS A PAYMENT PLAN WHEN THE OWNER HAS RECEIVED A NOTICE OF A DELINQUENT ASSESSMENT. THESE PAYMENT PLANS MUST CONFORM TO THE PAYMENT PLAN STANDARDS OF THE ASSOCIATION, IF THEY EXIST. (SECTION 5665 OF THE CIVIL CODE)"

### 3. ASSOCIATION POLICIES AND PROCEDURES FOR COLLECTION OF DELINQUENT ASSESSMENTS

The Associations policies and procedures for collection of delinquent assessments is the following:

**a. When Payment Delinquent:** The California Civil Code provides that assessments are delinquent 15 days after they become due. However, it is the policy of Bay Village Homeowner's Association that Assessments become delinquent 30 days after they become due.

**b. What Association Can Recover When Payment Delinquent:** If an assessment is delinquent, the California Civil Code provides that the association may recover all of the following:

(1) Reasonable costs incurred in collecting the delinquent assessment, including reasonable attorney's fees.

(2) A late charge not exceeding 10 percent of the delinquent assessment or ten dollars (\$10), whichever is **greater**. However, it is the policy of Bay Village Homeowner's Association to charge a late fee of \$3.00 only.

(c) interest on all sums imposed above, including the delinquent assessments, reasonable fees and costs of collection, and reasonable attorney's fees, at an annual interest rate not to exceed 12 percent, commencing 30 days after the assessment becomes due, unless the declaration specifies the recovery of interest at a rate of a lesser amount, in which case the lesser rate of interest shall apply. However, it is the policy of Bay Village Homeowner's Association to charge interest at a rate of 10 percent.

**c. Application of Delinquent Payment:** Any payments made by the owner shall first be applied to the assessments owed, and, only after the assessments owed are paid in full shall the payments be applied to the fees and costs of collection, attorney's fees, late charges, or interest.

**d. Various Procedures for Collecting Delinquent Assessments in General:** Regular and special assessments, together with late charges, reasonable fees and costs of collection, reasonable attorney fees, if any, and interest, if any determined in accordance with Civil Code Section 5650(b), are a debt of the owner of the separate interest at the time that the assessment or other sums are levied (Civil Code Section 5650(a)). Once delinquent, the assessment and other permitted costs of collection can be collected by the Association by any one of the following methods:

1. File a Court action against the owner for the amount owed as of the date of filing the complaint (typically a small claims court proceeding).
2. Record a Notice of Assessment Lien against the owner's Property in Bay Village with the County of Santa Cruz (which recording is subject to procedural requirements stated below), and then file a Court Action against the owner.
3. Record a Notice of Assessment Lien against the owner's Property in Bay Village with the County of Santa Cruz (which recording is subject to procedural requirements stated below), and then seek recovery of the delinquent assessment and costs from the sale of the owner's property in Bay Village in foreclosure. (Foreclosure is subject to the limitations stated below.)

**e. Procedure for Collecting Delinquent Assessment – Small Claims Action:** When the association seeks to collect delinquent regular or special assessments of an amount less than one thousand eight hundred dollars (\$1,800), not including any accelerated assessments, late charges, fees and costs of collection, attorney's fees, or interest, the association has the option of collecting the debt by filing a civil action in small claims court, pursuant to Chapter 5.5 (commencing with Section 116.110) of Title 1 of Part 1 of the Code of Civil Procedure. An association that chooses to proceed by an action in small claims court, and prevails, may enforce the judgment as permitted under Article 8 (commencing with Section 116.810) of Title 1 of Part 1 of the Code of Civil Procedure. The amount that may be recovered in small claims court to collect upon a debt for delinquent assessments may not exceed the jurisdictional limits of the small claims court and shall be the sum of the following:

1. The amount owed as of the date of filing the complaint in the small claims court proceeding.
2. In the discretion of the court, an additional amount to that described in subparagraph 1. above equal to the amount owed for the period from the date the complaint is filed until satisfaction of the judgment, which total amount may include accruing unpaid assessments and any reasonable late charges, fees and costs of collection, attorney's fees, and interest, up to the jurisdictional limits of the small claims court.

**f. Procedure for Collecting Delinquent Assessment – Pre-Lien Notice Prior to Recording Lien:** At least 30 days prior to recording a lien upon the separate interest of the owner of record to collect the assessment that is past due, the Association will notify the homeowner of record in writing by certified mail of the following:

- (1) A general description of the collection and lien enforcement procedures of the association and the method of calculation of the amount, a statement that the homeowner has the right to inspect the association records, pursuant to Section 5205 of the Civil Code, and the following statement in 14-point boldface type, if printed, or in capital letters, if typed: "IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION."
- (2) An itemized statement of the charges owed by the homeowner, including items on the statement which indicate the amount of any delinquent assessments, the fees and reasonable costs of collection, reasonable attorney's fees, and late charges, and interest, if any.
- (3) A statement that the owner shall not be liable to pay the charges, interest, and costs of collection, if it is determined the assessment was paid on time to the association.
- (4) The right to request a meeting with the board as provided by Civil Code Section 5665 to discuss a payment plan provided the request is mailed within 15 days of the postmark of the Notice to Homeowner.
- (5) The right to dispute the assessment debt by submitting a written request for dispute resolution to the association pursuant to the association's "meet and confer" program provided the request is mailed within 15 days of the postmark of the Notice to Homeowner
- (6) The right to request alternative dispute resolution with a neutral third party pursuant to Article 3 (commencing with Section 5925) of Chapter 10 of Civil Code before the association may initiate foreclosure against the owner's separate interest, except that binding arbitration shall not be available if the association intends to initiate a judicial foreclosure. The request must be mailed within 30 days of the postmark of the Notice to Homeowner.

**g. Owner's Options Upon Receiving Pre-Lien Notice:** Upon receiving the Pre-Lien Notice, which notice is described in paragraph f above, the owner has three courses of action:

(1) First, the noticed owner may submit a written request to meet with the Board to discuss a payment plan for the debt noticed in the Pre-Lien Notice. The association shall provide the owner with the standards for payment plans, if any exist. If the request is mailed within 15 days of the date of the postmark of the Pre-Lien notice, the board shall meet with the owner in executive session within 45 days after the postmark of the request, unless there is no regularly scheduled board meeting within that period, in which case the board may designate a committee of one or more members to meet with the owner. Payment plans may incorporate any assessments that accrue during the payment plan period. Payment plans shall not impede an association's ability to record a lien on the owner's property in Bay Village to secure payment of delinquent assessments. Additional late fees shall not accrue during the payment plan period if the owner is in compliance with the payment plan. In the event of a default on any payment plan, the association may resume its efforts to collect the delinquent assessments from the time before entering into the payment plan.

(2) Second, the noticed owner may dispute the assessment debt by mailing a written request to the Day Village Violations Committee at the Association's address, no later than 15 days from the date of the Pre-Lien Notice, providing three dates and times between 9:00 a.m. and 7:00 p.m. that the noticed owner would be available to meet with the Violations Committee. In the written request, the noticed owner should also indicate if the noticed owner would like a neutral third party from one of the local low-cost mediation programs to mediate at the meeting with the Violations Committee.

(3) Third, the noticed owner may exercise his or her right to participate in alternative dispute resolution with a neutral third party pursuant to Article 3 commencing with Civil Code Section 5925, by mailing a written request no later than 30 days from the postmark of the Pre-Lien Notice.

At the conclusion of one of the above chosen options, or on the noticed owner's failure or rejection of the association's offer to participate in a non-adversarial dispute resolution process (any of the options above), the association is authorized to record a lien against the owner's separate interest.

**h. Dispute by Owner of Charges – Payment Under Protest:** If the owner disputes any charge or sum levied by the Association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, and the amount in dispute does not exceed the jurisdictional limits of the small claims court stated in Sections 116.220 and 116.221 of the Code of Civil Procedure, the owner may in addition to pursuing dispute resolution specified in Article 3 (commencing with Section 5925) of Chapter 10, pay under protest the disputed amount and all other amounts levied, and commence an action in small claims court – subject to the monetary limits of that court.

**i. Procedure for Collecting Delinquent Assessment – Recording Notice of Delinquent Assessment (Lien):** For liens recorded on or after January 1, 2006, the decision to record a lien for delinquent assessments shall be made only by the board of directors of the association and may not be delegated to an agent of the association. The board shall approve the decision by a majority vote of the board members in an open meeting. The board shall record the vote in the minutes of that meeting.

After at least thirty days after giving the **Notice to Homeowner Prior to Recording Lien** (paragraph f above), the Association shall be entitled to record with the Santa Cruz County Recorder's Office a notice of delinquent assessment for the amount of the assessment, plus any costs of collection, late charges, and interest assessed in accordance with Civil Code Section 5650 (see above), which shall constitute a lien on the homeowner's property. The notice of delinquent assessment shall include:

1. The amount of assessment and the other sums that have been charged in accordance with Civil Code Section 5650(b);
2. A legal description of the owner's interest in the common interest development against which the assessment and other sums are levied;
3. The name of the record owner of the owner's interest in the common interest development against which the lien is imposed;
4. An itemized statement of the charges owed by the homeowner, including items on the statement which indicate the amount of any delinquent assessments, the fees and reasonable costs of collection, reasonable attorney's fees, and late charges, and interest, if any;
5. In order for the lien to be enforced by nonjudicial foreclosure as provided in Sections 5700 to 5710, inclusive, the notice of delinquent assessment shall state the name and address of the trustee authorized by the association to enforce the lien by sale
6. The notice of delinquent assessment shall be signed by two (2) members of the Architectural Committee.

A copy of the recorded notice of delinquent assessment shall be mailed by certified mail to every person whose name is shown as an owner of the separate interest in the association's records, and the notice shall be mailed no later than 10 calendar days after recordation.

**j. Procedure for Collecting Delinquent Assessment – Foreclosure of Recorded Lien:**

The failure to pay association assessments may result in the loss of an owner's property **through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure or** without court action, often referred to as nonjudicial foreclosure.

Subject to the limitations of Civil Code Section 5720, after the expiration of 30 days following the recording of the notice of delinquent assessment, the lien created thereby may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the notice of delinquent assessment, or sale by a trustee substituted pursuant to Code of Civil Procedure Section 2934a.

Both judicial and non-judicial foreclosures are subject to the following conditions:

1. Prior to initiating either a judicial or non-judicial foreclosure for delinquent assessments, an Association shall offer the owner and, if so requested by the owner, shall participate in dispute resolution pursuant to the Association's "meet and confer" program per Article 2 (commencing with Section 5900) of Chapter 10 of the Civil Code or alternative dispute resolution as set forth in Article 3 (commencing with Section 5925) of Chapter 10. The decision to pursue dispute resolution or a particular type of alternative dispute resolution shall be the choice of the owner, except that binding arbitration shall not be available if the Association intends to initiate a judicial foreclosure.

2. The decision to initiate foreclosure of a lien for delinquent assessments that has been validly recorded shall be made only by the board of directors of the association and may not be delegated to an agent of the association. The board shall approve the decision by a majority vote of the board members in an executive session. The board shall record the vote in the minutes of the next meeting of the board open to all members. The board shall maintain the confidentiality of the owner or owners of the separate interest by identifying the matter in the minutes by the parcel number of the property, rather than the name of the owner or owners. A board vote to approve foreclosure of a lien shall take place at least 30 days prior to any public sale.

3. The board shall provide notice by personal service in accordance with the manner of service of summons in Article 3(commencing with Section 415.10) of Chapter 4 of Title 5 of Part 2 of the Code of Civil Procedure to an owner of a separate interest who occupies the separate interest or to the owner's legal representative, if the board votes to foreclose upon the separate interest. The board shall provide written notice to an owner of a separate interest who does not occupy the separate interest by first-class mail, postage prepaid, and at the most current address shown on the books of the association. In the absence of written notification by the owner to the association, the address of the owner's separate interest may be treated as the owner's mailing address.

4. A nonjudicial foreclosure by an association to collect upon a debt for delinquent assessments shall be subject to a right of redemption. The redemption period within which the separate interest may be redeemed from a foreclosure sale under this paragraph ends 90 days after the sale. In addition to the requirements of Section 2924f, a notice of sale in connection with an association's foreclosure of a separate interest in a common interest development shall include a statement that the property is being sold subject to the right of redemption created in this section.

**k. Limitation on Use of Judicial or Nonjudicial Foreclosure:** An association shall not be entitled to enforce a lien through judicial or nonjudicial foreclosure if the amount of the delinquent assessment or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection is less than one thousand eight hundred dollars (\$1,800). However, for delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months' delinquent, the Association may use judicial or nonjudicial foreclosure subject to conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of the Civil Code.

**l. Procedure for Foreclosure Sale by Trustee:** Per Civil Code Section 5710, any sale by the trustee shall be conducted in accordance with Sections 2924, 2924b, and 2924c applicable to the exercise of powers of sale in mortgages and deeds of trust.

**In addition to the requirements of Section 2924, the association shall serve a notice of default on the person named as the owner of the separate interest in the association's records or, if that person has designated a legal representative pursuant to Civil Code Section 5710(b), on that legal representative. Service shall be in accordance with the manner of service of summons specified in Code of Civil Procedure Section 415.10. An owner may designate a legal representative in a writing that is mailed to the association in a manner that indicates that the association has received it.**

The fees of a trustee may not exceed the amounts prescribed in Sections 2924c and 2924d, plus the cost of service of either of the following:

1. The notice of default pursuant to Civil Code Section 5710(b).
2. The decision of the board to foreclose upon the separate interest of an owner as described in Civil Code Section 5705(d).

**m. Rescission of Lien When Payment Received:** Within 21 days of the payment of the sums specified in the notice of delinquent assessment, the association shall record or cause to be recorded in the office of the county recorder in which the notice of delinquent assessment is recorded a lien release or notice of rescission and provide the owner of the separate interest a copy of the lien release or notice that the delinquent assessment has been satisfied.

**n. Lien Recorded in Error – Releasing Lien.** If it is determined that the association's lien previously recorded against an owner's property was recorded in error, the party who recorded the lien must, within 21 calendar days: (1) record or cause to be recorded in the office of the County Recorder a lien release or notice of rescission and (2) provide the owner of the separate interest with a declaration that the lien filing and recording was in error and a copy of the lien release or notice of rescission.

**o. Lien Recorded in Error – Financial Adjustment.** If it is determined that an association has recorded a lien for a delinquent assessment in error, the association shall promptly reverse all late charges, fees, interest, attorney fees, costs of collection, costs imposed for the notice prescribed in Civil Code Section 5660 and costs of recordation and release of lien authorized under Civil Code Section 5720(b) and pay all costs related to the dispute resolution or alternate dispute resolution.

#### 4.

#### **ARCHITECTURAL CHANGE APPROVAL PROCEDURE**

The Declaration of Restrictions states that the following architectural changes are subject to approval by the Bay Village Homeowners Association Architectural Committee:

1. Plans, specifications, color schemes, and location for the construction or erection of any building, or other structure
2. Change to the exterior design of any structure
3. Painting of any exterior structure
4. Installation of signs, with the exception of signs of customary and reasonable dimensions advertising the property for sale,
5. Installation of Video or Television Antenna or Satellite Dish

Before making any of the above architectural changes, homeowners are required to contact the Architectural Committee and provide documentation the Committee requests concerning the proposed architectural change.

If the Architectural Committee gives conditional approval of the proposed architectural change or does not approve the architectural change, you may submit a written request that two members Homeowner's Association Board meet with you to discuss the matter at a mutually convenient time and place to explain your positions to each other, and confer in good faith in an effort to resolve the dispute. You may also request that a neutral third party be involved through a local dispute resolution program. If resolved at that point, the resolution shall be memorialized in writing. If not resolved, you must send a Request for Resolution to the Homeowner's Association Board as specified by Civil Code Sections 5925 et. seq. before filing a legal action against the Homeowner's Association Board.

If you fail to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code, you may lose your right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law.

Note, neither the Architectural Committee nor the Homeowner's Association Board may approve an architectural change that violates any governing provision of law, including but not limited to the Building Code or other applicable law governing land use or public safety.

#### 5.

#### **SUMMARY OF THE INTERNAL AND ALTERNATIVE DISPUTE RESOLUTION PROVISIONS**

Homeowners in Bay Village are entitled to submit a complaint to the Bay Village Homeowner's Association Board (specifically the Architectural Committee) if another homeowner is violating the Association's governing documents (Declaration of Restrictions recorded in Book 2342 beginning at page 248 of the official Records of the Santa Cruz County Recorder's Office ("Declaration of Restrictions") and Incorporation of Covenants, Conditions and Restrictions and Amendment to Declaration of Restrictions recorded in Book 3979 beginning at page 478 of the official Records of

the Santa Cruz County Recorder's Office (CC&R's). The three types of violations that can be reported to Bay Village Homeowner's Association Board are suspected age violations, architectural violations, and unauthorized use of home. All complaints must be in writing on the complaint form available from the Bay Village Homeowner's Association.

Bay Village is a Senior Community. Per the CC&R's only individuals that meet the criteria specified in California Civil Code Section 51.3 may reside in a home in Bay Village. In general, it is a violation of Federal and California law to discriminate in housing based on age. The exception under Federal and California law are communities that qualify as Senior Communities. Under Federal and California law, to be allowed to continue its status as a Senior Community, each resident in every home in Bay Village, with certain specific and limited exceptions, must be at least 55 years of age. The ability of Senior Communities to discriminate in residency based on age is allowed, because the Federal and California governments have recognized the unique needs of its Senior Citizens. In order to continue to discriminate based on age, both Federal and California law require that Homeowner Associations in Senior Communities verify the age of occupants and take enforcement action if occupants do not meet the age criteria specified by Federal and California for Senior Communities. In short, that Senior Communities are allowed to discriminate based on age is a privilege, which is subject to certain restrictions that both the Federal and State governments monitor closely.

Bay Village requires that certain architectural changes must be approved by the Architectural Committee before being made. (See Architectural Change Approval Procedure.) Certain changes are prohibited including, a structure more than one story in height; and a visible radio or television antenna or similar projection.

Bay Village prohibits certain uses including: no tents, shacks, trailers, garages or other outbuilding being used as a residence; no wells; no farm animals; no commercial businesses being conducted from a home.

When the Bay Village Homeowners Association Board receives a complaint they may contact the homeowner informally. If warranted, the Bay Village Homeowners Association Board will request that the Attorney for the Association send a letter notifying the homeowner that a complaint has been received. If it is an age violation complaint, the homeowner will be sent Form to be Completed by Each Occupant (Permanent or Temporary) ("Form") and asked to have each occupant complete a copy of that Form. When it is an architectural or use violation, the letter will notify the homeowner of the nature of the complaint and ask the homeowner to cure the violation within 30 days.

When it is an age complaint, the Bay Village Homeowners Association Board will request that the Association Attorney send a Notice of Violation, when the homeowner does not return a Form completed by each occupant (Permanent or Temporary) or when the information in a returned Form indicates that one or more individuals is occupying the residence in violation the CC&R's. When it is an architectural or use complaint, and the homeowner has not cured the violation, the Bay Village Homeowners Association Board will request that the Association's Attorney send a Notice of Violation. This Notice of Violation will invite the homeowner to contact the Bay Village Homeowners Association Board and request a meeting with two members of the Violations Committee. That request must be made within 15 days of the Notice of Violation. The homeowner can request that a neutral third party be involved, through a local dispute resolution program

If the homeowner: 1) does not respond to the Notice of Violation and does not cure the violation, 2) meets with two members of the Violations Committee but no resolution is reached, or 3) meets with two members and reaches a resolution, but does not perform as agreed in the resolution, the Bay Village Homeowners Association Board will request that the Association Attorney send a Request for Resolution pursuant to California Civil Code Section 5925 *et. seq.* The Request for Resolution is for either mediation or arbitration. The homeowner must respond within 30 days of receipt by contacting the Bay Village Homeowners Association at P.O. Box 986, Watsonville, CA 95077-0986 or the Request will be deemed rejected. Please note the following if the homeowner rejects the Request:

"Failure of a member of the association [homeowner] to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of the member's right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

If the homeowner: 1) rejects the Request for Resolution and does not cure the violation within 30 days of the receipt of the Request; 2) the homeowner participates in mediation or arbitration, but know resolution is reached; or 3) the homeowner participates in mediation or arbitration and a resolution is reached, but the homeowner does not perform as agreed in the resolution, the Bay Village Homeowners Association Board may vote to file a complaint against the homeowner with the Santa Cruz County Superior Court.

## 6.

### INSURANCE SUMMARY

Bay Village Homeowners Association is required to maintain two kinds of insurance: a bond on the Treasurer and liability insurance for each Board of Director.

A. Treasurer Bond - \$50,000 coverage per year with premium cost of \$281.00 for the year 2017-2018

B. Directors Liability - \$1,000,000 coverage including a cost per claim with a premium cost of \$3,061.00 for the year