

Stoney Point Harbor Homeowners' Association, Inc.
P.O. Box 361
Southmont, NC 27351

TO: SPH Property Owners

March 31, 2007

FR: SPH HOA Board

RE: System to Enforce Violation of Governing Documents

Your Board and Architectural Review Committee have been operating on a good neighbor principle. The assumption is that everyone purchased their property knowing that it is a gated, covenant protected development. Also assumed is a desire to be a good neighbor and comply with the covenants. This will continue to be our first and most robust approach to violations of our mutual Governing Documents. Sometimes individuals sign documents without reading or considering their meaning. Misunderstanding can usually be handled without rancor. Such may not be true in every case in the future.

In keeping with the North Carolina Planned Community Act and the Covenants, Conditions, Restrictions, Bylaws, Articles of Incorporation, Rules, Regulations and Policies associated with same (the Associations' "Governing Documents"), the Board has adopted methods and procedures designed to protect your property values and reduce operating costs by preventing costly lawsuits against a few who may choose to ignore or violate the Governing Documents.

To that end, the Board of Directors under the authority of the North Carolina Planned Community Act as well as our Declaration of Restrictive Covenants has adopted procedures and a fine system as follows:

A. Notification of Violation

A letter describing the violation and citing the appropriate Governing Document language will be sent certified mail, overnight delivery, and regular mail to the owner. The letter will explain that the owner has ten (10) days to correct the violation or to contact the Association, to arrange an extension.

If the violation is not remedied within the ten (10) days, a second letter will be sent certified or overnight delivery, and first class mail, giving notice of the date, time, and location of a scheduled hearing for the matter.

B. Board Hearing

The Board of Directors will conduct a hearing to determine if the owner is in compliance with the Governing Documents, and to hear any aggravating or mitigating factors. The owner will have full opportunity to explain why they are not in violation of the Governing Documents and/or an opportunity to request a waiver.

Upon gathering all necessary information, the Board will deliberate outside the presence of the owner and render a decision. Written notification of the decision will be sent to the owner within five (5) business days of the hearing.

C. Fines

Any fine assessed by the Board will begin to accrue ten (10) business days after the hearing is held. The standard fine amounts follow:

1. \$25.00 per day for the first thirty (30) days; and
2. After the initial thirty (30) days period set forth immediately above, the fine will be increased to \$100 per day.

Once the fine amounts reach \$500, the Board will seek legal counsel to carry forward any allowable foreclosure action under the law. The fines are not intended to accrue funds to the HOA but rather to cover legal expenses for such action. All legal fees and court costs as provided by state law will accrue to owners found in violation of the Governing Documents.