

**WINCREST HOMEOWNERS ASSOCIATION, INC.
VIOLATION POLICY**

This document outlines the Violation Policy for the above-named property owners association (the "Association"). This policy has been written to conform to the laws of the State of North Carolina. Any part having any right, title of interest in the subdivision of Wincrest (hereafter "lot owner") is required by the laws of the State of North Carolina to abide by the Covenants, Conditions and Restrictions (the "CC&Rs") and all rules and regulations adopted by the Association's Board of Directors. This policy will be used for the enforcement of the Association's CC&Rs, and all other rules and regulations adopted by the Board of Directors for the purpose of protecting the integrity, value and desirability of the lots and common area in the subdivision. This Violation Policy will become effective on January 1, 2006.

If at any time any lot owner is alleged to be in violation of the CC&Rs and/or any Board approved rules and regulations for the Association, the following procedures will go into effect:

STEP 1 – The lot owner alleged to be in violation will be mailed a written notice of the violation along with a specified and reasonable period of time to cure the violation. If the lot owner is unable or unwilling to voluntarily cure the violation within the specified time period, he/she is required to respond in writing within the specified time period to the Board of Directors to either work out a resolution or request a hearing. If the Board of Directors has not received a response from the homeowner, or has not been able to come to a resolution within the specified period of time, Step 2 will go into effect.

STEP 2 – The Board of Directors may appoint an adjudicatory panel which will set a hearing date. If the Board of Directors declines to appoint an adjudicatory panel, then the Board of Directors will serve as the adjudicatory panel. The lot owner charged with a violation shall be given written notice of the charge and the hearing date and time with said notice being mailed at least 10 days prior to the hearing date. At the scheduled hearing, the lot owner will be given the opportunity to be heard and present evidence. The adjudicatory panel will then determine if the lot owner is in violation of the CC&Rs and/or any Board approved rules and regulations. If it is found that the lot owner is in violation, then the adjudicatory panel will determine if the lot owner should be fined and/or if planned community privileges or services should be suspended pursuant to the powers granted to the Association in G.S. §47F-3-102 (11) and (12). Written notice of the final decision of the adjudicatory panel will be mailed to the lot owner. If it is decided that a fine should be imposed, a reasonable one-time fine of up to \$100.00 may be imposed for the violation. Additionally, a fine of up to \$100.00 per day may be imposed; provided, such daily fine shall be effective no less than five (5) days after the date the notice of the adjudicatory panel's decision is mailed to the lot owner. If it is decided that a suspension from planned community privileges or services should be imposed, it may take place without further hearing until the violation or delinquency is cured. All fines levied shall be assessments secured by liens under G.S. §47F-3-116.

STEP 3 – If the lot owner is still in violation after Steps 1 and 2 and no resolution has been made between the lot owner and the Board of Directors, the matter will be referred to an attorney to resolve or begin lien and foreclosure proceedings and possible further legal action. While Step 3 takes place, the lot owner will continue to be charged the daily fines imposed in STEP 2. Once the matter has been turned over to the attorney, the lot owner in violation will be responsible for all reasonable attorneys' fees as is allowed in G.S. §47F-3-116 and the Association's CC&Rs, in addition to all previous assessments, interest, costs or fines incurred. The attorney employed by the Association to file a lien under this Policy or to foreclose a lien shall give the lot owner notice of not less than fifteen (15) days before taking any such action, which notice shall state that the lot owner is being given a "grace period" to pay the debt and that if the debt is paid within the "grace period," the lot owner can avoid the payment of attorneys' fees. As required by applicable law, this notice shall also (i) advise the lot owner that the Association intends to seek recovery of its attorneys' fees if the debt is not paid within fifteen (15) days; (ii) advise the lot owner that the lot owner has the opportunity to contact a representative of the Association to discuss a payment schedule; and (iii) provide a name and telephone number of an Association representative.

STEP 4 – In the event the Board of Directors appoints an adjudicatory panel to hear and consider a lot owner's alleged violation(s), then the decision of the adjudicatory panel may be appealed to the Board of Directors by the lot owner giving ten (10) days written notice of the lot owner's appeal to any officer or director of the Association or to the Association's manager or a co-manager. In the event of an appeal, the Board of Directors shall then serve as the adjudicatory panel for the purpose of conducting a hearing to consider the lot owner's position with respect to the alleged violation, and the procedures set forth in **STEP 2** shall be followed by the Board of Directors with respect to the matter, including the imposition of fines as authorized hereunder.

Wincrest Homeowners' Association

June 21, 2006

To all Wincrest homeowners,

Please find attached the policy that has been adopted by the Board of Directors.

The policy deals with Violations to the Covenants and conforms to the laws of the State of North Carolina.

This policy will be used to enforce the rules and regulations in the covenants for the purpose of protecting the integrity, value and desirability of the lots and common areas in the Wincrest subdivision.

This policy is effective immediately.

Thank You.

Board of Directors.

Wincrest Home Owners Association Inc.