

Salt Pond Violation Mitigation Process Effective January 2009

Pursuant to the SPHA Declaration of Covenants, Conditions and Restrictions (the Covenants), its By-Laws and the SPHA Architectural Standards and any amendments thereto:

RESOLVED, that the following Salt Pond Homeowner's Association policy and procedure for fines and mitigation thereof is hereby adopted, effective January 1, 2009:

The Purpose

The purpose of this procedure is to establish the level of fines, interest and penalties to be imposed by the SPHA for property, unit, and lot owners who are:

1. Delinquent in the payment of any SPHA assessments and fees;
2. Negligent in responding to citations which request the correction of violations dealing with owners units or lots and/or improvements on those units or lots; or
3. In violation of rules and regulations in use of Recreational Facilities and Common Areas of the Salt Pond.

Fine, Interest and Penalty Sequence

Other than in connection with obligations with payment of assessments, which are addressed below, any fines, interest and penalties applied by the SPHA Board of Directors (SPBOD), in the SPBOD's sole discretion, shall be imposed, in all cases, only after delivery of a written notice of the alleged violation and the alleged violator's right to a hearing, as provided in Section X of the Covenants. The sanction(s) to be imposed will be based on the specific type and duration of the violation, generally in the following manner:

- Written notice describing the alleged violation sent by Certified Mail, which includes:
 1. A description of the sanction to be imposed;
 2. The disclosure of the right of the alleged violator to a hearing if the request is made to the SPBOD in writing within ten (10) days of receipt of the notice letter;
 3. Confirmation that there will be an imposition of the sanction automatically if no hearing is requested and the violation has not been cured within the ten (10) day period.

The sanction that can be imposed under the Covenants may include any of the following penalties or combination of penalties:

1. Fines, interest, and/or assessments;
2. Suspension of the right to use Recreational Facilities, Common Area and trash facilities;
3. Suspension of voting rights;
4. Notification of potential legal actions; and
5. Application of fees and costs related to any legal actions.

SPBOD Responsibilities

The SPBOD shall be responsible, in its sole discretion, for implementing and managing this procedure as follows:

1. Revising these procedures as may be required from time to time;
2. Review and approval of selected actions taken against alleged violators;
3. Drafting and approval of violation notification letters;
4. Conducting any requested hearing as provided in Article X of the Covenants; and

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5. Approval of late fee and other penalty assessment waivers or relief in circumstances determined appropriate by the SPBOD;
6. Reservation of the right, either directly or by its appointed agent, may increase or decrease the notification period to meet the needs of a specific situation; and
7. Reservation of the right, either directly or by its appointed agent, to enter a property for the sole purpose to rectify an alleged violation, as provided in Article VIII, Section 5 of the Covenants.

Violation Categories and Penalties

ANNUAL OR SPECIAL ASSESSMENTS

Late payment of annual and special assessments. The annual assessments are normally billed in November/December of each year for the following year and are due on or before January 31. Starting in 2009, the SPHA has approved dividing the annual assessment into two payments a year. One-half is due on or before January 31 and the other one-half by July 31. If these payments are not received on or before January 31 and July 31, respectively, the owner is in default and the following procedure will be followed:

Written notice of sanctions to be imposed within ten (10) days will be sent informing the violator that a late fee penalty of 5 percent of the assessment will be imposed. Such a late fee penalty shall be deemed to be an additional assessment applicable to all delinquent property, unit, or lot owners and will be abated if the assessment is paid in full within the ten (10) days. If, after thirty (30) days, the assessment and late fee is not paid, a second notice letter will be delivered, informing the owner that:

1. The right to use SPHA Recreational Facilities and Common Areas is suspended immediately for sixty (60) days;
2. Interest on the total past due amount shall be applied at the then current maximum legal rate of interest under Delaware law (currently 9 percent per annum) starting from February 1 and August 1, respectively, until paid; and
3. SPHA voting rights are suspended for a period not to exceed sixty (60) days.

If payment of the assessment and penalties **continue unpaid**, the owner will receive a third written notice that a lien against the property may be filed for the amount in arrears, payment of legal fees to collect this annual assessment also will be assessed against the owner and **the suspension** of the right to use the SPHA Recreational Facilities, Common Area, trash facilities, and voting rights **will continue** for a period of sixty (60) days **after payment** of all assessments, fees, penalties, and costs.

LAWN MAINTENANCE

Failure or refusal by a lot or property owner to cut the grass:

The homeowner, whose grass exceeds six (6) inches in length, will receive a phone call and a first written notification letter of the violation informing the homeowner that their grass must be cut within four (4) calendar days of date on the notification letter. This written notification will also inform the violator that if the corrective action is not taken, the SPBOD will arrange to have the grass cut and that the property owners' account will be assessed the costs incurred.

If this violation occurs a second time in the same fiscal year, the homeowner will receive a phone call and a second notification letter. This notice will contain:

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1. A statement that, if the corrective action is not completed within four (4) calendar days of date on the notification letter, the SPBOD will again arrange to have the grass cut and that the property owners' account will be assessed the costs incurred; and
2. A fine of \$35 will be assessed and charged to the homeowner's account (Such fine shall be deemed to be an additional assessment which will be abated only if the grass has been cut by the date required).

If this violation continues to occur, the homeowner will receive a third notification letter notifying the owner of the following:

1. The SPBOD will continue to cut the owners' grass, as needed, and all incurred expenses shall be included in the lot owner's account;
2. This written notice describing the violation will be sent by Certified Mail and will include:
 - A description of the sanctions to be imposed;
 - The disclosure of the right of the alleged violator to a hearing if the request is made to the SPBOD in writing within ten (10) days of date on the notice letter;
 - Confirmation that there will be an imposition of the sanctions automatically if no hearing is requested and the violation has not been corrected within the ten (10) day period.
3. Sanctions that may be imposed by the SPBOD, following this third notification, shall include:
 - An additional \$35 fine per cutting will be charged to the homeowner's account (Such fine shall be deemed to be an additional assessment which will be abated only if the grass has been cut by the date required);
 - If the fines and penalties are not paid within thirty (30) days of the date on the third notification letter and the grass is not cut by the homeowner on a consistent basis, the owner's rights to use SPHA Recreational Facilities, Common Area, and voting rights of the SPHA member will be immediately suspended until the fines are paid and for a period not to exceed sixty (60) days **after** the grass is cut on a regular basis.
 - If the homeowner continues to fail to cut the grass and/or pay the imposed fines and penalties within thirty (30) days of the date on the third notification letter, the owner will receive final written notice that a lien against the property may be filed for the amount in arrears and that SPHA will continue to cut, charge, and fine without further notification until owner complies with regulation. Payment of legal fees and costs incurred to collect the past due amount will also be assessed against the owner.

REPAIR AND REPLACEMENT

Failure or refusal to maintain, clean, repair or replace defective items for which the property owner is responsible:

Homeowners in violation will receive a first written notification letter of the alleged violation. This notice will contain:

Description of the alleged violation

1. Action required to fix the violation;
2. A statement that corrective action must either be completed within thirty (30) days of the date on the notification letter or at least initiated if it is a long-term project; and
3. Notification that the sanctions will be imposed if violation is not corrected in thirty (30) days.

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If the owner has not corrected the violation within the time specified, a second notification letter will be sent to the owner. This letter will state:

1. A fine of \$75 will be charged to the owner's account;
2. Notice that the homeowner has an additional (15) days from the date on the second notification letter to correct the violation and pay the fine or further penalties will be assessed.
3. The owner has the right to a hearing if requested within the fifteen (15) day period. The owner must request the hearing in writing to the SPHA Management Office. Failure of the owner to request a hearing assumes agreement with the violation as stated and that the violation will be corrected and fines will be paid within the 15 day period.

If the homeowner fails to correct the violation and pay the fines and penalties within the 15 days, he owner will receive a third written notice that the suspension of the right to use SPHA Recreational Facilities, Common Area, and suspension of voting rights of SPHA member will be imposed for a period not to exceed sixty (60) days.

If the homeowner continues to fail to correct the violation after the sixty (60) days and/or pay the fines and penalties, the owner will receive a fourth written notice that a lien against the property may be filed for the amount in arrears. Payment of legal fees to collect this assessment will also be assessed against the owner. Suspension of the right to use the SPHA Recreational Facilities, Common Area, and voting rights will continue from the date of the notice until the violation is corrected and the fines and penalties are paid and for a period sixty (60) days following the date the violation is corrected.

RECREATION FACILITIES AND COMMON AREAS

Unauthorized use of SPHA Recreation Facilities or Common Area passes by an owner/guest/tenant:

1. Immediate phone call and a first notification letter describing the violation to the homeowner. The homeowner will also be notified that if this violation occurs again, they will be subject to the penalties described in this mitigation process.
2. If this violation occurs again by the same household, a second notification letter stating that the right to use SPHA Recreational Facilities and Common Area is suspended for the owner and their renters or guests, for a period of sixty (60) days after the date of the second notification letter. A written statement will be required from the homeowner stating that the violation is corrected and will not occur again. This letter must be filed with SPHA within ten (10) days of the date of the second notification letter.
3. Failure to submit the written statement within ten (10) days that the violation is corrected will result in a \$25 fine. A third notification letter will be delivered stating that this penalty has been imposed and the right to use the SPHA Recreational Facilities and Common Area and the member's voting rights are suspended for a period of sixty (60) days after the date on the third notification letter.

Other SPHA Recreational Facility or Common Area Violations:

1. For other violations, the homeowner will receive a phone call and a first written notification of the violation.
2. If the same violation occurs, the homeowner will receive a second phone call and notification letter that there will be a one week suspension of the right to use the SPHA Recreational Facilities and Common Area.

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3. If the same homeowner has repeated violations, either the same one described in the second notification letter, or a separate violation of the same degree, the homeowner will receive a third notification letter stating that there will be a sixty (60) day suspension of the use of the SPHA Recreational Facilities and Common Area.