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**PRESTON HIGHLANDS HOMEOWNERS ASSOCIATION, INC.****COMPLIANCE POLICY**

Pursuant to the provisions of Article 1396-9.10 of the Texas Non-Profit Corporation Act, as amended from time to time, the undersigned, being the President of Preston Highlands Homeowner's Association, Inc. (the "Association"), certify that the following Compliance Policy was adopted by the Board of Directors at a duly convened meeting at which the Directors were present and voted.

**WHEREAS**, the Association has authority pursuant to Article VIII of the Declaration of Restrictions for Preston Highlands, Phase One (the "Declaration") to enforce any area of the covenants and restrictions by any proceeding at law against Owners of Lots located within Preston Highlands, a planned community located in Collin County, Texas (the "Development"); and

**WHEREAS**, the Board of Directors (the "Board") finds there is a need to establish orderly procedures to ensure the compliance of Owners with the Declaration, the Association's Bylaws, and the Dallas City code (the "**Preston Highlands Governing Documents**");

**NOW, THEREFORE, IT IS RESOLVED** that the following procedures and practices are established for ensuring compliance with the Preston Highlands Governing Documents and for the elimination of violations of such provisions found to exist in, on and about the property subject to this Preston Highlands' Declaration (to be referred to herein as the "**Compliance Policy**").

1. **Policy Objectives**. Elimination of any condition, use, activity or improvement which does not comply with the provisions of the Preston Highlands Governing Documents. The Association will diligently pursue and take necessary actions to enforce owners' obligations stated in the Preston Highlands Governing Documents as determined by the Board of Directors in its sole discretion and with the assistance of its managing agent.
2. **Establishment of Violation**. Any condition, use, activity or improvement which does not comply with the provisions of the Preston Highlands Governing Documents, shall constitute a "**Violation**" under this Policy for all purposes.
3. **Report of Violation**. The existence of a Violation will be verified by a field observation conducted by the Board of Directors or its delegate. For the purpose of this Compliance Policy, the delegate of the Board may include Management, an officer or member of the Board, or a member of any committee established by the Board for this purpose. A timely written report shall be prepared by the field observer for each Violation which will include the following information:
  - a. Identification of the nature and description of the Violation(s). A digital photograph documenting the observed violation(s), if possible.

- b. Identification by street address and legal description, if available, of the Lot on which the Violation exists.
- c. Date of the verification observation and name of the person making the observation. In the event the violation is first reported by Management, an officer or member of the Board, or a member of any committee established by the Board for this purpose, then the date and name of the person reporting the violation will be used as the date and name for the field observation. In this event, a second field observation is not required.

At the same time that the field observation report is prepared, the Board or its delegate may forward to the Owner of the Lot in question written notice via regular first class mail or via postcard of the discovery of a Violation(s) (the "Courtesy Notice"). The Owner will have at least ten (10) days from the date of the Courtesy Notice to correct or eliminate the Violation(s). The Board or its delegate may, in lieu of this notice, proceed immediately to the notice set fourth in Paragraph 4 below.

- 4. Notice of Violation. If the Violation is not corrected or eliminated within the time period specified in the Courtesy Notice, or if the Board or its delegate deem it appropriate to proceed without the Courtesy Notice, the Association will forward to the Owner of the Lot in question written notice of the Violation(s) by regular first class mail or personal delivery and by certified mail, return receipt requested (the "Notice of Violation"). A Notice of Violation is not required if the alleged violator received a Notice of Violation relating to a similar Violation within six (6) months of the current Violation and was given reasonable opportunity to cure the prior violation. In such event, the Board may impose sanctions as authorized by the Preston Highlands Governing Documents and/or this Compliance Policy without notice to the Owner other than the Final Notice of Violation described in Paragraph 5 below. The Notice of Violation, if required, will state the following.
  - a. The nature, description and location of the Violation, including any property damage caused by the Owner.
  - b. The authority for establishing the Violation, including the authority for recovering property damages caused by the Owner.
  - c. The proposed sanction to be imposed, including the amount claimed to be due from the owner for property damage or the amount of a fine to be imposed for the Violation, in the event the Violation is not cured within a reasonable time.
  - d. If the Violation is corrected or eliminated within reasonable time after the Owner's receipt of the Notice of Violation then no further action will be taken.
  - e. The recipient may, on or before thirty (30) days from the receipt of the Notice of Violation, deliver to the Association a written request for a hearing.

- f. The Owner has the right to submit a written request for a hearing on or before thirty (30) days from the receipt of the Notice of Violation.
5. Final Notice of Violation. A formal notice of the Violation and the sanction to be imposed, including the amount of any property damage (the "**Final Notice of Violation**") will be sent by the Association to the Owner by regular first class mail and by certified mail, return receipt requested, where, within the time period specified in the Notice of Violation, the Violation has not been corrected or eliminated or the Association has not timely received a written request for a hearing.
6. Request for a Hearing. If the Owner submits a written request for a hearing in a timely manner, the hearing shall be held in executive session of the Board of Directors affording the alleged violator a reasonable opportunity to be heard. Such hearing shall be held no later than the 30<sup>th</sup> day after the date the Board or its delegate receives the Owner's request for a hearing. Prior to the effectiveness of any sanction hereunder, proof of proper notice of the hearing shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, agent or delegate who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The notice of the hearing shall be sent no later than the 10<sup>th</sup> day before the date of the hearing. The Association or the Owner may request a postponement, and, if requested, a postponement shall be granted for a period of not more than ten (10) days. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed by the Board. The Association shall notify the Owner in writing of its action within ten (10) days after the hearing. The Board may, but shall not be obligated to, suspend any proposed sanction if the Violation is cured within the ten (10) day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions of the Preston Highlands Governing Documents by any Owner.
7. Correction of Violation. Where the Owner corrects or eliminates the Violation(s) prior to the imposition of any sanction, no further action will be taken (except for collection of any monies for which the Lot Owner may become liable under this Compliance Policy and/or the Preston Highlands Governing Documents). Written notice of correction or elimination of the Violation may be obtained from the Board upon request for such notice by the Owner and upon payment of a fee or fine for same, the amount of which is set by the Board from time-to-time and is initially established to be \$150.00 per Violation Notice.
8. Referral to Legal Counsel. Where a Violation is determined or deemed determined to exist and where the Board deems it to be in the best interests of the Association to refer the Violation to legal counsel for appropriate action, the Board may do so at any time. Such legal action may include, without limitation, sending demand letters to the violating Owner and/or sending injunctive relief against the Owner to correct or otherwise abate the Violation. Attorney's fees and all costs incurred by the Association in enforcing the Preston Highlands Governing Documents and

administering this Compliance Policy shall become the personal obligation of the Owner.

9. Notices. Unless otherwise provided in the Compliance Policy, all notices required by this Compliance Policy shall be in writing and shall be deemed to have been duly given if delivered personally and/or if sent by United States Mail, first class postage prepaid, to the Owner at the address which the Owner has designated in writing and filed with the Secretary of the Association or, if no such address has been designated, to the address of the Lot of the Owner.
- a. Where the notice is directed by personal delivery, notice shall be deemed to have been given, sent, delivered or received upon actual receipt by any person accepting delivery thereof at the address of the recipient as set forth in such notice or if no person is there, by leaving the notice taped to the front door of the residence.
  - b. Where the notice is placed into the care and custody of the United States Postal Service, notice shall be presumed to have been given, sent, delivered or received, as of the third (3<sup>rd</sup>) calendar day following the date of postmark of such notice bearing postage prepaid and the appropriate name and address as required herein unless otherwise shown by the recipient to have been received at a later date.
  - c. Where a day required for an action to be taken or a notice to be given, sent, delivered or received, as the case may be, falls on a Saturday, Sunday or United States Postal Service holiday, the required date for the action or notice will be extended to the first day following which is neither a Saturday, Sunday or United States Postal Service holiday.
  - d. Where the Board has actual knowledge that such situation exists, any action to be taken pursuant to this Compliance Policy which would directly affect the property of a third party or would be the responsibility of a party other than the Owner, notices required under this Compliance Policy may be given, if possible, to such third party in addition to the Owner. Notwithstanding any notice sent to a third party, the owner remains the party responsible for compliance with the requirements of the Compliance Policy. The Board shall accept a response from any such third party only upon the written direction of the Owner of the Lot upon which the Violation exists.
  - e. Where the Owner has notified the Association that the interests of said Owner in a Lot has been or are being handled by a representative or agent of such Owner or where an Owner has otherwise acted so as to put the Association on notice that its interest in a Lot has been or are being handled by a representative or agent, any notice or communication from the Association pursuant to this Compliance Policy will be deemed full and effective for all purposes if given to such representative or agent.
  - f. Where an Owner transfers record title to a Lot at any time during the pendency of any procedure prescribed by this Compliance Policy, such Owner shall remain personally liable for costs under this Compliance Policy.

As soon as practical after receipt by the Association of a notice of a change in the record title to a Lot which is the subject of enforcement proceedings under this Compliance Policy, the Board may begin enforcement proceedings against the new Owner in accordance with this Compliance Policy. The new Owner shall be personally liable for all costs incurred by this Compliance Policy which are the result of the new Owner's failure and/or refusal to correct or eliminate the Violation in the time and manner specified under this Compliance Policy.

10. Cure of Violation During Enforcement. An Owner may correct or eliminate a Violation at any time during the pendency of any procedure prescribed by this Compliance Policy. Upon verification by written report to the Board and sent, where appropriate, to the Board that the Violation has been corrected or eliminated, the Violation will be deemed no longer to exist. The Owner will remain liable for all costs under this Compliance Policy, which costs, if not paid upon demand therefore by Management, will be referred to the Board of Directors of the Association for collection.
11. Application of Funds Received. All monies received by the Association will be applied to amounts outstanding to the extent of and in the following order unless an Owner has placed a restrictive notation on the check or other form of payment or in correspondence accompanying the payment that a payment is to be applied in another specified manner, or if prescribed differently in the Preston Highlands Homeowner's Association Collection Policy:
  - a. First, to interest;
  - b. Next, to handling charges, returned check fees and collection costs incurred by the Association;
  - c. Next, to attorney's fees and related costs advanced by the attorney for and on behalf of the Association;
  - d. Next, to outstanding violation fines or fees imposed by this Compliance Policy;
  - e. Next, to delinquent special assessments;
  - f. Next, to delinquent annual assessments;
  - g. Next, to outstanding special assessments, though same may not then be delinquent;
  - h. Last, to outstanding annual assessments, though same may not then be delinquent.
12. Definitions. The definitions contained in the Preston Highlands Governing Documents are hereby incorporated herein by reference.

**IT IS RESOLVED** that this Compliance Policy replaces and supersedes in all respects all prior policies and resolutions with respect to the enforcement of the Highlands Homeowner's Association, Inc., Governing Documents by the Association and is effective upon adoption hereof, to remain in force and effect until revoked, modified or amended.

**IT IS FURTHER RESOLVED** that this Compliance Policy is effective upon adoption hereof, to remain in force and effect until revoked, modified or amended by the Board of Directors. This is to certify that the foregoing Compliance Policy was adopted by the Board of Directors of Preston Highlands Homeowner's Association, Inc., at a duly convened meeting held on the 1<sup>st</sup> day of May, 2006 and that the same shall be filed of record in the Real Property Records of Collin County.



*Keith Milberger*  
Dated: 05/10/06  
President

Preston Highlands Homeowner's Association

BEFORE ME, the undersigned authority, a Notary Public in and for said county and state, on this day personally appeared **Keith Milberger**, President of Preston Highlands Homeowner's Association, Inc.

(SEAL)

*Katherine D. Graham*  
Dated: 5/10/06  
Notary Public



Filed and Recorded  
Official Public Records  
Brenda Taylor, County Clerk  
Collin County, TEXAS  
05/10/2006 02:08:14 PM  
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*Brenda Taylor*