

**Certificate of Ratification and
Promulgation of Community Association Violations Enforcement
Policy for the
HILLCREST LEBANON HOMEOWNERS ASSOCIATION, INC.**

STATE OF TEXAS

COUNTY OF COLLIN

WHEREAS, the Board of Directors of the Hillcrest Lebanon Homeowners Association, Inc. (the “Board”) is the entity responsible for the operation of the Hillcrest Lebanon Homeowners Association, Inc. (the “Association”), pursuant to and in accordance with that certain Declaration of Covenants and Restrictions for Hillcrest Meadows, filed of record as Instrument No. 98-0009328 in the Land Records of Collin County, Texas; the Declaration of Annexation of Cecile Place Phase II and Phase III with Hillcrest Meadows, filed of record as Instrument No. 99-002115 in the Land Records of Collin County, Texas; and the Declaration of Annexation of Smith Estates with Hillcrest Meadows and Cecile Place Phase II and Phase III, filed of record as Instrument No.00-0024090 in the Land Records of Collin County, Texas; the First Amendment to the Declaration of Covenants, Conditions and Restrictions for Hillcrest Meadows, recorded in Volume 4796, Page 1295, et seq., of the Land Records of Collin County, Texas and the Second Amendment to the Declaration of Covenants, Conditions and Restrictions for Hillcrest Meadows, recorded in Volume 4880, Page 1765, et seq., of the Land Records of Collin County, Texas any and all subsequent amendments thereof and supplements thereto (collectively, the “Hillcrest Lebanon Declaration”) and the By-Laws of the Association (the “By-Laws”); and

WHEREAS, the Hillcrest Lebanon Declaration affects certain parcels of tracts of real property in the City of Frisco, Collin County, State of Texas (the “Property”) which is more particularly described on Exhibit A through E attached hereto; and

WHEREAS, the Board, pursuant to Article II, Section 5(e) and Article IX, section 40 of the Hillcrest Lebanon Declaration, has the authority to enforce the provisions of the Hillcrest Lebanon Declaration and power to impose reasonable monetary fines for the violation thereof; and

WHEREAS, the Board has authority pursuant to the Hillcrest Lebanon Declaration and the By-Laws to determine, in its reasonable discretion, the manner in which violations of the Hillcrest Lebanon Declaration are to be remedied; and

WHEREAS, Board has and does hereby find the need to establish rules, regulations and procedures for the enforcement of the covenants and restrictions contained in the Hillcrest Lebanon Declaration and for the elimination of violations which may be found to exist within the Properties.

NOW THEREFORE, IT IS RESOLVED that the following rules, regulations and procedures relative to the operations of the Association are hereby established for the enforcement of violations of the restrictions contained in the Hillcrest Lebanon Declaration and for the elimination of violations of such provisions found to exist in, on or about the Property (hereinafter referred to as “Enforcement Policy”).

1. Establishment of a Violation.

a. Failure to Obtain Prior Approval. Any improvement of any kind or nature erected, placed or altered on any Lot which has not been first approved by the Architectural Control Committee (the “ARC” as defined in the Hillcrest Lebanon Declaration) is deemed a “Violation” under this Enforcement Policy for all purposes.

b. Failure to Abide by the Covenants and Restrictions Contained in the Hillcrest Lebanon Declaration. Any construction, alteration or modification to any improvement on a Lot which does not in all respects conform to that which has been so approved or any activity or condition allowed to continue or exist on any Lot that is in direct violation of the covenants and restrictions contained in the Hillcrest Lebanon declaration or the Design Guidelines is also deemed a “Violation” under this Enforcement Policy for all purposes.

2. Notification.

a. Initial Notice. Upon verification of the existence of a Violation by the management staff (“Management”) of the Association, Management will send to the Lot Owner a written notice of the existence of the Violation (“Initial Notice”). The Initial Notice will inform the Owner of the following:

- (i) The nature, description and location of the Violation; and
- (ii) What needs to be done to cure the Violation and notice that the Violation must be cured within (10) days of the date of the Initial Notice to avoid further enforcement measures; and
- (iii) A statement that if the Violation has already been corrected or plans and specifications for the subject improvement have been submitted to the ARC, to disregard the notice.

b. Notice of Violation. If the Owner has (i) failed to submit plans and specifications for the offending improvement to the ARC or the ARC has denied the approval of plans and specifications submitted, and/or (ii) the Violation is continuing, the no earlier than ten (10) days from the date of Initial notice,

Management shall send to the Owner written notice (the “Notice of Violation”) informing the Owner of the following:

- (i) The nature, description and location of the Violation and notification that if the Violation is corrected or eliminated within ten (10) days from the date of the Notice of Violation, no further action will be taken; and
- (ii) Notification that if the Violation is not corrected or eliminated within ten (10) days from the date of the Notice of Violation, any attorney’s fees incurred by the Association in eliminating or abating the Violation shall be charged to the Owner’s account; and
- (iii) What needs to be done to cure the Violations; and
- (iv) If necessary: (a) that work on any improvement not designed to cure the Violation must cease immediately and may not resume without the prior written approval of the ARC; and (b) the amount due the Association by the Owner, if any; and
- (v) Notification that failure to remedy the Violation or cease work on any unauthorized improvement will result in the Association electing to pursue any one or more of the remedies available to the Association under the Hillcrest Lebanon Declaration, By-Laws or this Enforcement Policy.

The Notice of Valuation shall be sent to the Owner by certified mail, return receipt requested, and first class U.S. mail, and shall advise the Owner that he or she has the right to request a hearing on or before the thirtieth (30th) day after the Owner receives the Notice of Violation. The hearing, if one is requested in a timely manner, will be held before the Covenants Committee, if established, or if not, the Board. In the event the hearing is to be held before the Covenants Committee, the Owner shall also be notified that the Covenants committee’s decision may be appealed to the Board by written notice to the Board through Management.

c. Failure to Remedy and Notice of Fine. Failure to either (1) submit plans and specifications showing that the Violation will be remedied, (2) ceases all non remedial work immediately upon receipt of the Notice of Violation, and/or (3) remedy the current Violation existing upon the Lot with then (10) days of the date of the Notice of Violation, shall constitutes a continuing Violation and result in one or more of the following:

- (i) the imposition of violation fines as determined by the Board of Directors against the Owner, and/or
- (ii) the pursuit of any other remedy available at law or in equity, under the Hillcrest Lebanon Declaration, the By-Laws or this Enforcement Policy including, but without limitation, the recording in the Land Records of Collin County of a Notice that the Lot in question is in violation of restrictive covenants or an action for injunctive relief and civil damages.

Management shall send to the Owner a formal written notice of fine (the "Notice of Fine") informing the recipient of the continuing Violation and the remedy chosen as a result thereof. The date of the Notice of Fine shall be the "Notice of Fine Date"

d. Fine Structure. Any single fine imposed pursuant to the provisions of this Enforcement Policy may not exceed ten dollar (\$10.00) per day as determined by the Board of Directors. Per diem fines shall begin to be levied on the Notice of Dine Date. Thereafter, the fines shall continue to be levied on a daily basis until the Violation has been cured or otherwise determined by the Board of Directors. The Owner may, on a periodic basis, be advised of the total amount of fines accrued to his or her account. There shall be no limit to the aggregate amount of fines that may be imposed for the same Violation.

3. Right to a Hearing Before the Covenants Committee (if established) or the Board of Directors.

If Management receives a written request for a hearing on or before the thirtieth (30th) day after the date the Owner received the notice of Violation, the Covenants Committee or Board, as applicable, shall hold a hearing. Management shall notify the Owner of the date, time and place of the hearing not later than ten (10) days before the date of the hearing. The Covenants Committee or the Board, as applicable, 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. Additional postponement shall be granted by agreement of the parties. The Owner's presence is not required to hold a hearing under this paragraph 4.

4. Corrective Action.

Notwithstanding the provisions contained in paragraph 2 hereof, where a Violation is determined to exist pursuant to any provisions of this Enforcement Policy and the Association is allowed, under the Hillcrest Lebanon Declaration, to exercise self-help to correct the violation, Management, with the approval of the

majority of the Board of the Association, may undertake to cause the Violation to be corrected, removed or otherwise abated by qualified contractors is Management, in its reasonable judgment, determines that the Violation may be readily corrected, removed or abated without undue expense and without breach of the peace. Where Management is authorized by the Board of the Association to initiate any action by qualified contractors, the following shall apply:

- a. Management must provide the Owner, and any third party directly affected by the proposed action, prior written notice of the undertaking of the action (“Notice of Corrective Action”). The Notice of Corrective Action shall include an opportunity for the Owner to cure the Violation or request a hearing before the Board prior to the undertaking of any corrective action. Should the Owner fail to provide Management with a written request for hearing within fourteen (14) days from the date of the Notice of Corrective Action, that party shall have waived its right to a hearing.
- b. Any cost incurred in correction or eliminating the Violation will be referred to the Association to be recovered from the Owner as a Special Individual Assessment under the Hillcrest Lebanon Declaration.
- c. The Association, the Board, Management and its agents and contractors will not be liable to the Owner or any third party for any damages or costs alleged to arise by virtue of action taken under this Paragraph 4 where the Association, the Board, Management, its agents and contractors have acted reasonably and in conformity with this Enforcement Policy.

5. Referral to Legal Counsel.

Where a Violation is determined to exist by Management pursuant to any of the provisions of this Enforcement Policy and where Management deems it to be in the best interests of the Association, Management may, at any time and without prior notice to the Owner under the Enforcement Policy, refer the Violation to legal counsel for purposes of seeking to correct or otherwise abate the Violation, including an action for injunctive relief and/or civil damages against the Owner, or any other legal or equitable remedy that may be available to the Association.

6. Notices.

a. Any notice required by this Enforcement Policy to be given, sent, delivered or received in writing will be deemed to have been given, sent, delivered or received, as the case may be, upon the earlier to occur of the following:

- (i) When the notice is delivered by facsimile, the notice is deemed received by the Owner when the sender receives a facsimile acknowledgement confirming delivery of the notice.
- (ii) When the notice is placed into the care and custody of the United States Postal Service, the notice is deemed delivered as of the date the notice is deposited into a receptacle of the United States Postal Service with postage prepaid and addressed to the most recent address of the recipient according to the records of the Association. Any Notice of Violation shall be sent certified mail, return receipt requested, and First Class U.S. Mail.

b. Where the Home is occupied by a tenant, where the interests of an Owner have been handled by a representative or agent of such Owner, or where Owner has otherwise acted so as to put the Association on notice that its interests in a Home have been and are being handled by a representative or agent, any notice or communication from the Association or Management pursuant to this Enforcement Policy will be deemed full and effective for all purposes if given to such tenant, representative or agent.

7. 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 Enforcement Policy. Upon verification by Management that the Violation has been corrected or eliminated, the Violation will be deemed to no longer exist and the Notice of Violation shall be voided except as hereinafter provided. The Owner shall be advised by Management of the consequences of the future violation of the same provision of the Hillcrest Lebanon Declaration as set forth in the following paragraph. The Owner will remain liable for all fines levied under this Enforcement Policy, which fines, if not paid upon written demand thereof by Management, will be referred to the Association's legal counsel for collection. The Board, however, in its sole

and absolute discretion reserves the right to waive some or all of the fines imposed.

8. Repeated Violation of the Same Provision of the Hillcrest Lebanon Declaration.

Whenever an Owner, who has previously cured or eliminated a violation after receipt of an Initial Notice, commits a separate violation of the same provision of the Hillcrest Lebanon Declaration within six (6) months from the date of the Initial Notice, Management shall reinstate the Violation and pursue the procedures set forth herein as if the Violation had never been cured or eliminated. For purposes of illustration only, in the event the Owner cured the Violation after having received an Initial Notice, the second Violation of the same provision shall prompt Management to send a Notice of Violation. Similarly, in the event the Owner cured the Violation after receiving a Notice of Violation, the second Violation shall prompt Management to send a Notice of Fine as provided hereunder.

9. Authority of Management to Act.

The Board hereby authorizes and empowers Management to do all such things and perform all such acts as are necessary to implement and effectuate the purpose of the Enforcement Policy without further action by the Board.

10. Binding Effect.

The terms and conditions of this Enforcement Policy, as may be amended from time to time by the Board, shall bind all Owners including their heirs, successors, transferees or assigns, and all Lots as defined in the Hillcrest Lebanon Declaration, and the Property shall hereafter be held, occupied, transferred and conveyed subject to the terms and conditions of this Enforcement Policy, as amended by the Board of Directors.

Executed to be effective as of the 14th day of AUGUST, 2002.

**SECOND SUPPLEMENTAL CERTIFICATE AND MEMORANDUM
OF RECORDING OF ASSOCIATION DOCUMENTS FOR
HILLCREST LEBANON HOMEOWNERS ASSOCIATION, INC**

STATE OF TEXAS

COUNTY OF COLLIN

The undersigned, as attorney for the Hillcrest Lebanon Homeowners Association, Inc. for the purpose of complying with Section 202.006 of the Texas Property Code and to provide public notice of the following instrument affecting the owners of property described on Exhibits A – E-1, hereby states that the instrument attached hereto is a true and correct copy of the following:

Payment application Policy [effective January 1, 2002] (Exhibit1).

All persons or entities holding an interest in and to any portion of property described on Exhibit B attached hereto are subject to the foregoing policy until amended by the Board of Directors.

IN WITNESS WHEREOF, the Hillcrest Lebanon Homeowners Association, Inc. has caused this Second Supplemental Certification and Memorandum of Recording of Association Documents to be effective as the 13th day of November, 2001 and supplements that certain Certificate and Memorandum of Recording of Association Documents for Hillcrest Lebanon Homeowners Association, Inc. filed on December 30, 1999 and recorded in Volume 04572, Page 1223 et seq. of the Land Records of Collin County, Texas and the First Supplemental Certificate and Memorandum of Recording of Association Document for Hillcrest Lebanon Homeowners Association, Inc. (Smith Estates) filed on November 9, 2000 and recorded in Volume 04792, Page 2051, et seq. of the Land Records of Collin County, Texas.

HILLCREST LEBANON HOMEOWNERS ASSOCIATION, INC.

PAYMENT APPLICATION POLICY

Any payment received by the Hillcrest Lebanon Homeowners Association, Inc. from an Owner whose accounts reflects an unpaid balance shall be applied to the outstanding balance in the following order:

- First** - **Violation Fines**
- Second** - **Cost of Collection Including Attorney's Fees**
- Third** - **Late Charges**
- Fourth** - **Accrued but Unpaid Interest**
- Fifth** - **Special Individual Assessments**
- Sixth** - **Special Assessments**
- Seventh** - **Annual Assessments**

**This policy shall supersede any written or verbal instruction or direction received from an Owner as to the application of payments made to the Hillcrest Lebanon Homeowners Association.

EXHIBIT 1

SCHEDULE OF FINES

1. Fines, which may be assessed, shall have a range between \$25.00 to \$250.00 per day of violation. Fines imposed shall be imposed with the first day of such fine beginning the date of the Covenants Committee hearing.
2. For subsequent violations of the same offence during any twelve-month period, fines can be multiplied up to two (2) times their original amounts. If a violation remains uncured for a period of thirty (30) days this may also be considered as a subsequent violation of the same offense.

All fines shall be due and payable within thirty (30) days of the invoice date. With respect to any appeal of the hearing, if the Board of Directors sustains the finding of the original hearing, any fine imposed shall be payable immediately together with all attorney's fee and other expenses that the Association may have incurred in connection with the hearing and appeal of any violation.

EXHIBIT A