

BYLAWS

**BYLAWS
OF
PRESTON HIGHLANDS NORTH ESTATES HOMEOWNERS ASSOCIATION, INC.**

ARTICLE I

NAME AND LOCATION

The name of the corporation is Preston Highlands North Estates Homeowners Association, Inc. hereinafter referred to as the "Association". The principal office of the Association shall be initially located at 5495 Beltline Road, Suite 225, Dallas, Texas 75240 but meetings of members and directors may be held at such places within the State of Texas, County of Collin, as may be designated by the Board of Directors. Texas Incomp Inc. at 5735 Pineland Drive, Suite 215, Dallas, Texas 75231, constitutes the initial registered agent and office, respectively, of the Association.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to Preston Highlands North Estates Homeowners Association, Inc., a Texas Non-Profit Corporation, its successors and assigns.

Section 2. "Properties" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions for Preston Highlands North Estates recorded at doc/#96-0019123 of the Real Property Records of Collin County, Texas, and such additions thereto as may be brought within the jurisdiction of the Association under the provisions of said Declaration or the Charter of the Association.

Section 3. "Common Area" shall mean all real property conveyed by the Declarant to, and owned by, the Association for the common use and enjoyment of the Owners as more particularly set forth in the Declaration.

Section 4. "Lot" shall mean and refer to that portion of any of the plots of land shown upon any recorded subdivision map of the Properties of any part thereof creating single-family homesites on which there is or will be built a single-family dwelling. There is excepted herefrom the Common Area along with other reserves as may be noted on said subdivision maps.

Section 5. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6. "Declarant" shall mean and refer to Lumbermen's Investment Corporation, a Delaware corporation, and its successors and assigns who are designated as such in writing by Declarant, who accept such designation in writing.

Section 7. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions for Preston Highlands North Estates applicable to the Properties recorded at doc/# 96-0019123 of the Real Property Records of Collin County, Texas.

ARTICLE III

MEMBERSHIP

Section 1. Membership. Every person or entity who is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, including contract sellers, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold interest merely as security for the performance of an obligation. No owner shall have more than one membership. Membership shall be appurtenant to and may not be separate from ownership of any Lot which is subject to assessment by the Association. Ownership of such Lot shall be the sole qualification for membership.

Section 2. Suspension of Membership. During any period in which a member shall be in default in the payment of any annual or special assessment levied by the Association, the voting rights and right to use of the recreational facilities of such member may be suspended by the Board of Directors until such assessment has been paid. Such rights of a member may also be suspended after notice and hearing, for a period not to exceed 60 days, for violation of any rules and regulations established by the Board of Directors governing the use of the Common Area and facilities.

ARTICLE IV

PROPERTY RIGHTS: RIGHTS OF ENJOYMENT

Section 1. Each member shall be entitled to the use and enjoyment of the Common Areas as provided in the Declaration. Any member may delegate his rights of enjoyment of the Common Area and facilities to the members of his family, his tenants or contract purchasers, who reside on the property. Such member shall notify the Secretary of the Association in writing of the name of any such delegee. The rights and privileges of such delegee are subject to the same extent as those of the member.

ARTICLE V

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 1. Number. The affairs of the Association shall be managed by a Board of three (3) Directors, who need not be members of the Association.

Section 2. Election. At the first annual meeting the members shall elect one (1) director for a term of one (1) year, one (1) director for a term of two (2) years, and one (1) director for a term of three (3) years; and at each annual meeting thereafter the members shall elect the director(s) for a term of three (3) years to fill each expiring term. Any vacancy in the initial Board of Directors which occurs prior to the first annual meeting of the members shall be filled by election by the remaining Directors. The initial three (3) members of the Board of Directors shall be designated in the Articles of Incorporation of the Association.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the entire Class A membership and the entire Class B membership of the Association. In the event of death, resignation or removal of a director, his successors shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE VI

MEETING OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly without notice, at such place (or by telephonic conference) and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two (2) directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members and non-members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot cast at the annual meeting. At such election, the members of their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have the power, for and on behalf of the Association;

- (a) To adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;

(b) To exercise for the Association all power, duties and authority vested in or delegated to this Association and are not reserved to the membership by other provisions of these ByLaws, the Articles of Incorporation or the Declaration;

(c) To declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors without just cause having been furnished to and accepted by the Board;

(d) To establish, and disburse and maintain such petty cash fund as necessary for efficiently carrying on the business of the Association;

(e) To engage the services of a manager, an independent contractor, or such employees as it deems necessary, and to prescribe the conditions, compensation and duties of their work. Such power shall include authority to enter into management agreements with other parties to manage, operate or perform all or any part of the affairs and business of the Association;

(f) To establish and maintain a working capital and/or contingency fund for capital repairs to and replacement of the Common Area, or any part thereof;

(g) To sue and/or defend in any court of law on behalf of the Association;

(h) To establish and collect penalties and fines for defaults by Owners under these Bylaws or the Declaration;

(i) To acquire and maintain the Common Area and to grant easements, licenses or other rights in, on, over and/or across such properties;

(j) To enter into contracts for legal, accounting and other professional services;

(k) To establish and maintain one or more bank accounts;

(l) To delegate any of its rights, powers or duties to committees, managers or contractors who are competent to exercise the rights and powers and/or perform the duties so delegated; and

(m) To generally provide for maintenance and preservation of the Properties and promote the health, safety and welfare of the Owners and to take such acts in connection therewith as the Board deems necessary.

Section 2. Duties. It shall be the duty of the Board of Directors:

(a) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members of at any special meeting, when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;

(b) As more fully provided herein, and in the Declaration:

(1) In the event the amount of the annual assessment against each Lot shall change, to fix the amount of such annual

assessment (30) days in advance of the applicable annual assessment period, as hereinafter provided in Article XII, and

(2) To send written notice of each such assessment to every Owner subject thereto at least thirty (30) days in advance of the applicable annual assessment period;

(c) To issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether any assessment has been paid. A reasonable charge may be made by the Board of Directors for the issuance of these certificates. Such certificates shall be conclusive evidence of any assessment therein stated to have been paid;

(d) To procure and maintain adequate liability and hazard insurance on property owned by the Association;

(e) To cause all officers, employees or agents, having fiscal responsibility to be bonded, as it may deem appropriate; and

(f) To cause the Common Area to be maintained.

ARTICLE IX

COMMITTEES

Section 1. The Association shall appoint a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors may appoint other committees as deemed appropriate in carrying out its purposes, which may include for example, but not by way of limitation, the following:

(a) A Recreation Committee to advise the Board of Directors on all matters pertaining to the recreational program and activities of the Association and to perform other such functions as the Board in its discretion determines;

(b) A Maintenance Committee to advise the Board on all matters pertaining to the maintenance, repair or improvement of the Properties, and to perform such other functions as the Board in its discretion determines;

(c) A Publicity Committee to inform the members of all activities and functions of the Association and after consulting with the Board, to make such public releases and announcements as are in the best interest of the Association, and

(d) An Audit Committee to supervise the annual audit of the Association's books and approve the annual budget and statement of income and expenditures to be presented to the membership at its annual meeting, as provided in Article XI, Section 8(d). The Treasurer shall be an ex-officio member of this committee when formed.

Section 2. It shall be a function of each committee to receive complaints from members on any matter involving Association duties and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate or refer them to such other committee, director or officer of the Association as is further concerned with the matter presented.

ARTICLE X

MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the members shall be held in the same month of each year thereafter, on the day and at the hour reasonably designated in the notice of such meeting given pursuant to Section 3 of this Article X.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the president or by the Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the votes of the entire membership or who are entitled to vote one-fourth (1/4) of the votes of the Class A membership.

Section 3. Notice of Meetings. Except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws, written notice of each meeting of the members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage paid, at least 15 days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of the members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid, shall be present to be represented.

Section 5. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Lot.

ARTICLE XI

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be a president and vice-president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first annual meeting of the Board following each annual meeting of members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein; the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled in the manner prescribed for regular election. The officer elected to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any the other offices except in case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

President

(a) The President shall preside at all meetings of the Board; shall see that orders and resolutions of the Board are carried out, shall sign all leases, mortgages, deeds, and other written instruments and shall co-sign all checks and promissory notes.

Vice-President

(b) The Vice-President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

Secretary

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Treasurer

(d) The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting and deliver a copy to the members.

ARTICLE XII

ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. By the Declaration each member is deemed to covenant and agree to pay to the Association: (1) annual assessment charges, and (2) special assessments for capital improvements. The annual and special assessments,

together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the land and shall run with the land and be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with such interest, costs and reasonable attorneys' fees shall also be the personal obligation of the person who was the Owner of such property at the time assessment fell due and shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the residents in the Properties and for the improvement and maintenance of the Common Area owned by the Association and areas affecting the houses situated upon the Properties.

Section 3. Basis and Maximum of Annual Assessments. Until January 1st of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be \$300.00 per Lot.

(a) From and after January 1st of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased each year not more than 10% above the maximum assessment for the previous year without a vote of the membership.

(b) From and after January 1st of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above 10% by a vote of two-thirds (2/3) of each class of members who are voting in person or by proxy at a meeting called for this purpose. Written notice of such meeting shall be sent to all members not less than 30 days nor more than 50 days in advance of the meeting setting forth the purpose of the meeting. The limitations hereof shall not apply to any change in the maximum and basis of the assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

(c) After consideration of current maintenance costs and future needs of the Association, the Board may levy the annual assessment at an amount not in excess of the then applicable maximum.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may, by a vote of two-thirds (2/3) of members, in the aggregate, who are voting in person or by proxy at a meeting called for this purpose, levy in any assessment year, special assessments as provided by the Declaration.

Section 5. Exempt Property. All properties dedicated to and accepted by a local public authority; and all property designated as Common Area; and all properties owned by a charitable or nonprofit organization are exempt from the assessment created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

Section 6. Miscellaneous.

(a) The proceeds of the regular annual assessments shall not be used to reimburse Declarant for any capital expenditures incurred in construction or other improvements of common facility, nor for the operation or maintenance of such facilities incurred prior to conveyance unencumbered to the Association.

(b) Attendant to the rights of the members is the right to inspect the books upon proper notice of fifteen (15) days to the Secretary of the Association.

ARTICLE XIII

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any members at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XIV

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: Preston Highlands North Estates Homeowners Association, Inc.

ARTICLE XV

FISCAL YEAR

The Fiscal Year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

ARTICLE XVI

AMENDMENTS

Section 1. These Bylaws may be amended, at a regular or special meeting of the members, by a vote of a majority, in the aggregate, of a quorum of members present or by proxy, except that the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments while there is a Class B membership.

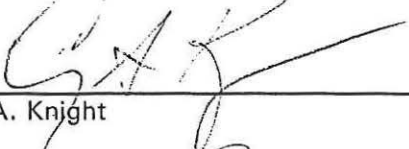
Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE XVII

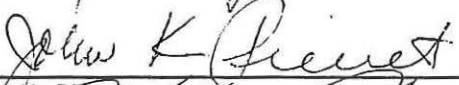
GENDER AND GRAMMAR

The singular, wherever used herein, shall be construed to mean the plural when applicable, and necessary grammatical changes required to make the provision hereof apply either to corporations of individuals, men or women, shall in all cases be assumed as though in case fully expressed.


IN WITNESS WHEREOF, we being all the Directors of Preston Highlands North Estates Homeowners Association, Inc. have hereunto set our hands effective as of the 28th day of February, 1996.



Craig A. Knight



John K. Pierret



Kenneth D. Prater

STATE OF TEXAS
COUNTY OF COLLIN

WHEREAS, Lumbermen's Investment Corporation, is the owner of a tract of land situated in the JOHN W. COX SURVEY, Abstract No. 159 and being a portion of a tract of land as described in Special Warranty Deed as recorded in CC# 95-0013500 of the Land Records of Collin County, Texas (LRCCT) and being particularly described as follows:

BEGINNING at a 1/2 inch iron rod set for the intersection of the easterly right-of-way of ROGERS ROAD (70 foot right-of-way) as recorded in CC# 96-0043710 (LRCCT) and the southerly right-of-way of ELDORADO PARKWAY (120 foot right-of-way):

THENCE along the southerly right-of-way of ELDORADO PARKWAY, South 89°20'54" East, a distance of 1,379.22 feet to a 1/2 inch iron rod set for corner;

THENCE departing the southerly right-of-way of ELDORADO PARKWAY and along the easterly line of said Lumbermen's tract as follows:

South 43°30'33" East, a distance of 62.54 feet to a 1/2 inch iron rod set for corner;

South 20°54'30" West, a distance of 79.30 feet to a 1/2 inch iron rod set for corner;

South 39°11'32" East, a distance of 174.17 feet to a 1/2 inch iron rod set for corner;

South 06°08'58" West, a distance of 163.48 feet to a 1/2 inch iron rod set for corner;

South 01°42'45" East, a distance of 196.66 feet to a 1/2 inch iron rod set for corner;

South 14°49'38" West, a distance of 222.04 feet to a 1/2 inch iron rod set for corner;

South 22°35'23" West, a distance of 200.41 feet to a 1/2 inch iron rod set for corner;

South 06°18'23" West, a distance of 82.11 feet to a 1/2 inch iron rod set for corner;

South 08°04'44" East, a distance of 108.18 feet to a 1/2 inch iron rod set for corner;

South 46°48'24" East, a distance of 142.39 feet to a 1/2 inch iron rod set for corner;

North 89°24'09" West passing a 1/2 inch iron rod found at 25.00 feet, a total distance of 301.48 feet to a 5/8 inch iron rod found for corner;

South 01°22'38" West, a distance of 568.61 feet to a 1/2 inch iron rod set for the beginning of a non-tangent curve to the right having a radius of 1,625.99 feet, a chord bearing South 72°00'03" West and a chord distance of 53.01 feet, said point being the most northeasterly corner of PRESTON HIGHLANDS NORTH, PHASE 2 as recorded in Cabinet J, Page 390 (MRCCT);

THENCE departing the easterly line of said Lumbermen's tract and along the northerly line of said PRESTON HIGHLANDS NORTH, PHASE 2, along said non-tangent curve to the right through a central angle of 01°52'04", an arc length of 53.01 feet to a 1/2 inch iron rod set for the beginning of a non-tangent curve to the left having a radius of 425.00 feet, a chord bearing North 01°30'02" East and a chord distance of 1.83 feet;

THENCE departing the northerly line of said PRESTON HIGHLANDS NORTH, PHASE 2 and along said non-tangent curve to the left through a central angle of 00°14'47", an arc length of 1.83 feet to a 1/2 inch iron rod set for corner;

THENCE North 01°22'38" East, a distance of 838.90 feet to a 1/2 inch iron rod set for corner;

THENCE North 89°11'17" West, a distance of 885.07 feet to a 1/2 inch iron rod set for corner;

THENCE North 01°22'34" East, a distance of 138.01 feet to a 1/2 inch iron rod set for corner;

THENCE North 89°11'17" West, a distance of 262.06 feet to a 1/2 inch iron rod set in the easterly right-of-way of ROGERS ROAD;

THENCE along the easterly right-of-way of ROGERS ROAD, North 01°21'40" East, a distance of 1,112.22 feet to the POINT OF BEGINNING;

CONTAINING within these metes and bounds, 41.916 acres or 1,825,869 square feet of land, more or less.

OWNER'S CERTIFICATE

STATE OF TEXAS
COUNTY OF COLLIN

WHEREAS, Lumbermen's Investment Corporation, is the owner of a tract of land situated in the JOHN W. COX SURVEY, Abstract No. 159 and being a portion of a tract of land as described in Special Warranty Deed as recorded in CC# 95-0015500 of the Land Records Collin County, Texas (LRCCT) and being particularly described as follows:

BEGINNING at a 1/2 inch iron rod set in the easterly right-of-way line of ROGERS ROAD (foot right-of-way) as recorded in Cabinet G, Page 620 of the Map Records of Collin County Texas (MRCCT) and CC# 95-0043710 (LRCCT) said point being the most northeasterly corner of PRESTON HIGHLANDS NORTH, PHASE 2, an addition to the City of Frisco as recorded in Cabinet J Page 390 (MRCCT);

THENCE along the easterly right-of-way of ROGERS ROAD, North 01°22'34" East, a distance of 804.15 feet to a 1/2 inch iron rod found for corner;

THENCE North 01°21'40" East, a distance of 186.32 feet to a 1/2 inch iron rod set for corner;

THENCE departing the easterly right-of-way line of ROGERS ROAD, South 89°11'17" East, a distance of 262.06 feet to a 1/2 inch iron rod set for corner;

THENCE South 01°22'34" West, a distance of 138.01 feet to a 1/2 inch iron rod set for corner;

THENCE South 89°11'17" East, a distance of 885.07 feet to a 1/2 inch iron rod set for corner;

THENCE South 01°22'38" West, a distance of 638.90 feet to a 1/2 inch iron rod set for the beginning of a curve to the right having a radius of 425.00 feet, a chord bearing South 01°30'02" West and a chord distance of 1.83 feet;

THENCE along said curve to the left through a central angle of 00°14'47", an arc length of 1.83 feet to a 1/2 inch iron rod set, for the beginning of a non-tangent curve to the having a radius of 1,625.99, a chord bearing South 82°28'07" West and a chord distance of 538.62 feet, said point being in the northerly line of PRESTON HIGHLANDS NORTH, PHASE 2;

THENCE along the northerly line of PRESTON HIGHLANDS NORTH, PHASE 2 as follows:

Along said non-tangent curve to the right through a central angle of 19°04'03", an arc length of 541.12 feet to a 1/2 inch iron rod set for corner;

North 88°35'22" West, a distance of 352.88 feet to a 1/2 inch iron rod set for corner;

South 01°22'34" West, a distance of 140.00 feet to a 1/2 inch iron rod set for corner;

North 88°35'22" West, a distance of 262.00 feet to a 1/2 inch iron rod set for the POINT OF BEGINNING;

CONTAINING within these metes and bounds 20.768 acres or 904,658 square feet of land, more or less.

4099 1002

After Recording Return To:

Lumbermen's Investment Corp.
5495 Beltline, Suite 225
Dallas, TX 75240
ATTN: Barbara Losey

ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL, OR USE OF THE
DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND
UNENFORCEABLE UNDER FEDERAL LAW (COUNTY OF COLLIN)
(THE STATE OF TEXAS)
I hereby certify that this instrument was FILED in the File Number Sequence on the date
and the time stated herein by me, and was duly RECORDED, in the Official Public
Records of Real Property of Collin County, Texas on

FEB 11 1998

Helen Starnes



Filed for Record in:
COLLIN COUNTY, TX
HONORABLE HELEN STARNES

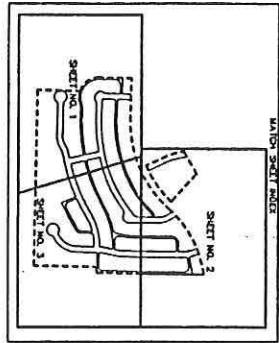
On 1998/02/11

At 12:27p

Number: 98- 0012805
Type : RS 19.00

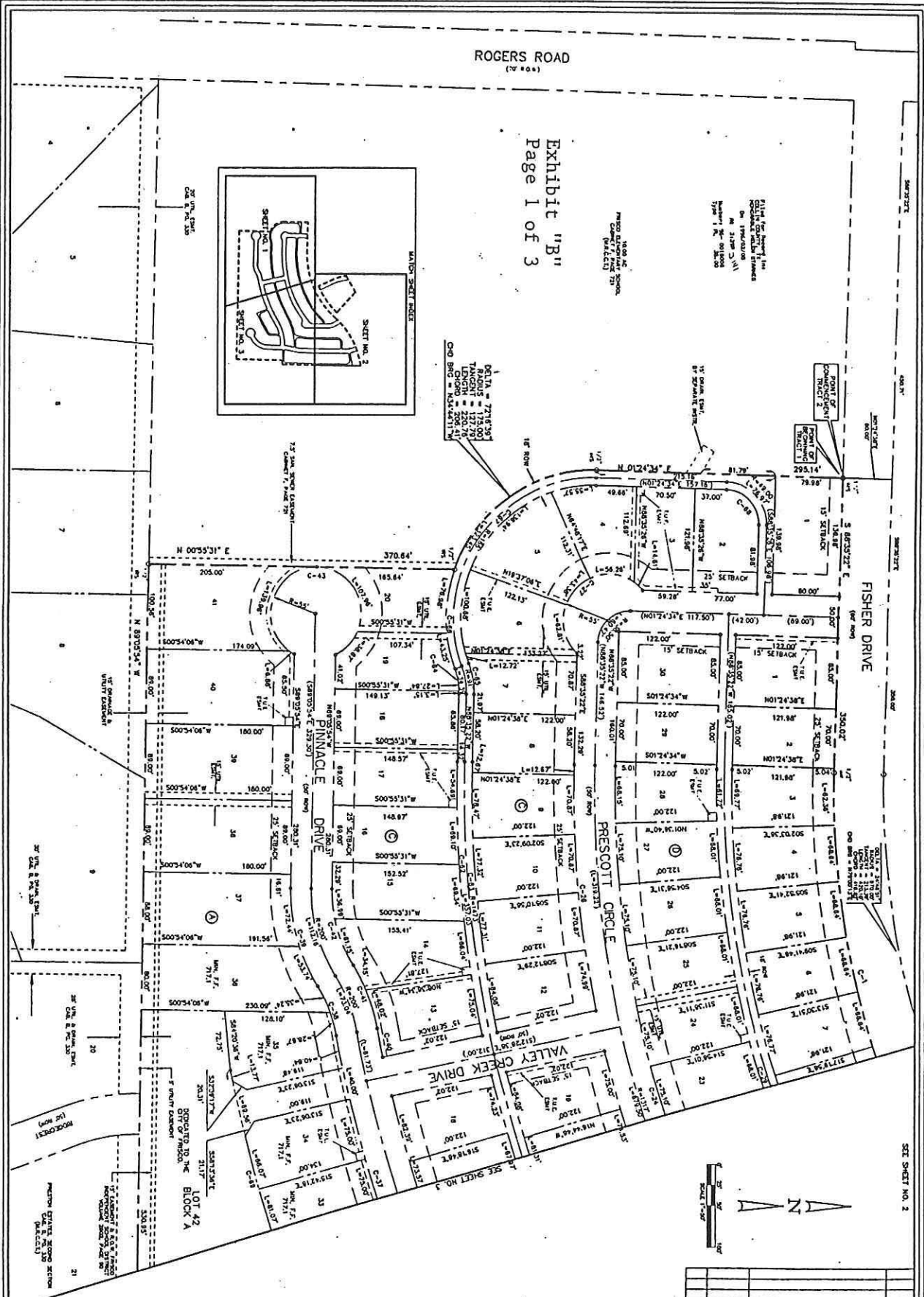
ROGERS ROAD
(200')

Exhibit "B"
Page 1 of 3



THIS PLAN SHOWS THE
PROPOSED LOTS AND
STREETS FOR THE
CITY OF FRISCO
COLLIN COUNTY, TEXAS
TYPE "B" PLAN

DATA = 773,873
RADIUS = 12,000
TANGENT = 127,729
CHORD = 206,411
C/O BRG = N33°24'11"W



No.	DATE	REVISION	APPROV.

Scale: 1"=100'
Date: 1-14-94
Designed By: WBA
Drawn By: MJE
Checked By: BJE
File: 1448971.Dwg
Project No.: 1449-02

FINAL PLAT
PRESTON HIGHLANDS NORTH
PHASE 1
42.523 ACRES

JOHN W. COX SURVEY, ABSTRACT NO. 159
CITY OF FRISCO
COLLIN COUNTY, TEXAS
LANDMARKS INVESTMENT, INC.
10440 N. CENTRAL EXPRESS, SUITE 1000
DALLAS, TEXAS 75243
214-340-3340

Winkelmann & Associates, Inc.
Surveyors and Engineers
10000 Preston Highlands North
Frisco, Texas 75034
972-241-1111

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ARTICLE VI
VOTING RIGHTS

The Association shall have two classes of voting membership:

Class A. Class A members shall be all those Owners as defined in Article V with the exception of Declarant. Class A members shall be entitled to one vote for each lot in which they hold the interest required for membership by Article V. When more than one person holds such interest in any lot, all such persons shall be members. The vote for such lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any lot.

Class B. The Class B members shall be the Declarant (as defined in the Declaration), and shall be entitled to three (3) votes for each lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) One Hundred Twenty (120) days after the conveyance of the lot which causes the total votes outstanding in the Class A membership to equal the total votes outstanding in the Class B membership; or

(b) Ten (10) years after conveyance of the first Affected Lot (as defined in the Declaration) by the Declarant (as defined in the Declaration);

provided however, that the Class B membership shall be reinstated upon annexation to the properties of any additional residential property and/or common area as set forth in the Declaration, but subject to further cessation in accordance with the limitations set forth in the preceding paragraphs (a) and (b) of this Article VI, whichever occurs first.

ARTICLE VII
AGENT AND OFFICES

Texas Incorp Inc. at 5735 Pineland Drive, Suite 215, Dallas, Texas 75231 constitutes the initial registered office and agent, respectively, of the Association. The principal office of the Association is located at 5495 Beltline Road, Suite 225, Dallas, Texas 75240.

ARTICLE VIII
BOARD OF DIRECTORS

The affairs of the Association shall be managed by a board of three (3) directors, who need not be members of the Association. The number of directors may be changed by amendment of the Bylaws of the Association. The names and addresses of the persons who are to serve until the election of their successors are:

<u>Director:</u>	<u>Address:</u>
John K. Pierret	5495 Beltline Road Suite 225 Dallas, Texas 75240
Kenneth D. Prater	5495 Beltline Road Suite 225 Dallas, Texas 75240
Craig A. Knight	5495 Beltline Road Suite 225 Dallas, Texas 75240

At the first annual meeting the members shall elect one (1) director for a term of one (1) year, one (1) director for a term of two (2) years, and one (1) director for a term of three (3) years; and at each annual meeting thereafter the members shall elect the director(s) for a term a three (3) years to fill each expiring term.

ARTICLE IX
MERGERS AND CONSOLIDATIONS

To the extent permitted by law, the Association may participate in mergers and consolidations with other non-profit corporations organized for the same purposes, provided that any such merger or consolidation shall have the assent of two-thirds of each class of voting membership; all subject, however, to the provisions relating to annexation as set forth in said Declaration.

ARTICLE X
AUTHORITY TO MORTGAGE

After same has been conveyed to the Association, any mortgage by the Association of the common area defined in said Declaration shall have the assent of two-thirds (2/3) of the entire Class A membership and two-thirds (2/3) of the entire Class B membership, if any.

ARTICLE XI
AUTHORITY TO DEDICATE

The Association shall have power to dedicate, sell or transfer all or any part of the common area (after same has been conveyed to it) to any public agency, authority, or utility for such purpose and subject to such conditions as may be agreed to by the members. No such dedication or transfer may be effective unless an instrument has been signed by members entitled to cast two-thirds (2/3) of the votes of the entire Class A membership and two-thirds (2/3) of the entire Class B membership, if any, agreeing to such dedication, sale or transfer.

ARTICLE XII

DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by not less than two-thirds (2/3) of the entire Class A membership and two-thirds (2/3) of the entire Class B membership, if any. Upon dissolution of the Association, the assets both real and personal of the Association, shall be dedicated to an appropriate public agency to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization to be devoted to those purposes and uses that would most nearly reflect the purposes and uses for which they were required to be devoted by the Association.

ARTICLE XIII

MEETINGS FOR ACTIONS GOVERNED BY ARTICLES IX THROUGH XIII

In order to take actions under Articles IX through XIII, there must be a duly held meeting. Written notice, setting forth the purpose of the meeting shall be given to all members not less than thirty (30) days nor more than fifty (50) days in advance of the meeting. The presence of members or of proxies entitled to cast two-thirds (2/3) of the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth above, and the required quorum at such subsequent meeting shall be two-thirds (2/3) of the required quorum of the preceding meeting. The Association may call as many subsequent meetings as may be required to achieve a quorum (the quorum requirement being reduced for each such subsequent meeting in accordance with the terms and provisions of the immediately preceding sentence). No such meeting shall be held more than sixty (60) days following the preceding meeting. In the event that voters constituting the required quorum are not present in person or by proxy, members not present may give their written consent to the action taken thereat.

ARTICLE XIV

AMENDMENTS

Amendments of these Articles shall require the assent of not less than three-quarters (3/4) of the entire membership, in the aggregate, of the Association.

ARTICLE XV

FHA/VA APPROVAL

As long as there is a Class B membership, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration: Annexation of additional properties (except with respect to the annexation of certain lots as set forth in Section 5 of Article IX of said Declaration), mergers and consolidations, mortgaging of common area, dedication of common area, dissolution and amendment of these Articles.

**FIRST AMENDMENT
BYLAWS**

**FIRST AMENDMENT TO THE BYLAWS
OF
PRESTON HIGHLANDS NORTH ESTATES
HOMEOWNERS ASSOCIATION, INC.**

STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS
COUNTY OF COLLIN §

This First Amendment to the Bylaws of Preston Highlands North Estates Homeowners Association, Inc. is effective as of the 14th day of May, 2002 by the Preston Highlands North Estates Homeowners Association, Inc. (the "Association"):

W I T N E S S E T H :

WHEREAS, Article XVI, Section 1 of the Bylaws of Preston Highlands North Estates Homeowners Association, Inc. (the "Bylaws") provides that the Bylaws may be amended at a regular or special meeting of the members, by vote of a majority, in the aggregate, of a quorum of members present in person or by proxy, at such meeting; and

WHEREAS, the amendments to the Bylaws, as set forth hereinafter with specificity, were approved by a vote of a majority of a quorum of members present, in person or by proxy, at a regular meeting of the Association held on May 14, 2002, after notice of such meeting was sent to the members of the Association.

NOW, THEREFORE, the Bylaws of the Association are hereby amended as follows:

(a) Section 1 of Article V of the Bylaws is hereby deleted in its entirety and shall hereinafter read as follows:



Section 1. Number.

The affairs of the Association shall be managed by a Board of five (5) directors who must be members of the Association.

(b) Section 1 of Article X of the Bylaws is hereby deleted in its entirety and shall hereinafter read as follows:

Section 1. Annual Meetings.

Each year the Board of Directors shall cause to be called a regular annual meeting of the members. The date, time and place of such regular annual meeting shall be determined by the Board of Directors.

SIGNED this 3 day of December, 2002.

**PRESTON HIGHLANDS NORTH ESTATES
HOMEOWNERS ASSOCIATION, INC.**

By Molly Crock, President

By Gamon Coley, Secretary

CERTIFICATION OF AMENDMENT TO BYLAWS

I, Molly Crock, the duly-elected President of the Preston Highlands North Estates Homeowners Association, Inc., hereby certify:

That this First Amendment to the Bylaws of the Preston Highlands North Estates Homeowners Association, Inc. was approved by a vote of a majority of a quorum of members present, in person or by proxy, at a duly convened regular meeting of the members of the Association held on May 14, 2002, after notice of such meeting was sent to all members, and that the same does now constitute a portion of the Bylaws of the Preston Highlands North Estates Homeowners Association, Inc.

IN WITNESS WHEREOF, I heretofore subscribe my hand on this 3 day of December, 2002.

Molly Crock
President

b. **Notice of Violation.** If the Owner has (i) failed to submit plans and specifications for the offending improvement to the Committee or the Committee has denied the approval of plans and specifications submitted, and/or (ii) the Violation is continuing, then no earlier than ten (10) days from the date of the 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 attorneys' fees incurred by the Association in eliminating or abating the Violation, and any violation fines imposed as determined by the Board of Directors, shall be charged to the Owner's account; and
- (iii) Notification of the proposed sanction to be imposed and amount due the Association, if any, and a brief description of what needs to be done to cure the Violation; and
- (iv) If necessary, work on any improvement not designed to cure the Violation must cease immediately and may not resume without the prior written approval of the Committee; and
- (v) 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 Preston Highlands North Governing Documents or this Enforcement Policy.

The Notice of Violation 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 make a written request for 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 Board.

c. **Failure to Remedy and Notice of Fine.** Failure to either (i) submit plans and specifications showing that the Violation will be remedied, (ii) cease all non remedial work immediately upon receipt of the Notice of Violation, and/or (iii) remedy the current Violation existing upon the Lot within ten (10) days of the date of the Notice of Violation, shall

constitute a continuing Violation and result in one or more of the following: (a) the imposition of violation fines as determined by the Board of Directors against the Owner, and/or (b) the pursuit of any other remedy available at law or in equity, under the Preston Highlands North Governing Documents 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 \$200.00 as determined by the Board of Directors. Fines may begin to be levied as of the Notice of Fine Date. Thereafter, the fines shall be levied every ten (10) days until the Violation has been cured without further notice to the Owner. After the Notice of Fine Date, every ten (10) days that the Violation continues to exist shall constitute a separate occurrence for purposes of this Enforcement Policy. There shall be no limit to the aggregate amount of fines that may be imposed for the same Violation. Owner may be notified by Management in writing of the amount of fines accrued to Owner's account.

3. **Right to a Hearing Before 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 Board shall hold a hearing not later than the thirtieth (30th) day after the date Management received the written request for a hearing. Management shall notify the Owner of the date, time and place of the hearing not later than the tenth (10th) day before the date of the hearing. The Board 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 postponements may only be granted by agreement of the parties. The Owner's presence is not required to hold a hearing under this paragraph 3.

4. **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.

5. **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 delivered and received when the sender receives a facsimile acknowledgment acknowledging 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 and received as of the third day after 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 Lot 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 Lot 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.

6. **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, and any fines imposed by the Board of Directors has been paid, 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 Preston Highlands North Governing Documents 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.

7. **Repeated Violation of the Same Provision of the Preston Highlands North Governing Documents.** 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 Preston Highlands North Governing Documents within six (6) months from the date of the Initial Notice, Management shall reinstate the Violation, including the fines previously imposed related to such Violation that were waived by the Board of Directors, 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 having received a Notice of Violation, the second Violation shall prompt Management to send a Notice of Fine as provided hereunder. In the event an Owner cured

the Violation after having received a Notice of Fine, the second Violation shall prompt Management to commence the levying of violation fines without further notice to the Owner.

8. 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 purposes 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 Preston Highlands North 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 _____ day of _____, 2004.

PRESTON HIGHLANDS NORTH ESTATES
HOMEOWNERS ASSOCIATION, INC.

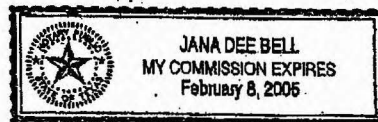
By: *Darren Corley* *Molly Cook*
_____, Secretary

STATE OF TEXAS §
 §
COUNTY OF COLLIN §

This instrument was acknowledged before me on the _____ day of _____, 2004, by *Darren Corley*, Secretary of the Preston Highlands North Estates Homeowners Association, Inc., a Texas corporation, on behalf of said corporation.

[SEAL]

Jana Dee Bell
Notary Public, State of Texas



CERTIFICATION OF APPROVAL

I, Molly Crook, the duly-elected President of the Preston Highlands North Estates Homeowners Association, Inc. hereby certify:

That the Community Association Violation Enforcement Policy for the Preston Highlands North Estates Homeowners Association, Inc., as evidenced by the records and minutes of the Board of the Association, was approved by the affirmative vote of the majority of the Board of Directors at a regularly scheduled meeting held on May 5, 2004, and that the same does now constitute an official policy of the Preston Highlands North Estates Homeowners Association, Inc. and shall be filed of record with the office of the Collin County Clerk.

Molly Crook
_____, President

By-Law Amendment Summary

Amendment No. 1 – Number of Directors

This amendment is being proposed because the current number of directors is set at three (3) directors. Based on the community being over four-hundred homes, the current Board believes the membership should be represented by a five-member Board of Directors rather than three directors as currently provided for in the By-Laws. In comparing other communities of similar size, the typical number of directors listed in the By-Laws is five.

Amendment No. 2 – Annual Meetings (Scheduling of Meetings)

The current By-Law provision calls for the annual meeting to be held within the first thirty days of each calendar year. This restricts both the Board and Membership to a timeframe that may not coincide with meeting facility availability, travel schedules or the ability to prepare year-end financial reports that should be presented at each annual meeting. The proposed amendment proposes that the Board be able to the annual membership meeting within each calendar year so they have flexibility and for all the aforementioned reasons or for other reasons that cannot be foreseen at this time.

WE HOPE EACH MEMBER WILL TAKE TIME AND REVIEW THE AMENDMENT. WE HAVE PROVIDED YOU THE OPPORTUNITY TO VOTE FOR THE AMENDMENT ALTHOUGH YOU MAY NOT BE ABLE TO ATTEND THE MEETING. YOU MAY ALSO PROVIDE YOUR PROXY TO ANOTHER MEMBER WHO CAN VOTE FOR YOU AT THE MEETING SHOULD YOU CHOOSE. IF YOU HAVE ANY QUESTIONS REGARDING THIS AMENDMENT, PLEASE DO NOT HESITATE TO CONTACT THE ASSOCIATION MANAGER AT (214) 520-0099 x 305.

YOU MAY MAIL YOUR PROXY TO:

**PRESTON HIGHLANDS NORTH ESTATES HOA
P.O. BOX 191185
DALLAS, TX 75219**

OR FAX TO: (214) 520-6463

THANK YOU.