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LANCASTER COUNTY, NE

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RESTRICTIVE COVENANTS
(Sterling Hills First Addition)

The undersigned are the original titleholder and Developer of Sterling Hills and the current titleholder of record (collectively referred to as "Owner") of the following-described real estate:

Lots 1-12, Block 1; Lots 1-23, Block 2; and Lots 1-20, Block 3, Sterling Hills First Addition, Lincoln, Lancaster County, Nebraska, collectively referred to as "First Addition Properties."; and

Outlot C, Sterling Hills First Addition, is hereby designated as Commons for use as a private roadway for the Properties.

Existing Covenants

Restrictive Covenants have been established, which were recorded on November 17, 2004 as Instrument No. 2004-074775 covering the original Sterling Hills and are referred to as the "Covenants."

Addition of Properties

Pursuant to paragraph 31 of the Covenants, Owner is exercising its right to add additional real estate to the Properties. The First Addition Properties are hereby added to the Properties and are made subject to the Covenants as well as the Commons identified above.

Purpose of Restatement

The following Restrictive Covenants are intended by the Owner to simply restate the existing Covenants which have been recorded against the Properties and make the First Addition Properties subject to the terms, conditions and requirements of the Covenants.

PIERSON, FITCHETT, HUNZEKER,
 BLAKE & KATT
 1045 LINCOLN MALL, SUITE 200
 P.O. BOX 95109
 LINCOLN, NEBRASKA 68509

RESTRICTIVE COVENANTS

Sterling Hills Townhome Association (Corporation) will be incorporated in Nebraska for the purposes of enforcing the Restrictive Covenants established upon the Properties, and providing services to its Members.

These Restrictive Covenants are established upon the Properties.

1. USE. No lot within the Properties shall be used other than for residential purposes.
2. COMPLETION OF CONSTRUCTION. Any building placed or constructed upon any lot within the Properties shall be completed within twelve months after the commencement of construction.
3. ANTENNAS. No wiring or antenna for electrical power, telephone, television, radio, or any other use shall be permitted above ground, except within a building. One small satellite dish shall be permitted subject to the requirements of paragraph 6.d.
4. APPROVAL OF PLANS. Owner or its assignees shall have the exclusive right to establish grades and slopes for all lots within the Properties and to fix the grade at which any building or other improvement shall be placed or constructed upon any lot, in conformity with the general plan for the development of the Properties. Plans for any dwelling structure to be placed or constructed upon any lot within the Properties shall be submitted to Owner and shall show the design, size, and exterior material for the building or improvement and the plot plan for the lot. One set of plans shall be left on permanent file with Owner. Construction of the building or improvement shall not be commenced unless written approval of the plans has been secured from the Owner. Written approval or disapproval of the plans shall be given by the Owner within 30 days after receipt thereof. Approval of the plans shall not be unreasonably withheld, and upon disapproval, a written statement of the grounds for disapproval shall be provided. The Owner shall have the exclusive right to disapprove the plans, if in the Owner's opinion, the plans do not conform to the general standard of development in the Properties. The rights and duties of the Owner under this paragraph, except as to lots of which the Owner is the titleholder, may be assigned by the Owner in writing to the Corporation at any time.
5. GENERAL STANDARDS FOR DWELLING STRUCTURES. The following general standards of development shall be followed for all dwelling structures constructed within the First Addition Properties. The Owner shall have the right to reduce, increase or otherwise explicitly modify these standards within other additions to the Properties.
 - a. Minimum Floor Area. The minimum floor area for any dwelling exclusive of basements, garages, porches, patios, decks or enclosed decks shall be 1,000 sq. ft.
 - b. Setbacks. Setbacks of dwellings from the lot lines shall be as required by the Lincoln Zoning Ordinance. Air conditioner units, patios, walks, window openings and similar items permitted under the zoning ordinance may be located within the setback area.

- c. Exterior Appearance.
 - i. Colors. All exterior colors shall be aesthetically pleasing and shall not include any loud, bright or obnoxious color schemes. The change of any exterior color of any dwelling shall be approved by the Corporation in writing.
 - ii. Exposed Foundation. Exposed foundation walls shall be painted or sided to match the exterior color scheme of the dwelling.
 - iii. Roof Pitches. All roof pitches shall be a minimum of 5:12.
 - d. No Solar Panels. No solar panels shall be installed on a dwelling or upon any accessory structure.
6. GENERAL STANDARDS FOR IMPROVEMENTS AND STRUCTURES OTHER THAN DWELLINGS. The following general standards shall be satisfied in the construction and installation of improvements and structures other than the dwelling.
- a. Fencing. Fencing shall not be constructed without the prior written consent of the Corporation. The Corporation may condition its approval upon the titleholder's payment of all Corporation expenses, including increased operating expenses associated with the construction of the fence.
 - b. Accessory Structures. Accessory structures such as storage sheds and playhouses shall not be permitted upon any lot within the Properties.
 - c. Dog Kennels, Runs and Exercise Areas. No dog run or kennels of any type shall be permitted on any lot within the Properties. An outside dog exercise area shall be permitted at the rear of any dwelling, immediately adjacent to the patio area, which area shall be completely screened and fenced and shall not exceed 300 sq. ft. in total area. The maintenance of the dog exercise area in a sanitary and clean manner shall be the sole responsibility of the titleholder of the lot.
 - d. Satellite Dish. Any satellite dish shall not be larger than 24 inches in diameter and shall be located and screened so as to be as unobtrusive as is reasonably possible.
7. CITY REQUIREMENTS. All buildings within the Properties shall be constructed in conformity with the requirements of the applicable building codes of the City of Lincoln, Nebraska. Public sidewalks and street trees shall be installed during the construction of the dwelling as required by the City of Lincoln, Nebraska.
8. TEMPORARY STRUCTURES. No partially completed dwelling or temporary building and no trailer, tent, shack, or garage on any lot within the Properties shall be used as either a temporary or permanent residence.
9. NUISANCE. No noxious or offensive activity shall be conducted or permitted upon any lot within the Properties, nor anything which is or may become an annoyance or nuisance to the neighborhood or which endangers the health or unreasonably disturbs the quiet of the occupants of adjoining lots.

10. SIGNS. No advertising signs, billboards, or other advertising devices shall be permitted on any lot within the Properties larger than 24 inches by 36 inches. However, Owner may erect signs of any size advertising lots for sale within the Properties, and a sign advertising a single lot for sale may be erected upon any lot.
11. ANIMALS. No animals, livestock, or poultry of any kind shall be raised, bred, or kept on any lot within the Properties for any commercial purpose.
12. RECREATIONAL AND OTHER MOTOR VEHICLES. No recreational vehicle, as defined by the Lincoln Municipal Code, shall be parked or stored upon any lot within the Properties for more than 14 days during any calendar year except within an enclosed area. No other motor vehicle with a fair market value less than \$1,000 or in a nonoperable condition owned by or under the control of a member shall be parked on or stored anywhere within the Properties except within an enclosed structure.
13. PARTY WALLS. Each wall which is built as a part of the original construction of a dwelling within the Properties and placed on the dividing line between two adjoining lots shall constitute a party wall.

The cost of reasonable repair and maintenance of a party wall shall be shared by the titleholders of the Properties who make use of a party wall in proportion to such use.

If a party wall is destroyed or damaged by fire or other casualty, any titleholder of a lot who has used the wall may restore it. If any other titleholder subsequently makes use of the wall, they shall contribute to the cost of restoration in proportion to such use.

Notwithstanding any other provision of this paragraph, a titleholder who by their negligence or willful acts or omissions causes the party wall to be destroyed, damaged or otherwise exposed to the elements shall bear the whole cost of furnishing the necessary protection against the elements and the cost of restoration.

The right of any titleholder to contribution from any other titleholder under this paragraph shall be appurtenant to the land and shall pass to such titleholder's successors in interest.

Should a dispute arise concerning a party wall under these Covenants, the parties are encouraged to resolve their dispute pursuant to the Dispute Resolution Act, Neb. Rev. Stat. § 25-2901 to 25-2920 prior to filing a lawsuit. No legal action with respect to a party wall dispute shall be commenced or maintained unless and until the parties have utilized the Dispute Resolution Act.

14. ENCROACHMENTS. When a building shall be constructed on any lot so as to encroach upon an adjoining lot within the Properties, the member who is the titleholder of the lot with the encroaching building shall have an easement upon the adjoining lot to the extent of the encroachment. Any expense of maintenance, repair or replacement of the encroaching building shall be borne by the member who is the titleholder of the lot with the encroaching building. The provisions of this paragraph shall not operate to relieve any member from any liability which the member may incur by reason of negligent or willful acts or omissions resulting in damage to the encroaching building.
15. COMMON UTILITY LINES. When any utility line shall be constructed on two or more adjoining lots with the Properties, each member who is the titleholder of one of the adjoining lots shall have an easement for the maintenance, repair and replacement of the utility line

upon all of the adjoining lots, which easement shall be appurtenant to the interest requisite for membership. Any expense of maintenance, repair or replacement of the utility line shall be borne equally by the members who are the titleholders of such adjoining lots. The provisions of this paragraph shall not operate to relieve any member from any liability which such member may incur by reason of negligent or willful acts or omissions resulting in damage to the utility line.

16. TOWNHOMES ASSOCIATION. Every person or entity who owns a lot within the Properties shall be a member of the Corporation. However, any person or entity who holds such interest merely as security for the performance of an obligation shall not be a member.
17. MANAGING AGENT. The Owner or the Corporation may contract for the performance of any of the Corporation's rights, obligations or responsibilities with any entity or individual ("Managing Agent"). The Managing Agent shall exercise such authority which may be granted by the Owner or Corporation. The fee charged by the Managing Agent shall be a common expense of the members.
18. MEMBERSHIP. The Corporation shall have two classes of membership:

Class A membership shall include all members of the Corporation except the Owner and any successor in interest. Each Class A member of the Corporation shall be entitled to all the rights of membership and to one vote for each lot.

Class B membership shall include only the Owner and any successor in interest. The Class B member shall be entitled to five votes for each lot. However, the Class B membership shall be converted to Class A membership when the total number of votes entitled to be cast by Class A members equals the total number of votes entitled to be cast by the Class B member or December 31, 2009, whichever first occurs.
19. GENERAL MAINTENANCE OBLIGATIONS. Each member of the Corporation shall be responsible for the proper storage and disposal of all construction debris and materials associated with the construction of any improvements upon their lot. Lots shall be periodically mowed and loose debris and materials picked up and properly stored to prevent them from being spread and blown throughout the Properties. During construction on any lot, a member shall be responsible to erect and maintain adequate erosion control measures, including silt fences, straw bales, or other measures to prevent soil runoff upon adjoining lots or streets. Each member shall be responsible for the enforcement and monitoring of these obligations for all contractors and suppliers performing work upon their lot. Each member shall be responsible for maintaining any improvements on their lot in a neat, safe and attractive manner.
20. FAILURE TO MAINTAIN. In the event any member fails or refuses to perform any required maintenance or the general maintenance obligations, the Owner or Corporation after seven (7) days notice to the member in default, may perform the required work or maintenance. The actual cost of performing the work or maintenance together with a 10% administrative fee shall be the personal obligation of the member who is or was the owner of the lot failing to perform their maintenance obligations, shall bear interest at the rate of 14% per annum and shall be a lien upon the lot assessed.

21. TOWNHOME PROPERTIES MAINTENANCE. Each Member shall be responsible for the proper upkeep, care, maintenance and exterior appearance of the improvements located upon their Townhome Lot for the purpose of maintaining a high quality and attractive development. Specific rules, regulations, requirements and specifications further implementing this provision may be adopted by not less than sixty percent (60%) of the total Members and with written notice shall be binding upon and enforceable by the Corporation and any Member against any of the Properties. In the event any Member fails or refuses to perform any required townhome maintenance, the Owner or Corporation after seven (7) days notice to the Member in default, may perform the required work or maintenance. The actual cost of performing the work or maintenance together with a 10% administrative fee shall be the personal obligation of the member who is or was the legal titleholder of the lot failing to perform the required maintenance obligation, shall bear interest at the rate of 14% per annum and shall be a lien upon the lot assessed.
22. TOWNHOME PROPERTIES PETS. Domestic pets have the potential to create significant nuisance problems within the Properties. Each Member shall be responsible for controlling all domestic pets and preventing them from becoming an annoyance, nuisance, or unreasonably disturbing the quiet of any other Member. Specific rules, regulations, and requirements further implementing this provision (including the banning of individual animals, types of animals, or specific breeds) may be adopted by not less than sixty percent (60%) of the Members and with written notice shall be binding upon and enforceable by the Corporation and any Member against all of the Properties.
23. CORPORATION RESPONSIBILITIES. The Corporation shall have no obligation to provide any services to the Class B member unless requested to do so and the Class B member agrees to pay for the fair value of the services to be provided by the Corporation. The Corporation shall provide such services to its Class A members as they may determine, and to the extent required shall have an easement on each member's lot as may be reasonably necessary in order to perform these services. These services and responsibilities of the Corporation to the Class A members shall include, but are not limited to, the following:
- a. Refuse Services. The Corporation shall provide to each Class A member refuse collection services through a single designated provider. The cost of these services shall be paid for by the Class A members as a part of their monthly dues and assessments.
 - b. Grounds Maintenance. The Corporation shall provide to each Class A member grounds maintenance which shall include mowing and maintenance of each member's lawn, trees and shrubs; repair and placement of the lawn sprinkler system and payment of the water bill for the system; and snow removal from the public sidewalk, front stoop and driveway for the lot. In the event any improvements, such as fences, planters or similar obstructions or plantings, such as gardens, shrubs, plants or trees, increase the cost to the Corporation of performing ground maintenance service for any lot, the additional cost shall be paid by the lot owner, or the improvements or plantings shall be removed by the lot owner, or the Corporation may discontinue this service without any reduction to the dues or assessment paid by the lot owner.

24. CONVEYANCE OF COMMONS: Owner shall convey any Commons to the Corporation, free from encumbrance, but subject to easements and restrictions then of record and any requirements of the City of Lincoln within one year after the conversion of Class B membership to Class A membership.
25. USE OF COMMONS: Each member of the Corporation shall have the right to use and enjoy the Commons as established by the rules, regulations and requirements of the Corporation and shall have an easement upon the Commons for the use thereof, which shall be appurtenant to the interest requisite for membership.
26. RIGHTS IN COMMONS: The rights and easements of the members of the Corporation shall be subject to:
 - a. The right of the Corporation to borrow money for the purpose of improving the Commons and to mortgage the Commons. In the event of default, the mortgagee shall have the right, after taking possession of the Commons, to charge admission and other fees as a condition of the continued use of any recreational facilities within the Commons by the members, and to open the facilities to a wider public until the mortgage debt is satisfied. Any mortgage of the Commons shall be approved by the affirmative vote of two-thirds of each class of members entitled to vote, present in person or by proxy, at a regular meeting of the members or at a special meeting of the members, if notice of the proposed mortgage is contained in the notice of the special meeting.
 - b. The right of the Corporation to take any steps reasonably necessary to protect the Commons against foreclosure.
 - c. The right of the Corporation to suspend the enjoyment of the facilities by any member for any period during which an assessment remains unpaid, and for a period not to exceed 30 days for any infraction of the published rules and regulations governing the use of the facilities.
 - d. The right of the Corporation to charge reasonable admission and other fees for the use of the facilities.
 - e. The right of the Corporation to dedicate or convey all or any part of the Commons to any public entity.
27. MAINTENANCE OF LANDSCAPE SCREENS: Each member of the Corporation who is the titleholder of a lot or living unit on which any landscape screen, whether composed of structural or live plant material, which is installed as required by the City of Lincoln, Nebraska, shall be deemed to covenant to maintain the screen.
28. LIEN FOR DUES AND ASSESSMENTS. The lien of any dues or special assessment shall, until shown of record, be subordinate to the lien of any mortgage placed upon the lot against which the assessment is levied.

29. MONTHLY ASSESSMENTS AND LIENS. Monthly dues and special assessments, other than for capital improvements, may be levied by the Board of Directors of the Corporation. Any special assessment for capital improvements may be rejected at any time within 30 days of the notice of the levy by the vote of a majority of each class of members affected and entitled to vote, at a regular meeting of the members or at a special meeting of the members, if notice of a special assessment is contained in the notice of the special meeting. Monthly dues and any assessments shall be uniform as to each lot within the Properties, except as provided in paragraph 30.

The Class A members shall pay monthly dues and special assessments to the Corporation or Managing Agent as billed. The Class A member's dues shall be determined on an annual basis payable monthly during each fiscal year, prorating the initial month of occupancy prorated from the date of occupancy to the end of that month. The amount of monthly dues shall be based upon an estimate of the Corporation's costs and each Class A member shall pay the dues so established monthly in advance. At the end of each fiscal year, a statement of the total year's Common's operating costs may be presented to the members of the Corporation and the members shall pay any excess charge to the Corporation within thirty (30) days of the statement.

- a. Budgets. The Corporation or Managing Agent shall prepare, approve and make available to each Class A member a pro forma operating statement (budget) containing: (1) estimated revenue and expenses on an accrual basis; (2) the amount of any cash reserves of the Corporation currently available.
- b. Additional Charges. In addition to any amounts due or any other relief or remedy obtained against a member who is delinquent in the payment of any dues or assessments, each member agrees to pay such additional costs, fees, charges and expenditures ("Additional Charges") as the Corporation or Managing Agent may incur or levy in the process of collecting from each member monies due and delinquent. All Additional Charges shall be included in any judgment in any action brought to enforce collection of delinquent dues or assessments. Additional Charges shall include, but not be limited to, the following:
 - i. Attorney's Fees. Reasonable attorney's fees and costs incurred in the event an attorney(s) is employed to collect any dues, assessment or sum due, whether by suit or otherwise;
 - ii. Late Charges. A late charge in an amount to be fixed by the Corporation to compensate the Corporation for additional collection costs incurred in the event any dues, assessment or other sum is not paid when due or within any "grace" period. The late charge shall not exceed ten percent (10%) of the delinquent assessment or twenty dollars (\$20), whichever is greater.
 - iii. Costs of Suit. Costs of suit and court costs incurred as allowed by the court;
 - iv. Filing Fees. Costs of filing notice of lien in the Office of the Register of Deeds;
 - v. Interest. Interest on all dues and assessments at the rate of 14% per annum, commencing thirty (30) days after the assessment becomes due; and

- vi. Other. Any other costs that the Corporation may incur in the process of collecting delinquent dues and assessments.
- c. Lien. The dues and assessments shall be the personal obligation of the member who is the owner of the lot assessed at the time of the assessment and when shown of record shall be a lien upon the lot assessed.
- d. Fines. The Corporation may create a schedule of fines for violation of Corporation rules and regulations which fine shall be treated and billed as a special assessment to the offending member's lot.
30. OWNER DUES AND ASSESSMENTS. Owner, as the Class B member, shall have no obligation to pay any dues or assessments to the Corporation except as agreed to in writing for actual services provided.
31. ADDITIONS: The Owner may add additional contiguous or adjacent real estate to the Properties or the Commons, at any time, without the consent of the members of the Corporation. Additions shall be made by the execution and recordation of Restrictive Covenants upon the additional real estate, making the addition subject to these Restrictive Covenants; provided the general standards set forth in paragraphs 5 and 6 may be reduced, increased or otherwise modified within any such addition.
32. AMENDMENTS. These Restrictive Covenants shall run with the land and shall be binding upon and enforceable by the Owner and all persons claiming under the Owner. These Restrictive Covenants may be terminated or modified, in writing, by the owners of two-thirds of the lots within the Properties with the consent and approval of the Class B member. However, the provisions of these Restrictive Covenants governing membership in the Corporation and the maintenance of the Commons shall not be terminated or modified without the consent of the City of Lincoln, Nebraska.
33. ENFORCEMENT. The enforcement of these Restrictive Covenants may be by proceedings at law or in equity against any person violating or attempting to violate any provision hereof. The proceedings may be to restrain the violation, or to recover damages and, by the Corporation or Owner, may be to enforce any lien or obligation created hereby.
34. SEVERABILITY. The invalidation of any one of these Restrictive Covenants shall not affect the validity of the remaining provisions hereof.

Dated: February 24, 2005.

STERLING HILLS II, LLC (Titleholder)
a Nebraska limited liability company

By: 

Barry Fowler, President

STERLING HILLS, LLC (Developer)
a Nebraska limited liability company

By: *Barry Fowler*
Barry Fowler, President

STATE OF NEBRASKA)
) ss.
COUNTY OF LANCASTER)

The foregoing instrument was acknowledged before me this 24th day of February, 2005, by Barry Fowler, President of Sterling Hills II, LLC a Nebraska limited liability company, on behalf of the company.

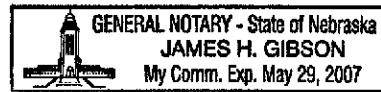
James Gibson
Notary Public



STATE OF NEBRASKA)
) ss.
COUNTY OF LANCASTER)

The foregoing instrument was acknowledged before me this 24th day of February, 2005, by Barry Fowler, President of Sterling Hills, LLC a Nebraska limited liability company, on behalf of the company.

James Gibson
Notary Public



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