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RICHARD N. TAKECHI
REGISTER OF DEEDS
DOUGLAS COUNTY, NE

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**DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
OF LOTS 1 - 101 and Outlot "A", CEDAR BROOK**

THIS DECLARATION, made on the date hereinafter set forth, is made by HEARTHSTONE HOMES, INC., a Nebraska corporation, hereinafter referred to as the "Declarant."

PRELIMINARY STATEMENT

The Declarant is the owner of certain real property located within Douglas County, Nebraska and described as follows:

Lots 1 through 101 and Outlot "A", inclusive, in Cedar Brook, a Subdivision, as surveyed, platted and recorded in Douglas County, Nebraska;

Such lots are herein referred to collectively as the "Lots" and individually as each "Lot."

The Declarant desires to provide for the preservation of the values and amenities of Cedar Brook, for the maintenance of the character and residential integrity of Cedar Brook, and for the acquisition, construction and maintenance of Common Area and Common Area Improvements for the use and enjoyment of the residents of Cedar Brook (hereinafter the "subdivision").

NOW, THEREFORE, the Declarant hereby declares that each and all of the Lots now and hereafter encumbered by this Declaration shall be held, sold and conveyed subject to the following restrictions, covenants, conditions and easements, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Lots, and the enjoyment of the residents of the Lots. These restrictions, covenants and conditions shall run with such Lots and shall be binding upon all parties having or acquiring any right, title or interest in each Lot, or any part thereof, as more fully described herein. The Lots, and each Lot are and shall be subject to all and each of the following conditions and other terms.

ARTICLE I.

A. Said lots shall be used only for single-family purposes and for accessory structures incidental to residential use or for park, recreation, church or school purposes.

B. No noxious or offensive trade or activity shall be carried on upon any lot nor shall anything be done thereon that may be or become an annoyance or nuisance to the neighborhood.

HEARTHSTONE HOMES
c/o JIM ECKER
8425 MADISON STREET
OMAHA, NE 68127

Box 35 MA.

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C. No trailer, basement, tent, shack, garage, barn or other outbuildings erected on said real estate shall at any time be used as a residence temporarily or permanently, nor shall any structure of a temporary character be used as a residence.

D. No animals, livestock or poultry of any kind shall be raised, bred or kept on any lot, except that dogs, cats or other household pets may be kept, provided they are not kept, bred or maintained for any commercial purposes.

E. No junk cars or unlicensed motor vehicles of any kind, or boats, trucks, trailers, or car bodies shall be stored, parked, kept or maintained in any yards or on any driveways or streets. Outside trash containers are prohibited unless enclosed in a full fenced-in area. Fences may only be located around the perimeter of the rear yard and not extend any closer to the front lot line than the front yard's building setback line. All cars parked in any driveway or on any street must be in running condition with all tires inflated and no outside repair of any automobile will be permitted.

F. No outside radio, television, Ham broadcasting, Earth station, Satellite Dish (exceeding 18 inches in diameter) or other electronic antenna or aerial shall be erected or placed on any structure or on any lot. If used, any such antenna or aerial shall be placed in the attic of the house, or in any other place in the house where it will be concealed from public view from any side of the house.

G. Portland concrete public sidewalks, four feet wide, shall be constructed in front of each built upon lot and along the street side of each built upon corner lot. The sidewalk shall be placed four feet back of the street curb line.

H. The applicable zoning ordinances of the public agency having zoning authority shall determine the minimum area of building plot and minimum front, side and rear setbacks.

I. HearthStone Homes, Inc., its successors and/or assigns shall be allowed to operate and maintain model homes in the subdivision. This right does not expire with the sale of the last buildable lot in the subdivision.

J. Notwithstanding the provisions of Paragraphs "A" and "H" the restriction provisions for lot use, lot area, sideyards, and front yard shall automatically be amended if the public agency having zoning authority shall determine and permit a lesser area, a lesser distance, or a different use either by means of rezoning or the granting of waivers or special use permits.

K. The covenants and restrictions of this Declaration shall run with and bind the land for a term of twenty (20) years from the date this Declaration is recorded. This Declaration may be amended by Declarant, or any person, firm, corporation, partnership or other entity designated in writing by Declarant, in any manner that it may determine in its full and absolute discretion for a period of ten (10) years from the date hereof. Thereafter this Declaration may be amended by an

instrument signed by the owner or owners of not less than seventy-five percent (75%) of the lots covered by this Declaration.

L. If a fence is constructed on the subject lots; the owner of any such lot shall at his sole expense maintain and keep such fence in good order, including removal of graffiti and the prevention of placing signs, banners, or any such thing on the fence, and repair and replace the same with the same style and equal quality fence when and if reasonably necessary.

M. Nothing herein contained shall in any way be constructed as imposing upon the Developer or any of the undersigned any liability, obligation or requirement to enforce this instrument or any of the provisions contained herein.

ARTICLE II.
HOMEOWNERS' ASSOCIATION

1. Definitions.

(A) "Association" shall mean and refer to the Cedar Brook Homeowners Association, Inc., a Nebraska nonprofit corporation, its successors and assigns.

(B) "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of a fee simple title to any Lot that is a part of the Properties, but excluding those having such interest merely as a security for the performance of an obligation or as an encumbrance upon the interest of the beneficial owner.

(C) "Properties" shall mean and refer to: Lots 1 through 101 and Outlot "A", inclusive, all in Cedar Brook, a Subdivision, as surveyed, platted and recorded in Douglas County, Nebraska.

(D) "Lot" shall mean and refer to any platted Lot shown upon any recorded subdivision map of the Properties, except for such Lots or parts thereof as may hereafter be conveyed or dedicated by Declarant, or its successors or assigns, for use in connection with a Common Area, or as a church, school, park, or for other nonprofit use.

(E) "Declarant" shall mean and refer to all persons and entities signing this instrument, their successors and assigns.

(F) "Common Area" shall mean and refer to any land owned by the Association or controlled by an easement in favor of the Association or required as a contractual obligation of the Declarant or the Association, such as Common Area Improvements located within public rights-of-ways.

(G) "Common Area Improvements" shall mean and refer only to signs, landscaping, lighting, and sprinkler systems, which may be located from time to time on the Common Area, including those improvements within public rights-of-way.

(H) "Common Area Expenses" means expenditures made on an annual basis by or financial liabilities of the Association, together with any allocations to reserves.

2. General Information. The Association shall be required to maintain the Common Area and the Common Area Improvements in good condition and repair and shall exercise those powers, duties and responsibilities as more particularly set forth in this Declaration, the Articles of Incorporation and the By-Laws of the Association. The fiscal year of the Association shall be the calendar year. The Office of the Association shall be located at such location as the Board of Directors shall designate from time to time.

(a) Cedar Brook may be developed in phases consisting of separate residential lots (referred to as the "Lots"). Additional residential property may be annexed to the Properties by the Declarant or with the consent of two-thirds (2/3) of the votes entitled to be cast. All Lot Owners, by virtue of their ownership of a Lot, are automatically mandatory Members of the Association and shall be entitled to vote on all matters upon which Members of the Association are entitled to vote, pursuant to the Declaration and in accordance with the By-Laws. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation.

(b) The initial Board of Directors of the Association and all officers of the Association shall be appointed by the Declarant and thereafter be elected as provided for in the By-Laws.

3. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association annual assessments or charges as hereinafter provided, as such assessments to be established and collected as hereinafter provided. The annual assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Any obligation of the Declarant to pay any assessments for any Lot owned by Declarant shall not become due until the date of closing of such Lot, at which time the Declarant shall pay all prior years' assessments and the current years' assessment shall be prorated between the parties.

4. Membership. The membership of the Association shall consist of all Owners of the designated Lots within Cedar Brook. Membership in the Association shall be mandatory and no Owner during his ownership of a Lot shall have the right to relinquish or terminate his membership in the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation.

5. Succession. The membership of each owner shall terminate when they cease to be an Owner of a Lot, and their membership in the Association shall automatically be transferred to the new Owner succeeding to such ownership interest.

6. Voting. The Association shall have two classes of voting members, Class A Members and Class B Members, defined as follows:

Class A: Class A Members shall be the Owners of all Lots other than Lots owned by Declarant or Lots that are subject to a mortgage or deed of trust in favor of Declarant. Each Class A Member shall be entitled to one vote for each Lot Owned. When there shall be more than one person or entity holding an interest in any Lot, all such persons or entities or both, shall be Members; provided however that the vote for such Lot shall be exercised as such persons or entities or both, shall determine, but in no event shall more than one vote be cast with respect to any one Lot.

Class B: Class B Members shall be the Owners of all Lots owned by Declarant or Lots that are subject to a mortgage or deed of trust in favor of Declarant. Each Class B Member shall be entitled to twenty votes for each Lot owned. Each Class B Member shall be entitled to one vote for each Lot owned upon the occurrence of the first of the following dates:

- (a) The date on which the total votes outstanding in the Class A membership shall equal the total votes outstanding in the Class B membership, or
- (b) January 1, 2010

Except for the Declarant, no Owner shall be eligible to vote, either in person or by proxy, if that Owner is shown in the books or management accounts of the Association to be more than sixty (60) days delinquent in any payment due the Association. As set forth in section 3, above, the Declarant, for each lot owned, shall not become obligated to pay any annual assessments for said Lot unless and until the closing of said Lot occurs, at which time Declarant shall pay its pro rata share of said assessments.

7. Budget. The Board of Directors shall adopt a budget for each calendar year that shall include the estimated funds required to defray annual Common Area Expenses and administrative expenses of the Association.

8. Assessments.

(a) All Owners shall be obligated to pay the assessments imposed by the Board of Directors of the Association to meet the Common Area Expenses of the Association. The Common Area Expenses of the Association shall be equally assessed among all of the Lot Owners. Except for Lots owned by the Declarant, as provided in paragraph 3 of this article, annual Assessments for the estimated Common Area Expenses of the Association shall be due in advance of the first day of January of each year. The method of assessment described herein may not be amended without the

written approval of the Declarant, so long as there is a Class B Membership or thereafter, the owners of two-thirds (2/3) of the votes entitled to be cast.

(b) Each Lot Owner's personal obligation of payment of assessments shall be due on the first day of the month in which the closing of the purchase of said Lot occurs.

(c) Assessments shall be based upon the cash requirements deemed to be such aggregate sum the Board of Directors of the Association shall from time to time determine is to be paid by all of the Lot Owners to provide for the payment of all estimated expenses growing out of or connected with the acquisition, construction, maintenance, repair, operation, alterations and improvements of and to the Common Area and the Common Area Improvements and for the creation of a reasonable contingency and reserve for the same.

(d) The omission or failure to fix the assessment or deliver or mail a statement for any period shall not be deemed a waiver, modification or release of the owner's personal obligation to pay the same.

(e) Within thirty (30) days after adoption of any proposed Budget for the Association, the Board of Directors shall provide a summary of the Budget to all the Lot Owners, and shall set a date for a meeting of the Lot Owners to consider ratification of the Budget that date shall not be less than fourteen (14) nor more than thirty (30) days after mailing of the summary. Unless at that meeting a majority of all the votes entitled to be cast, or any larger vote specified in the Declaration, reject the Budget, the Budget is ratified, whether or not a quorum is present. In the event the proposed Budget is rejected, the periodic Budget last ratified by the Lot Owners shall be continued until such time as the Lot Owners ratify a subsequent budget proposed by the Board of Directors.

9. Association Lien for Non-Payment of Common Area Expenses.

(a) Except for the Declarant as provided in paragraph 3 of this Article, all sums assessed by the Association but unpaid for the share of Common Area Expenses chargeable to any Lot shall constitute a lien on such Lot superior to all other liens and encumbrances, except only for tax and special assessment liens of the Lot in favor of any assessing entity, and all sums unpaid on any Mortgage filed of record prior to the filing of the Declaration, including all unpaid obligatory sums as may be provided by such encumbrances. In the event of default in the payment of the assessment, the owner shall be obligated to pay interest at the maximum rate of interest allowable by law, on the amount of the assessment from due date thereof, together with all expenses, including attorney's fees incurred together with such late charges as provided by the By-Laws of the Association. To evidence such lien, the Board of Directors shall prepare a written notice of lien assessment setting forth the amount of such unpaid indebtedness, the amount of accrued interest, late charges and expenses, including attorney's fees thereon, the name of the owner of the Lot and a description of the Lot. Such notice of lien shall be signed by one of the members of the Association's Board of Directors or by one of the officers of the Association on behalf of the Association and shall be recorded in the Office of the Register of Deeds for Douglas County, Nebraska. Such lien shall attach and be effective from the due date of the assessment until all sums with interest and other charges thereon, shall have been fully paid.

(b) Such lien may be enforced by the foreclosure on the defaulting owner's Lots by the Association in the manner of a deed of trust or mortgage on real property upon the recording of a notice to claim thereof or by an action at law against the Owner personally obligated to pay the

7

same. In any such proceedings, the Owner shall be required to pay the costs, expenses and attorney's fees incurred, and in the event of foreclosure, all additional costs, all expenses and reasonable attorney's fees incurred. The Owner of the Lot being foreclosed or subject to litigation shall be required to pay the Association the monthly assessment for the Lot during the period of foreclosure or litigation, and the Association shall be entitled to a receiver during foreclosure. The Association shall have the power to bid on the Lot at foreclosure or other legal sale and to acquire and hold, lease, mortgage, vote the votes appurtenant to, convey and otherwise deal with the same.

(c) Any Mortgagee holding a lien on a Lot may pay, but shall not be required to pay, any unpaid Common Area Expenses payable with respect to such Lot, and upon such payment, such encumbrances shall have a lien on such Lot for the amount paid of the same rank as the lien of this mortgage or encumbrance without the necessity of having to record a notice of claim of such lien. Upon request of a Mortgagee, the Association shall report to the Mortgagee of a Lot any unpaid assessments remaining unpaid for longer than thirty (30) days after the same is due; provided, however, that a Mortgagee shall have furnished to the Association notice of such encumbrance.

(d) The recorded lien may be released by recording a Release of Lien signed by one of the Members of the Association's Board of Directors or by one of the officers of the Association on behalf of the Association and shall be recorded in the Office of the Register of Deeds for Douglas, County, Nebraska.

(e) Notwithstanding any of the foregoing provisions, any Mortgagee who obtains a title to a Lot pursuant to the remedies set forth in its mortgage or deed of trust shall take title to the Lot free and clear of all annual assessments levied thereon prior to such transfer of title and free and clear of all liens created as a result of such assessments.

10. Maximum Annual Dues. Unless excess dues have been authorized by the Members in accordance with Section 12, below, the aggregate dues which may become due and payable in any year shall not exceed the greater of:

A. Sixty and no/100 (\$60.00) per Lot.

B. In each calendar year beginning on January 1, 2002, one hundred twenty-five percent (125%) of the aggregate dues charged in the previous calendar year.

11. Assessments for Extraordinary Costs. In addition to the dues, the Board of Directors may levy an assessment or assessments for the purpose of defraying, in whole or in part, the costs of any acquisition, construction, reconstruction, repair, painting, maintenance, improvement, or replacement of any Common Area or Common Area Improvement, including fixtures and personal property related thereto, and related facilities. The aggregate assessments in each calendar year shall be limited in an amount to Two Hundred and NO/100ths Dollars (\$200.00) per Lot.

12. Excess Dues and Assessments. With the approval of seventy-five (75%) percent of the votes entitled to be cast by the Members of the Association, the Board of Directors may establish dues and/or assessments in excess of the maximums established in this Declaration.

IN WITNESS WHEREOF, the Declarant has caused these present to be executed this 13th
day of DECEMBER 1999.

DECLARANT:

HEARTHSTONE HOMES, INC., a

By: [Signature]
John J. Smith, President

STATE OF NEBRASKA)
)ss.
COUNTY OF DOUGLAS)

The foregoing instrument was acknowledged before me this 13th day of DECEMBER 1999
by John J. Smith, President of HearthStone Homes, Inc., a Nebraska corporation, f/k/a Construction
Sciences, Inc., known to me to be the identical person who executed the above instrument and
acknowledged the same to be his voluntary act and deed and the voluntary act and deed of said
corporation.

Witness my hand and Notarial Seal this 13 day of December 1999.



[Signature]
Notary Public