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LANCASTER COUNTY, NE

COVENANTS AND RESTRICTIONS OF HIGHLANDS TOWNHOMES

Highlands Townhomes, L.L.C. a Nebraska limited liability company ("Owner") as owner and developer of the real estate being subjected to these Covenants and Restrictions of Highlands Townhomes ("Covenants") executes these Covenants as of September, 2005.

RECITALS

A. Owner is the owner of the following described real estate:

- Lots One (1) through Sixteen (16), Block One (1);
- Lots One (1) through Twenty-Four (24), Block Two (2);
- Lots One (1) through Four (4), Block Three (3);
- Lots One (1) through Ten (10), Block Four (4); and
- Lots One (1) through Forty (40), Block Five (5), Highlands Townhome Addition, Lincoln, Lancaster County, Nebraska

("Townhome Lots"). Owner shall construct townhome dwelling units upon the Townhome Lots for ultimate sale to the titleholders who shall be subject to these covenants and shall be referred to as a "Townhome Owners".

B. Owner is also the owner of the following described real estate:

- Outlot "A", Block One (1); Outlot "A", Block Two (2);
- Outlot "A", Block Three (3); Outlot "A", Block Four (4);
- Outlot "A", Block Five (5), Highlands Townhomes Addition, Lincoln, Lancaster County, Nebraska

(the "Outlots"). The Outlots surrounds the Townhome Lots and portions thereof are or shall be improved with common area improvements to be used and enjoyed by the owners of the Townhome Lots in common with all such owners.

C. Owner desires to subject the Townhome Lots and the Outlots to these Covenants to provide for the common operation of the Highlands Townhome Association (the "Association") created to govern the operation of the Townhome Lots.

*Cline Williams et al
of Tom Huston
1900 US Bank Building Lincoln NE 68508*

NOW THEREFORE, these Covenants are established upon the Townhome Lots and the Outlots as follows:

1. **Association.** Every person or entity who becomes a record titleholder of a fee interest in any Townhome Lot which is subject to the terms of the Covenants shall be a member of the Association and agrees to be bound by the provisions of the Covenants, including contract buyers. Any person or entity who holds an interest merely as security for the performance of an obligation shall not be a member. Membership shall be appurtenant to and may not be separated from ownership of any Townhome Lot which is subject to the terms of the Covenants.

2. **Membership.** The Association shall have two classes of membership, as follows:

A. **Class A Membership.** Class A membership shall include all members of the Association except Owner and any successor in interest. Each Class A member (each of which shall be a "Member") of the Association shall be entitled to all the rights of membership and to one vote for each lot in which the interest requisite for membership is held. However, no more than one vote shall be cast with respect to any lot.

B. **Class B Membership.** Class B membership shall include only Owner and any successor in interest to Owner. The Class B member shall be entitled to ten (10) votes for each lot or living unit in which the interest requisite for membership is held, provided, however, that for each conveyance of a Lot by the Owner to any Class "A" Member, the number of votes entitled to be cast by the Class "B" Member shall be reduced by ten (10).

3. **Party Wall.** Each wall which is built as part of the original construction of a dwelling within the Townhome Lots and placed on the common boundary line between two abutting lots shall constitute a party wall. The cost of reasonable repair and maintenance of a party wall shall be shared by the Townhome Owners who share such party wall. If a party wall is destroyed or damaged by fire or other casualty, the Townhome Owners making use of the party wall each equally share the cost of restoration.

4. **Encroachments.** When a townhome is constructed on any Townhome Lot so to encroach upon an adjoining lot or an Outlot, the Townhome Owner of the encroaching improvements shall be deemed to have been granted an easement upon the area so encroached. Any expense of maintenance, repair, or replacement of the encroaching building shall be borne by the Townhome Owner of the encroaching improvements.

5. **Utility Lines.** Each Townhome Owner shall have an easement for the repair, maintenance and replacement of any utility or service line constructed on one

or more adjoining Townhome Lot, which easement shall be appurtenant to the ownership interest of the Townhome Owner so benefitted.

6. **Pets.** Pets have the potential to create significant nuisance problems within the Townhome Lots. Each Townhome Owner shall be responsible for controlling all pets and preventing such pets from becoming an annoyance, nuisance or unreasonably disturbing the quiet of any other Townhome Owner. Specific rules, regulations and requirements furthering implementing this provision (including the banning of individual animals, types or specific breeds) may be adopted by not less than one-half (½) of the Townhome Owners and with written notice shall be binding upon and enforceable by the Association and any Townhome Owner against all Townhome Lots. The keeping, harboring, or kenneling of the breeds of pit bull terriers, rottweilers, and chows, or any dog with lineage thereof, shall be prohibited.

7. **Exterior Maintenance.** The Association shall annually establish a budget for the common services being provided to the Members of the Association, which budget shall be used to establish the annual assessment to be paid by the Members pursuant to paragraph 12 below. The annual assessment shall be due and payable quarterly in advance on the first day of January, April, July and October of each year. The common services and expenses to be paid by the Members as the annual assessment shall include, at a minimum, the cost of lawn care for all Townhome Lots, and maintenance of common area landscaping, private street maintenance, snow removal from driveways, sidewalks, and the streets, maintenance and electricity costs of the street lights and monument entrance sign, maintenance and water/utility costs of the irrigation system, maintenance of the playground and common area, and regularly scheduled trash removal. The Association shall have the right to enter upon any lot within the Townhome Lots, at reasonable times, to perform maintenance. The cost of such maintenance shall be paid by each Member through the payment of the Annual Assessment upon each Townhome Lot.

8. **Members' Maintenance of Townhome Lots.** Each Member shall be responsible for the exterior maintenance of the dwelling unit, including the exterior walls, windows, and roof, located on the Townhome Lot. Under order of the Board of Directors, as recommended by the building committee, the Association may, but shall not be required to, paint, repair, replace roofs, gutters, down spouts, and other exterior building surfaces, and only if the Member is failing to properly maintain the Townhome Lot owned by the Member, but only after ninety (90) days notice to the Member by the Board of Directors by certified mail that such work should be performed or, after notice that work that has been performed by the Member does not meet the rules of the Association as to such improvements. In the event the Association undertakes to provide such additional services to the Member, an assessment for the cost of providing such services plus an administrative fee equal to ten (10) percent of such sum will be made against the Townhome Lot improved or the unit benefitted and a lien shall attach thereto as in all other assessments and special assessments.

9. **Maintenance of Common Areas.** The Townhome Lots are bordered by the Outlots, nonbuildable outlots of Highlands Townhomes Addition. The Outlots shall be conveyed by Owner to the Association no later than the conversion of all Class "B" memberships to Class "A" memberships, as provided in paragraph 2. The

portion of any the Outlots that are or shall be improved with common area improvements to be used and enjoyed by all Members of the Association shall be subject to reasonable rules and regulations approved by the Board of Directors of the Association. Such common area improvements shall include but not be limited to sidewalks, landscaping, lawn area, playground, walking path, stormwater detention cell, and private streets described as: N.W. 14th Court; N.W. 14th Street; West Royal Dornoch Court; West Royal Dornoch Circle; West Keating Drive; West Carnoustie Court; and West Webster Road (collectively, "Highlands Common Areas"), as reflected by the final plat of Highlands Townhomes Addition, recorded with the Register of Deeds of Lancaster County, Nebraska on July 22, 2005, as Instrument #2005-041969. Each Member of the Association, by accepting a deed of conveyance of a Townhome Lot and because of the membership in the Association, agrees and covenants to provide for the care, repair, maintenance, and replacement of the Common Areas. Such covenant shall be satisfied through the payment of the annual and special assessments as provided for in these Covenants.

The Board of Directors of the Association, acting pursuant to the authority granted to it in the Bylaws of the Association, may also include other services common to and shared by the Members of the Association. All expenses for the care and maintenance of the Common Areas shall be uniformly assessed against each Member and each Townhome Lot so that each Member pays its proportionate and uniform share for the Common Area maintenance.

10. **General Standards for Townhomes.**

- a. **Exterior Appearance.** Owner has approved the site plan and design of the improvements to be constructed on the Townhome Lots. Once constructed, no owner of a Townhome Lot may modify, alter, or customize the exterior appearance of the improvements constructed on the Townhome Lots, provided however, the exterior features of the improvements may be repaired and/or replaced provided that such repair or replacement does not materially change the exterior appearance of such improvement.
- b. **Grade.** The grade and drainage of the Townhome Lots has been established by the Owner. No owner of a Townhome Lot shall alter or modify the grade or drainage of any Townhome Lot without the express written approval of the Owner as long as Owner retains any Class B Membership Units, and thereafter by the Association.
- c. **Landscaping/Fence/Accessory Structures.** Before any owner of a Townhome Lot may construct, plant, or install any fence, customized landscaping, or outbuilding, such Owner shall first submit plans for such improvement to the Owner, as long as Owner retains any Class B Membership Units and thereafter to the Association. The Association, acting through its Board of Directors is hereby authorized

to adapt reasonable rules and regulations regarding the construction of fences or accessory structures or the installation of landscaping. Until such rules and regulations are adopted, the general standards as follows:

- i. **Fencing.** Fencing shall not be permitted.
 - ii. **Accessory Structures.** Accessory structures such as storage sheds and playhouses shall not be permitted. Playground equipment and other recreational equipment shall not be permitted, except as installed by the Association in the Common Areas. Basketball hoops and/or standards are prohibited.
 - iii. **Dog Kennels.** No dog run or kennel shall be permitted.
 - iv. **Satellite Dish.** Any satellite dish shall be located and screened so as to be as unobtrusive as is reasonably possible. Any satellite dish shall not exceed 24" in diameter.
- d. **Animals.** No animals, livestock, or poultry of any kind shall be raised, bred, or kept on any Townhome Lot for any commercial purpose. No owner of a Townhome Lot shall keep more than two (2) dogs or cats.
 - e. **Recreational Vehicles.** No recreational vehicle, as defined by the Lincoln Municipal Code, shall be parked or stored upon any Townhome Lot, except within an enclosed structure, provided that a recreational vehicle may be temporarily stored on a Townhome Lot for a time period not to exceed fourteen (14) days per year.
 - f. **For Rent Signs.** No owner shall place on any Townhome Lot or within the Common Area any signs advertising that a townhome is for rent or lease.
 - g. **Awnings.** Awnings shall be permitted on the rear side of each Townhome located on a Townhome Lot to shade the patio; provided however, that prior to the installation of any such awning, the Townhome Owner desiring to install such awning shall provide to the Owner (so long as the Owner continues to be a Class B Member and thereafter to the Association) a specification showing the design and color of the awning desired to be installed. The Owner and thereafter the Association reserves the right to require that all such awnings be of high quality, retractable and of a uniform color.

- h. **Common Area Parking.** Each Townhome Unit has four (4) parking stalls with two (2) stalls in the garage and two (2) in the driveway. The parking areas in the Common Areas serve as overflow parking. The off-street parking and any parking areas on the private streets ("Common Area Parking") are intended to be reserved for parking areas for guests and visitors. No Townhome Owners shall park vehicles in the Common Area Parking areas for more than seven (7) consecutive days. The Association and the Owner reserve the right to cause any vehicles parked in the Common Area Parking for more than seven (7) consecutive days to be towed from the Outlots and all towing charges shall be assessed to the Owner of the vehicles in violation of this provision.

11. **Golf Course Notification.** Each Member, Townhome Owner, and their respective guests and invitees are hereby notified that all or some of the Townhome Lots are located adjacent to or in close proximity to the Highlands Municipal Golf Course ("Golf Course") owned by the City of Lincoln, and that golfers will occasionally hit golf balls from the golf course onto the Townhome Lots and that the normal operation and maintenance of the Golf Course will involve operation of mowers and other power equipment during the evening and early morning hours. The Owner hereby reserves and establishes easements on the Townhome Lots for (a) intrusion of errant golf shots; and (b) intrusion of noise from mowing and other power equipment during all hours of the day and night.

The Owner and the Association shall have no liability, obligation, or expense to the owner of a Townhome Lot in respect to personal injury or property damage occurring as a result of an errant golf shot which is not negligently, intentionally, or recklessly hit or hit in violation of the rules established for the Golf Course. The Townhome Owner of each Townhome Lot, by acceptance of the deed conveying title, hereby covenants not to sue the Owner, the Association, or the builder of the Townhome for property damage or personal injury which results directly or indirectly from an errant golf shot. All Townhome Owners of Townhome Lots assume all risks associated with errant golf shots and waive any claim or cause of action against the Owner, the Association, and the builder of the Townhome for personal injury or property damage arising from any errant golf shots or in the design or location of the Townhome.

12. **Assessments.** Each Member agrees to pay to the Association: (a) annual assessments or charges uniformly made against each Townhome Lot for the care and maintenance of the Common Areas and for the provision of services described herein, and (b) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the Townhome Lot and shall be a continuing lien upon the Townhome Lot against which each such assessment is made. Each 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 lot at the time when the assessment was made. The personal obligation for delinquent assessments shall not pass to successors in

title unless expressly assumed by them. Notwithstanding anything else to the contrary, no members shall be liable to pay any annual or special assessment until a certificate of occupancy has been issued by the City of Lincoln for the improvements built on a particular Townhome Lot.

13. **Purpose of Assessments.** The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Townhome Lots, for the improvement and maintenance of the Common Areas and for the services provided by the Association. The annual assessments shall be based on the annual budget established by the Board of Directors for maintenance and associated tasks.

14. **Annual and Special Assessments.** Annual and special assessments may be levied by the Board of Directors of the Association. Any special assessment for capital improvements shall be approved by affirmative vote of two-thirds (2/3) 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.

15. **Lien of Assessments.** The lien of any annual or special assessment shall be subordinate to the lien of any mortgage placed upon the Townhome Lot against which the assessment is levied.

16. **Amendments.** These Covenants shall run with the land and shall be binding upon and enforceable by the Association and all Members. These restrictive covenants may be terminated or modified, in writing, by the owners of two-thirds (2/3) of the lots within the Townhome Lots, at any time. However, the provisions of these Covenants governing membership in the Association and the maintenance of the commons, if any, shall not be terminated or modified without the consent of the City of Lincoln, Nebraska.

17. **Enforcement.** The enforcement of these 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 may be to enforce any lien or obligation created hereby.

18. **Severability.** The invalidation of any one of these Covenants shall not affect the validity of the remaining provisions hereof.

19. **Additions.** Owner may add additional contiguous or adjacent real estate to the Townhome Lots or the Common Area at any time, without the consent of the members of the Association, provided that the Covenants shall apply equally and uniformly to such additional real estate made subject to these Covenants. Additions shall be made by the execution and recordation of these Covenants and Restrictions upon the additional real estate, making the addition subject to the covenants.

DATED this 29 day of September, 2005.

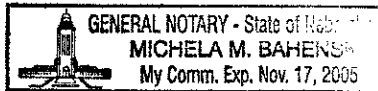
"OWNER"

HIGHLANDS TOWNHOMES, L.L.C.
a Nebraska limited liability company

By: Breck Collingsworth
Breck Collingsworth, Manager

STATE OF NEBRASKA)
) ss.
COUNTY OF LANCASTER)

The foregoing Covenants and Restrictions of Highlands Townhomes Addition were acknowledged before me this 29 day of September, 2005, Breck Collingsworth, Manager of Highlands Townhomes, L.L.C., a Nebraska limited liability company, on behalf of the company.



Michela M. Bahensky
Notary Public