THIS INSTRUMENT PREPARED BY
AND MAIL TO
A. HARRISON JOHNSON, JR., ATTY.
11th FLOOR
FIRST AMERICAN CENTER
NASHVILLE, TENNESSEE 37238

DECLARATION OF COVENANTS,

CONDITIONS, AND RESTRICTIONS

BOOK 6146 PAGE 241

This DECLARATION of Covenants, Conditions and Restrictions, hereinafter sometimes referred to as the "Declaration", set forth and entered into this 14th day of April, 1983, by Watt-Wise Construction, Inc., hereinafter sometimes referred to as the "Declarant":

W I T N E S S E T H :

WHEREAS, Declarant is the owner and developer of certain real properties in Nashville, Davidson County, Tennessee, which property is more particularly described in the attachment hereto, marked Exhibit A,

NOW, THEREFORE, Declarant hereby declares that all of the properties described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions which are for the purpose of protecting the value and desirability of, and which shall run with the real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to Leisure Heights Homeowners' Association, a Tennessee not-for-profit corporation, its successors and assigns.

Section 2. "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 3. "Properties" shall mean and refer to that certain real property hereinafter described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 4. "Common Area" or "Common Elements" shall mean all real property owned by the Association for the common use and enjoyment of the Owners. The common area to be owned by the

Association at the time of the conveyance of the first lot is as described in the attachment hereto, marked "Exhibit B."

Section 5. "Lot" shall mean and refer to any numbered plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area and dedicated streets.

Section 6. "Living Unit" or "Unit" shall mean and refer to any portion of a building situated upon the Properties designed and intended for use and occupancy as a residence by a single family.

Section 7. "Multi-Family Structure" shall mean and refer to any building containing two or more Living Units under one roof wherein each such Living Unit is not situated upon its own individual Lot.

Section 8. "Commercial Area" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties and designated "Commercial Area" thereon.

Section 9. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 10. "Declarant" shall mean and refer to Watt-Wise Construction, Inc., its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purposes of development. "Declarant" shall be synonymous with "Developer" for purposes of this Declaration.

Section 11. "Board" means the Board of Directors of Leisure Heights Homeowners' Association.

Section 12. "Building" means the building or buildings located on the Parcel and forming part of the Property and containing the Units. The "Building" is delineated on the Plat. When more than one building is shown on the Plat (or an amended plat, or by incremental development), then the word "Building" shall be used in the plural context.

Section 13. "By-Laws" means the By-Laws of Leisure Heights Homeowners' Association, attached hereto as Exhibit C and made a part hereof, as amended from time to time. For purposes of the Act, all provisions contained in the body of this Declaration dealing with the administration and maintenance of the Property shall be deemed to be a part of the By-Laws.

Section 14. "Plat" means the plat of survey of the Property of record in Book 5800, Page 261, Register's Office for Davidson County, Tennessee, showing the number of each Unit, and expressing its area, location and other data necessary for identification. The Plat may be amended by the Developer in order to accomplish incremental development, by adding adjacent Property, to become subject to this Declaration and attendant

By-Laws by appropriate amendment. The method of such incremental development is described in Article XI, Section 4, hereof.

Section 15. "Majority" or "majority of the Unit Owners" means the owners of more than fifty (50%) percent of the undivided membership in the Association, present and then eligible to vote. Any specific percentage of Unit Owners means that percentage of Unit Owners who in the aggregate own such specified percentage of the entire undivided membership in the Association, present and then eligible to vote.

ARTICLE II

PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the right of the Association to permit the use of and to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area;

(b) the right of the Association to suspend the voting rights and right to use of the recreational facilities by an Owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed 60 days for any infraction of its published rules and regulations;

(c) the right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless an instrument signed by at least two-thirds (2/3) of each class of Members, agreeing to such dedication or transfer, has been recorded; providing, however, that such consent shall not be required for the dedication of utility or service easements so long as there is in existence the Class B membership in accordance with Article III, Section 2, herein, and so long as there is a permitted annexation under Article XI, Section 4, herein.

Section 2. Delegation of Use. Any Owner may delegate, in accordance with the By-Laws, 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.

Membership in the Association may not be conveyed separate from ownership in the Lot.

Section 3. Parking Rights. Ownership of each Lot not provided with on-site parking or garage shall entitle the Owner or Owners thereof to the use of not more than two (2) automobile parking spaces for each Living Unit which shall be as near as and convenient to said Living Unit as reasonably possible, together with the right to ingress and egress in and upon said parking area. The Association shall promulgate parking regulations and make parking space assignments.

Section 4. Association's Right of Entry. The authorized representatives of the Association or the Board shall be entitled to reasonable access to the individual Units and Lots as may be required in connection with the preservation of any individual Unit or in the event of an emergency, or in connection with maintenance of, repairs or replacements within the Common Elements, or any equipment, facilities or fixtures affecting or serving other Units or Common Elements, or to make any alteration required by any governmental authority.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Every owner of a Lot which is subject to a lien for assessments shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 2. The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners with the exception of the Declarant and shall be entitled to one vote for each Lot owned. When more than one person holds an 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 Member(s) shall be the Declarant 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) when the total votes outstanding in the Class A membership equal the total

votes outstanding in the Class B membership, or

(b) five years from the date of the sale of the first Lot to an Unit Owner other than Developer, or

(c) seventy-five (75%) percent of the lots or living units have been sold by Declarant.

ARTICLE IV

COVENANTS FOR MAINTENANCE ASSESSMENTS

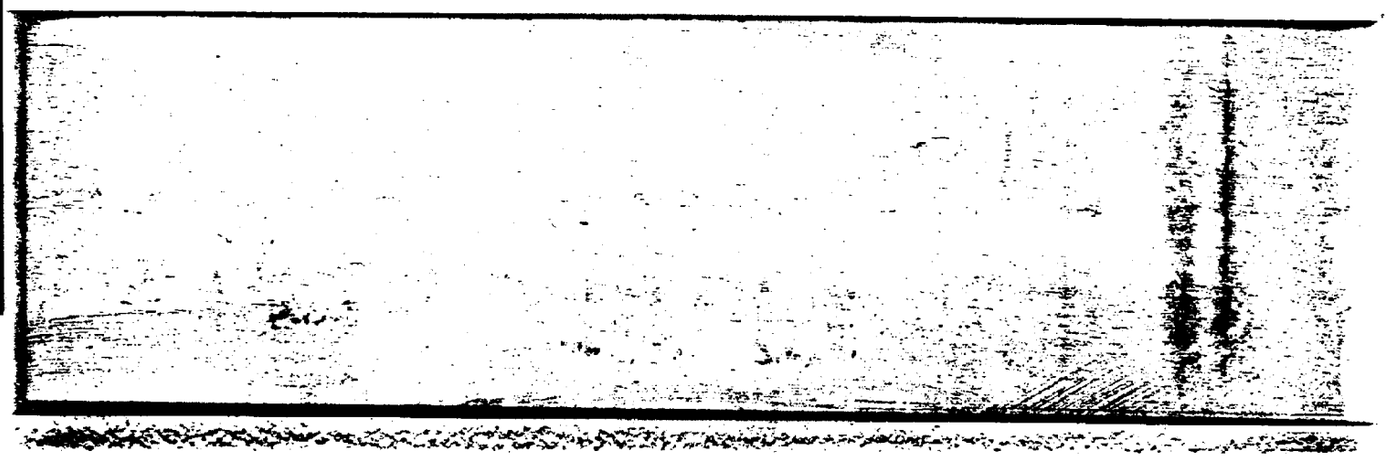
Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot or Living Unit owned within the Properties, hereby covenants, and each Owner for any Lots, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association:

(1) annual assessments or charges, and

(2) 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 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 the delinquent assessments 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 to promote the recreation, health, safety and welfare of the residents of the Properties, and in particular for the acquisition, improvement and maintenance of properties, services and facilities devoted to this purpose, or for the use and enjoyment of the Common Area, including but not limited to, the costs of repairs, replacements and additions, the cost of labor, equipment, materials, management and supervision, the payment of taxes assessed against the Common Area, the procurement and maintenance of insurance in accordance with the By-Laws, the employment of attorneys to represent the Association when necessary, and such other needs as may arise.



Section 3. Maximum Annual Assessment. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be Four Hundred Sixty-Four ($464) Dollars per unit.

(a) From and after January 1 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 1 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 at least a majority of each class of members who are voting in person or by proxy, at a meeting duly called for this purpose.

(c) The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

(d) In no event shall the lots or living units owned by the Developer be exempt from assessment.

Section 4. Payable Annual Assessment. The Board of Directors shall fix the payable annual assessment at an amount not in excess of the maximum annual assessment, subject to the provisions of Sections 7 and 8 of this Article.

Section 5. Special Assessments for Capital Improvements. In addition to the annual assessment authorized above, the Association may levy, in any calendar year, a special assessment applicable to that year only for the purpose of defraying in whole or in part, the costs of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of at least two-thirds (2/3) of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for this purpose. All special assessments shall be fixed at a uniform rate for all Lots and may be collected on a monthly basis, without additional fee or cost to such members paying on a monthly basis.

Section 6. Notice and Quorum for any Action Authorized Under Sections 3 and 5. Written notice of any meeting called for the purpose of taking any action authorized under Sections 3 and/or 5 shall be sent to all Members not less than 30 days nor more than 60 days in advance of the meeting and shall state the purpose of such meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty (60%) percent of all

votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirements, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting.

Section 7. Rate of Annual Assessment. Annual assessment must be fixed at a uniform rate for all Lots and may be collected on a monthly basis. Provided, however, that so long as any Lot owned by Declarant is unoccupied as a residence, the amount of the assessment for such Lot shall be an amount not less than twenty-five (25%) percent of the regular and special assessment for all other Lots. The books and records for the Association will be kept in such a manner that it is possible to determine and ascertain (i) such sums as are expended by the Association for development, improvement, maintenance and upkeep of all recreational facilities of the Association, and (ii) such sums as are expended for other purposes.

Section 8. Date and Commencement of Annual Assessments; Due Dates. The annual assessments provided for herein shall commence as to all Lots or Living Units on the first day of the month following the conveyance of the Common Area. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. At least thirty (30) days in advance of each annual assessment period, the Board of Directors shall fix the amount of the annual assessment to every Owner subject thereto. Written notice of such assessment shall be sent to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of the assessments on a Lot or Living Unit is binding upon the Association as of the date of its issuance.

Section 9. Effect of Nonpayment of Assessments; Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at fifteen (15%) percent per annum. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs and reasonable attorney's fees of such action or foreclosure shall be added to the amount of such assessments. No owner may waive or otherwise escape liability for the assessment provided for herein by non-use of the Common Area or abandonment of his Lot.

Section 10. Subordination of the Lien to Mortgages. The liens provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Lot shall not affect the

assessment lien or liens provided for in the preceding section. However, the sale or transfer of any Lot which is subject to any first mortgage or deed of trust, pursuant to a foreclosure thereof or any proceeding in lieu of foreclosure thereof, shall extinguish the lien of such assessments as the payment thereof which become due prior to such sale or transfer. No such sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 11. Exempt Property. All property dedicated to, and accepted by, a local public authority and all properties owned by a charitable or non-profit organization exempt from taxation by the laws of the State of Tennessee shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments in any case.

Section 12. Enforcement of Lien. FOR AND IN CONSIDERATION of the privileges, protections, mutual enjoyment and use of the Common Elements and the premises contained herein, the receipt of which is hereby acknowledged and any assumption of the obligations by transferees as required hereunder, and to secure the payment of said assessments, principal, interest, and attorney fees, a lien is expressly retained by the Association on each and every Unit Owner's Unit and prorata interest in the Association (referred to in this Section 12 as "property").

And now, for the purpose of better and more effectually securing the payment of said lien indebtedness; rendering unnecessary court proceedings for the enforcement of said lien in the event of the non-payment of said indebtedness and payments thereof, as they become due, and for the consideration of one dollar paid in cash, receipt of which is acknowledged, the said Unit Owners, their heirs, administrators, and assigns, hereinafter referred to as trustors, hereby transfer and convey unto A. Harrison Johnson, Jr., Trustee, his successors and assigns, the real estate hereinbefore described, with the appurtenances, estate, title and interest thereto belonging upon the following uses and trusts:

> Trustors agree to pay their prorata share of assessments when due and further agree to pay all taxes and assessments thereon, general or special, and to pay them when due, and, upon demand of said trustee or the lawful owner and holder of said indebtedness, to pay, discharge, or remove, any and all liens (except a First Mortgage or Deed of Trust) which may be hereafter placed against said property and which shall adversely affect the lien of this instrument or enforcement of the terms and provisions hereof; to keep the improvements on said property in good repair and preservation, and in case the trustee or his successors or the lawful owner and holder of said indebtedness shall hereafter be required to appear in any court or

tribunal to enforce, or defend the title to, or possession of, said property, or the lien of this instrument, or appear in any court to prove the above indebtedness, all the costs and expenses of such appearance or proceedings, together with a reasonable attorney's fee, shall be allowed, and be payable by trustors upon demand of the trustee or lawful owner or holder of said indebtedness, and, upon failure to do any of these things, then said trustee, or the lawful owner and holder of said indebtedness may do any or all of these things and the amounts so paid shall bear interest at the rate of 18% per annum, or at the then highest contract rate of interest then legally collectible in Tennessee from the date of payment and shall be and become a part of the indebtedness secured hereby.

Now, if trustors shall pay their prorata share of assessments aforesaid when due, and pay any and all sums when due, as aforesaid, then this trust conveyance shall be of no further force or effect. But if said indebtedness, or any payment thereof, or interest thereon, is not paid promptly when due, or if, failing to pay said other sums when due, as herein provided, trustors fail to reimburse the trustee, or lawful owner and holder of said indebtedness for all sums, with interest, so expended by said trustee, or lawful owner and holder of said indebtedness, within thirty days from date of such payment, this trust conveyance shall remain in full force and effect, and the said trustee, or his successor in trust, is hereby authorized and empowered, upon giving twenty days' notice by three publications in any newspaper, daily or weekly, published in Davidson County, Tennessee, to sell said property at the front door of the Court House in said County to the highest bidder for cash, at public outcry, free from the equity of redemption, homestead, dower, spouse's elective share and all other exemptions of every kind, which are hereby expressly waived; and the said trustee, or his successor in trust, is authorized and empowered to execute and deliver a deed to the purchaser. The Association may bid at any sale under this trust conveyance. The Trustee may, at any time after default in the payment of any of said indebtedness, enter and take possession of said property, and shall only account for the net rents actually received by him. It is further agreed that, in the event the trustee fails, before selling said property, as herein provided, to enter and take possession thereof, the purchaser shall be entitled to immediate possession thereof upon the delivery to him by the trustee of a deed for said property. In

case of sale hereunder, the proceeds will be applied by the trustee as follows:

1st. To the full and complete satisfaction of the interest of the first mortgage holder, unless arrangements have been made for the assumption of the first mortgage by the subsequent purchaser.

2nd. To the payment of all costs, charges and expenses of executing this conveyance and enforcing said lien as herein provided; also reasonable attorney's fees for advice in the premises, or for instituting or defending any litigation which may arise on account of the execution of this conveyance, or the enforcement of said lien; also the expenses of any such litigation.

3rd. To the payment of all taxes which may be unpaid on said premises.

4th. To the payment of all unpaid indebtedness herein secured, and any and all sums expended in the protection of said property, as herein authorized.

5th. The residue, if any, will be paid to trustors, their order, representatives or assigns.

In case of the death, absence, inability, or refusal to act of said trustee at any time when action under the foregoing power and trusts may be required or for any other reason, the lawful owner and holder of said lien is hereby authorized and empowered to name and appoint a successor to execute this trust by an instrument in writing to be recorded in the Register's Office for Davidson County, Tennessee, and the title herein conveyed to the above named trustee shall be vested in said successor.

The word "Trustors" when used herein shall apply to parties both singular and plural.

This transfer and conveyance, and the lien for assessments payable by a Unit Owner which is secured by the transfer and conveyance shall both be subordinate to the lien of a recorded First Mortgage or Deed of Trust on the interest of such Unit Owner, regardless of whether the First Mortgage or Deed of Trust was recorded before or after this instrument, except for the amount of the proportionate share of assessments which become due

and payable from and after the date on which the Mortgagee or Beneficiary accepts a conveyance of any interest therein (other than as security) or forecloses its Mortgage or Deed of Trust. While the lien for assessments may be extinguished, the personal indebtedness therefor shall remain and be the personal obligation of the Unit Owner who owned the Unit when the assessment came due. Any delinquent assessments (after lien extinguishment) may be reallocated and assessed among all Units as a common expense. This Section 12 shall not be amended, changed, modified or rescinded without the prior written consent of all First Mortgagees and Beneficiaries of record.

ARTICLE V

ARCHITECTURAL CONTROL

No building, fence, wall, clothesline or other structure shall be commenced, erected or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association, or by an architectural committee composed of three (3) or more representatives appointed by the Board. In the event said Board, or its designated committee, fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with.

ARTICLE VI

Pparty WALLS

Section 1. General Rules of Law to Apply. Each wall which is built as a part of the original construction of the homes upon the Properties and placed on the dividing line between Lots shall constitute a party wall, and to the extent to which it is inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence, or willful acts or omissions shall apply thereto.

Section 2. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use by each Owner.

Section 3. Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner

who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use by each Owner without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 4. Weatherproofing. Notwithstanding any other provisions of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 5. Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 6. Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators.

ARTICLE VII

INSURANCE

Section 1. Casualty Insurance on Insurable Area. The Association shall keep all insurable improvements and fixtures of the Common Area insured against loss or damage by fire for the full insurance replacements cost thereof, and may obtain insurance against such other hazards and casualties as the Association may deem desirable. The Association may also insure any other property whether real or personal, owned by the Association, against loss or damage by fire and such other hazards as the Association may deem desirable, with the Association as the owner and beneficiary of such insurance. The insurance coverage with respect to the Common Area shall be written in the name of, and the proceeds thereof shall be payable to the Association. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried. Premiums for all insurance carried by the Association are Common Expenses included in the Common Assessments made by the Association.

In addition to casualty insurance on the Common Area, the Association, through the Board of Directors, may elect to obtain and continue in effect, on behalf of all Owners, adequate blanket casualty and fire insurance in such form as the Board of Directors deems appropriate in an amount equal to the full replacement value, without deduction for depreciation or

coinsurance, of all of the Dwelling Units, including the structural portions and fixtures thereof, owned by such Owners. Insurance premiums from any such blanket insurance coverage, and any other insurance premiums paid by the Association shall be a common expense of the Association to be included in the regular Common Assessments of the Owners, as levied by the Association. The insurance coverage with respect to the Dwelling Units shall be written in the name of, and the proceeds thereof shall be payable to the Association as Trustee for the Homeowners.

Section 2. Replacement or Repair of Property. In the event of damage to or destruction of any part of the Common Area Improvements, the Association shall repair or replace the same from the insurance proceeds available. If such insurance proceeds are insufficient to cover the costs of repair or replacement of the property damaged or destroyed, the Association may make a Reconstruction Assessment against all Lot Owners to cover the additional cost of repair or replacement not covered by the insurance proceeds, in addition to any other Common Assessments made against such Lot Owner. In the event that the Association is maintaining blanket casualty and fire insurance on the Dwelling Units, the Association shall repair or replace the same from the insurance proceeds available.

Section 3. Annual Review of Policies. All insurance policies shall be reviewed at least annually by the Board of Directors in order to ascertain whether the coverage contained in the policies is sufficient to make any necessary repairs or replacement of the property which may have been damaged or destroyed.

Section 4. Notice to First Mortgagees. In the event of substantial damage to or destruction of any Unit or any part of the Common Elements, the institutional holder of any first deed of trust or mortgage on a Unit will be entitled to timely written notice of any such damage or destruction and no provision of any document establishing the Property will entitle the owner of a Unit or other party to priority over such institutional holder with respect to the distribution to such Unit of any insurance proceeds.

Section 5. FNMA Coverage. The Association shall have a duty to maintain in effect casualty and liability insurance and fidelity bond coverage, as specified in Section 803.07p of the FNMA Conventional Home Mortgage Selling Contract Supplement (herein referred to as the "FNMA Supplement"), a summary of which follows:

.01 General. Each hazard insurance policy must be written by an insurance carrier acceptable to FNMA and which falls into a financial category, as designated in Best's Key Rating Guide, of Class VI or better. In lieu of Class VI or better designation, a Seller/Servicer may accept a reinsurance arrangement to be entered

into whereby an insurer with a classification lower than Class VI is covered by reinsurance of a company that does meet FNMA's minimum requirements. This may be accomplished by having both insurance carriers execute and attach to each mortgagor's policy an Assumption of Liability Endorsement, FNMA Form 858, or an equivalent endorsement that provides for one hundred percent (100%) reinsurance of the policy and ninety (90) days notice of reinsurance termination.

Where a reinsurer wishes to limit its per policy exposure, it may insist upon a dollar limitation being stated in the reinsurance endorsement. Such a limitation is acceptable to FNMA, provided the amount of insurance written under the policy does not exceed the limitations stated in the reinsurance endorsement.

In all cases, the primary insurer and the reinsuring company, association or organization must be specifically authorized by law or licensed by the jurisdiction to transact business within the state or territory where the property is located. In addition, policy contracts shall not provide that contribution or assessments may be made against FNMA or may become a lien on the property superior to the lien of FNMA's mortgage.

.02 Insurance Required by FNMA for Unit Mortgages: The following insurance is required on property covered by a home mortgage on the date of submission to FNMA:

Property insurance affording protection against loss or damage from fire and other hazards covered by the standard extended coverage endorsement in an amount at least sufficient to pay the mortgage balance. A lesser amount is permitted only where the appraisal made in connection with the mortgage loan provides separate valuations for the land and improvements, and in such instances the insurance must cover the full replacement cost of the improvements;

Policies containing a deductible clause of the higher of $250 or one percent (1%) of the original loan amount, unless a higher maximum amount is required by state statute, applicable to either Fire or Extended Coverage, or both,

will be accepted for single-family properties. For 2-4 family properties, the maximum deductible amount is the lesser of one percent (1%) of the loan amount or $1,000.

.03 Mortgage Clauses. All policies of property (hazard) insurance submitted with home mortgages, including mortgages financing unit properties located in a planned unit development, must contain or have attached thereto a "standard" or "union" mortgage clause (without contribution) in the form customarily used in the area in which the property is located. The effect of such clause must be that the coverage of the mortgagee under the insurance policy will not be adversely affected or diminished by an act or neglect of the mortgagor, unless such coverage is prohibited by law of the jurisdiction in which the property is located. A mortgage clause which amounts to a mere loss payable clause is not acceptable. FNMA does not require that it be named on mortgage clauses; however, if FNMA is not named, the Seller shall be named as mortgagee followed by the phrase "its successors and assigns".

.04 PUD Projects: Perils Covered. The insurance policy shall afford, as a minimum, protection against the following:

a. loss or damage by fire and other perils normally covered by the standard extended coverage endorsement;

b. all other perils which are customarily covered with respect to projects similar in construction, location and use, including all perils normally covered by the standard "all risk" endorsement, where such is available.

.05 Amount of Insurance. The policy shall be in an amount equal to 100% of current replacement cost of the common areas in a PUD, exclusive of land, foundation, excavation and other items normally excluded from coverage.

.06 Named Insured and Loss Payable. The name of the insured under such policies must be set forth therein substantially as follows:

"Association of Owners of the Leisure Heights Homeowners' Association for the use and benefit of the individual owners."

The policies may also be issued in the name of an authorized representative of the Association for the use and benefit of the individual owners. Loss payable shall be in favor of the Association, as a trustee for each unit owner and each such owner's mortgagee. Each unit owner and each such owner's mortgagee, if any, shall be beneficiaries of the policy in the percentage of common ownership or on the basis of another appropriate formula set out in the Declaration. Evidence of insurance shall be issued to each unit owner and mortgagee upon request.

.07 Unacceptable Policies. Policies are unacceptable where a) under the terms of the insurance carrier's charter, bylaws, or policy, contributions or assessments may be made against the Association, borrowers, FNMA, or the designee of FNMA, or b) by the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders, or members, or c) the policy includes any limiting clauses (other than insurance conditions) which could prevent FNMA or the borrowers from collecting insurance proceeds.

.08 Notice of Cancellation or Modification. Policies may not be cancelled or substantially modified without at least 10 days' prior written notice to the Association and, with reference to PUD projects, to each holder of a first mortgage which is listed as a scheduled holder of a first mortgage in the insurance policy.

.09 Property Insurance - Special Endorsements.

a. Projects: Policies must provide for the following: a waiver of the right of subrogation against unit owners individually; the insurance is not prejudiced by any act or neglect of individual unit owners which is not in the control of such owners collectively; and the policy is primary in the event the unit owner has other insurance covering the same loss. The requirements stated in

this paragraph are generally provided by the insurer in the form of a "Special Condominium Endorsement" or its equivalent.

b. PUD Projects:

(1) Agreed Amount and Inflation Guard Endorsement is required, if available.

(2) Construction Code Endorsements (such as a Demolition Cost Endorsement, a Contingent Liability from Operation of Building Laws Endorsement and an Increased Cost of Construction Endorsement) may be required if the common areas in a PUD, is subject to a construction code provision which would become operative and require changes to undamaged portions of the building(s), thereby imposing significant costs in the event of partial destruction of the project by an insured peril.

(3) Steam Boiler Coverage (if applicable) is required for loss or damage resulting from steam boiler equipment accidents in an amount not less than $50,000 per accident per location or such greater amount as deemed prudent based on the nature of the property.

.10 Flood Insurance: Where the PUD is located within an area which has special flood hazards and for which flood insurance has been made available under the National Flood Insurance Program (NFIP), the following requirements apply:

(1) Flood insurance requirements for unit properties located in PUD's are the same as those for other home mortgages.

(2) With regard to the common areas, the Association must be required by the terms of the constituent documents of the PUD to obtain and pay, as a common expense, the premiums upon a policy of flood insurance

on common area buildings and any other common property covered by the required form of policy (herein "insurable property"), in an amount deemed appropriate, but not less than the following:

The lesser of: (a) the maximum coverage available under the NFIP for all buildings and other insurable property within any portion of the common areas located within a designated flood hazard area, or; (b) 100% of current "replacement cost" of all such buildings and other insurance property.

.11 Liability Insurance.

a. General. The Association must be required either by the terms of the constituent documents or by applicable law, to maintain comprehensive general liability insurance coverage covering all of the common areas, public ways of the project, and commercial spaces owned by the Association, whether or not they are leased to some third party.

b. Amount and Scope of Insurance. Coverage limits shall be in amounts generally required by private institutional mortgage investors for projects similar in construction, location and use. However, such coverage shall be for at least $1,000,000 for bodily injury, including deaths of persons and property damage arising out of a single occurrence. Coverage under this policy shall include, without limitation, legal liability of the insureds for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance or use of the common areas, and legal liability arising out of law suits related to employment contracts of the Association.

c. Notice of Cancellation or Modification. Such policies must provide that they may not be cancelled or substantially modified, by any party, without at least 10 days' prior written notice to the Association and, to each holder of a first mortgage which is listed as a scheduled

holder of a first mortgage in the insurance policy.

d. Supplemental Coverage. Additional coverages may be required to include protection against such other risks as are customarily covered with respect to projects similar in construction, location and use, including but not limited to, host liquor liability, contractural and all-written contract insurance, employers liability insurance and comprehensive automobile liability insurance.

.12 Fidelity Bonds.

a. General. By the terms of the appropriate constituent document, blanket fidelity bonds shall be required to be maintained by the Association for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds of or administered by the Association. Furthermore, where the Association has delegated some or all of the responsibility for the handling of funds to a management agent, FNMA requires that in these instances such bonds are required for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association.

Section 6. Liability Insurance. The Board shall also have authority to and shall obtain comprehensive public liability insurance, in such amounts as it deems desirable, and workmen's compensation insurance and other liability insurance as it deems desirable, insuring each Unit Owner, mortgagee of record, if any, the Association, its officers, directors, Board and employees, the Developer, and the Managing Agent, if any, from liability in connection with the Common Elements. The premiums for such insurance shall be a common expense. However, at the option of the Board, and upon written notice to all Unit Owners, premiums for such insurance shall be separately billed to each Unit Owner for his corresponding percentage of ownership in the Common Elements.

ARTICLE VIII

EXTERIOR MAINTENANCE

In addition to maintenance upon Common Area, the Association shall provide exterior maintenance upon each Lot which is subject

to assessment, hereunder, as follows: paint, repair, replace and care for roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, grass, walks and other exterior improvements. Such exterior maintenance shall not include glass surfaces.

In the event that the need for maintenance or repair is caused through the willful or negligent act of the Owner, his family, or guests or invitees, the costs of such maintenance or repairs will be added to and become a part of the assessment to which such lot is subject. But in no case shall an assessment be made under this section for repair or maintenance occasioned by normal wear and tear.

ARTICLE IX

USE RESTRICTIONS

Section 1. Land Use and Building Type. No Lot shall be used except for residential purposes, provided that plots of land designated "Commercial Area" on recorded plats may be used for any commercial purposes permitted by applicable municipal and county zoning ordinances.

Section 2. Dwelling Specifications. No dwelling shall be permitted having a ground area of the main structure, exclusive of one-story open porches, of less than 900 square feet for a one-story dwelling nor less than 500 square feet for a dwelling of more than one story.

Section 3. Nuisance. No noxious or offensive activity shall be conducted upon any Lot nor shall anything be done thereon which may be or become annoyance or nuisance to the neighborhood.

Section 4. Animals. No animals, livestock or poultry of any kind shall be kept or maintained on any Lot or in any dwelling except that dogs, cats or other household pets may be kept or maintained provided that they are not kept or maintained for commercial purposes and provided further that the Association may regulate the keeping and maintaining of household pets.

Section 5. Outside Antennas. No outside radio or television antennas shall be erected on any Lot or dwelling unit within the Properties unless and until permission for the same has been granted by the Board of Directors of the Association or its architectural control committee.

Section 6. Temporary Structures. No structure of a temporary character, trailer, basement, tent, shack, garage, barn or other outbuilding shall be used on any Lot at any time as a residence either temporarily or permanently.

Section 7. Signs. No sign of any kind shall be displayed to the public view on any Lot except one professional office sign of not

more than one square foot, one sign of not more than five square feet advertising the property for sale or rent, or signs used by a builder to advertise the property during the construction and sales period.

Section 8. Oil and Mining Operations. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon, in or under any Lot, nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon, in or under any Lot. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted upon any Lot.

Section 9. Garbage and Refuse Disposal. No Lot shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be kept except in sanitary containers. All incinerators or other equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition.

Section 10. Lawful Use. No immoral, improper, offensive or unlawful use shall be made of the Common Area or Lots and Living Units, nor any part thereof; and all valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed.

Section 11. Commercial Business. No commercial businesses may be maintained on the Common Area or in the Living Units.

Section 12. Alteration. Nothing shall be altered or constructed in or removed from the Common Area except upon the written consent of the Association.

Section 13. Rules for Common Area. The Association is authorized to adopt rules for the use of the Common Areas and such rules shall be furnished in writing to the Owners. There will be no violation of these rules.

Section 14. Sports Apparatus. No basketball standard or fixed sports apparatus shall be attached to any Living Unit or garage or be erected on the Lot of any Unit.

Section 15. Repair of Vehicles. No vehicles of any type shall be permanently or semi-permanently parked on the Properties or in the vicinity of any Living Unit or in the Common Area for purposes of accomplishing repairs thereto, or the reconstruction thereof except as permitted by the Rules and Regulations adopted by the Association. This restriction shall also apply to all vehicles not in operating condition regardless of whether or not such vehicles are being operated.

Section 16. Storage Area. Each Owner shall keep his storage area in a neat and orderly condition with all storage area completely enclosed.

Section 17. Recreational Vehicles. There shall be no parking of recreational vehicles, including, but not limited to, camping trailers, boats, motor homes and the like except in areas specifically designated for this purpose by the Association.

Section 18. Commercial Vehicles. The Association shall have the power to adopt Rules and Regulations concerning the parking of all commercial vehicles on the Properties, Common Area, or individual Lots.

Section 19. Wiring. No Unit Owner shall overload the electrical wiring in the Building, or operate any machines, appliances, accessories or equipment in such manner as to cause, in the judgment of the Board, an unreasonable disturbance to others, or connect any machines, appliances, accessories or equipment which might or could overload the heating or plumbing system, without the prior written consent of the Board.

Section 20. Use by Developer. During the period of sale by the Developer of any Units, the Developer, and said Developer's agents, employees, contractors and subcontractors, and their respective agents and employees, shall be entitled to access, ingress to and egress from said Buildings and Common Area as may be required for purposes of said sale of Units. While the Developer owns any of the Units and until each Unit sold by it is occupied by the purchasers, the Developer and its employees may use and show one or more of such unsold or unoccupied Units as a model Unit or Units and may use one or more of such unsold or unoccupied Units as a sales office, and may maintain customary signs in connection therewith.

Section 21. Nuisances. No unlawful, noxious or offensive activities shall be carried on in any Unit or elsewhere on the Property, nor shall anything be done therein or thereon which shall constitute a nuisance or which shall in the judgment of the Board cause unreasonable noise or disturbance to others.

Section 22. General. Each Unit Owner shall maintain his Unit in good condition and in good order and repair, at his own expense, and shall not do or allow anything to be done in his Unit which may increase the cost or cause the cancellation of insurance on other Units or on the Common Elements. No Unit Owner shall display, hang, store or use any clothing, sheets, blankets, laundry or other articles outside his Unit, or which may be visible from the outside of his Unit (other than draperies, curtains, or shades of a customary nature and appearance, subject to the rules and regulations of the Board), or paint or decorate or adorn the outside of his Unit, or install outside his Unit any canopy or awning, or outside radio or television antenna, or C. B. radio transmitters, or other equipment, fixtures or items of any kind, without the prior written permission of the Board. No owner of a Unit, shall display, hang, store or use any sign outside his Unit, in a hallway or elsewhere, or which may be

visible from the outside of his Unit without the prior written permission of the Board.

Section 23. Transient or Hotel Use. With the exception of a lender in possession of a condominium unit following a default in a first deed of trust or mortgage, a foreclosure proceeding or any deed or other arrangement in lieu of foreclosure, no Unit Owner shall be permitted to lease his Unit for transient or hotel purposes. No Unit Owner may lease less than the entire Unit. Any lease agreement shall be required to provide that the terms of the lease shall be subject in all respects to the provisions of the Master Deed and the By-Laws and that any failure by the lessee to comply with the terms of such documents shall be a default under the lease. All leases shall be required to be in writing.

ARTICLE X

EASEMENTS

Easements for installation and maintenance of utilities and drainage facilities are reserved as shown on the recorded plat. Within these easements no structure, planting or other material shall be placed or permitted to remain which may interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the easements, or which may obstruct or retard the flow of water through drainage channels in the easements.

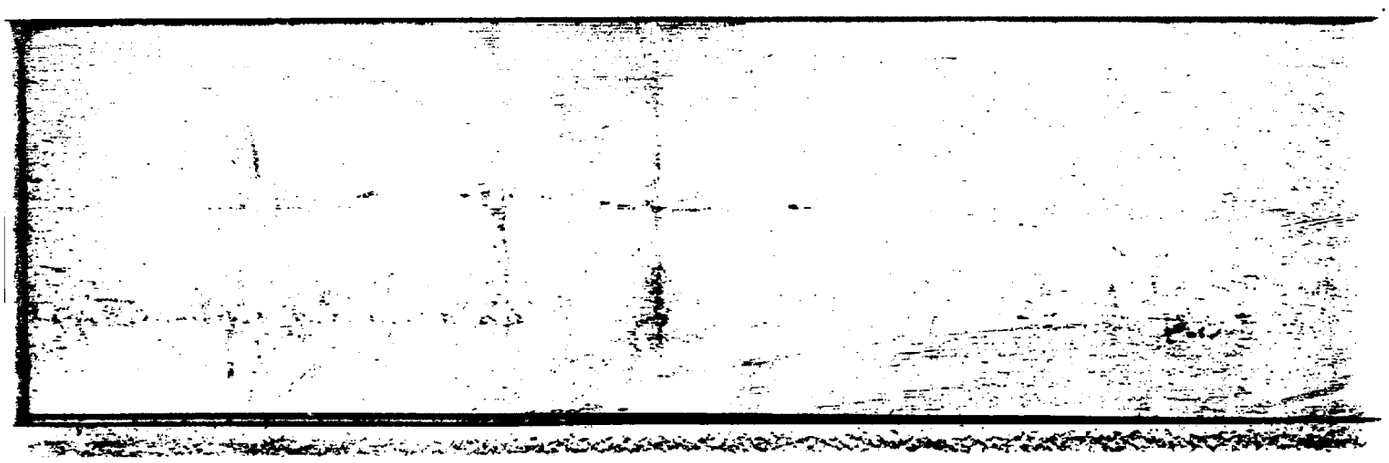
ARTICLE XI

GENERAL PROVISIONS

Section 1. Enforcement. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of the Declaration. Failure by the Association or any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidation of any one of the covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land for a term of thirty (30) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten years. This Declaration may be amended during the first thirty (30) year period by an instrument signed by not less



than sixty-seven (67%) percent of the Lot Owners, and thereafter, by an instrument signed by not less than fifty (50%) percent of the Lot Owners, provided that no amendment shall alter any obligation to pay ad valorem taxes or assessments for public improvements as herein provided, or affect any lien for the payment thereof established herein. Any amendment must be properly recorded.

Section 4. Annexation. Additional residential property and Common Area may be annexed to the Properties with the consent of two-thirds (2/3) of each class of members. Provided, however, additional land adjacent to the Property and described in Book 5791, Page 351, Book 5050, Page 103, and Book 5239, Page 26, Register's Office for Davidson County, Tennessee, may be annexed by the Declarant without the consent of the members within five (5) years from April 14, 1983, provided that the Federal Housing Administration and the Veterans Administration determine that the annexation is in accord with the general plan heretofore approved by them.

Developer intends to complete the development of the Property in accordance with current plans. Notice is given that Developer reserves the right to subject the whole Property including adjacent property with cross easements and restrict the whole Property according to the terms of this Declaration and By-Laws; and to satisfy future municipal requirements. The Common Elements of the Association initially covered hereby shall inure to the benefit of the co-owners of any new Units which may become subjected to this Association by amended Plat, and the Common Elements allocable to the membership of each new Unit shall inure to the benefit of the co-owners of Units recorded earlier, each to enjoy the Common Elements of the other and to have and to hold the same as if each new Unit had been developed and subjected to this Association simultaneously. All Common Elements shall be jointly maintained and the expenses relative thereto borne in proportion to the number ONE over the total number of Lots and/or Units which have been annexed to and are part of the Association.

Section 5. 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 and the Veterans Administration: annexation of additional properties, dedication of Common Area, and amendment of this Declaration of Covenants, Conditions and Restrictions.

Section 6. Encroachment. It is understood that Living Units which adjoin each other and have a party wall built as a part of the original construction of the homes which is placed upon the dividing line between adjoining Lots may encroach on such adjoining Lots due to construction or other reasons. Accordingly, an easement is reserved for such encroachments as are contained in the buildings, whether the same now exist or may be caused or created by construction, settlement, or movement of the building, or by permissible repairs, construction or

alteration. With regard to any differences which may exist in the plat entitled Leisure Heights, recorded in Plat Book _____, Page ____, Register's Office for Davidson County, Tennessee, or in other lands which may be platted and annexed thereto, and the actual party walls and lot lines which exist on the properties, the lot lines and party walls which actually exist shall control over discrepancies in such plats.

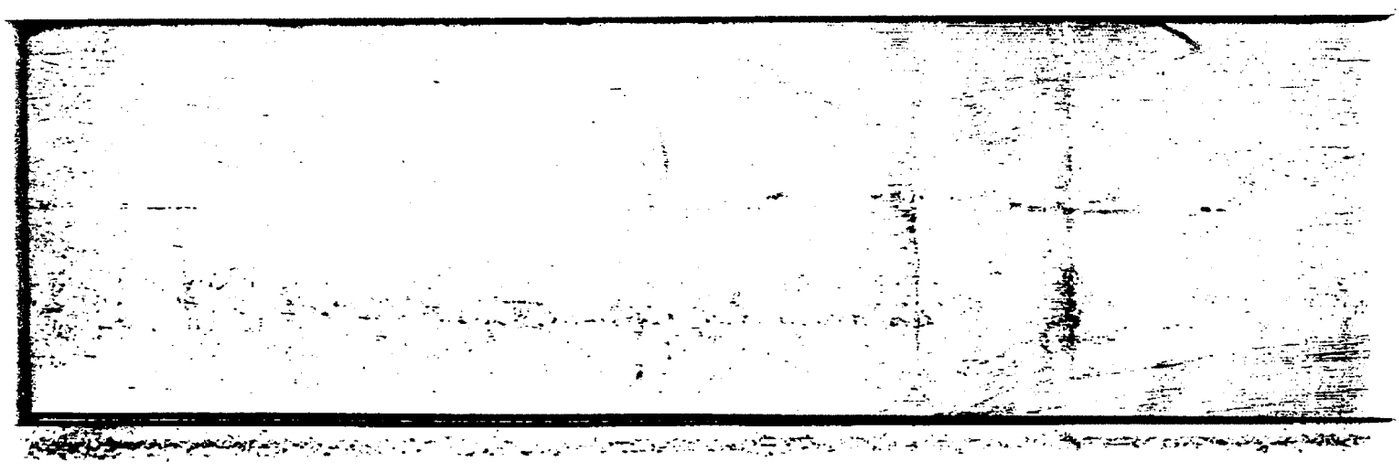
Section 7. Alterations, Additions or Improvements. No alteration of any Common Elements, or any additions or improvements thereto, shall be made by any Unit Owner without the prior written approval of the Board. The Board may authorize and charge as common assessments alterations, additions and improvements of the Common Elements as provided in the By-Laws.

Section 8. Non-Liability of the Directors, Board and Officers. Neither the directors, Board, nor the officers of the Association, shall be personally liable to the Unit Owners for any mistake of judgment or for any other acts or omissions of any nature whatsoever as such directors, Board, officers, or Developer, except for any acts or omissions found by a court to constitute gross negligence or actual fraud. The Unit Owners shall indemnify and hold harmless each of the directors, Board, or officers, and their respective heirs, executors, administrators, successors and assigns in accordance with the By-Laws.

Section 9. Board's Determination Binding. In the event of any dispute or disagreement between any Unit Owners relating to the Property, or any questions of interpretation or application of the provisions of the Declaration or By-Laws, the determination thereof by the Board shall be final and binding on each and all such Unit Owners.

Section 10. Notices. Notices provided for in the Declaration or By-Laws shall be in writing, and shall be addressed to the Association or Board, or any Unit Owner, as the case may be, at East Church Street, Box 571, Brentwood, Tennessee 37027, or at such other address as hereinafter provided. The Association or Board may designate a different address or addresses for notices to them, respectively, by giving written notice of such change of address to all Unit Owners. Any Unit Owner may designate a different address for notices to him (other than to his or her Unit) by giving written notice to the Association. Notices addressed as above shall be deemed delivered when mailed by United States registered or certified mail, or when delivered in person with written acknowledgment of the receipt thereof.

Upon written request to the Board, the holder of any recorded mortgage or trust deed encumbering any Unit shall be given a copy of all notices permitted or required by this Declaration to be given to the Owner or Owners whose Unit is subject to such mortgage or trust deed.



Upon written request to the Association, identifying the name and address of the holder, insurer or guarantor and the Unit estate number or address, any such eligible mortgage holder or eligible insurer or guarantor will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the project or any unit estate on which there is a first mortgage held, insured, or guaranteed by such eligible mortgage holder or eligible insurer or guarantor, as applicable;

(b) Any delinquency in the payment of assessments or charges owed by an owner of a unit estate subject to a first mortgage held, insured or guaranteed by such eligible holder or eligible insurer or guarantor, which remains uncured for a period of 60 days;

(c) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Owners Association;

(d) Any proposed action which would require the consent of a specified percentage of mortgage holders.

Section 11. Transfer of a Unit -- Notice to Association.

A. Unrestricted Transfers. A Unit Owner may, without restriction under this Declaration, sell, give, devise, lease or otherwise transfer his Unit, or any interest therein, to any person.

B. Limit on Term of Lease. No Unit, or interest therein, shall be leased by a Unit Owner for a term of less than one (1) year and no more than two (2) years. A copy of every such lease, as and when executed, shall be furnished to the Board. The lessee under every such lease shall be bound by and subject to all of the obligations, under the Declaration and By-Laws, of the Unit Owner making such lease and the lease shall expressly so provide. The Unit Owner making such lease shall not be relieved thereby from any of said obligations. The Board shall be a third party beneficiary of any such Lease and shall have the power to enforce its terms and conditions for the Association's benefit. The Board may establish a standard lease form, the terms of which shall be a prerequisite to the leasing of any Unit and shall be used exclusively by all Unit Owners.

C. Notice to Association of Certain Transfers. Whenever a Unit Owner shall propose to sell, give, devise, lease or otherwise transfer his Unit, or any interest therein, to any person or entity said Unit Owner shall give the Association not

less than thirty (30) days prior written notice of the proposed transfer, which notice shall briefly describe the type of transfer proposed by the Unit Owner and shall state the name and address of the proposed transferee. The notice shall also include a copy of the proposed lease, contract for sale or other documents, if any effecting said transfer. The Board shall be furnished a photocopy of the final executed lease and recorded deed.

Section 12. Perpetuities and Restraints on Alienation. If any of the options, privileges, covenants or rights created by this Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provision shall continue only until twenty-one (21) years after the death of the survivor of the now living descendants of the Governor of Tennessee, Lamar Alexander.

Section 13. Rights and Obligations. Each Grantee of the Developer, by the acceptance of a deed of conveyance accepts the same subject to all restrictions, conditions, covenants, reservations, liens and charges, and the jurisdiction, rights and powers created or reserved by this Declaration. All future Unit Owners and Occupants shall be subject to and shall comply with the provisions of this Declaration. Any restrictions or rules in the By-Laws which are more than administrative in nature such as, but not limited to, reservations and future rights of the Developer are hereby incorporated into and made a part of this Declaration by reference. All rights, benefit and privileges of every character hereby imposed shall be deemed and taken to be covenants running with the land, and shall bind any person having at any time any interest or estate in said land, and shall inure to the benefit of such grantee in like manner as though the provisions of this Declaration were recited and stipulated at length in each and every deed of conveyance or contract for conveyance.

All present and future Unit Owners, tenants and Occupants of a Unit shall be subject to, and shall comply with, the provisions of the By-Laws appended hereto and recorded herewith, as they may be amended from time to time. The acceptance of a deed of conveyance devise or of a lease to a Unit, or the entering into occupancy of any Unit shall constitute an agreement that the provisions of the said By-Laws and any Rules and Regulations promulgated thereunder, as they may be amended from time to time, are assumed, accepted and ratified by such Unit Owner, tenant or occupant, and all of such provisions shall be deemed and taken to be covenants running with the land and shall bind any person having at any time any interest or estate in such Unit, as though such provisions were recited and stipulated at length in each and every deed, conveyance or lease, thereof.

The terms and conditions of the Declaration, By-Laws and Rules and Regulations may be incorporated by reference in, and become part of, the agreement between any first mortgagee and any

present or future Unit Owner who enters into such an agreement with a first mortgagee. When so incorporated, any default in the terms and conditions of the Declaration, By-Laws and Rules and Regulations may be considered as a default by the first mortgagee, whereupon said first mortgagee, after exercising its option to declare a default, shall then have all of the rights and privileges arising as a result of a default under its agreement with said Unit Owner.

Section 14. Federal Home Loan Mortgage Corporation Regulations, etc. Notwithstanding anything to the contrary contained in this Declaration, or in the By-Laws which are attached hereto, all terms, conditions and regulations which are now existing, or which may be amended from time to time, by the Federal Home Loan Mortgage Corporation pertaining to planned unit developments are hereby incorporated as terms and conditions of the Declaration and By-Laws and such shall be governing upon the Property, the Developer, and the Association.

Specifically, without limitation upon the foregoing, the following declarations shall be fully effective and controlling over any terms of the Declaration or By-Laws which are in conflict. Any portions of such Declaration or By-Laws which are in conflict with this Section 15, or with any portion of Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association regulations pertaining to planned unit developments, are hereby deleted, such regulations are substituted herefor and to the extent that it is necessary to amend this instrument so that the Seller's Warranties will be deemed to be true (as defined in the Sellers Guide, issued by the Federal Home Loan Mortgage Corporation, Part III, Subsection 3.207), then this instrument and the accompanying By-Laws shall be deemed to be so amended to conform thereto, and so that the legal guidelines and underwriting standards set forth in Sections 803.07 and 803.08 of the "FNMA Supplement" shall be incorporated herein by reference, and any conflicting provisions herein shall be deemed to be amended to conform thereto, anything herein to the contrary notwithstanding. The following additional rights of mortgagees are itemized as follows:

(a) A first mortgagee under a unit at his request is entitled to written notification from the Association of any default by the mortgagor of such Unit in the performance of such mortgagor's obligations under the Declaration, By-Laws, or any of the planned unit development documents, which is not cured within thirty (30) days.

(b) Any first mortgagee of a Unit who comes into possession of the Unit pursuant to the remedies provided in the mortgage, deed of trust, foreclosure of the mortgage or deed of trust, or deed in lieu of foreclosure shall take the property free of any claims for unpaid assessments or charges against the

mortgaged Unit, which accrue prior to the time such holder comes into possession of the Unit (except for claims for a prorata share of such assessments or charges resulting from a prorata reallocation of such assessments or charges to all Units including the mortgaged Unit).

(c) Unless at least seventy-five (75%) percent of the first mortgagees (based upon one (1) vote for each mortgage owned) of Units have given their prior written approval, the Association shall not be entitled to:

(i) Change the prorata interest or obligations of any Unit for (a) purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards and for (b) determining the prorata share of each Unit in the Association, which is owned by the Unit Owners in the project in undivided prorata interests ("Common Elements").

(ii) Use hazard insurance proceeds for losses to any property (whether to individual Units or Common Elements) for other than the repair, replacement, or reconstructions of such improvements, in case of substantial loss to the Units and/or Common Elements to the project.

(iii) Amend the Declaration, By-Laws or recorded plat in such a manner as to adversely affect the rights or security enjoyed by a first mortgage lien holder.

(d) First mortgagees shall have the right to examine the books and records of the Association and/or the Property; and upon request, be permitted or entitled to receive an annual audited financial statement of the Property within 90 days following the end of any fiscal year of the Property; and written notice of all meetings of the Association and be permitted to designate a representative to attend all such meetings.

(e) An adequate reserve fund for the replacement of Common Elements will be established and funded by regular monthly payments rather than by special assessments.

(f) All taxes, assessments and charges which may become liens prior to the first mortgage under the laws of the State of Tennessee shall relate only to the individual Unit and not to the project as a whole.

(g) No Unit Owner, or any other party shall have priority over any rights of the first mortgagees of Units pursuant to their mortgages in the case of a distribution to Unit Owners of insurance proceeds or condemnation awards for losses to or a taking of Units and/or Common Elements.

(h) Any agreement for professional management of the project or any other contract of the Association, whether it be by the Developer, its successors and assigns, or any other person or entity, may be terminated without penalty on ninety (90) days written notice and the terms of any such contract shall so provide and shall not be of a duration in excess of three (3) years.

(i) The Association shall give to the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association or any lending institution servicing such mortgages as are acquired by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association, notice in writing of any loss to or the taking of, the Common Elements of the project if such loss or taking exceeds Ten Thousand Dollars ($10,000). The Association may rely upon the information contained in the book entitled "Mortgages of Units" as must be established pursuant to the By-Laws, for a list of mortgagees to be notified hereby. All first mortgagees shall register with the "Book of Mortgages".

(j) The interest of a first mortgagee in a mortgaged Unit shall be superior to the interests of any other person, group, partnership, corporation or entity of any kind, including any interest the Board, the Developer or any Unit Owner may have in any portion of the premises, regardless of the nature of the interest or the manner in which it is acquired.

(k) Notwithstanding the above, any first mortgagee shall have all of the rights granted to a first mortgagee herein, and in addition shall have all of the rights granted to an

institutional first mortgagee under its Deed of Trust, and under the Laws of the State of Tennessee.

(1) Any lien of the Association resulting from nonpayment of assessments against a unit must be subordinate to the first mortgage or deed of trust lien against that unit.

(2) An adequate reserve fund for replacement of common element components must be established, which must be funded by monthly payments rather than extraordinary special assessments. A working capital fund shall be established for the initial months of the planned unit development operation equal to at least a two months' established common area charge for each lot. Each lot's share of the working capital fund must be collected and transferred to the Association at the time of closing of the sale of each lot and maintained in a segregated account for the use and benefit of the Association. The purpose of the fund is to insure that the Association's Board of Directors will have cash available to meet unforeseen expenditures, or to acquire additional equipment or services deemed necessary or desirable by the Board. Amounts paid into the fund are not to be considered as advance payment of regular assessments.

(3) The Association shall give the holders of first deeds of trust and mortgages prompt notice of any default in the unit mortgagor's obligations under the documents not cured within 30 days of default.

(4) The holders of first deeds of trust or mortgages shall have the right to examine the books and records of the Association and to require annual reports and other financial data.

(5) A reasonable method for dealing with any condemnation of the Property shall be provided, specifying written notice to first mortgagees of any such proceedings and not disturbing mortgagee's first lien priority.

(6) The Association shall have the right to maintain existing improvements regardless of any present or future encroachments of the common elements upon another unit.

(7) The unit shall not be subject to any unreasonable restraints on alienation which would adversely affect the title or marketability of the unit, or the ability of the mortgage holder to foreclose its first mortgage lien and thereafter to sell or lease the mortgaged unit.

(8) Construction of future Units in a phased area must be compatible in design, materials and quality, as that to be built on the land described in Exhibit A.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has caused this instrument to be executed by their duly authorized officers, this the 14th day of April, 1983.

WATT-WISE CONSTRUCTION, INC.

BY: _____
its President

STATE OF TENNESSEE)
COUNTY OF DAVIDSON)

BOOK 6146 PAGE 273

Before me, the undersigned, a Notary Public of the State and County aforesaid, personally appeared W. A. Pinckley, with whom I am personally acquainted, and who upon oath, acknowledged himself to be President of WATT-WISE CONSTRUCTION, INC., the within named bargainor, a corporation, and that he as such officer, being authorized so to do, executed the foregoing instrument for the purpose therein contained, by signing the name of the corporation by himself as such officer.

Witness my hand and seal at office in Nashville, Tennessee, this the 28 day of September, 1983.

NOTARY PUBLIC

MY COMMISSION EXPIRES: 10-15-83.

EXHIBIT "A"
TO DECLARATION

LEGAL DESCRIPTION
OF THE PROPERTY

SURVEYOR'S DESCRIPTION
LEISURE HEIGHTS
SECTION ONE
PHASE ONE

Being all of that land located in the First Civil District, Nashville, Davidson County, Tennessee, as shown on Plat of Leisure Heights, Section One, Phase One, of record in Book 5800, Page 267, Register's Office for Davidson County, Tennessee.

The above described property is encumbered by easements for sanitary sewer lines, landscaping, drainage, public utilities, underground electric service, and private paved areas for ingress-egress easements for the use and benefit of the Leisure Heights Homeowners' Association.

EXHIBIT "B"
TO DECLARATION

LEGAL DESCRIPTION OF
THE COMMON AREAS
OR COMMON ELEMENTS

SURVEYOR'S DESCRIPTION
LEISURE HEIGHTS
SECTION ONE
PHASE ONE

Being all of that land located in the First Civil District, Nashville, Davidson County, Tennessee, as shown on Plat of Leisure Heights, Section One, Phase One, of record in Book 5800, Page 261, Register's Office for Davidson County, Tennessee.

The above described property is encumbered by easements for sanitary sewer lines, landscaping, drainage, public utilities, underground electric service, and private paved areas for ingress-egress easements for the use and benefit of the Leisure Heights Homeowners' Association.

HOWEVER, there is specifically EXCLUDED AND EXCEPTED from the above described property all numbered and platted lots and public streets as shown in plat of said lots and public streets as shown in plat of LEISURE HEIGHTS, a Planned Unit Development, of record in Plat Book 5800, Page 261, of the Register's Office for Davidson County, Tennessee, and to which plat reference is hereby made for more complete details as to location and description of said public streets and lot areas of individual ownership hereby excluded from the above described property.

EXHIBIT "C"
TO DECLARATION

BY-LAWS
OF
LEISURE HEIGHTS HOMEOWNERS' ASSOCIATION

PHASE I

ARTICLE I

NAME AND LOCATION. The name of the corporation is Leisure Heights Homeowners' Association, Section One, Phase One, hereinafter referred to as the "Association". The principal office of the corporation shall be located at East Church Street, Box 571, Brentwood, Tennessee 37027, but meetings of members and directors may be held at such places within the State of Tennessee, County of Davidson, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Reference is made to Article I of the Declaration to which these By-Laws are attached for "Definitions" which are incorporated herein by reference.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the members shall be held within one (1) year from the date of incorporation of the Association, and each subsequent regular

annual meeting of the members shall be held on the same day of the same month of each year thereafter, at the hour of 4:00 p.m. If the day for the annual meeting of the members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

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 the votes of the Class A membership.

Section 3. Notice of Meetings. 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 prepaid, at least fifteen (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, or 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 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 By-Laws. 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 or 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.

Section 6. Voting. The aggregate number of votes for all members of the Association shall be equal to the number of Units which have been subjected to this Association by Plat or amended Plat by the Developer, and each Unit Owner shall be entitled to one vote per Unit owned. Each Unit Owner's respective percentage of ownership interests in the Common Elements shall be the result of a fraction, the numerator being the number of Units owned by that Unit Owner and the denominator being the number of Units subjected to this Association. If any Unit Owner consists of more than one person, the voting rights of such Unit Owner shall not be divided but shall be exercised as if the Unit Owner consisted of only one person in accordance with the proxy or other designation made by the persons constituting such Unit Owner. The Developer may exercise the voting rights with respect to Units owned by it.

No Unit Owner who is in default in the payment of his assessments hereunder shall be entitled to exercise his right to vote hereunder until he has cured such default. A Unit Owner shall be deemed to be in default if he has not paid his

assessments to the Board, or their agent, within fifteen (15) days after receipt of notice of assessment. A Unit Owner may protest the amount of the assessment, but it still must be paid during the pendency of the protest to the Board.

ARTICLE IV

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of nine (9) Directors, who need not be members of the Association.

Section 2. Term of Office. At the first annual meeting the members shall elect three (3) directors for a term of one year, three (3) directors for a term of two years and three (3) directors for a term of three years; and at each annual meeting thereafter the members shall elect three (3) directors for a term of three years.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. In the event of death, resignation or removal of a director, his successor 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 any 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 V

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 close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall take 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 or non-members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election the members or 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 VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then 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 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

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

(a) 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; and, to enforce the Declaration and these By-Laws;

(b) suspend the voting rights and right to use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declaration;

(d) establish, levy, assess and collect the assessments or charges as may be necessary;

(e) 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; and

(f) appoint and remove at pleasure all officers, agents, and employees of the Corporation, prescribe their duties, fix their compensation, and require of them such bond as may be deemed necessary. Nothing contained in these By-Laws shall be construed to prohibit the employment of any member, officer, or Director of the Corporation in any capacity whatsoever.

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

(a) 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, or 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) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) as more fully provided in the Declaration, to:

(1) fix the amount of the annual assessment against each Lot at

least thirty (30) days in advance of each annual assessment period;

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

(3) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the owner personally obligated to pay the same.

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

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

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) cause the Common Area to be maintained; and

(h) cause the exteriors of the dwellings to be maintained.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. 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 meeting of the Board of Directors following each annual meeting of the members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each 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 giving written 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, and unless otherwise 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 by appointment by the Board. The officer appointed 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 of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

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

President

The president shall preside at all meetings of the Board of Directors; 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

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

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

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 of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association's 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 of each to the members.

ARTICLE IX

COMMITTEES

The Association shall appoint an Architectural Control Committee, as provided in the Declaration, and a Nominating Committee, as provided in these By-Laws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE X

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 By-Laws of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XI

ASSESSMENTS

Section 1. Obligation for Assessments. As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest

from the date of delinquency at fifteen (15%) percent per annum and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

Section 2. Annual Budget. The estimated annual budget for each fiscal year shall be approved by the Board, and copies thereof shall be furnished by the Board to each Unit Owner, not later than thirty (30) days prior to the beginning of such year. On or before the first day of the first month and of each succeeding month of the year covered by the annual budget, each Unit Owner shall pay, as his respective monthly assessment for the common expenses, one-twelfth (1/12) of his proportionate share of the common expenses for such year as shown by the annual budget. Such proportionate share for each Unit Owner shall be in accordance with his respective ownership interest in the Common Elements. The Board may determine different allocations with respect to a part of such charges whenever it appears to the Board that such an allocation would be unfair. The allocations shall be applied uniformly to all Owners of like situations. The allocation of the Board shall be final and binding upon all parties. In the event that the Board shall not approve an estimated annual budget or shall fail to determine new monthly assessments for any year, or shall be delayed in doing so, each

Unit Owner shall continue to pay each month the amount of his respective monthly assessment as last determined.

Section 3. Partial Year or Month. For the first fiscal year, the annual budget shall be as approved by the First Board. If such first fiscal year, or any succeeding fiscal year, shall be less than a full year, then the monthly assessments for each Unit Owner shall be proportionate to the number of months and days in such period covered by such budget. Commencing with the date of occupancy of his Unit, each Unit Owner, shall pay his assessment for the following month or fraction of a month, which assessment shall be in proportion to his respective ownership interest in the Common Elements and the number of months and days remaining of the period covered by the current annual budget, and which assessment shall be as computed by the Board.

Section 4. Annual Report. Within forty-five (45) days after the end of each fiscal year covered by an annual budget, or as soon thereafter as shall be practicable, the Board shall cause to be furnished to each Unit Owner a statement for such year so ended, showing the receipts and expenditures and such other information as the Board may deem desirable.

Section 5. Supplemental Budget. In the event that during the course of any year, it shall appear to the Board that the monthly assessments, determined in accordance with the estimated annual budget for such year, are insufficient or inadequate to cover the estimated common expenses for the remainder of such year, then the Board shall prepare and approve a supplemental budget covering the estimated deficiency for the

remainder of such year, copies of which supplemental budget shall be furnished to each Unit Owner, and thereupon a supplemental assessment shall be made to each Unit Owner for his proportionate share of such supplemental budget.

Section 6. Expenditures. Except for expenditures and contracts specifically authorized by the Declaration and By-Laws, the Board shall not approve any expenditure in excess of Ten Thousand Dollars ($10,000.00) unless required for emergency repair, protection or operation of the Common Elements, nor enter into any contract for more than three (3) years without a ninety (90) day cancellation clause without the prior approval of two-thirds (2/3) of the total membership of the Association, and without securing consents of mortgagees, if necessary.

Section 7. Discharge of Liens. The Board may cause the Association to discharge any mechanic's lien or other encumbrance which in the opinion of the Board may constitute a lien against the Property or the Common Elements, rather than a lien against only a particular Unit Ownership. When less than all the Unit Owners are responsible for the existence of any such lien, the Unit Owners responsible shall be jointly and severally liable for the amount necessary to discharge the same and for all costs and expenses, including attorneys' fees, incurred by reason of such lien.

Section 8. Holding of Funds. All funds collected hereunder shall be held and expended for the purposes designated herein, and (except for such special assessments as may be levied hereunder against less than all the Unit Owners and for such

adjustments as may be required to reflect delinquent or prepaid assessments) shall be deemed to be held for the benefit, use and account of all the Unit Owners in the percentages of the Unit Owners as from time to time existing.

ARTICLE XII

INDEMNIFICATION

Section 1. General. The Association shall indemnify and hold harmless each of its directors and officers, each member of any committee appointed pursuant to the By-Laws of the Association, and the Board, against all contractual and other liabilities to others arising out of contracts made by or other acts of such directors, Board, officers or committee members, on behalf of the Unit Owners, or arising out of their status as directors, Board, officers or committee members, unless any such contract or act shall have been made in clear violation of the Declaration or these By-Laws, or fraudulently or with gross negligence or criminal intent. It is intended that the foregoing indemnification shall include indemnification against all costs and expenses (including, but not limited to, counsel fees, amounts of judgments paid and amounts paid in settlement) reasonably incurred in connection with the defense of any claim, action, suit or proceeding, whether civil, criminal, administrative or other, in which any such director, officer, Board or committee member may be involved by virtue of such persons being or having been such director, officer, Board or

committee member; provided, however, that such indemnity shall not be operative with respect to:

> (a) any matter as to which such person shall have been finally adjudged in such action, suit or proceeding to be liable for gross negligence or fraud in the performance of his duties as such director, officer, Board or committee member, or
>
> (b) any matter settled or compromised, unless, in the opinion of independent counsel selected by or in a manner determined by the Board, there is not reasonable ground for such persons being adjudged liable for criminal (i.e., a felony) acts, or clearly violating the Declaration or these By-Laws, or for gross negligence or fraud in the performance of his duties as such director, officer, Board or committee member.

Section 2. Success on Merits. To the extent that a member of the Board of Directors or an officer of the Association or a member of any committee appointed pursuant to the By-Laws of the Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 3. Advance Payment. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case, upon receipt of an undertaking satisfactory to the Board by or on behalf of the person or entity seeking such indemnification or payment in advance to repay such amount unless it shall ultimately be determined that he is

entitled to be indemnified by the Association as authorized in this Article.

Section 4. Miscellaneous. The Association and the Board shall have the power to raise and the responsibility for raising, by special assessment or otherwise, any sums required to discharge its obligations under this Article, provided, however, that the liability of any Unit Owner arising out of any contract made by or other acts of the directors, Board, officers or members of such committees, or out of the aforesaid indemnity in favor of the directors, Board, officers or members of such committees, shall be limited to such proportion of the total liability hereunder as said Unit Owner's percentage of interest in the Association bears to the total percentage interest of all the Unit Owners in the Association. Every agreement made by the directors, Board, officers, members of such committees, or by the Managing Agent on behalf of the Unit Owners shall provide that the directors, Board, officers, members of such committees, or the Managing Agent, as the case may be, are acting only as agents for the Association and shall have no personal liability thereunder (except as expressly set forth herein), and that each Unit Owner's liability thereunder shall be limited to such proportion of the total liability thereunder as his percentage of interest in the Association bears to the total percentage interest of all Unit Owners in the Association. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any statute, agreement,

vote of members of the Association or disinterested members of the Board of Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. Such right to indemnification shall continue as to a person or entity who has ceased to be a member of the Board of Directors, officer of the Association or a member of such committee, and shall inure to the benefit of the heirs, executors, administrators, successors and assigns of such person or entity. In no event shall this indemnity exceed coverage occasioned by officers' and directors' liability insurance coverage, which the Association shall be required to carry and maintain, to the extent that the same is reasonably available in the marketplace.

ARTICLE XIII

AMENDMENTS

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

Section 2. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall

control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

ARTICLE XIV

MISCELLANEOUS

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.

IN WITNESS WHEREOF, I, being the Incorporator of the LEISURE HEIGHTS HOMEOWNERS' ASSOCIATION, have hereunto set my hand this 14th day of April, 1983.

, Incorporator

CERTIFICATION BOOK 6146 PAGE 237

I, the undersigned, do hereby certify:

That I am the duly elected and acting secretary of the LEISURE HEIGHTS HOMEOWNERS' ASSOCIATION, a Tennessee corporation, and,

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the Incorporator thereof, held on the 14 day of April, 1983.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 28 day of Sept, 1983.

Secretary

STATE OF TENNESSEE)

BOOK 6146 PAGE 298

COUNTY OF DAVIDSON)

Personally appeared before me, the undersigned, a Notary Public in and for said County and State, _____ W. A. Pinckley and Robye Railey, the within named bargainors, with whom I am personally acquainted, and who, upon their several oaths, acknowledged that they executed the foregoing instrument for the purposes contained therein.

Witness my hand and deal at office, this 28 day of ~~April~~ Sept, 1983.

_____
Notary Public

My Commission Expires: 10-15-83

RUSH

IDENTIF. REFERENCE

SEP 20 3 54 PM '83

FELIX Z. [illegible] REGISTER
DAVIDSON COUNTY, TN

09/28 174.00- CHECK

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