



Liberty Downs

Homeowner's Association

TO: ALL LIBERTY DOWNS HOMEOWNERS
FROM: LDHOA BOARD OF DIRECTORS
DATE: DECEMBER 11, 2006
SUBJECT: REVISION TO THE BYLAWS FOR LIBERTY DOWNS

Attached for your reference is a copy of the Revised Bylaws for Liberty Downs Homeowners Association as of December 11, 2006. The vote to revise these bylaws took place in a special meeting of the Board of Directors at the home of David Wooters, held on December 11, 2006.

The purpose of these revisions is to change the official address of the Association, remove references to the original developer of Liberty Downs, specify that approved accounting methods include cash basis accounting, and specify that the Board has the flexibility to communicate via website, telephone, and email for the purpose of conducting business.

Please take the time to review this document. This document should also be kept with your copy of the Declaration of Covenants, Conditions and Restrictions and the Design Standards for Liberty Downs.

A copy of this document is also available on the Liberty Downs Homeowners Association website.

If you have any questions regarding this document, you may contact any member of the Board of Directors of Liberty Downs Homeowners Association. Their names and contact numbers are available on the Liberty Downs Homeowners Association website.

Sincerely,

David Wooters
President
Board of Directors of the
Liberty Downs Homeowners Association

Liberty Downs Homeowner's Assoc.
P.O. Box 190444
Nashville, TN 37219

BY-LAWS
OF
LIBERTY DOWNS HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

Section 1. Name. The name of the corporation is Liberty Downs Homeowners Association, Inc., hereinafter referred to as the Association.”

Section 2. Principal Address. The principal address of the Association shall be PO Box 1172, Brentwood, Tennessee 37024; but meetings of members and directors may be held at such places within the State of Tennessee, County of Williamson, or elsewhere, as may be designated by the Board of Directors.

Section 3. Registered Agent. The registered agent for the Association shall be William J. Yost or any other person whom the Association appoints. For the purpose of service of process, if the Secretary or a member of the Association is chosen, the address of the registered agent shall be deemed an office of the Association, otherwise it will be the business address of the person selected.

Section 4. Effective Date. The Effective Date of these By-laws is December 11, 2006. These By-laws amend and restate the By-laws in effective prior to the Effective Date. As of and subsequent to the Effective Date all inquiries as to the meaning, scope and applicability of the By-laws shall be determined by reference to the By-laws set forth herein.

ARTICLE II

INTERPRETIVE PROVISIONS

Definitions of terms and other provisions set forth in the Declaration of Covenants, Conditions and Restrictions of Liberty Downs Subdivision dated May 23, 1986 and recorded in the Register’s Office for Williamson County, Tennessee in Deed Book 595 at page 735 are incorporated herein by reference and made a part hereof and shall control in the event of any conflict herewith.

ARTICLE III

MEMBERS

Section 1. Membership. The members of the Association, hereinafter referred to as “Members”, shall at all times be limited to the Declarant and Owners of Lots in Liberty Downs

Subdivision. So long as such Members is in good standing, each Member shall be entitled to one vote for each Lot owned by such Member regardless of size, market value, purchase price or any other basis. Membership shall be an interest appurtenant to title of each Lot and may not be separated from ownership of any Lot and shall be transferable only as part of the fee simple title to each Lot.

Section 2. Annual Meetings. The first annual meeting of the Members shall be held within the first 240 days of the calendar year.

Section 3. Special Meetings. Special meetings of the Members may be called at any time by the President, or by resolution of a majority of the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the votes of the membership.

Section 4. Notice of Meetings. Written notice of any meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting. The Secretary, or such person, shall deliver a copy of such notice, not fewer than 3 days nor more than 60 days in advance of an annual meeting or special meeting to each Member entitled to vote. The notice shall be 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 such notice or to such other address that would be reasonably anticipated to effectuate receipt 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 5. 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 membership shall constitute a quorum for any action except as otherwise provided in the Association Documents or the Declaration. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote 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. At such adjourned meeting at which a quorum shall be present or represented, any business shall be transacted that might have been transmitted at the meeting originally called.

When a quorum is present at any meeting, the vote of a majority of the Members present in person or by proxy shall decide the questions brought before such meeting, unless the question is one upon which by express provision of statute, the Declaration, Articles of Incorporation, or these By-laws a different vote is required, in which case such express provision shall govern and control the decision of such question.

The Members present at a duly called or held meeting at which a quorum is present may continue to do business at the meeting or any adjournment thereof notwithstanding the withdrawal of enough Members to have less than a quorum.

Section 6. Proxies. At any meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing subscribed by the Member and filed with the Secretary, having date within six months prior to said meeting. In the alternative, a proxy may be given orally in the presence of witnesses so identified and capable of confirming the granting of such proxy.

A Member may revoke a valid proxy for any meeting by appearing and voting in person at that meeting of Members, or by filings or having filed a substitute valid proxy or cancellation of proxy with the Secretary prior to the call to order of a meeting of Members. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot.

ARTICLE IV

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 1. Number, Term, Qualifications. The Board of Directors or the Members may from time to time fix the number of Directors at not fewer than six nor more than nine at the annual meeting or at a special meeting called for such purpose. Directors must be Members of the Association or nominees of corporate Members. The Directors shall be elected to serve a term of three years beginning with the Annual Meeting at which they are elected. One third of the Directors shall be elected at each Annual Meeting and shall serve for three year and until their successors are elected and qualified or until their earlier resignation, removal from office, incapacity or death.

Section 2. Removal. Any Director may be removed from the Board of Directors, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation or removal of one or more Directors, the successor or successors shall be selected by the remaining members of the Board, though less than a quorum, who shall serve for the unexpired term of his predecessor; provided however, so long as the Board of Directors has at least six Directors vacancies on the Board of Directors are not required to be filled until the next Annual Meeting.

Section 3. Compensation. Directors serving in that capacity shall not receive any salary or compensation for their services; however any Director may be reimbursed for his actual expenses incurred in the performance of his duties. Moreover, a Director may serve the Association in another capacity and receive compensation therefore. The salaries and compensation for Directors for services other than as Director shall be fixed by the Members at the Annual Meeting or a Special Meeting called for that purpose.

Section 4. Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting that they could take at a meeting by obtaining the written approval a majority of the Directors. Any action so approved shall have the same effect as though

taken at a meeting of the Directors. Any request for such approval must be sent to all the Directors and no Director shall undertake any communication eliciting a vote for such action without sending such communication to all other Directors that have not yet voted on such action.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. A Nominating Committee shall make nominations for election to the Board of Directors. 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 may include other Members. The Nominating Committee shall be appointed by the Board of Directors subsequent to each annual meeting of the Members, to serve from the such date until the close of the next annual meeting and notice of such appointment shall be promptly to the Members. The Nominating Committee shall take as many nominations for election to the Board of Directors as it shall in its discretion determine, but not fewer than the number of vacancies that are to be filled. Such nominations may be made from among Members only.

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. A regular meeting of the Board of Directors shall be held without other notice than this By-law immediately after, and at the same place as, the annual meeting of Members of the Association. The Board of Directors may provide by resolution, the date, time and place for holding of additional regular meetings without other notice than such resolution.

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 three directors.

Section 3. Notice of Special Meetings. Prompt notice of each special meeting of the Board of Directors, stating the time, manner and place of the meeting, shall be given to each Director

by or at the direction of the Secretary of the Association. Any and all requirements for call and notice of meetings may be dispensed with if all Directors are present at the meeting or if those not present at the meeting shall at any time waive or have waived notice thereof.

Section 4. Quorum. A majority of the number of Directors then in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. 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 of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the Directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

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 Liberty Downs Homeowners Association Rules governing the use of the Common Area and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) suspend the voting rights and the right to the use of the Common Area, including but not limited to 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 or in violation of the Declaration, the Association Documents or Design Standards of the Architectural Control Committee. Such rights may also be suspended after notice and hearing, for a period not to exceed 60 days for infraction of the Liberty Downs Homeowners Association Rules;

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not limited by law, the Association Documents, or the Declaration, or reserved to the Members;

(d) declare the office of a member of the Board of Directors to be vacant in the event such person shall be absent from three consecutive regular meetings of the Board of Directors; and

(e) may delegate from time to time to any committee, agent, manager, independent contractor, or such other employees as they deem necessary, such power and authority as may be permitted by law.

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 Members who are entitled to vote;

(b) supervise all officers, agents and employees of the 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 Member subject thereto at least ten (10) days in advance of each annual assessment period; and

(3) foreclose the lien against any property for which assessments are not paid or take such legal action as the Board deems appropriate;

(d) issue, or cause and 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 of Directors 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) perform such other duties and have such other powers as set forth herein, delegated by Members, or permitted by the Association, which may be necessary or proper for, or incidental to the exercise of any of the express duties or powers of the Association.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be chosen by the Board of Directors and shall be a President and Vice President, a Secretary, and a Treasurer. The Board of Directors may also choose additional vice presidents and one or more assistant secretaries and treasurers and such other officers as the Board of Directors may from time to time by resolution create. The officers shall have such authority, powers and duties as the Board of Directors may designate and determine which is not inconsistent with the law, the Declaration, the Articles or other provisions of these By-laws.

Section 2. Election of Officers. The election of offices shall take place at the first meeting of the Board of Directors following each annual meeting of the members or at a special meeting called for that purpose. None of the officers, except the President, need be a member of the Board of Directors.

Section 3. Term. The Board of Directors shall elect the officers of this Association annually and each shall hold office for one (1) year or until his successor is chosen unless he shall sooner resign, or shall be removed, or otherwise be disqualified to serve.

Section 4. Special Appointments. The Board of Directors may appoint such other officers and agents 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 of Directors may, from time to time determine.

Section 5. Resignation and Removal. Any officer elected or appointed may be removed from office with or without cause by the Board of Directors at any regular or special meeting called for that purpose. Any officer may resign at any time by giving written notice to the Board of Directors, 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. Any vacancy in any office may be filled by appointment by the Board of Directors. The officer appointed to such vacancy shall serve for the remainder of the unexpired term of such office.

Section 7. Multiple Offices. Any two offices may be held by the same person at the same time, except that the President may not also be the Secretary or Treasurer, or the Assistant Secretary or Assistant Treasurer.

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

President

(a) The President shall preside at all meetings of the Board of Directors and Association. He shall

be an ex officio member of all standing Board Committees and shall have general and direct management of the business of the Association and shall see that orders and resolutions of the Board of Directors are carried out.

Vice President

(b) The Vice President(s) shall, in order of their seniority if there be more than one, in the absence or disability of the President or the President's refusal to act, perform the duties and exercise the authority and powers of the President, and shall have such other authority and power and perform such other duties as the Board of Directors may from time to time direct by resolution.

Secretary

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the Members in a book to be kept for that purpose and shall perform like duties for the standing committees; keep the corporate seal of the Association and affix it on all papers requiring said seal and when so affixed it shall be attested by the signature of the Secretary or an Assistant Secretary; serve or cause to be served notice of all meetings of the Members, Committees and special meetings of the Board of Directors; keep appropriate current records showing the Members together with their addresses, and shall have such authority and power and perform such other duties as the Board of Directors may from time to time direct by resolution.

Assistant Secretaries, in order of their seniority, shall in the absence or disability of the Secretary, exercise the authority and powers and perform the duties of the Secretary and shall perform such other duties as the Board of Directors may from time to time direct by resolution.

Treasurer

(d) The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association and shall deposit all moneys and other valuable effects in the name and to the credit of the Association in such depositories as may be designated by the Board of Directors.

The Treasurer shall disburse the funds ordered by the Board, requiring receipt of proper vouchers, and shall render to the President and Board, at the regular meetings of the Board, or whenever they may require it, an account of all the Treasurer's transactions and of the financial condition of the Association.

Upon written request by a Lot Owner as provided in Article IV, Section 9 of the Declaration, the Treasurer shall provide a certificate as to the status of payment of all Assessments including

penalties, interests, costs, if any, which have accrued to the date of the certificate.

Assistant Treasurers, in order of their seniority, shall, in the absence or disability of the Treasurer, exercise the authority and powers and perform the duties of Treasurer and shall perform such other duties as the Board of Directors may from time to time direct by resolution.

ARTICLE IX

COMMITTEES

Section 1. Executive Committee. The Board of Directors may, by resolution passed by a majority of the whole Board, designate an Executive Committee to consist of two or more of the directors of the Association, which, to the extent provided in said resolution, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Association and to do all things, including actions specified by these By-laws to be performed by the Board of Directors, in the same manner and with the same authority and effect as if such acts had been performed by the Board of Directors between meetings of the Board of Directors; but the Board of Directors shall at all times have the power to reverse any action taken by the Executive Committee, provided that the exercise of such power by the Board of Directors shall not in any way abrogate the obligations or duties owing by the Association to third parties who have acted in reliance on the action taken by such committee.

All proceedings and actions taken by such committee shall be reported to the Board of Directors at the regular meeting of the Board or special meeting called for such purpose next following such proceedings or actions.

Section 2. Architectural Control Committee. The Board of Directors shall have the right to appoint an Architectural Control Committee to regulate the appearance, improvement, alteration and construction of improvements on the Lots in accordance with the Declaration, the Design Guidelines and other Association Documents.

Section 3. Nominating Committee. The Board of Directors shall appoint the Nominating Committee and it shall have such duties as provided herein or by the Board of Directors.

Section 4. Other Committees. There shall be such other committees consisting of Directors and officers of the Association as the Board of Directors may from time to time appoint.

Section 5. Compensation. Members of committees, as such, shall not receive salary or compensation for their services; provided, however, that a committee member may serve the Association in another capacity and receive compensation therefore.

Section 6. Annual Statement. The Board of Directors shall present at each annual meeting, and when called for by vote of the Members at any special meeting of the Members, a full and clear statement of the business and condition of the Association. The annual statements shall include profit and loss statements and balance sheets prepared in accordance with sound business and accounting methods and copies thereof shall be available for the Members.

ARTICLE X

BOOKS AND RECORDS

Section 1. Accounting and Transfer Records. The Association shall maintain accounting records in accordance with sound business and accounting methods using either the cost basis or accrual basis of accounting and shall maintain accurate and current records of all Members, Assessments, and all reserves and surplus. All corporate books and records related to the foregoing shall be available for inspection by the Members at all reasonable hours where copies may be purchased at a reasonable cost. Such records shall include, in addition to the foregoing and those listed in Article VIII, Section 8(d) of these By-laws, the following:

1. An account for each Member designating the name and address of such Member, the amount and due dates of any Assessments, the amounts paid and the balance due.
2. A record of any Mortgagees or other lien holders who have requested the Association in writing that they be registered and given notice of default in the event of nonpayment of any assessments. No responsibility by the Association is assumed with respect to said register except that the Association will endeavor to give any such notice but failure to do so shall not affect any of the Association's rights with respect to its Assessments and any lien it may have for them.

However, notwithstanding the foregoing, a Member shall not have access to the information of any other Member set forth corporate books and records absent the prior written consent of such Member or as required by law.

Section 2. Maintenance of Records. The Treasurer shall be responsible for maintaining the aforesaid accounting and transfer records and for recording all accounts and registrations therein.

ARTICLE XI

ASSESSMENTS

Section 1. Annual Assessments. The Board of Directors may from time to time fix and determine Annual Assessments for the purpose of carrying out the rights and obligations of the Association as defined in the Declaration.

Section 2. Special Assessments. The Board of Directors shall have authority and the duty to fix and determine such Special Assessments in accordance with the Declaration as may from time to time be necessary or proper.

Section 3. Payment. The Board of Directors shall fix the date(s) for payment of Assessments provided that said dates shall not be less frequently than yearly. Each Member shall pay Assessments levied against his Lot when due.

Section 4. Retroactivity. Any change in Assessments and any Special Assessment, if determined by the Board of Directors shall, if so directed by the Board of Directors, be retroactive to the first day of that calendar year. Any amounts paid by Members shall be credited against any retroactively adjusted assessment.

Section 5. Due Date. Annual Assessments shall be assessed and paid as provided by the Board of Directors. Special Assessments shall be due and payable as provided by resolution of the Board of Directors.

Section 6. Default. Upon a default by a Member in payment when due of any Assessments, the Board of Directors may, in accordance with the Declaration and the Association Documents, enforce the rights and remedies of the Association with respect to such default.

Section 7. Disqualification of Members. Any Member who defaults in payment of any Assessment shall be disqualified from voting or holding any office, including Director, of the Association and shall not be allowed to use the Common Area so long as such default exists.

ARTICLE XII

AMENDMENTS

Section 1. Amendments. These By-laws may be added to, amended, or repealed at an annual or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy, provided notice has been given as herein provided. Subject to the foregoing right of Members to adopt, amend or repeal By-laws, the Board of Directors shall have the power to adopt, amend or repeal the By-laws, by an affirmative vote of seventy—five (75%) per cent of all directors then holding office, provided that notice has been given as hereinafter provided. No meeting of Members or Directors shall be deemed competent to consider adoption, amendment, or repeal of By-laws unless prior written notice of said meeting, whether annual or special, specifying said proposed change(s) shall have been given to all Members or Directors at least ten (10) days prior to the meeting, or said notice is waived by written waiver as provided elsewhere herein.

Section 2. Conflict; Interpretation. In the case of a 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 or the Articles, the Declaration shall control. Absent obvious error, bad faith, or misconduct a determination by the Board of Directors as to whether a conflict exists between these By-laws and the Declaration or the Articles of Incorporation shall be deemed conclusive.

Section 3. Member Amendments. Any Member may propose a change to the By-laws by written request to any member of the Board of Directors.

ARTICLE XIII

MISCELLANEOUS

Section 1. Notices. Unless otherwise provided in the Declaration, the other Association Documents, or elsewhere in these By-laws, whenever notice is required or permitted to be given to any Director or Member, it shall not be construed to mean personal service, but may be given by any means reasonable in light of the circumstances. Such notice shall be deemed given when sent. Specifically, notices and other communications to the Members hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Board of Directors in its sole discretion, provided that the foregoing shall not apply to notices to any Member if such Member has notified the President of the Board of Directors or his nominee that said Member is incapable of receiving notices by electronic communication. The Board of Directors may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications. Unless the Board of Directors otherwise prescribes, (i) notices and other communications sent to an email address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefore.

Whenever notice is required to be given by law, the Declaration, or the Association Documents, a waiver thereof signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

Section 2. Fiscal Year. The calendar year shall be the corporate operating year, beginning on

January 1 and ending December 31 of each year. The Board of Directors may change the Association to such other fiscal year basis as the Board determines in the best interest of the Association.

Section 3. Seal. The Association shall have a seal inscribed with the name of the corporation, year of organization, and words "Corporate Seal, Tennessee." The Secretary shall maintain the safe possession of the seal.

Section 4. Statutory Powers. The Association shall have all the powers and authority granted to corporations pursuant to the laws of the State of Tennessee, as the same may from time to time be amended, as if the same were stated in full herein, subject to any limitations set forth in the Declaration and Association Documents.

Section 5. Authority of Members. No Member, except as an officer of the Association acting under direction of the Board of Directors, shall have the authority or power to act for the Association or to bind it.

Section 6. Captions; Gender; Number. Captions to Articles and paragraphs herein are for convenience only and shall not be deemed to be a part of these By-laws or limit anything contained herein.

Whenever used herein any gender shall include the others, the singular shall include the plural and the plural shall include the singular, whenever appropriate.

Section 7. Validity; Severability. If any By-law, part, or application thereof shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of any other By-law, part, or application thereof. I

Section 8. Indemnification. To the extent permitted by and subject to the laws of the State of Tennessee, any present or former Director, officer or employee of the Association shall be entitled to reimbursement of expenses and other liabilities including attorney's fees actually and reasonably incurred by him and any amount owing or paid by him in discharge of a judgment, fine, penalty or costs against him or paid by him in settlement approved by a court of competent jurisdiction, in any action or proceeding, including any civil, criminal or administrative action, suit, hearing or proceeding, to which he is a party by reason of being or having been a Director, officer or employee of this Association.

To the extent permitted by and subject to the laws of the State of Tennessee, the Association is authorized to purchase and maintain insurance on behalf of any present or former Director, officer, or employee of the Association against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such together with such costs, fees, penalties, fines and the like with respect thereto, all as set forth hereinabove.