

AMENDED AND RE-STATED
BYLAWS
OF
EMERALD BAY CLUB, INC.
(A Texas Nonprofit Corporation)

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ARTICLE 1

1 NAME AND PURPOSE

1.1 NAME. The name of this organization shall be Emerald Bay Club, Inc. (the “Club”).

1.2 PURPOSE OF BYLAWS. These Bylaws provide for the governance of Emerald Bay Club, Inc., located in Smith County, Texas (also referred to as “Emerald Bay”).

1.3 NONPROFIT PURPOSE. The Club is not organized for profit, but is organized for the social and athletic pleasure, recreation, and benefit of its Members. Accordingly, the club is a tax exempt organization pursuant to IRC §501(c)(7).

ARTICLE 2

2 PROPERTY

2.1 CLUB PROPERTY. The Club Property shall consist of clubhouses and grounds suitable for playing golf and for participating in other athletic sports and social recreation and such other property and facilities as may be necessary for its purposes.

2.1.1 PROHIBITION ON SMOKING. Smoking is prohibited in all air conditioned areas of the Club House.

2.2 DISCLAIMER. The Club will not, under any circumstances, be responsible for property of Members, visitors, guests or other persons brought on the premises for any purpose whatsoever.

2.3 DAMAGE TO PROPERTY. Members must pay for all breakage or damage to Club Property caused by them or their guests.

2.4 CLUB PROPERTY RIGHTS. No Member or any other person shall have or acquire any property rights in the Club Property, assets, or holdings of the Club, except as provided in the Club’s Articles of Incorporation or these Bylaws.

2.5 PLATTING AND ADDITION OF LOTS. All re-platting of lots and all changes thereto shall be submitted to the Board of Directors for approval. Additions of lots, tracts, or other geographic entities to Emerald Bay Subdivision, Smith County, Texas, must be approved by a vote of two-thirds (2/3) majority of Stockholder Members voting or by a simple majority of the Stockholder Membership.

2.6 OCCUPANCY OF RESIDENCES. Only those persons listed on the membership application shall reside in a Stockholder Member's residence. Any additional occupants must be approved by the Board of Directors and registered with the Club office and Security.

2.6.1 OCCUPANT OF NON-PRIMARY RESIDENCE. In the event a Stockholder Member does not use his or her residence or property located in Emerald Bay, and allows a person or persons to occupy the residence or property for more than thirty-one (31) consecutive days, the person then occupying the residence or property shall be deemed a lessee and subject to all provisions of these Bylaws.

ARTICLE 3

3 MEMBERSHIP

3.1 MEMBERSHIP. Members of the Club shall be persons of legal age, having made proper application and having been accepted for membership as outlined in Section 3.7 and 3.8. Members shall be classified as hereinafter provided. Each Member classification as herein defined shall have the rights, privileges, and obligations pertaining to such classification. The general classifications are Stockholder Members, Family Members, and Lessee Members. The Club shall not have any policy which would discriminate against Members, prospective Members, or their family members on the basis of race, disability, sex, religion, or national origin.

3.2 STOCKHOLDER MEMBERS. Stockholder Members shall consist of persons i) owning one or more lots in Emerald Bay Subdivision, Smith County, Texas, or ii) who are designated members by corporations, partnerships, trusts, and guardianships which own one or more lots in Emerald Bay, who have been duly elected to Membership. More than one lot being used in a building site shall be counted as only one (1) Membership. Stockholder Members and their spouses shall have full use and enjoyment of all facilities afforded by the Club.

3.2.1 LIMITATION ON MEMBERSHIP. No person shall own more than one Membership in the Club.

3.2.2 VOTING RIGHTS. Only one vote at each election will be allowed for each numbered Stockholder Membership. In the case of a married couple, either spouse may cast the Stockholder vote.

3.3 FAMILY MEMBERS. Family Members shall consist of the following persons living in the Stockholder Member's residence:

- (i) Children, step-children, sons-in-law, and daughters-in-law
- (ii) Wards;
- (iii) Parents and Parents-in-Law;
- (iv) Grandparents and Grandparents-in-Law;
- (v) Grandchildren

3.3.1 RIGHTS AND PRIVILEGES. Family Members shall be granted all privileges except:

- (i) Voting;
- (ii) Holding office;
- (iii) Family Members over the age of twenty five (25) shall be required to pay green fees in an amount not to exceed one-half (1/2) that charged to non-members as guests.

3.4 VERTICAL FAMILY MEMBERS. "Vertical Family Members" is defined as mothers, mothers-in-law, fathers, fathers-in-law, sons, sons-in-law, daughters, daughters-in-law, grandchildren, and great grandchildren visiting with any Member or Lessee.

3.4.1 VERTICAL FAMILY MEMBER GREEN FEES. Vertical Family Members shall be required to pay green fees in an amount not to exceed one-half (1/2) that charged to non-members as guests.

3.5 LESSEE MEMBERS. Lessee Members shall be those persons holding Club privileges by virtue of a lease of a Stockholder Member's lot and/or improvements. All lessees, regardless of the term of their lease, must become a member of the Club by making proper application and being accepted for membership as provided for in Section 3.7.

3.5.1 FAMILY LESSEES. Family Lessees shall be the parents or grandparents of Stockholder Members and their spouses residing in a residence other than the residence of a Stockholder Member. Family Lessees shall be subject to the provisions of Section 3.7.

3.5.2 LEGACY LESSEES. This class of Lessee Members shall consist of persons who have been a Stockholder (Property Owner) Member, or their spouse, of Emerald Bay for ten (10) or more years, the Member or spouse being sixty (60) years old or older, and in good standing during that period, who sell their residence which is the subject of their Membership and lease a residence in Emerald Bay within ninety (90) days of the date of selling their Emerald Bay residence which was the subject of their Membership. To remain a Legacy Lessee Member, the Member must remain in good standing

3.5.3 VERTICAL FAMILY LESSEES. This class of Lessee Member shall consist of the sons or sons-in-law, the daughters or daughters-in-law, and the grandchildren of Stockholder Members and their spouses, who must reside in a residence other than the residence of a Stockholder Member. Vertical Family Lessees shall be subject to the provisions of Section 3.6.

3.5.4 OTHER LESSEES. A Member may own more than one house or condominium, but anyone occupying any residence other than the primary residence of the Member for more than 31 days shall be classed as a Lessee, whether paying rent or not and whether a relative or not and shall pay dues in the amount required by the Board of Directors for other Lessees.

3.5.4.1 LEASES AND RENTALS: There shall be no short-term leases or rentals. The minimum term of any leases or rentals shall be defined by the Board of Directors and such minimum term thereof shall be published in the Consolidated Rules and Regulations. In no event shall any lease or rental be less than six (6) months. Exceptions for Member-to-Member leases or rentals may be made for shorter terms by an affirmative vote of the Board of Directors in a regularly scheduled meeting.

3.5.5 RIGHTS AND PRIVILEGES. Certain Lessee Members, being Lessees, Family Lessees, Vertical Family Lessees, and Other Lessees, as defined above, shall be granted all privileges except:

- (i) Voting;
- (ii) Holding office.

Legacy Lessees shall have all the rights and privileges of a Stockholder Member as set forth in Section 3.2.

3.6 GUESTS. Guests may be admitted to use and enjoy the club facilities upon the following terms and conditions: When using the golf course, all guests must register in the proshop before commencement of play. All guests must be accompanied during the entire period of play by a Member or Lessee in all cases except as to Vertical Family Members only, as that term is herein defined, who are fourteen (14) years of age or older.

3.6.1 GUEST INDEBTEDNESS. Members and Lessees shall be responsible to the Club for any indebtedness incurred by their guests and/or any member of the Member's or Lessee's household, including dependents of the Member or Lessee.

3.7 ADMISSION PROCEDURES. All applications for membership shall be made in writing on an official application form with all requested information included.

3.7.1 BACKGROUND CHECKS. The Membership Committee will review the application in full.

3.7.2 ORIENTATION. The Membership Committee (the Committee) shall provide orientation to the applicant(s) following the staff recommendation for membership to the Committee. The Committee shall make its recommendation to the Board of Directors for final approval or disapproval.

3.7.3 APPROVED APPLICATION. Upon a vote for approval of an application for Membership in Emerald Bay Club, Inc. by the Board of Directors of said Club, such applicant(s) shall complete the membership process as described in paragraph 3.8.1 ISSUANCE OF MEMBERSHIP.

3.7.4 REJECTED APPLICATION. Pursuant to applicable law, no disapproval shall be based upon the applicant's race, color, religion, sex, national origin, marital status, or age (providing the applicant has the legal capacity to enter into a binding contract).

3.7.5 LESSEE MEMBERS. Lessee applicants shall submit an executed “Assignment of Rents” along with their application materials and be subject to the process provided by this Section 3.7 and all applicable provisions of these Bylaws.

3.7.6 WAIVER OF LIABILITY. All applicants, by their act of filing an application for membership, agree that they have satisfied themselves that the land and/or structures which they are in the act of purchasing or leasing has been examined to their satisfaction with regard to workmanship and drainage and agree to waive any and all claims for damages as against Emerald Bay Homeowners Association and Emerald Bay Club, Inc., their officers, directors, agents, members and employees and hold them harmless of and from any and all claims, damages, injuries and costs, including attorney fees, in such regard.

3.8 MEMBERSHIP PURCHASE AGREEMENT AND ACKNOWLEDGEMENT.

3.8.1 ISSUANCE OF MEMBERSHIP. Upon being notified of his or her approval as a Stockholder Member in the Club, the approved Member shall (i) pay the required Initiation Fee for the Membership at Closing and (ii) provide proof of ownership of property in Emerald Bay Subdivision. Approved Lessee Members shall provide proof of a leasehold interest. Following receipt of the foregoing and any other documentation as may be required by the Club, as determined by the Board of Directors, such Member shall be issued a membership number by the Emerald Bay Club, Inc. business office as proof of such Membership.

3.8.2 TRANSFERABILITY OF MEMBERSHIP. Stockholder memberships are not redeemable or transferable except as specifically provided by these Bylaws and then only through the Club Secretary. Lessee Memberships are not transferable in any manner.

3.9 TERMINATION BY SALE OF PROPERTY. Membership shall be terminated by the sale of interest in all lands owned in Emerald Bay Subdivision. Seller’s membership may be extended at Seller’s request for not more than sixty (60) days or such time period approved by the Board of Directors with dues paid in advance for the extended period of time.

3.9.1 FORCED SALE. A “forced sale” is defined as a sale pursuant to a foreclosure, bankruptcy, or other court order. In the event of a forced sale, the membership of the Stockholder Member subject to the forced sale shall be terminated and the membership reverts to the Club.

3.10 ADDRESSES. It is the duty of each Member to ensure the Club’s records contain the Member’s correct, current mailing address and email addresses, if applicable. All notices to Members mailed to the last mailing address or email address furnished by the Member to the Club shall be deemed adequately addressed.

3.11 SUCCESSION.

3.11.1 DEATH OF A MEMBER. In the case of death of any surviving Stockholder Member, dues to the Club shall, during the period of estate administration, be paid by the estate. Should the property of the deceased Stockholder Member be sold, the eventual purchaser or owner of such property shall pay the current initiation fee for a Stockholder Membership proscribed in Section 4.1.1. Should the Club property be willed to a spouse, mother, father, son, daughter, son-in-law, daughter-in-law, or grandchild, there will be no transfer fee, but any such devisee shall be subject to the Admission Procedures described in Articles 3.7 thru 3.7.4.

3.11.2 SEPARATION. Upon the separation, pending divorce, of a married couple holding Stockholder Membership, each spouse shall continue to be entitled to the privileges of Membership (so long as amounts owing the Club are timely paid) until the Club receives an order from a court of competent jurisdiction awarding the membership to either spouse individually. This rule does not expand the voting privilege beyond the one (1) vote to which such share is entitled. If more than one (1) ballot is cast in any election, by more than one (1) person claiming ownership, all ballots cast in that name shall be void.

3.11.3 BEQUESTS. When an Emerald Bay Stockholder Member deeds ownership of their Emerald Bay property, by virtue of which they are a Member of the Club, to a spouse, mother, father, son, daughter, son-in-law, daughter-in-law, or grandchild, there will be no transfer or initiation Fee, such that the grantor's Emerald Bay Club membership will pass to the grantee of the property so deeded. Such grantee shall be subject to the Admission Procedures described in Articles 3.7 thru 3.7.4.

ARTICLE 4

4 FEES, DUES, ASSESSMENTS AND PENALTIES

4.1 INITIATION AND TRANSFER FEES.

4.1.1 INITIATION FEES. The Board of Directors shall from time to time establish the initiation fee to be paid by applicants to the Club as a Stockholder Member. An initiation fee shall become payable by a proposed new Stockholder Member when an existing Stockholder Member sells his/her property to such proposed new Stockholder Member.

4.1.1.1 ALLOCATION OF FUNDS. Fifty percent of funds received (being the initiation fee) from the sale of property to a new Stockholder Member shall be allocated to the Capital Fund. The remaining fifty percent shall be paid to the transferor of the membership, provided the transferor owns no other property in Emerald Bay. In the event the transferor of membership owns other property in Emerald Bay, then said Stockholder Member shall not receive any reimbursement of the initiation fee.

4.1.1.2 CORPORATE STOCKHOLDER MEMBERS. In the event of ownership, or proposed ownership of a property or properties in Emerald Bay by any

corporation, partnership, trust, or guardianship, the individual designated as the Stockholder Member by such corporation, partnership, trust, or guardianship shall be liable to pay the initiation fee.

4.1.2 TRANSFERS. A transfer occurs when an existing Stockholder Member sells his/her property to another existing Stockholder Member. The Board of Directors shall from time to time establish the fee to be paid for such transfers.

4.1.2.2 TRANSFER FEE. No initiation fee shall be paid when an existing Stockholder Member sells his/her property to another existing Stockholder Member. Since no initiation fee is received by the Club, the selling Stockholder Member shall not receive any reimbursement of initiation fees. However, the Club is to be notified upon closing of said transaction and the fee established by the Board of Directors shall be charged to each party to the transaction.

4.1.2.3 CHANGE IN DESIGNATED MEMBER. If a Corporate Stockholder Member changes the designated member for such corporation, partnership, trust, or guardianship, it shall be considered a sale/transfer and an initiation fee shall be charged to the new designated member. The funds received by the Club shall be allocated according to Section 4.1.1.1 above. However, if the lot owned by the Corporate Stockholder Member is either vacant, unoccupied, or a non-buildable Membership lot, there shall be no transfer/initiation fee charged upon the appointment of a new designated Member.

4.1.2.4 FORCED SALE. No initiation or transfer fee shall be due upon a forced sale as defined in the Section 3.8.1. However, any subsequent purchaser other than a lender that obtains ownership of the property by means of foreclosure or a deed tendered in lieu of foreclosure, shall be considered a proposed new Stockholder Member and shall purchase a membership pursuant to the terms and conditions contained in these Bylaws. No refund shall be due or owing to a Stockholder Member who has been dispossessed of their property by a forced sale.

4.2 MEMBERSHIP FEES AND DUES. The Board of Directors shall have the right and obligation from time to time by majority action, to set the dues, charges and fees payable by the Stockholder Members and Lessees, and the Board of Directors may also determine whether the dues, charges and fees are to be paid monthly or at some other time interval.

4.2.1 MONTHLY STATEMENTS. A statement of all current and past due Club charges shall be delivered to each Member, according to their membership classification, on a monthly basis. Such amounts are due and payable upon receipt, but effective as of the billing date, which is the last day of the month for which charges appear on the Member's statement.

4.2.2 PAYMENT DUE DATE. All current and past due Club charges must be received in the Club office before 5:00 PM on the last business day of each month. Any indebtedness remaining unpaid after such time and day shall be deemed past due and a

late payment fee shall be charged on the unpaid balance. This late payment fee shall be maintained by the Board of Directors at the maximum legal interest rate allowed under the laws of the State of Texas.

4.2.3 DELINQUENCY. With respect to Stockholder Members, any indebtedness of sixty (60) days past the billing date and, with respect to Lessees, any indebtedness of thirty (30) days past the billing date, shall be deemed delinquent. When a Stockholder Member is deemed delinquent, the Member shall be notified by certified mail of such delinquency. When a Lessee becomes delinquent, the appropriate Stockholder Member lessor, as well as his Lessee, shall be notified by certified mail of such delinquency. When either a Stockholder Member or a Lessee Member is deemed delinquent, a grace period of fifteen (15) days shall be allowed for the delinquent party (parties) to make satisfactory arrangements for the payment of the indebtedness. If satisfactory arrangements are not made within the fifteen (15) days grace period, the Member and/or Lessee shall be declared delinquent and denied the use of club facilities. With respect to a Stockholder Member, when an amount is declared delinquent, the Club shall file a lien on the delinquent Member's property. A list of delinquent Members and or Lessees along with the delinquent amounts shall be reported to the Board of Directors. Certain exceptions may be made by the Board of Directors when illness or other circumstances justify. A delinquent Member or Lessee shall be reinstated upon payment of all indebtedness plus penalties and current dues. Charges for recording and subsequent releasing of lien will be added to the Member's account.

4.2.4 PARTIAL PAYMENTS. Partial payments and credits shall be applied per the applicable provisions of the Texas Property Code.

4.2.5 COMMENCEMENT OF DUES OBLIGATION. Dues obligation commences on the date the membership transaction closes. Dues will be prorated for partial months.

4.3 DUES AND FEES FOR LESSEES. Except as provided below, all Lessee Members, as defined in Section 3.5 above, shall pay dues and fees twice the amount of the assessed Stockholder Member dues and fees. Nothing in this Section shall be construed to authorize the Board of Directors to establish dues and fees for Lessees in an amount less than that assessed to Stockholder Members.

4.3.1 DUES AND FEES FOR FAMILY LESSEES. Family Lessees, as defined in Section 3.5.1 above, shall pay dues and fees twice the amount of the assessed Stockholder Member dues and fees for the first six (6) months of their lease. Thereafter, provided the lease remains uninterrupted, the Family Lessees shall pay dues and fees in an amount equal to the dues and fees of the assessed Stockholder Members.

4.3.2 DUES AND FEES FOR LEGACY LESSEES. Legacy Lessees, as defined in Section 3.5.2 above, shall pay dues and fees equal to the amount of the assessed Stockholder Member dues and fees.

4.3.3 DUES AND FEES FOR VERTICAL FAMILY LESSEES. Vertical Family Lessees, as defined in Section 3.5.3 above, shall pay dues and fees equal to the amount of the assessed Stockholder Member dues and fees.

4.4 DUES AND FEES FOR CORPORATE STOCKHOLDER MEMBERS. The owner of a Corporate Stockholder membership, or the designated member of such legal entity should it be a person different from the owner, shall be individually liable for all dues and fees. Issuance of a Membership Acknowledgement to a Corporate Stockholder Member, shall be considered a personal guaranty of the owner of the entity and the designated entity for all initiation fees, transfer fees, and dues, fees, and assessments charged by the Club.

4.5 OPERATING ASSESSMENTS. If the Board of Directors believes it necessary to levy assessments for the purpose of operating and maintaining the Club, it shall be authorized to levy such assessments upon the membership from time to time not to exceed in the aggregate fifteen percent (15%) of the annual dues paid per individual Member for any one calendar year. Any Operating Assessments in excess of fifteen percent (15%) of the dues chargeable for the then current year may be levied only after approval by two-thirds (2/3) of the Members voting or a majority of all the Members in an Annual Stockholder Meeting or a Special Stockholder Meeting called for the purpose stated herein.

4.6 CAPITAL ASSESSMENTS. If the Board of Directors believes it necessary to levy assessments for the purpose of improving the Club or for the repair or improvement of a Capital Asset (as defined in Section 6.7.3), such Capital Assessment shall be subject to Section 6.7.3.1 herein and levied only after approval by two-thirds (2/3) of the Members voting or a majority of all the Members in an Annual Stockholder Meeting or a Special Stockholder Meeting called for the purpose stated herein.

4.7 PAYMENT OF ASSESSMENTS. Payment of any assessment levied pursuant to Section 4.5 and 4.6 shall be due and payable upon receipt and subject to all the provisions in these Bylaws regarding payments of dues and fees, specifically Section 4.2 herein.

4.8 LIABILITY OF MEMBERS FOR COSTS OF LITIGATION. In the event the Club is the prevailing party in any lawsuit or litigation matter which is brought either by the Club against any Member or by any Member against the Club, then all costs and expenses paid or incurred by the Club in such litigation matter, including, without limitation, all attorney's fees and expenses, shall be paid to the Club by such non-prevailing member on demand.

ARTICLE 5

5 GOVERNANCE AND GENERAL MANAGEMENT

5.1 BOARD OF DIRECTORS. The affairs of the Club shall be governed by the Board of Directors in accordance with the Articles of Incorporation, the Bylaws, and the Texas Business

Non-Profit Corporation Act, which are incorporated herein by reference thereto. In addition to the duties imposed by the Articles of Incorporation, the Board of Directors (referred to herein as the “Board” and the “Board of Directors”) shall be responsible for the following:

- (i) Care, upkeep and maintenance of the real property owned, leased, or operated by the Club and carrying out the purposes of the Club.
- (ii) Adopting and publishing Rules and Regulations governing the activities of the Club and uses of the property owned, leased, or operated by the Club.
- (iii) Adopting disciplinary procedures and penalties for violations of the Bylaws, Rules and Regulations, Covenants and Restrictions, or any other rule of the Club and enforcing penalties imposed. Said disciplinary procedures and penalties shall be included in the Rules and Regulations of the Club.
- (iv) Construing these Bylaws and the Rules and Regulations governing the use of the Club and recommending changes or alterations of the Bylaws to the membership.
- (v) Establishing Lessee Membership classes and assessing dues and fees to such newly created classes.
- (vi) Hearing any and all appeals made to the Board from any decision rendered by a committee. Board decisions in any such appeal shall be final.

5.2 NOMINATION AND ELECTION OF BOARD MEMBERS. Directors shall be elected by the Stockholder Members of the Club for a term of three years.

5.2.1 NOMINATING COMMITTEE. At least ninety (90) days before the annual Stockholders Members meeting, the Club President shall appoint a nominating committee of five (5) Stockholder Members, only two (2) of whom may be Directors. This committee shall, not less than sixty (60) days before the Annual Member Meeting, nominate a slate for election as Directors to serve for the ensuing three (3) years. This slate shall be posted on the Club bulletin Boards, recorded in the Board of Directors’ minutes, and mailed to the Stockholder Members at least thirty (30) days prior to the closing of the ballot box. The candidates elected will serve in a dual capacity of governance over Emerald Bay Club and Emerald Bay Homeowners Association. The committee shall use its best efforts to nominate no less than five Stockholder Members to fill the expiring Director positions.

5.2.2 SPECIAL NOMINATIONS. Any Stockholder Member in good standing may submit his or her name to the Nominating Committee as a candidate for a position as Director, provided such Member has certified in writing that he or she will serve if elected. If the submission and certification is dated at least forty-five (45) days before the Annual Member Meeting of the Stockholder Members, said Member’s name shall be included on the slate of the Nominating Committee.

5.2.3 VOTING. Voting shall be by printed ballot. Each ballot must be signed by the voting Stockholder Member. The ballot shall list the names of the qualified nominees in alphabetical order with spaces provided opposite each name for a check mark. No less than thirty (30) days prior to the Annual Member Meeting, the Club President shall appoint from the Stockholder Members five (5) Election Judges, only one of whom shall be a Board member. Their duties shall be to insure that only qualified voters cast a ballot, provide a sealed ballot box at the Clubhouse, count and record the votes, and deliver to the Secretary of the Club their tabulation. Ballots will not be accepted after 12:00 p.m. on the date of the Annual Member Meeting of the Stockholder Members. The Secretary will announce the names of those elected and post the results on the Club Bulletin Boards, including the number of votes received by each candidate elected as a Director. The Election Judges shall, at the close of the meeting, deliver to the Secretary the original ballots which the Secretary shall keep for a period of no less than fifteen (15) days.

5.2.4 TERM OF OFFICE. The Directors so elected shall serve on the Board for a period of three years or until their successors are elected or appointed by the Board to fill their position. In case a vacancy occurs, a Board member appointed to fill a vacant position shall serve for the remainder of the unexpired term of the position. Three (3) Directorships shall expire annually.

5.2.5 TERM LIMITS. No member may serve more than two consecutive three-year terms on the Board of Directors. A member may serve an unlimited number of three-year terms if so elected, but in the event that a member serves two consecutive terms, that member must take a hiatus of not less than three (3) years from the end of such two terms before being elected to another term.

5.2.6 MARRIED MEMBERS. In the case of a married couple, both spouses are Members and eligible to be a Director, but both cannot serve as Directors at the same time.

5.3 ISSUANCE OF MEMBERSHIPS. The Board of Directors shall be responsible for the admission of applicants to membership and suspension of Members in conformity with the Bylaws.

5.4 COMPENSATION. Directors shall not receive any salary or compensation for serving on the Board of Directors. Directors and Stockholder Members may be reimbursed for out-of-pocket expenses for such items as transportation, lodging, and meals while away from their home base for the purpose of Club business specifically authorized by the Board.

5.5 INTERPRETATION OF BYLAWS. With regard to the Bylaws of the Club, the Board of Directors shall be responsible for the following:

- (i) Making such other Rules and Regulations not within the Bylaws as it may deem necessary or advisable.
- (ii) Fixing and imposing penalties for the violations of the Bylaws, Rules and

Regulations, and Restrictions and Covenants.

- (iii) Making, altering and amending rules for its own government consistent with these Bylaws.
- (iv) Making and amending rules for the use of the Club by its Members and for their conduct everywhere on Club premises, including rules for the admission of guests and visitors.

5.6 RULES AND QUORUM.

5.6.1 REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held monthly at a time convenient to the Board of Directors and shall be open to all Members.

5.6.2 LOCATION OF MEETINGS. Unless otherwise specifically provided in these Bylaws, all meetings of the Board of Directors shall be held in the clubhouse of Emerald Bay Club. The one exception to a meeting place for the Board of Directors shall be in the case of an emergency situation wherein the clubhouse is not available for a Board meeting or has been damaged to such extent that it cannot be used for meeting purposes. In the event of such an emergency situation the Board meeting(s) may be held electronically with the availability for club Members to view said electronic meeting.

5.6.3 QUORUM. A majority of the number of Directors shall constitute a quorum for the transaction of business.

5.6.4 MAJORITY VOTE. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless otherwise specifically required by law or these Bylaws.

5.6.5 DISTRIBUTION OF MEETING AGENDA. The President shall mail to or cause to be placed in the hands of each member of the Board of Directors at least three (3) days prior to the next regular Board meeting an agenda setting out, but not limited to, the business to be transacted at such regular meeting, and the agenda shall be posted on the Club bulletin boards.

5.6.6 EXECUTIVE SESSIONS. Closed Executive Sessions of the Board of Directors may be held to consider actions involving:

- 1) Personnel;
- 2) Pending or threatened litigation;
- 3) Contract negotiations;
- 4) Enforcement actions
- 5) Confidential communications with the Subdivision Association's attorney;
- 6) Matters involving the invasion of privacy of individual owners;

- 7) Matters that are to remain confidential by request of the affected parties and agreement of the Board of Directors.

5.6.7 CONDUCT OF MEETINGS. In the event of a question of a point of order or parliamentary procedure, the Robert's *Rules of Order* shall prevail.

5.7 ANNUAL MEETING. The Board of Directors shall meet annually immediately after the Annual Membership meeting to elect officers of the Club.

5.8 REMOVAL FROM OFFICE AND VACANCIES.

5.8.1 REMOVAL. Any Director may be removed, with or without cause, at a special meeting of the general membership (in accordance with Section 5.13.1) by the affirmative vote of a majority of the Members present in person at such meeting and entitled to vote for the election of such directors.

5.8.2 VACANCIES. Any vacancy occurring on the Board of Directors may be filled at subsequent meetings of the Board of Directors by the affirmative vote of a majority of the remaining Directors. A Director appointed to fill a vacancy by appointment shall serve the remainder of the vacated term.

5.8.3 UNEXCUSED ABSENCES. Absence of any Board member for three (3) consecutive meetings, unless excused by the President, or unless a satisfactory explanation be made to the Board of Directors at the next regular monthly meeting after the last such absence, shall be deemed a resignation from the Board, which shall thereupon fill the vacancy by appointment of a new member in accordance with Article 5.8.2.

5.9 SPECIAL MEETINGS OF THE BOARD OF DIRECTORS.

5.9.1 AUTHORIZATION. A special meeting of the Board of Directors may be called by or at the request of the President or any two Directors.

5.9.2 NOTICE. Notice of a special meeting shall be in writing and delivered to each of the Directors at least seventy-two hours prior to such a meeting. Said notice shall contain the purpose or purposes of such special meeting and shall be posted on the Club bulletin boards by the Secretary of the Board.

5.9.3 WAIVER OF NOTICE. Attendance of a Director at a special meeting shall constitute a waiver of notice except where a Director attends a meeting for the express purpose of objecting to transaction of business or objecting that the meeting is not lawfully called or convened.

5.10 OFFICERS.

5.10.1 PRESIDENT. The President shall be the chairman of the Board of Directors and shall preside at all meetings of the general membership of the Club and at all meetings of the Board of Directors.

5.10.2 VICE PRESIDENT. In the absence or inability to act of the President, the Vice President shall perform all the duties of the President.

5.10.3 SECRETARY. The Secretary shall keep a record of all meetings of the Members of the Club and of all meetings of the Board of Directors, shall give notice of the regular or special meetings to the Members of the Club, and shall notify the directors of all scheduled meetings of the Board. The Secretary shall notify new Members of their election. He or she shall be charged with performance of any duties as may be imposed in these Bylaws, and shall perform such other duties as the Board of Directors may prescribe from time to time by simple resolution.

5.10.4 TREASURER. The Treasurer shall be the financial officer of the Club, shall have charge of and be responsible for all funds of the Club, and shall ensure that all such funds are deposited in the name of the Club in such bank or other depositories as shall be selected by the Board of Directors; and, in general, shall perform all duties as from time to time may be assigned by the Board of Directors or the President.

5.11 GENERAL MANAGER. The General Manager (the "GM") shall manage the affairs, direct the work and employees of the Club, subject to, and in accordance with the direction of the Board of Directors. The GM shall prepare budgets of expenses for approval of the designated committee or the Board, and shall be authorized to incur expenses in accordance with the approved budgets, or as directed by the Board. The GM shall, if requested by the Board, attend all meetings of the Board. The GM shall make reports of work and affairs of the Club to the Board and Membership meetings.

5.12 COMMITTEES. Committees deemed advisable by the Board of Directors may be established by resolution adopted by a majority of the directors at a meeting at which a quorum is present. The President and General Manager shall be ex-officio members of all committees, but may not vote in committee. The President shall appoint all members of the Membership, Finance and Budget, and Engineering Committees.

5.12.1 STANDING COMMITTEES. Standing Committees shall be (1) Executive Committee, consisting of the President, Vice President, Secretary and Treasurer; (2) Golf, consisting of the appointed Director(s), President of the MGA, President of the LGA, President of the Golden Tees, and four(4) Members at Large; (3) House; (4) Legal (5) Membership; (6) Planning and Bylaws; (7) Finance and Budget; (8) Social Activities; (9) Food and Beverage; and (10) Engineering. The Chairman of each Standing Committee shall be a member of the Board of Directors and appointed by the President.

5.12.2 SPECIAL PROVISIONS. The Membership, Finance and Budget and Engineering Committees shall each consist of five members, two of whom, including the Chairman, shall be members of the Board of Directors. Terms for non-Board members on these committees shall normally be for three years. Non-Board members shall be appointed for one, two and three year terms such that committee members' service expiration dates will be staggered.

5.12.3 AD HOC COMMITTEES. Such other committees as may be needed for special projects or short-term situations may be created as deemed advisable by the Board of Directors. The Chairperson of an Ad Hoc Committee shall be appointed by the President and may be a Director or a Member. In any event, a Director shall be appointed to any such Committee. The term of an Ad Hoc Committee shall run until its purpose is accomplished, or for no more than one(1) year, whichever is shorter.

5.13 ANNUAL MEMBER MEETING. Annual meetings of the Stockholder Members shall be held on the second Tuesday in January of each year at the Club offices, Emerald Bay, at 5:00 P.M., unless the Executive Committee, by majority vote, upon good cause shown, sets a different day and/or time in January. In the event the date and/or time is changed, notice shall be distributed to the Membership via electronic mail and posting such notice on the Club bulletin boards no later than ten (10) days prior to the re-scheduled meeting. At said Annual Member Meeting, new members to the Board of Directors shall be announced by the Secretary as determined in accordance with the election described in Article 5, Section 5.2.3.

5.13.1 SPECIAL MEMBER MEETINGS. A special meeting of Members may be called at any time by the Board of Directors or the President. By petition signed by not less than twenty percent (20%) of the Membership, a special meeting may be called by Stockholder Members. In the case of a special meeting, the purpose or purposes for which the meeting is called and the date, time and place of such meeting shall be delivered not less than ten (10) or more than fifty (50) days before the date of the meeting, to each Stockholder Member.

5.14 CONFLICT OF INTEREST. No Member of the Club shall hold a salaried position involving club finances or management.

5.14.1 CONTRACTS WITH MEMBERS. The Board of Directors has authority to approve or disapprove, in its sole discretion, a transaction or contract between the Club and current Directors, Members, employees of the Club, or any business entity owned or controlled by any Director, Member, or employee. Any such approval or disapproval shall only be made after full disclosure of the interest of the Director, Member, employee or business entity in the contract or transaction. Any interested Director shall abstain from voting on said contract or transaction.

5.15 AMENDMENTS TO BYLAWS. The power to alter, amend, or repeal any of the Bylaws or adopt new Bylaws shall be vested in the Membership except as set forth in section 5.15.1. Any change in the Bylaws must be proposed by a petition signed by ten percent (10%) of the Stockholder Members or by a majority of the Board of Directors. These Bylaws or any part

thereof may be amended, modified, or replaced at any regular or special meeting of Stockholder Members. When any amendment, change or modification of the Bylaws is to be proposed at any meeting, a notice of such meeting containing a recitation of the Bylaw or Bylaws to be amended, and including the proposed amendment, shall be delivered by U. S. Postal Service or via electronic mail along with a ballot to each Stockholder Member at least ten (10) days in advance of such meeting. A tabulation of all votes shall determine the outcome. Either a two-thirds majority of the Members voting or a simple majority of the Stockholder Membership is necessary to effect any change in these Bylaws. Voting shall be by printed ballot. The ballot must be signed by the voting Stockholder Member. In the case of married members, either spouse may cast the ballot. After tabulating the votes and posting the results, the Secretary shall keep the original tabulations and ballots for a period of not less than fifteen (15) days.

5.15.1 AMENDMENTS TO BYLAWS MANDATED BY LAW Where amendments or additions or deletions of portions of these Bylaws are mandated by changes in Federal, State or Local law, the legally required amendments shall not require a vote of the Membership. However, the Board of Directors shall vote to approve the specific language of such amendments to the Bylaws required by such changes in Federal, State, or Local laws.

ARTICLE 6

6 FINANCIAL MANAGEMENT

6.1 RESPONSIBILITY. The Board of Directors shall be responsible for the financial management of the Emerald Bay Club, Inc.

6.2 CLUB FUNDS. The funds of the Club shall consist of a General Operating Fund and a Capital Fund.

6.3 PROHIBITIONS.

6.3.1 SALE OF REAL ESTATE. The Board of Directors may sell real estate only under the following conditions:

- (i) if the Board determines that real estate is a 'membership lot' which is defined as vacant real property on which a structure may not be built; or
- (ii) to settle real property encroachments on Club property;
- (iii) both (i) and (ii) shall be sold for a price to be determined by the Board.

6.3.2 BORROWING FUNDS. The Board of Directors shall not borrow or create any indebtedness or encumber assets of the Club in any amount. This does not prohibit the Board from entering into capital or operating leases.

6.3.3 COMPENSATION. No compensation shall be paid and no part of the income of the Club shall be distributed to the Directors or Officers for services rendered.

6.3.4 LOANS. No loan shall be made by the Club to its Members, Directors or Officers.

6.4 BUDGETING.

6.4.1 FINANCE COMMITTEE. The President shall appoint a five-member Finance and Budget Committee constituted as follows: the Treasurer, who will serve as chairperson, one additional Director, and three (3) at large Stockholder Members. The at large Stockholder Members shall serve three-year terms with staggered service expiration dates.

6.4.2 ANNUAL BUDGET. The Board of Directors shall adopt an annual operating budget and capital budget to ensure adequate funding for the operation of the Club.

6.4.3 DEFICITS. The Board of Directors shall not allow the accumulation of deficits caused by operating expenses exceeding revenues. Unforeseen deficits shall be eliminated over a period not to exceed two years.

6.4.4 SUBMISSION OF ANNUAL BUDGETS. The Finance and Budget Committee shall set financial and budgetary standards for the GM. Once the GM has established his/her recommended budgets for all the departments under his/her authority, the Finance and Budget Committee shall meet with the GM to review the budgets in detail and work towards agreement on budget levels. In the event the two parties cannot reach agreement on a proposed budget, they will ask for a meeting with the Board for resolution. Once a proposed Budget is completed, the GM shall consolidate the proposed budgets into a proposed Annual Operating Budget, Capital Budget and a proposed 5-year Capital Plan.

6.4.5 SUBMISSION OF ANNUAL BUDGETS TO BOARD. The GM, with the Finance and Budget Committee in attendance, shall provide the consolidated proposed budgets and recommendations to the Board of Directors prior to the Board's "Budget Work Session." During Budget Work Sessions the full Board shall review and consider the proposed Annual Operating and Capital Budget and 5-year Capital Plan.

6.4.6 BUDGET HEARING. When the Board has reached agreement on the proposed budget, a "Budget Hearing" open to the Stockholder Members shall be held. The purpose of this Budget Hearing is to provide the Stockholder Members an opportunity to comment on the proposed budgets prior to their adoption by the Board. Notice of the Budget Hearing, together with summaries of the proposed budgets, shall be delivered by U. S. Postal Service or via electronic mail to each Stockholder Member no later than 10 days prior to the date of such Budget Hearing. After the Budget Hearing, the proposed Operational and Capital Budgets and 5-year Capital Plan, with changes deemed appropriate as a result of such Budget Hearing, shall be adopted by the Board of Directors at its regular December meeting.

6.5 FINANCIAL REPORTING. The Club's current financial operating statement summaries shall be placed on the Emerald Bay web site and in the monthly newsletter. The financial statements shall contain such detailed information, as determined by the Board of Directors, to inform the membership of current financial operation

6.6 AUDIT/REVIEWS. The financial affairs of the Club shall be reviewed or audited annually (and at such other times as the Board of Directors deems advisable) by an outside (non-Stockholder Member) Certified Public Accountant. Copies of the auditor's reports shall be posted on the Club Bulletin Boards and be made available to the Stockholder Members for review at the Club office.

6.7 CAPITAL FUNDING AND EXPENDITURES.

6.7.1 CAPITAL FUND. A fund to support capital expenditures shall be maintained with funding to be derived from:

- (i) Initiation fees (See Section 4.1.1);
- (ii) Capital Dues;
- (iii) Club funds as necessary;
- (iv) Capital donations;
- (v) The proceeds of sale of any capital asset; and
- (vi) Interest earned from Capital Fund bank account.

6.7.2 PURPOSE OF CAPITAL FUNDING. The purpose of Capital Funds shall be:

- (i) Acquisition of capital assets;
- (ii) Improvement/enhancement of existing capital assets; and
- (iii) Satisfying monetary requirements of an extraordinary non-recurring expenditure.

6.7.3 CAPITAL ASSETS. Capital Assets are defined as repairable equipment and land, land easements, and/or buildings and appurtenances having an estimated life of at least three years and repairable cost less than replacement cost.

6.7.3.1 CAPITAL ASSET RULES. Capital Assets shall be managed as follows:

- (i) Capital assets must have a threshold value of one thousand dollars (\$1,000). There is one exception to this rule: As part of a construction project, costs may be incurred to fit out space with new furnishings and equipment. When such purchases are made as part of a construction project, if the aggregate cost of these expenditures exceeds one thousand dollars (\$1,000) and the items have a useful life of three years or more, the cost may be capitalized even though some of the individual items cost less

than one thousand dollars (\$1,000).

(ii) For amounts less than ten thousand dollars (\$10,000) the board may approve, at a regular board meeting, non-budgeted expenditures provided the approved annual budget is not exceeded. In the event of a price increase on a budgeted expenditure, the board may approve the additional cost, provided the approved annual budget is not exceeded.

(iii) The Board of Directors shall have the authority to use either capital or non-capital funds to offset the cost of an expenditure that does not exceed ten thousand dollars (\$10,000) and would exceed the annual approved capital budget.

(iv) An “extraordinary non-recurring expenditure” is defined as one of an emergency or critical nature required to sustain or maintain service to and for the welfare of the community and must be resolved immediately.

(v) In case of an extraordinary non-recurring expenditure which exceeds ten thousand dollars (\$10,000) and exceeds the approved capital budget, the Board of Directors shall immediately proceed to resolve the urgent or critical situation. In such instances, the Stockholder Members shall be informed of the action by publication in the monthly newsletter and at the immediately succeeding meeting of the Board of Directors the Stockholder Members shall be informed of the details of and justification for the expenditure.

(vi) All capital expenditures, except in the case of urgent or critical situations, shall be presented to the Board of Directors in full detail, including competitive bids, for final approval prior to commitment. This shall be done whether or not the expenditure was included in the capital budget.

(vii) Any expenditure in excess of ten thousand dollars (\$10,000) that is not an extraordinary, non-recurring expenditure, as defined in Section 6.7.3.1(iv) above, and is not in the current operating or capital budget, must be approved by a two-thirds majority of Stockholder Members voting or by a simple majority of the Stockholder Membership.

ARTICLE 7

7 GENERAL PROVISIONS

7.1. CONFLICTING PROVISIONS. If any provision of these Bylaws conflicts with any provision of the laws of the State of Texas, such conflicting Bylaw provision shall be null and void, but all other provisions of these Bylaws shall remain in full force and effect. In the case of any conflict

between the Articles of Incorporation of the Club and these Bylaws, the Articles shall control. In the case of any conflict between the Rules and Regulations and these Bylaws, these Bylaws shall control.

7.2 SEVERABILITY. Invalidation of any provision of these Bylaws, by judgment or court order, shall in no wise affect any other provision which shall remain in full force and effect. The effect of a general statement shall not be limited by the enumerations of specific matters similar to the general.

7.3 WAIVER. No restriction, condition, obligation, or covenant contained in these Bylaws shall be deemed to have been abrogated or waived by reason of failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

7.4 DISSOLUTION. Club may be dissolved by resolution approved by at least two-thirds (2/3) of the Members entitled to vote, at a meeting called specifically for that purpose. At least ninety (90) days notice of such meeting shall be given in the manner provided in ARTICLE 5.13.1. Members may vote in person, by mail, or by written proxy given to another Stockholder Member which is effective only for the special meeting to consider dissolution. Authority to dissolve, liquidate or wind up the affairs of the Club may be delegated by resolution approved by at least two-thirds (2/3) of the Stockholder Members entitled to vote. Such authority may be given in general or specific terms to the Board of Directors for exercise in accordance with the relative provisions of the Texas Non-Profit Corporation Act.

8 CERTIFICATE

I HEREBY CERTIFY that the foregoing is a true, complete, and correct copy of the Bylaws of Emerald Bay Club, Inc., a Texas nonprofit corporation, as adopted by the Members and Board of Directors on the ____ day of _____, 2016.

IN WITNESS WHEREOF, I hereunto set my hand this the ____ day of _____, 2015.

EMERALD BAY CLUB, INC.

By: _____
_____, President

STATE OF TEXAS §
 §
COUNTY OF SMITH §

BEFORE ME, the undersigned authority, on this ____ day of _____, 2016, personally appeared, _____, President of Emerald Bay Club, Inc., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same on behalf of the Association.

Notary Public in and for the State of Texas