

BYLAWS OF THE PALACIOS ECONOMIC DEVELOPMENT CORPORATION

These Bylaws govern the affairs of the Palacios Economic Development Corporation (the “Corporation”), a public instrumentality and nonprofit Type B corporation created under the Texas Development Corporation Act (the “Act”).

Article I Purpose

1.1 Purpose. The Corporation is authorized by the City of Palacios as a Type B Corporation, acting as separate entity under Section 505.001 of the Texas Development Corporation Act. In furtherance of the public purposes of the Act, the Corporation may engage in any project defined by the Act.

1.2 Powers. The Corporation shall have all the powers, both express and implied, conferred in its Articles of Incorporation, granted to Type B corporations by the Act and found in other applicable law. The Corporation shall have no power to take any action that would be inconsistent with the requirements for exemption from federal tax as a non-profit corporation under section 501(c) (4) of the Internal Revenue Code or such other applicable section.

Article II Offices

2.1 Principal Office. The principal office of the Corporation in the State of Texas shall be located at the location designated by the Board.

2.2 Registered Office and Agent. The Corporation shall have and continuously maintain a registered agent at its registered office, as required by the Act.

Article III Board of Directors

3.1 Management of the Corporation. The affairs of the Corporation shall be managed by the Board of Directors (the “Board”) and, subject to applicable limitations imposed by law, by the Articles of Incorporation, the Act, and these bylaws the Board shall exercise all the powers of the Corporation.

3.2 Number, Qualifications, and Terms of Office. The Board of Directors shall consist of seven (7) members.

a. **Constitution of Board of Directors.** The members of the board shall be appointed by and serve at the will of the City Council of the City of Palacios. Three such appointed directors shall be members of City Council, one of whom may be the Mayor, and four such appointed directors shall be persons who are not employees,

officers or council members of the City of Palacios. If the Mayor or a City Councilperson of the City of Palacios who has been appointed as a director shall cease to be a member of the City Council of the City of Palacios, such event shall constitute an automatic resignation as a director and such vacancy shall be filled in the manner provided herein.

b. **Qualifications of Board Members.** Board members must be citizens of Palacios, of Matagorda County, or reside at a place that is within 10 miles of the Palacios city boundary and is in a county bordering Matagorda County. The City Council shall consider an individual's experience, accomplishments, Economic involvement, and educational background in appointing members to the Board of Directors.

c. **Terms of Office.** Directors shall be appointed for two (2) year terms of office. A director may be removed by the City Council at any time without cause. No appointed director of the Board shall serve more than three (3) consecutive full terms. A former director can be reappointed after serving three full terms if one (1) full calendar year has passed following completion of the former director's last term. Terms of office shall be staggered, such that two citizen directors and two councilmember directors shall be appointed to terms that expire on December 31 of even-numbered years, and the remaining two citizen directors and one councilmember director shall be appointed to terms that expire on December 31 of odd-numbered years. The term limits in this paragraph shall not apply to councilmember directors.

3.3 Resignations and other vacancies. Director resignations shall be made in writing and shall take effect immediately upon receipt by the President or City Manager of the City of Palacios. The acceptance of a resignation shall not be necessary to make it effective unless expressly so provided in the resignation. A vacancy occurring upon the Board of Directors, by resignation or otherwise, shall be filled for the unexpired term by appointment by the City Council of Palacios.

3.4 Attendance. Directors should attend all regular and called meetings of the Board of Directors. Directors who are regularly absent from meetings or who miss four consecutive regular meetings without prior justifiable approval, as granted by the President of the Board, may be removed from office upon recommendation of the Board to the City Council acting at its discretion.

3.5 Duties of Directors. Directors shall exercise ordinary business judgment in managing the affairs of the Corporation. In acting in their official capacity as Directors of the Corporation, Directors shall act in good faith and take actions they reasonably believe to be in the best interest of the Corporation, and which are not unlawful. A Director shall not be liable if, in the exercise of ordinary care, the Director acts in good faith relying on written financial and legal statements provided by the City of Palacios or an accountant or attorney retained by the Corporation.

3.6 Conflicts of Interest. The members of the Board of Directors are local public officials within the meaning of the Texas Local Government Code Chapter 171. The

Corporation shall not make a loan to a Director, Officer or employee of the Corporation or to an Officer or employee of the City of Palacios.

3.7 Compensation of Directors. Directors of the Corporation shall serve without compensation, except that they may be reimbursed for their actual expenses incurred in the performance of their duties.

Article IV Officers

4.1 Number and Titles of Officers. The officers of the Corporation shall be a president, vice president, secretary, and treasurer. The president and vice president shall be members of the Board of Directors. The City Secretary of the City of Palacios shall be the secretary of the Corporation, and the Finance Manager of the City of Palacios shall be the treasurer of the Corporation. The Board of Directors may create additional officer positions, define the authorities and duties of such additional positions and appoint persons to fill such positions. A Board member may hold more than one office at a time, except that the President cannot also hold the position of Secretary.

4.2 Election of Officers. The President and the Vice President of the Corporation shall be elected annually by the Board of Directors at the annual meeting in January. Each Officer shall hold office until a successor is duly appointed and qualified. An Officer may be appointed to succeed himself or herself in the same office.

4.3 Qualifications of Officers. Neither the office of president nor vice president may be held by the Mayor or a City Councilmember of the City of Palacios

4.4 Removal of Officers. The President and the Vice President of the Corporation may be removed by the Board of Directors at any time, with or without good cause. The removal of an officer does not also result in the removal of such person as a director of the Corporation.

4.5 Filling Officer Vacancies. A vacancy in any office may be filled by majority vote of the Board of Directors.

4.6 Powers and Duties of the President. The President of the Board shall:

- a. Preside over all meetings of the Board.
- b. Have the right to vote on all matters coming before the Board.
- c. Have the authority to, upon seventy-two (72) hour notice to the Directors, call a special meeting of the Board, when in his or her judgment such meeting is required.
- d. Have the authority to appoint ad hoc committees of the Board, which may address issues of a temporary nature of concern or which have a temporary effect on the business of the Board.
- e. Have the authority to appoint advisory committees to the Board to further the overall development plan of the Board.

f. Shall sign with the co-signature of the Secretary, any document which the Board has approved, unless the execution of said document has been expressly delegated to some other officer or agent of the Corporation by appropriate Board resolution, by a specific provision of these Bylaws, or by statute.

g. Shall perform all duties incident to the office, and such other duties as shall be prescribed from time to time by the Board.

4.7 Powers and Duties of the Vice President. When the President is absent, unable to act, or refuses to act, the Vice President shall perform the duties of the President. When acting in place of the President, the Vice President shall have all the powers and duties as the President and be subject to all of the limitations and restrictions placed upon the President.

4.8 Powers and Duties of the Secretary. The secretary shall:

a. Give all notices as provided in the bylaws as required by law.

b. Take minutes of the meetings of the Board of Directors and keep the minutes as part of corporate records.

c. Maintain the custody of the corporate records, authenticate corporate documents and affix the seal of the Corporation as required.

d. Keep a register of the mailing address of each director and officer of the Corporation.

e. Perform duties incident to the office of secretary or as otherwise assigned by the President of the Board of Directors.

f. Preside at meetings of the Board of Directors in the absence of the President and the Vice President.

4.9 Powers and Duties of the Treasurer. The treasurer shall:

a. Have charge and custody of and be responsible for all funds and securities of the Corporation.

b. Receive and give receipts for moneys due and payable to the Corporation from any source. The Corporation may contract with the City of Palacios to receive its monies due and to issue payments on behalf of the Corporation.

c. Deposit all monies in the name of the Corporation with the City of Palacios, in banks, trust companies, or other depositories as provided by these bylaws. The Corporation may contract with the City of Palacios to deposit, invest, and manage its funds in a fiscally responsible manner.

d. Write checks and disburse funds to discharge obligations of the Corporation. The Corporation may contract with the City of Palacios to issue payment checks on behalf of the Corporation.

e. Maintain the financial books and records of the Corporation. The Corporation may contract with the City of Palacios to maintain its financial books and records in accordance with generally accepted public financial record keeping policies.

f. Prepare financial reports at least annually or have the City prepare such reports.

g. Perform other duties incident to the office of treasurer or otherwise as assigned by the Board of Directors.

Article V Meetings of the Board of Directors

5.1 Meetings of Directors. The board of directors shall conduct all meetings, whether regular, annual, special, or emergency, according to the Texas Open Meetings Act, other state laws, regulations of the City of Palacios, and these bylaws.

a. Regular Meetings. Regular meetings of the Board of Directors shall be held at a time and place established by a resolution of the Board of Directors.

b. The Annual Meeting. The first meeting held during a calendar year shall be the Annual Meeting of the Board of Directors. At the Annual Meeting, the board shall elect a President and Vice President of the board and take any other such action as shall be required by state law, regulations of the City of Palacios, or these bylaws.

c. Special and Emergency Meetings. Special or Emergency meetings of the Board of Directors may be called at the request of the President in accordance with the provisions of the Texas Open Meetings Act.

5.2 Quorum. A majority of the Directors shall constitute a quorum for the conduct of official business of the Corporation.

5.3 Conduct of Business.

a. Presiding officer. At all meetings of the Board, the President shall preside and in the absence of the President, in the order of availability, the Vice President, the Secretary and then the Treasurer shall exercise the powers of the Chair.

b. Procedure. At the meetings of the Board, matters pertaining to the business of the Corporation shall be considered in accordance with the current edition of Roberts Rules of Order, Newly Revised.

c. **Voting.** The act of a majority of the Directors present and voting at a meeting at which a quorum is in attendance shall constitute the act of the Board and of the Corporation, unless the act of a greater number is required by law or is otherwise required within these Bylaws. A Director may not vote by proxy.

Article VI

Committees of the Board of Directors

6.1 Creation of Committees. With the approval of the Board of Directors, the President may appoint persons to serve on standing or ad hoc committees. Committee members need not be Directors of the Corporation, unless required by these Bylaws or Board Resolution. Committees will operate under general rules adopted by the Board of Directors. Committees may be charged with specific duties or authority, but shall not have the authority to:

- a. Amend the Articles of Incorporation; amend, alter or repeal the Bylaws; or adopt a plan of merger or consolidation with another Corporation.
- b. Authorize the sale, lease, exchange or mortgage of any of the property or assets of the Corporation or commit Corporation funds without the prior approval of the Board of Directors.
- c. Authorize or revoke proceedings for the voluntary dissolution of the Corporation or adopt a plan for the distribution of the assets of the Corporation.
- d. Approve any transaction to which the Corporation is a party, take any action outside the scope of authority delegated to it by the Board of Directors, take final action on a matter that requires the approval of the Board of Directors, take action on any other matters appropriate to the authority of the Board of Directors, or take any action that involves a potential conflict of interest as defined in these Bylaws.

6.2 Committee Terms. The members of each standing committee shall serve until successors are appointed by an incoming President, unless the Committee is terminated or a member is removed, resigns, or ceases to qualify as a member. Vacancies on committees may be filled in the same manner as the original.

6.3 Rules. Each committee or subcommittee may adopt rules for its own operation consistent with the Bylaws or with rules adopted by the Board of Directors.

6.4 Records of Committee Meetings. Such committees shall keep regular minutes of their meetings and report the same to the Board of Directors.

Article VII

Employees of the Corporation

7.1 Employees. The Board of Directors shall engage an Executive Director and may employ an Office Manager and other such full-time or part-time employees as needed to carry out the programs of the Corporation.

7.2 Duties and Compensation of Employees. The Board of Directors shall be responsible for establishing the number of employees of the corporation, and upon recommendation of the Executive Director, setting set the duties and compensation for the positions of its employees.

7.3 Executive Director. The City Manager of the City of Palacios may serve as the Executive Director of the Corporation. The Executive Director shall be responsible for policy and program implementation and the day-to-day operations of the Corporation, including the hiring of employees and the supervision and dismissal of those employees. The Executive Director shall compile and submit to the Board of Directors regular reports, recommendations and agenda items regarding the programs, policies, and business affairs of the Corporation.

Article VIII Transactions and Administration of the Corporation

8.1 Annual Corporate Budget. The fiscal year of the Corporation shall run concurrently with the fiscal year of the City of Palacios (October 1st through the following September 30th). The Board shall cause to be prepared, and shall submit to the City Council, a budget for the forthcoming fiscal year, and in accordance with the annual budget preparation schedule set forth by the City Manager. The budget shall be submitted to the City Manager for inclusion in the annual budget presentation to the City Council. The budget proposed for adoption shall include the projected operating expenses, and such other budgetary information as shall be useful to or appropriate for the Board and the City Council. No budget amendments shall become effective without City Council approval. No expenditures of funds shall be made unless such expenditure is provided for by the City Council approved budget of the Corporation.

8.2 Contracts for Service.

a. The Corporation may contract with any qualified and appropriate person, association, corporation or governmental entity to perform and discharge designated tasks which will aid or assist the Board in the performance of its duties.

b. No such contract shall ever be approved or entered into which seeks or attempts to divest the Board of its discretion and policy-making functions.

8.3 Books, Records, and Audits.

a. The Corporation shall keep and properly maintain, in accordance with generally accepted accounting principles, complete books, records, accounts, and

financial statements pertaining to its corporate funds, activities, and affairs. The Corporation's books and records shall include:

1. A file endorsed copy of all documents filed with the Texas Secretary of State relating to the Corporation, including, but not limited to, the Articles of Incorporation, any articles of amendment, restated articles, articles of merger, articles of consolidation and statement of change of registered office or agent.

2. A copy of the bylaws, and any amended versions or amendments to the bylaws.

3. Minutes of the proceedings of the Board of Directors.

4. A list of names and addresses of the directors and officers of the Corporation.

5. A financial statement in accordance with generally accepted accounting principles.

7. All rulings, letters, and other documents relating to the Corporation's federal, state and local tax status.

8. The Corporation's federal, state and local information or income tax returns for each of the Corporation's three most recent fiscal years.

b. The Corporation shall cause its books, records, accounts, and financial statements to be audited at least once each fiscal year by an outside, independent auditing and accounting firm approved by the Corporation, which may be included with the City's annual audit process. Such audit shall be at the expense of the Corporation.

c. All books, records, accounts, and financial statements shall be kept and administered in accordance with the Texas Public Information Act.

8.4 Deposit and Investment of Corporate Funds.

a. All funds of the Corporation shall be deposited on a regular basis, consistent with generally accepted accounting practices, in a separate account of a local bank that is a depository of the City, which shall be federally insured and shall be selected following procedures and requirements for selecting a depository as set forth in Chapter 105 of the Local Government Code. All deposits shall be properly accounted for as deposits of the Corporation.

b. Temporary and idle funds, which are not needed for immediate obligations of the Corporation, shall be maintained on deposit in the Corporation's depository, or may be invested in any other legal manner in compliance with the internal financial control policies of the Corporation and City Investment Policy.

c. All proceeds from loans or from the issuance of bonds, notes, or other debt instruments ("Obligations") issued by the Corporation shall be deposited and

invested as provided in the resolution, order, indenture, or other documents authorizing or relating to their execution or issuance.

8.5 Expenditures of Corporate Money. The monies of the Corporation, including sales and use taxes collected pursuant to the Act, monies derived from the repayment of loans, rents received from the lease or use of property, the proceeds from the investment of funds of the Corporation, the proceeds from the sale of property, and the proceeds derived from the sale of Obligations, may be expended by the Corporation for any of the purposes authorized by the Act, subject to the following limitations:

a. Expenditures from the proceeds of Obligations shall be identified and described in the orders, resolutions, indentures, or other agreements submitted to and approved by the City Council prior to the execution of loan or financing agreements or the sale and delivery of the Obligations, to the purchasers thereof;

b. Expenditures that may be made from a fund created with the proceeds of Obligations, and expenditures of monies derived from sources other than the proceeds of Obligations, may be used for the purposes of financing or otherwise providing one or more "Projects", as defined in the Act. The specific expenditures shall be described in a resolution or order of the Board, and shall be made only after the approval thereof by the City Council;

c. The Corporation shall set its own internal financial control policies for finance and payment policies in accordance with State law.

8.6 Issuance of Obligations. Any debt issuance issued by the Corporation shall be in accordance with the statute governing this corporation, but in any event, no debt issuance shall be issued without approval of the City Council, after review and comment by the City's bond counsel and financial advisor.

8.7 Receipt of Gifts. The Board of Directors may accept on behalf of the Corporation any gift or bequest. Special funds shall include all funds from government contracts, grants, and gifts designated by a donor for special purposes. All other funds shall be general funds.

8.8 Corporate Seal. The Board of Directors may provide for a corporate seal

Article IX Miscellaneous

9.1 Amendments. These bylaws may be altered, amended, or repealed by the Board of Directors with the consent of the City Council of the City of Palacios.

9.2 Indemnification and Insurance. The Corporation shall indemnify any Director or Officer or former Director or Officer of the Corporation for expenses and costs (including attorney's fees) actually and necessarily incurred by the Officer or Director in connection with any claim asserted against the Officer or Director by action in court or otherwise by reason of the person being or having been a Director or Officer, except in

Adopted: January 19, 2011
Amended: November 19, 2014
Amended: February 19, 2016
Amended: August 16, 2022

relation to matters as to which the person shall have been guilty of negligence or misconduct in respect of the matter in which indemnity is sought.

9.3 Legal Construction. These bylaws shall be construed in accordance with the laws of the State of Texas.

9.4 Severability. If any bylaw provision is held to be invalid, illegal or unenforceable in any respect, the invalidity, illegality or unenforceability shall not affect any other provision and the bylaws shall be construed as if the invalid, illegal, or unenforceable provision had not been included in the bylaws.

9.5 Headings. The headings used in these bylaws are for convenience and shall not be considered in construing the terms of these Bylaws.

9.6 Effective Date. These Bylaws, and any subsequent amendments hereto, shall be effective of and from the later date upon which approval has been given both by the Board of Directors and the City Council of the City of Palacios.

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Amended: November 19, 2014
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CERTIFICATE OF SECRETARY

This is to certify that the foregoing is a true and correct copy of the Bylaws of the Corporation and that the Bylaws were duly adopted by the Board of Directors of the Corporation on the date set forth below.

Adopted by the Board of Directors on this _____ day of _____, 2022.

Secretary of the Corporation

Amendment hereof approved by City of Palacios Resolution No. _____, adopted by City Council of the City of Palacios on the _____ day of _____, 2022.

(Seal)

City Secretary