

BYLAWS
OF THE
PRINCETON ECONOMIC DEVELOPMENT CORPORATION

ARTICLE 1

PURPOSE AND POWERS

Section 1.1 Purpose. The Corporation is incorporated for the purposes set forth in Article Four of its Articles of Incorporation, the same to be accomplished on behalf of the City of Princeton, Texas (the "City"), as its duly constituted authority and instrumentality in accordance with the Development Corporation Act of 1979, as amended, TEX.REV.CIV.STAT.ANN., art 5190.6 (the "Act"), and other applicable laws.

Section 1.2. Powers. In the fulfillment of its corporate purpose, the Corporation shall be governed by Section 4A of the Act, and shall have all the powers set forth and conferred in its Articles of Incorporation, in the Act, and in other applicable law, subject to the limitations prescribed therein and herein and to the provisions thereof and hereof.

ARTICLE II

BOARD OF DIRECTORS

Section 2.1. Powers, Number and Term of Office.

- (a) The property and affairs of the Corporation shall be managed and controlled by a Board of Directors (the "Board") and, subject to the restrictions imposed by law, by the Articles of Incorporation, and by these Bylaws, the Board shall exercise all of the powers of the Corporation.
- (b) The Board shall consist of seven (7) directors, each of whom shall be appointed as follows:
1. One director shall be appointed by the Princeton Independent School District, and need not be a School Board Member. The term of office shall be for two years, with the term expiring in June of even numbered years. The PISD should appoint a director by no later than June 1 of the expiring year.
 2. One director shall be appointed by the City of Princeton Planning & Zoning Commission and need not be a member of the Planning & Zoning Commission. The term of office shall be for two years, with the term expiring in June of odd-numbered years. The P&Z should appoint a director by no later than June 1 of the expiring year.
 3. The remaining five directors shall be appointed as follows: Each Council person, excluding the Mayor, shall appoint on individual to serve as a director. The term of the individual appointed shall coincide with the term of office of the appointing Council person and the term of the appointed director shall expire on the date of the election of that Council person. Appointments and/or

re-appointments shall be made so the new director(s) take office in June following the City elections generally held in May. Provided, however, should there be a run-off required, the appointment shall be made within 30 days of the date the Council member takes office.

(c) The directors should be persons dedicated to the betterment of the community and should have a vested interest in the City as determined by the appointing councilmember or entity.

(d) The directors constituting the first Board shall be those directors named in the Articles of Incorporation. Successor directors shall serve for staggered two (2) year terms or until his or her successor is appointed as is herein provided and has qualified.

(e) Any director may be removed from office by the City Council at any time with or without cause. Provided however, no director may miss more **than 25% of the regularly scheduled meeting in a 12 month period. Failure to maintain a 75% attendance record for all regularly scheduled meetings, as reflected in the minutes of the meeting, shall result in automatic removal from the Board, and the position left vacant by the automatic removal shall be filled by the appointing council person or entity within 30 days of the vacancy. The determination of the failure to maintain attendance as required herein shall be made by the Mayor and the Mayor's decision shall be final.**

(e) Any director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the president or secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

(f) Any vacancy occurring on the Board through death, resignation or otherwise shall be filled by appointment by the City Council.

Section 2.2. Meetings of Directors. The directors may hold their meetings at such place or places in the City as the Board may time to time determine; provided, however, in the absence of any such determination by the Board, the meetings shall be held at the principal office of the Corporation as specified in Article V of these Bylaws.

Section 2.3. Notice of Meetings to Directors.

(a) Regular meetings of the Board shall be held without the necessity of notice to directors at such time and places as shall be designated from time to time by the Board. Special meetings of the Board shall be held whenever called by the president, by the secretary, by a majority of the directors, by the Mayor of the City, or by a majority of the City Council.

(b) The secretary shall give or cause to be given notice to each director of each special meeting in person or by mail, telephone or telegraph, at least two (2) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all matters pertaining to

the purposes of the Corporation may be considered and acted upon at a special meeting. At any meeting at which every director shall be present, even though without any notice, any matter pertaining to the purpose of the Corporation may be considered and acted upon consistent with applicable law.

(c) Whenever any notice is required to be given to the Board, said notice shall be deemed to be sufficient if given by depositing the same in a post office box in a sealed postpaid wrapper addressed to the person entitled thereto at his or her post office address as it appears on the books of the Corporation, and such notice shall be deemed to have been given on the day of such mailing. Attendance of a director at a meeting shall constitute a waiver of notice of such mailing. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of any regular or special meeting of the Board need be specified in the notice to the directors or waiver of notice of such meeting, unless required by the Board. A waiver of notice in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 2.4. Open Meetings Act. All meetings and deliberations of the Board shall be called, convened, held, and conducted, and notice shall be given to the public, in accordance with the Texas Open Meetings Act, Chapter 551, TEX.GOV'T CODE ANN., as amended.

Section 2.5. Quorum. A majority of the entire membership of the Board of Directors shall constitute a quorum for the conduct of the official business of the Corporation. The act of a majority of the directors present 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.

Section 2.6. Conduct of Business.

(a) At the meetings of the Board, matters pertaining to the business of the Corporation shall be considered in accordance with rules of procedure as from time to time prescribed by the Board.

(b) At all meetings of the Board, the president shall preside; provided that in the absence of the President, the Vice President shall preside; and further provided that in the absence of the President and Vice President, the directors present at the meeting may appoint a director to preside at such meeting.

(c) The secretary of the Corporation shall act as secretary of all meetings of the Board, but in the absence of the secretary, the presiding officer may appoint any person to act as secretary of the meeting.

Section 2.7. Committees of the Board. The Board may designate two (2) or more directors to constitute an official committee of the Board to exercise such authority of the Board as may be specified by Board resolution. It is provided, however, that all final, official actions of the Corporation may be exercised only by the Board. Each committee so designated shall keep regular minutes of the transactions of its meetings and shall cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation.

Section 2.8. Compensation of the Directors. Directors shall not receive any salary or compensation for their services as directors. However, they shall be reimbursed for their actual expenses incurred in the performance of their official duties as directors.

ARTICLE III

OFFICERS

Section 3.1. Titles and Terms of Office.

(a) The officers of the Corporation shall be a president, a vice president, a secretary, and a treasurer, and such other officers as the board may from time to time elect or appoint. One person may hold more than one office, except that the president shall not hold the office of secretary or assistant secretary. Terms of offices shall be one (1) year with the right of an officer to be re-elected.

(b) All officers are subject to removal from office at any time by a vote of a majority of the entire Board.

(c) A vacancy in the office of any officer shall be filled by a vote of a majority of the directors.

Section 3.2. Powers and Duties of the President. The president shall be the chief executive officer of the Corporation, and, subject to the paramount authority of the Board, the president shall be in general charge of the properties and affairs of the Corporation, shall preside at all meetings of the Board, and may sign and execute all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes and other instruments in the name of the Corporation.

Section 3.3. Vice President. The vice president shall have such powers and duties as may be prescribed by the Board and shall exercise the powers of the president during that officer's absence or inability to act. Any action taken by the vice president in the performance of the duties of the president shall be conclusive evidence of the absence or inability to act of the president at the time such action was taken.

Section 3.4. Secretary.

(a) The secretary shall keep the minutes of all meetings of the Board in books provided for that purpose, shall give and serve all notices, may sign with the president in the name of the Corporation, and/or attest the signature thereto, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes and other instruments of the Corporation, shall have charge of the corporate books, records, documents and instruments, except the books of account and financial records and securities, and such other books and papers as the Board may direct, all of which shall at all reasonable times be open to public inspection upon application at the office of the Corporation during business hours, and shall in general perform all duties incident to the office of secretary subject to the control of the Board.

(b) The Board of Directors may appoint one or more persons to serve as an Assistant Secretary. The Assistant Secretary may perform any duty required of or granted to the Secretary in these Bylaws and/or as directed by the Board.

Section 3.5. Treasurer.

(a) The treasurer shall have the responsibility to see to the handling, custody, and security of all funds and securities of the Corporation in accordance with these bylaws. When necessary or proper, the treasurer may endorse and sign, on behalf of the Corporation, for collection or issuance, checks, notes and other obligations in or drawn upon such bank, banks or depositories as shall be designated by the Board consistent with these Bylaws. The treasurer shall see to the entry in the books of the Corporation full and accurate amounts of all monies received and paid out on account of the Corporation. The treasurer shall, at the expense of the Corporation, give such bond for the faithful discharge of his/ her duties in such form and amount as the Board or the City Council may require.

(b) The Board of Directors may appoint one or more persons to serve as an Assistant Treasurer. The Assistant Treasurer may perform any duty granted to the Treasurer in these Bylaws and/or as directed by the Board.

Section 3.6. Board Positions. The president, the vice president, and the secretary shall be named from among the members of the Board. The Treasurer and any Assistant Treasurer or Assistant Secretary may, at the option of the Board, be persons other than members of the Board, and may be employees of the City.

Section 3.7. Compensation. Officers who are members of the Board shall not receive any salary or compensation for their services, except that they shall be reimbursed for their actual expenses incurred in the performance of their official duties as officers.

ARTICLE IV

FUNCTIONAL CORPORATE DUTIES AND REQUIREMENTS

Section 4.1. General Corporate Duties and Authority.

(a) In carrying out its purposes, the Corporation shall be authorized to exercise all rights and powers granted under its Articles of Incorporation, in the Act, and in other applicable law, subject to the limitations prescribed therein and herein and to the provisions thereof and hereof, as well as the purposes set out in the voted proposition.

(b) The Board shall periodically submit reports to the City Council as to the status of its activities in carrying out its obligations under this Section, and, with respect to each project undertaken by the Corporation shall submit quarterly annual reports on the status and finances of such project.

(c) Any and all agreements between the Corporation and other parties shall be authorized, executed, approved, and delivered in accordance with applicable law; provided, that, prior to the authorization or execution of any such agreement a copy thereof shall be provided to the City Council for written approval.

(d) All construction and other contracts let or entered into by the Corporation shall be let or entered into in accordance with the laws applicable to the letting or entering into of contracts by the City, unless applicable law and the City permit otherwise.

Section 4.2. Annual Corporate Budget. At least 60 days prior to the commencement of each fiscal year of the Corporation, the Board shall adopt a proposed budget of expected revenues and proposed expenditures for the next ensuing fiscal year. The budget shall contain such classifications and shall be in such form as may be prescribed from time to time by the City Council. The budget shall not be effective until the same has been approved by the City Council.

Section 4.3. Books, Records, 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.

(b) At the direction of the City Council, the books, records, accounts and financial statements of the Corporation may be maintained for the Corporation by the accountants, staff, and personnel of the City.

(c) The Corporation, or the City if the option described in subsection (b) is selected, 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 selected by the Corporation and approved by the City Council. Such audit shall be at the expense of the Corporation.

Section 4.4. Deposit and Investment of Corporate Funds.

(a) All proceeds from loans or from the issuance of bonds, notes, or other debt instruments ("Obligation") 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.

(b) Subject to the requirements of contracts, loan agreements, indentures, or other agreements securing Obligations, all other monies of the Corporation, if any, shall be deposited, secured, and/or invested in the manner provided for the deposit, security, and/or investment of the public funds of the City. The Board shall designate the accounts and depositories to be created and designated for such purposes, and the methods of withdrawal of funds for use by and for the purposes of the Corporation upon the signature of its treasurer and such other persons as the Board shall designate. The accounts, reconciliation, and investment of such funds and accounts shall be performed by the Department of Finance of the City.

Section 4.5. Expenditures of Corporate Money. The monies of the Corporation, including sales and use taxes collected in pursuant to Section 4 A of the Act, monies derived from 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:

(i) Expenditures from the proceeds of obligations issued or incurred by the Corporation 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 required by Section 6 of this Article;

(ii) 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 Section 4A of the Act, or other authorized purposes of the Corporation. The specific expenditures shall be described in a resolution or order of the Board and shall be made only after approval thereof by the City Council unless such expenditures are set forth in the annual budget required by Section 2 of this Article or in contracts meeting the requirements of Section 1 (d) of this Article;

(iii) All other proposed expenditures shall be made in accordance with and shall be set forth in the annual budget required by Section 2 of this Article or in contracts meeting the requirements of Section 1 (d) of this Article.

Section 4.6. Issuance of Obligations. No obligations, including refunding obligations, shall be delivered by the Corporation unless the City Council shall approve the resolution of the Corporation authorizing the issuance of such obligations by action taken no more

than 60 (sixty) days prior to the date of delivery of such obligation or refunding obligations.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.1. Principle Office.

(a) The principle office and the registered office of the Corporation shall be the registered office of the Corporation specified in the Articles of Incorporation.

(b) The Corporation shall have and shall continually designate a registered agent at its registered office, as required by the Act.

Section 5.2. Fiscal Year. The fiscal year of the Corporation shall be the same as the fiscal year of the City.

Section 5.3. Seal. The seal of the Corporation shall be as determined by the Board.

Section 5.4. Approval or Advice and Consent of the City Council. To the extent that these bylaws refer to any approval by the City or refer to advice and consent by the City Council, such advice and consent shall be evidenced by a certified copy of a resolution, order or motion duly adopted by the City Council.

Section 5.5. Services of City Staff and Officers. The Corporation shall have the right to utilize the services of the City Attorney, the City Secretary, and City Administrator, provided (i) that the Corporation shall pay reasonable compensation to the City for such services at the employee(s)' hourly rate as stated in payroll or as calculated on an hourly basis from the stated salary, and (ii) the performance of such service does not materially interfere with the other duties of such personnel of the City.

Section 5.6. Indemnification of Directors, Officers and Employees.

(a) As provided in the Act and in the Articles of Incorporation, the Corporation is, for the purposes of the Texas Tort Claims Act (Subchapter A, Chapter 101, Texas Civil Practices and Remedies Code), a governmental unit and its actions are governmental functions.

(b) The Corporation shall indemnify each and every member of the Board, its officers, and its employees, and each member of the City Council and each employee of the City, to the fullest extent permitted by law, against any all liability or expense, including attorney's fees, incurred by any of such persons by reason of any actions or omissions that may arise out of the functions and activities of the Corporation.

(c) The Corporation shall purchase and maintain insurance for the Corporation and on behalf of any person who is or was a director, officer, employee or agent of the Corporation or who is or was serving at the request of the Corporation as a director, officer, employee, agent or similar position, against any liability asserted against him or her or incurred by him or her in such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against that liability under the Business Corporation Act Article 2.02-1. If such insurance is obtained, the insurance may be procured, maintained or established with an insurer deemed appropriate by the Board of Directors. In the absence of fraud, the judgment of the Board of Directors as to the terms and conditions of the insurance shall be conclusive.

Section 5.7. Interpretation of Bylaws. These Bylaws and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein. If any word, phrase, clause, sentence, paragraph, section or other part of these Bylaws, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of these Bylaws and the application of such word, phrase, clause, sentence, paragraph, section or other part of these Bylaws to any other person or circumstance shall not be affected thereby.

ARTICLE VI

EFFECTIVE DATE, AMENDMENTS

Section 6.1. Effective Date. These Bylaws shall become effective upon the occurrence of the following events:

- (i) the approval of these Bylaws by the City Council; and
- (ii) the adoption of these Bylaws by the Board.

Section 6.2. Amendments to Bylaws. These Bylaws may be amended at any time and from time to time by majority vote of the Board of Directors with approval of the City Council.