

BYLAWS OF THE HIDALGO COUNTY REGIONAL FOREIGN TRADE ZONE

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ARTICLE I. PURPOSES

A. The Hidalgo County Regional Foreign Trade Zone (the "Corporation") is organized and shall be operated exclusively as a business league, is not organized for profit, and no part of the net earnings will inure to the benefit of any private shareholder or individual, within the meaning of 26 U.S. Code, Section 501(c)(6) of the Internal Revenue Code of 1986, as amended (or corresponding provisions of any subsequent federal tax laws); hereinafter referred to as Section 501(c)(6), and within such limits, to operate as a foreign trade zone (the "HCRFTZ") in accordance with applicable state and federal statutes for the following purposes:

1. To promote the competitiveness of businesses within HCRFTZ;
2. To promote activities involving domestic operations within the HCRFTZ;
3. To facilitate and expedite trade, retain and create jobs, encourage investment, manufacturing and logistics within the HCRFTZ;
4. Improve business conditions of international commerce within the meaning of Section 501(c)(6);
5. Improving channels of communication and understanding between the municipalities of Donna, Pharr, Edinburg, Weslaco, and the County of Hidalgo and their executive departments and agencies, and HCRFTZ operators and users;
6. Promoting, stimulating and improving the HCRFTZ and its usage as an integral and valuable tool in the international commerce of the United States.

B. Notwithstanding any other provision of these Bylaws, the Corporation shall not carry on any other activities not permitted to be conducted or carried on by an organization exempt from federal income tax under Section 501(c)(6).

ARTICLE II. MEMBERSHIP

A. Membership shall be restricted to the following entities:

- i. City of Donna
- ii. City of Weslaco
- iii. City of Edinburg
- iv. City of Pharr
- v. Hidalgo County

B. Each Member has a single vote with respect to matters put to the Members for a vote. Member's voting rights are limited to:

- i. Approval of any fundamental action as such term is defined in Section 22.164 of the Texas Nonprofit Corporation Law; and
- ii. Any other matter the Board of Directors opts to put to the Members.

The Members as a group do not vote, however, on the appointment of Directors, which are appointed as set forth in Article IV below.

ARTICLE III. MEETINGS

A. Board of Directors Meetings. The Board of Directors shall meet quarterly, or more frequently as necessary, to conduct its affairs. In the event that such quarterly meeting is omitted by oversight or otherwise on the date herein provided for, the Board of Directors shall cause a meeting in lieu thereof to be held as soon thereafter as convenient, and any business transacted at such meeting shall be valid. Such subsequent meeting shall be called in the same manner as provided for the quarterly meeting.

B. Annual Meeting of Members. Annual meetings of the Members shall be held each year during the fourth quarter of the year (or at such other time as may be determined by the Chairman of the Board of Directors). The annual meeting of the Members may be held immediately before a meeting of the Board of Directors. As each Member has the right to appoint at least one Director (and as it is anticipated that the mayor or county judge of each Member entity, who is a Director, would also represent the Member at the Annual meeting), the Board of Directors may opt not to hold an annual meeting of the Members unless either (i) there is a matter to be voted on by the Members at that year's meeting or (ii) two Members request in writing a meeting of the Members.

C. Special Meetings of Board or Members. Special meetings of the Board of Directors or of the Members shall be held whenever called by the Chairman of the Board or by a majority of the Board of Directors. If not specified, a meeting will be deemed to be a meeting of the Board of Directors. Special meetings of the Members shall also be held whenever called by a majority of the Members.

D. Notice of Meetings. Written notice of all meetings of the Board of Directors stating the time, place and purposes for which such meeting is called, shall be given by or at the direction of the Chairman of the Board or Vice Chairman of the Board by mail and/or electronic transmission to each Director. Written notice of any special meeting of the Members stating the time, place and purposes for which such meeting is called, shall be given by or at the direction of the Chairman of the Board or by a Member calling such meeting to each Member. All meetings, notices and deliberations must be in compliance with the Open Meetings Act as set forth in Chapter 551 of the Texas Government Code.

E. Quorum; Voting. At any meeting of the Board of Directors a majority of all voting Directors shall constitute a quorum for the transaction of business. At any meeting of the Members, a majority of the Members shall constitute a quorum for the transaction of business. When a quorum is present at any meeting, a majority of the vote of those present shall be required for the passage of any motion, resolution or other matter put to a vote unless a higher percentage is required by these Bylaws. Unless the provision expressly provides that it is a vote of a certain percentage of all Directors or all Members, a provision calling for the vote of a certain percentage of the Board of Directors or of the Members shall mean a vote of that percentage of the Directors or Members, as the case may be, present at a meeting at which a quorum is present.

ARTICLE IV. BOARD OF DIRECTORS

A. Number: The Board of Directors shall consist of six (6) Directors, or such other number not less than three (3) as may be determined from time to time by a three-fourths (3/4^{ths}) vote of the Board of Directors; provided, however, that the number of Directors shall at least equal the number of Members.

B. Qualification; Term: Except as otherwise specified herein, each Director must be the Mayor or County Judge of a Member or, with respect to the sixth slot on the Board of Directors, a City Commissioner of the City of Weslaco. The initial Board of Directors is comprised of persons holding the following offices:

- i. Mayor, City of Weslaco
- ii. Mayor, City of Edinburg
- iii. Mayor, City of Pharr
- iv. Mayor, City of Donna
- v. County Judge, County of Hidalgo
- vi. City Commissioner, City of Weslaco

Each person's term as a Director shall end upon the end of such person's service in the office set forth above. With respect to the positions on the Board of Directors held by the officials listed in i. through v. above, the next person holding such office for the respective city or the county shall, without other action by the Board of Directors, become the next Director holding such position immediately upon taking such office. The sixth slot, which may only be held by a Weslaco City Commissioner, will be appointed by the City Commission of Weslaco, and such person shall hold the sixth slot on the Board of Directors until the earlier of the end of such person's service as a city commissioner of the City of Weslaco or the appointment by the City Commission of Weslaco of a different City Commissioner to such Director's slot. In the event of a vacancy, in accordance with Article VI and VII below, only the governing body of the respective Member may appoint a replacement to a Director's slot on the Board.

C. Management. The business and affairs of the Corporation shall be managed by the Board of Directors. The Board of Directors shall have the power to delegate its authority

over the day-to-day management of the Corporation to any officer or agent upon such terms as the Board of Directors shall determine, including to an Executive Director. The Board of Directors shall establish the policies of the Corporation and oversee the administration of the HCRFTZ by the Executive Director. The Board shall interpret these Bylaws when necessary. The Board shall decide on any matter that may be referred to it by the Chairman of the Board, Vice Chairman of the Board, Secretary/Treasurer, or by written communication and /or electronic transmission signed by any Director.

D. Initial Delegation to County. The County of Hidalgo will conduct the initial management of the Corporation. Such management services shall be provided through the Office of the Hidalgo County Judge or such other personnel as deemed appropriate by the County Judge. The County of Hidalgo shall be (i) compensated by the Corporation for its services at a rate agreed upon by the County of Hidalgo and the Board of Directors, (ii) reimbursed by the Corporation for any expenses and (iii) indemnified by the Corporation for its actions to the fullest extent allowed by law.

E. Executive Director. At such time as the County determines it is necessary to hire staff to conduct the business of the Corporation or otherwise declines to provide management services, the Board of Directors shall employ an Executive Director to serve as the Chief Operating Officer of the HCRFTZ. The Executive Director may employ, with the concurrence of the Board of Directors, such other full-time employees as may be necessary to conduct the business of the HCRFTZ. The Board of Directors shall control and approve funding for staff salaries. The Executive Director shall serve at the pleasure of the Board of Directors and pursuant to the terms of the Executive Director's written contract with the Corporation. The Executive Director shall supervise and control all of the business and affairs of the HCRFTZ and such duties as may be prescribed by the Board of Directors from time to time.

D. Attorney. The Board of Directors shall employ an attorney to represent the Corporation and advise the Board on all legal issues coming before the Board of Directors. The attorney must be independent of all Member entities and shall report directly to the Board of Directors. The Board of Directors shall approve funding, rate of pay and all other terms of the contract for the attorney.

E. Audit. An audit shall be conducted by a certified public accountant annually in accordance with standard accounting procedures. Said audit will be prepared in cooperation with the Hidalgo County Auditor. The Board of Directors shall select the accounting firm for the annual audit and shall approve funding, rate of pay and all other terms of the contract for the firm.

ARTICLE V. OFFICERS

A. Corporate Officers. Except as otherwise provided in these Bylaws or by the Board of Directors, each officer is elected by the Board of Directors. The officers of the Corporation shall consist of:

- i. Chairman of the Board (also known as the Chief Executive Officer or the President),
- ii. Vice Chairman of the Board (also known as the Vice President),
- iii. Secretary/Treasurer;
- iv. Executive Director (also known as the Chief Operating Officer), if any, and
- v. such other officers as the Board of Directors, shall, from time to time, deem necessary.

B. Term and Election. Other than the Executive Director, only a Director may be an officer. Each officer shall hold office until the first to occur of:

- i. the election of a successor to such office by the Board of Directors;
- ii. the end of such officer's term on the Board of Directors (except with respect to the Executive Director); or
- iii. until such officer's death, resignation or removal.

The Board of Directors may, but is not required, to hold elections of officers annually.

C. Chairman. It shall be the duty of the Chairman of the Board, in such person's capacity as the Chief Executive Officer, and in cooperation with the other officers, to oversee the implementation of the policies established by the Board of Directors. The Chairman of the Board shall enforce the provisions of the Bylaws and directives of the Board of Directors, and shall preside over all meetings of the Board of Directors and of the Members. The Chairman of the Board shall execute necessary agreements and contracts of the HCRFTZ following approval by the Board. The Chairman of the Board shall appoint the members of all committees and task forces and render an annual report to the Members. The Chairman of the Board shall perform all the duties commonly incident to the office and shall perform such other duties as the Board of Directors may designate.

D. Vice Chairman. It shall be the duty of the Vice Chairman of the Board to assist the Chairman of the Board to oversee the implementation of the policies established by the Board of Directors and be responsible for specific assignments delegated by the Chairman of the Board. The Vice Chairman of the Board shall carry out the duties of the Chairman of the Board whenever the Chairman of the Board is unable or unwilling to do so, including executing agreements approved by the Board.

E. Secretary/Treasurer. It shall be the duty of the Secretary/Treasurer to keep a record of all meetings of the Board of Directors and of the Members. The Secretary/Treasurer shall ensure that copies of minutes of all such meetings are prepared and mailed to the Directors as directed by the Chairman of the Board or Board of Directors. The Secretary/Treasurer shall serve as an elected officer, ensure that a list of Members, Directors and officers is maintained, and arrange for the publication of such lists as requested. The Secretary/Treasurer shall:

- i. cause to be kept full and accurate accounts of receipts and disbursements of the funds of the Corporation,
- ii. cause to be deposited all monies received in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors, and
- iii. submit monthly financial reports and quarterly reports to the Board of Directors.

The Secretary/Treasurer shall cause an audit, in accordance with Section IV.E. above, to be conducted annually in accordance with generally accepted accounting standards and provide the audit report to the Board of Directors not later than 30 days after receipt from the independent auditor.

F. Other Officers; Additional Duties. Officers shall have such authority and perform such duties in the management of the Corporation as are provided in these Bylaws or as may be determined by resolution of the Board of Directors not inconsistent with these Bylaws.

ARTICLE VI. RESIGNATIONS AND REMOVALS

A. Any Director may resign as a Director and/or officer at any time by giving written notice to the Board of Directors. Any such resignation shall take effect at the time specified therein, or, if the time be not specified therein, upon its acceptance by the Board of Directors.

B. Any Director may be removed for cause from such person's position as a Director if the person misses three (3) consecutive meetings without a valid excuse. Written notice of such removal shall be sent to the governing body of the Member having the right to appoint a successor, informing the Member of the termination of such person's position as a Director and requesting that the elected body of the Member appoint another elected official who is a member of the governing body to fill the remainder of the term as Director in accordance with Article VII below.

ARTICLE VII. VACANCIES

A. Directors. As the office of any Director becomes vacant by reason of death, resignation, removal, disqualification, or otherwise, if the office designated in Article IV is not, for any reason, filled by another individual, then the elected governing body of the Member whose slot on the Board of Directors is open shall select an elected official from that Member's elected governing body to fill the Member's open slot on the Board of Directors. The Board of Directors, by a majority vote, shall approve the successor who shall fill such vacancy until the next annual meeting.

B. Officers. Any vacancy occurring in any office of the Corporation by death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors.

ARTICLE VIII. PAYMENT OF DUES AND SUSPENSION OR EXPULSION OF MEMBERS

A. The amount of annual membership dues and due date for payment of such dues shall be determined by the Board of Directors. The amount of dues and the due date shall be the same for each Member.

B. Written notice of failure to pay dues shall be sent to any Member whose dues remain unpaid after thirty (30) days from the due date. Any Member that has received such written notice whose dues remain unpaid after ninety (90) days from the date due may be expelled from membership and its Director removed by the affirmative three-fourths (3/4^{ths}) vote of the Board of Directors.

C. A Member may be suspended or expelled from the Corporation for cause (other than nonpayment of dues) upon the affirmative three-fourths (3/4^{ths}) vote of the Board of Directors. The Member shall be given notice of the grounds for removal and an opportunity to be heard by the Board of Directors prior to the vote of the Board of Directors.

D. When a Member is expelled or suspended from the Corporation, the Member's Director (or in the case of Weslaco, Directors) will automatically be removed from the Board of Directors (and a quorum will be determined as if such slot on the Board of Directors did not exist). The Member will not be represented on the Board of Directors and will not be considered to be a Member for purposes of meetings or voting of Members. With respect to any such action pursuant to Section VIII.B. above, once the Member entity pays their fees, then, without the need for further action by the Board of Directors, the Director will be reinstated to the slot on the Board of Directors and the Member will regain their right to vote at a meeting of the Members. With respect to any other expelled or suspended Member, such membership may only be reinstated upon the affirmative a three-fourths (3/4^{ths}) vote of the Board of Directors.

ARTICLE IX. AMENDMENTS

These Bylaws may be amended or repealed by a three-fourths (3/4^{ths}) vote of the Board of Directors, provided notice of the proposed change is provided in the meeting agenda and a text of the proposed amendment is provided to each Director at least thirty (30) days prior to the meeting.

ARTICLE X. FISCAL YEAR

The fiscal year of the Corporation shall be January 1 through December 31.

ARTICLE XI. INSPECTION OF RECORDS

All books and records of the HCRFTZ shall be open for inspection to any Directors and Members. The public may request records but all responses to said information shall be subject to the terms of the Public Information Act as set forth in Chapter 552 of the Texas Government Code in effect at the time the request is received.

ARTICLE XII. REGISTERED AGENT AND OFFICE

The Corporation will continuously maintain in the State of Texas a registered office, and a registered agent whose office is identical with such registered office, as required by the Texas Nonprofit Corporation Law. The name of the registered agent and address of the registered office may be changed from time to time by the Board of Directors. Provided the person consents to serve as registered agent, the registered agent shall be the County Judge of the County of Hidalgo.

ARTICLE XIII. PARLIAMENTARY PROCEDURE

The proceedings of Board of Directors and Members meetings shall be governed by, and conducted according to the latest edition of Robert's Rules of Order.

ARTICLE XIV. ACQUISITION AND INVESTMENT OF PROPERTY AND POWER TO CONTRACT; INDEMNIFICATION

A. The Corporation shall have the power and authority to acquire by purchase, gift or devise any character of property and shall have the power to obtain funds for the purpose of acquiring said property and paying the compensation thereof by issuing bonds or notes or other types of indebtedness.

B. Unless otherwise determined by the Board of Directors, to the extent allowed by law, any contractors of the Corporation will defend, indemnify, and hold harmless the Corporation and its Board of Directors from all damages, costs, expenses, and attorney fees for all claims and suits including claims and suits for death, personal injury and property damage, arising out of, or connected with, the work under the contract whether or not caused in whole or in part by the negligence of the Corporation, its Board of Directors, its agents or employees.

C. The Corporation may purchase, sell, and invest its funds and funds under its control in investments authorized under Subchapter 2256 of the Texas Government Code, otherwise known as the Public Funds Investment Act. The Board of Directors shall adopt, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

ARTICLE XV. COMPENSATION

Directors are not entitled to any compensation for serving on the Board of Directors but may be reimbursed for any necessary expenses incurred in conducting HCRFTZ business, including but not limited to travel, meals and housing or any other expenses, provided such necessary expenses are approved in advance by the Board of Directors. Any reimbursement must be in compliance with Section 501(c)(6) and the Texas Nonprofit Corporation Law.

ARTICLE XVI CONFLICT OF INTEREST AND NEPOTISM

A. If a Director has a substantial interest, as that term is defined in Chapter 171 of the Texas Local Government Code, in a business entity or real property, that Director shall file, before a vote or decision on any matter involving the business entity or the real property, an affidavit stating the nature and extent of the interest, and shall abstain from further participation in the matter if: (i) the action will have a special economic effect on the value of the business entity that is distinguishable from its effect on the public; or (ii) it is reasonably foreseeable that an action on the matter will have a special economic effect on the value of the property, distinguishable from its effect on the public. This affidavit must be filed with the Secretary/Treasurer of the Corporation. The Board of Directors must also comply with any and all other conflict of interest provisions in any applicable state or federal law or regulations.

B. The Board of Directors may not appoint or confirm any person to a paid position of any kind with the Corporation if that person is related to any Director within the third degree by affinity or the fourth degree by consanguinity as those terms are defined under Chapter 573 of the Texas Government Code. The Board of Directors may not make such an appointment even if the related Director abstains from voting. The Board of Directors must comply with any and all applicable state and federal laws or regulations concerning nepotism or any amendments thereof.

ARTICLE XVII BUDGET

Each year, by October 31, the Board of Directors or a committee appointed by the Board shall prepare and submit a draft of the next year's annual budget to the Members and the Board of Directors for review. After a public hearing, the Board of Directors shall approve the budget, with such revisions as determined by the Board of Directors, on or before December 31 for the upcoming year.

ARTICLE XVIII. DISSOLUTION

In the event of the winding up and termination of the Corporation, no Director shall be entitled to any distribution or division of its remaining property or proceeds, and the

balance of all money and other property received by the Corporation from any source, after the payment of all debts and obligations of the Corporation, shall be used or distributed exclusively for the purposes within the intent of Section 501(c)(6).

DIRECTOR