

RESOLUTION NO. 2026-04-27

The seal is circular with a dotted border. The text "CITY OF JOSEPHINE" is arched across the top, "OFFICIAL SEAL" is in the center, "EST. 1888" is at the bottom, and "TEXAS" is arched across the bottom. A small decorative element is below the word "SEAL".

EXHIBIT A

BYLAWS OF

JOSEPHINE MUNICIPAL DEVELOPMENT DISTRICT

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BYLAWS OF JOSEPHINE MUNICIPAL DEVELOPMENT DISTRICT Adopted November 10, 2025

Article I

GENERAL

Section 1.1. Name.

The Josephine Municipal Development District (the "District") shall have and continuously maintain within the City of Josephine (the "City") a registered office, which shall be the depository for all records of the District, and a registered agent for the District ("Registered Agent") whose office is identical with such registered office. The Registered Agent shall be the City Secretary of the City. The registered office of the District shall be at 201 Main St., Josephine, Texas 75164.

Section 1.2. Purpose.

The District is a political subdivision of the State of Texas and the City for the purposes set forth in the Bylaws, the same to be accomplished on behalf of the City as its duly constituted authority and instrumentality in accordance with Chapter 377 of the Texas Local Government Code (the "Act"), and other applicable laws. The District was established by election on November 5, 2024, for the purpose of developing and financing all permissible projects prescribed by the Act.

Section 1.3. Powers.

In the fulfillment of its purpose, the District shall be governed by the Act and shall have all of the powers set forth and conferred in the Act, and in other applicable laws, subject to the limitations prescribed therein and herein and to the provisions thereof and hereof.

Article II

BOARD OF DIRECTORS

Section 2.1. Number, Qualifications and Term of Office

- (a) The property and affairs of the District shall be managed, exercised, and controlled by the Board of Directors (the "Board"), subject to the restrictions imposed by law and these Bylaws.
- (b) The Board shall consist of five (5) Directors ("Director(s)"), each of whom shall be appointed by the City Council of the City. Each of the Directors shall be a resident of the City or the City's extraterritorial jurisdiction. The Board shall include at least one,

but no more than two City Council Members.

(c) Each Director, except any City Council Members, shall meet at least one (1) of the following qualifications:

- a. serve, or have served, as Chief Executive Officer of a company; or
- b. serve, or have served, in a position of executive management of a company;
or
- c. serve, or have served, in a professional capacity; or
- d. owned and/or operated a small business; or
- e. have experience equivalent to any of the above qualifications.

The City Council shall have the full discretion to consider an individual's experience, accomplishments, and educational background in appointing members to the Board to ensure that the interests and concerns of all segments of the community are considered.

(d) The Directors shall serve staggered two (2) year terms. The terms for places 1, 2, and 3 shall expire in odd-numbered years, while places 4 and 5 shall expire in even-numbered years. To stagger the terms, the places initially selected by the City Council for one (1) year terms shall, subsequent to the conclusion of the one (1) year terms and thereafter, be filled by City Council appointment of qualified individuals for two (2) year terms.

(e) The Board is appointed by the governing body of the municipality that created the district. Any Director may be removed from office by the City Council, with or without cause, at any time. Successor directors are appointed in the same manner as the original appointees.

Section 2.2. Vacancies.

Any vacancies occurring in the Board resulting from the death, resignation, retirement, disqualification, removal or, otherwise from office of any Director shall be filled by the City Council after a public announcement of accepting applications for a minimum of a three-week period to serve the remainder of such Director's unexpired term

A Director may resign at any time. Such resignation shall be made in writing, addressed to the Mayor and the City Secretary, with a copy to the Board, and shall take effect at the time specified therein, or, if no time is specified, at the time of its receipt by the City Secretary.

Section 2.3. Meetings.

(a) **Regular Meetings.** The Board shall meet as necessary as determined by the Board, but no less than once per quarter. The Board shall meet in accordance with and post notice of each meeting of the Board for the same length of time and in the same manner and location as is required under the Texas Open Meetings Act.

(b) **Special Meetings.** Special meetings of the Board may be called by the President of the District, or the Vice President, upon the President's incapacity, in the same manner as regular meetings. Special meetings shall be called by the President upon written request of a majority of the Directors of the District, by the Mayor of the City, or by a majority of the members of the City Council.

(c) **Notices of Meetings.** The Board shall post notice of each meeting as required by the Texas Open Meetings Act.

All meetings shall be held in the City of Josephine. Notice of each meeting of the Board shall be given as required by and in accordance with the provisions of the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, and in the same manner as Notice given by the City for meetings of the City Council.

The President, a staff member, or two Directors requesting it together, may have an item placed on the agenda of a meeting by delivering, in writing, of the proposed agenda item to the President or Secretary of the District not less than seven (7) calendar days prior to the date of the proposed meeting. Any member of the public may speak during the public comment period. A citizen may request the board place an item on a future agenda. The board may decide to place a suggested item on a future agenda.

Section 2.4. Quorum; Majority Vote.

A quorum shall consist of three (3) Board members for the conduct of the official business of the District. The act of a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board, except as otherwise specifically provided by statute or by these Bylaws. If a quorum is not present at a meeting of the Board, the meeting will be rescheduled.

Section 2.5. Limitation of Liability.

No Director of this District shall be personally liable to the District for monetary damages for an act or omission in the Director's capacity as a Director, except that this section does not

eliminate or limit the liability of a Director to the extent the Director is found liable for: (i) an act or omission not in good faith that constitutes a breach of duty of the Director to the District or an act or omission that involves intentional misconduct or a knowing violation of the law; (ii) a transaction from which the Director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the Director's office; or (iii) an act or omission for which the liability of a Director is expressly provided for by statute. (iv) if not compliant with Texas Local Government Code Chapter 176.

Section 2.6. Conduct of Business.

At the meetings of the Board, matters pertaining to the business of the District shall be considered in accordance with rules of procedure as from time to time prescribed by the Board. At all meetings of the Board, the President shall preside, and, in the absence of the President, the Vice President shall exercise the powers of the President. The Secretary of the District shall function 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. Compensation of Directors.

Directors on the Board shall not receive compensation for their services. However, they shall be reimbursed for their actual and necessary expenses, with approval and in accordance with the policies of the City, incurred in the performance of their duties, including, but not limited to, the cost of travel, lodging and incidental expenses reasonably related to the duties of the Board.

Section 2.8. Appointment of Administrative Officer.

The City Administrator shall serve as the administrative officer of the District to manage the day-to-day affairs of the District, subject to these bylaws and the directions of the Board. The City Administrator shall be an *ex-officio* member of the Board and all committees appointed by the Board, and liaison between the Board and City Council. The City Council may remove the City Administrator as administrative officer with or without cause at any time.

Article III

OFFICERS

Section 3.1. Elected Officers.

The Board of Directors shall choose from its members a President, a Vice President, and a Secretary. The Board may also choose other officers the Board deems necessary. Officers

shall serve for terms of one (1) year or until their successors are duly elected and qualified or until his/her death, resignation, retirement, disqualification, or removal from office.

(a) No agent or employee of the District need be a Director of the District, a resident of the City or an employee of the City.

Section 3.2. Election of Officers.

Except as provided by Section 3.5 herein, all officers shall be elected, when necessary, by the Board at a Regular or Special Meeting of the Board. Each newly elected officer (other than any person who succeeds himself in office) shall take office immediately following his/her election. Any person elected as an officer of the District by reason of the death, disability, retirement, disqualification or removal from office of an officer or by reason of the occurrence of a vacancy of the office of any officer for any other reason, shall take office immediately upon his/her election.

Section 3.3. Term of Office.

There shall be no limitation on the number of consecutive years that a person may serve in the same office.

Section 3.4. Removal.

Any officer may be removed from the office or position held by them with or without cause, at any time by the majority vote of the Directors present at any duly called meeting of the Board whenever in their judgment the best interests of the District will be served thereby.

Section 3.5. Officer Vacancies.

Any vacancy occurring in any office or position of the District (by death, resignation, removal or otherwise), except the office of Director, may be filled by a majority vote of Council following an announcement of the vacancy.

Section 3.6. President.

The President shall be the Presiding Officer of the District, and shall, subject to the authority of the Board, preside at all meetings of the Board, and absent any different designation by the majority of the Board, sign and execute all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, and notes in the name of the District. In the absence or disability of the President, his/her duties shall be performed, and his/her powers may be exercised by the Vice President. The President shall be an *ex-officio* member of all committees appointed by the Board of Directors. Additionally, the President shall:

- (a) Call both regular and special meetings of the Board and establish the agenda for such;
- (b) Have the right to vote on all matters coming before the Board;
- (c) Perform all duties incident to the office, and such other duties as may be prescribed from time to time by the Board;
- (d) Appear before the City Council, or be represented by a designee, at least twice per year and deliver a report on the status of the activities of the District; and
- (e) Appear before the City Council, or be represented by a designee, regarding any item being considered by the City Council concerning the District.

Section 3.7. Vice President.

The Vice President shall perform the duties and exercise the powers of the President upon the President's death, absence, disability, or upon the President's inability to perform the duties of the office. 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. A Vice President shall have such other powers as may be assigned by the Board or the President.

Section 3.8. Secretary.

The Secretary shall ensure that proper notice is given of all meetings of the Board and shall keep and attest true records of all proceedings of all such meetings. He/she shall keep and account for all books, documents, papers and records of the District, except those for which some other office or agency is properly accountable. He/she shall generally perform all duties and shall have authority to exercise all the powers usually appertaining to the office of secretary of a District. In the absence or disability of the Secretary, the duties shall be performed by a person appointed by the Board. The City Secretary, or designee, and administrative officer will assist the Secretary with the execution of his/her responsibilities.

Section 3.9. Authority.

Officers shall have such authority and perform such duties in the management of the District as are provided in these Bylaws or as may be provided by resolution of the Board consistent with these Bylaws.

Section 3.10. Compensation of Officers.

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

Article IV

COMMITTEES

Section 4.1. General.

The Board, according to a resolution adopted by the Board, may designate and appoint one or more committees. Each committee shall be comprised of at least two (2) members. Each committee shall have such duties and responsibilities as set forth in such resolution. The Board may designate one or more people as alternate members of any committee who may, subject to any limitations imposed by the Board, replace absent or disqualified members at any meeting of that committee. Membership on committees may, but not need to be, limited to members of the Board.

Section 4.2. Reserved.

Section 4.3. Number; Term.

Each committee shall be comprised of two members. Each committee shall serve at the pleasure of the Board.

Section 4.4. Authority.

Except as limited by statute or these Bylaws, any committee of the Board, to the extent provided in any resolution adopted by the Board, shall have and may exercise the authority of the Board granted to such committee in the management of the business and affairs of the District.

Section 4.5. Change in Number.

The number of members of any committee of the Board may be increased or decreased by resolution adopted by the Board as long as the committee is still in compliance with Section 4.1.

Section 4.6. Removal.

Except as specifically provided by statute or these Bylaws, any member of a committee of the Board may be removed, with or without cause, by the Board whenever, in its judgment, the best interests of the District will be served thereby.

Section 4.7. Committee Vacancies.

A vacancy occurring in any committee (by death, resignation, removal or otherwise), except of a Director, may be filled by the Board in the manner provided for original designation in Section 4.1.

Article V

INDEMNIFICATION ; INSURANCE

Section 5.1. Indemnification.

(a) The District is, for the purposes of the Texas Tort Claims Act (Subchapter A, Chapter 101, Texas Civil Practices and Remedies Code), a political subdivision and governmental unit and all of its actions are governmental functions. The District shall indemnify each and every member of the Board, its officers, and its employees, and former Directors, officers, and employees, of the District, and each member of the City Council and each employee of the City, to the fullest extent and manner permissible under the Act, or other applicable rules, regulations or laws, against any and all liability or expense, including attorney fees, incurred by reason of any actions or omissions that may arise out of the functions and activities of the District.

(b) The District shall indemnify and advance expenses to an officer, employee, agent or person indemnified in subparagraph (a) above and who is not a Director to such further extent, consistent with law, as may be provided by its Bylaws, general or specific action of the Board, or contract, or as permitted or required by common law.

Section 5.2. Insurance.

The District may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the District or who is or was serving at the request of the District as a Director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic District, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him or her in such capacity or arising out of his/her status as such a person to the fullest extent under the Act and this Article Five.

Article VI

AMENDMENT OF BYLAWS

These Bylaws may not be altered, amended or repealed and/or new Bylaws may not be adopted without the prior approval of the City Council of the City of Josephine. The alteration, amendment, or repeal of these Bylaws may be adopted at any subsequent meeting of the Board at which a quorum is present, by the affirmative vote of a majority of the entire Board, provided notice of the proposed alteration, amendment or repeal is contained in the notice of such meeting. The City Council has the authority to propose and require amendments to Bylaws or other rules.

Article VII

GENERAL

Section 7.1. Interested Parties; General Policy.

(a) **Voting; Conflict of Interest.** The members of the Board shall be considered local public officials within the meaning of Chapter 171 of the Texas Local Government Code. If a member of the Board is aware of a substantial interest, as that term is defined in said Chapter as a member or a person related to the member within the prohibited degree (defined in Chapter 171) has in a business entity or real property which is the subject of deliberation by the Board, the Director shall file an affidavit with the Secretary of the District stating the nature or extent of the interest. Such affidavit shall be filed prior to any discussion or vote upon the matter, and if required by said Chapter 171 the interested Director shall abstain from any further participation in the matter.

(b) Under 176.003, the officer is required to file a "conflict disclosure statement" in the form established by the Texas Ethics Commission. It is required when the entity enters a contract with a vendor who has an employment or other business relationship with the officer or a family member of the officer. The statement is filed with the Secretary of the District or the City Secretary.

(c) The reporting is not required from an employee or agent of the entity acting in his or her official capacity. See 176.002.

(b) **Non-Exclusive.** The provisions set forth in this Section 7.1 shall not be construed to invalidate any contract or transaction which would be valid in the absence of this provision.

Section 7.2. Notice.

(a) **Method.** Whenever by statute or these Bylaws, notice is required to be given to any Director, and no provision is made as to how the notice shall be given, it shall not be construed to mean personal notice, but any such notice may be given (a) in writing, by mail, postage prepaid, addressed to the Director at the address appearing on the books of the District, (b) hand delivered to the Director or (c) in any other method permitted by law.

(b) **Waiver.** Whenever, by statute or these Bylaws, notice is required to be given to any Director, a waiver thereof in writing signed by the people entitled to such notice, whether before or after the time stated in such notice, shall be equivalent to the giving of such notice.

Section 7.3. Books and Records.

The District shall keep books and records of account and shall keep minutes of the proceedings of its Board. All books and records of accounts of the District shall be subject to the provisions of Chapter 552 of the Texas Government Code, relating to public information. The District's books and records of accounts may be audited at any time and for any reason by the City Council or by an outside, independent auditing and accounting firm selected by the City Council.

Section 7.4. Checks and Drafts.

All checks, drafts, or orders for the payment of money, notes, or other evidence of indebtedness issued in the name of the District shall be approved by the Board. Two signatures will be required for the execution of checks and electronic transfers of funds. One signatory shall be the Treasurer of the Board. The Board shall be informed by the Treasurer of all check or electronic funds transfers prior to transaction. Other financial safeguards already in place by the City shall also be observed. The City Council may require specified officers or employees handling cash or funds of the entity to be covered by an adequate fidelity bond.

Section 7.5. Fiscal Year.

The fiscal year of the District shall be the same as the fiscal year of the City.

Section 7.6. Contracts for Service.

The District may, with approval of the City Council, contract with any qualified and appropriate person, association, district or governmental entity to perform and discharge designated tasks, which will aid or assist the Board in the performance of its duties. However, no such contract shall ever be approved or entered into that seeks or attempts to divest the Board of its discretion and policy-making functions in discharging the duties.

Section 7.7. Annual District Budget

At least sixty (60) days prior to the commencement of each fiscal year of the District, 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 City Council has approved it.

Section 7.8 Deposit and Investment of District Funds

(a) All proceeds from sales and use taxes imposed by the District, loans, from the issuance of bonds, notes or other debt instruments ("Obligations") issued by the District, or any other money required by law to be deposited in the Fund, shall be deposited into a Development Project Fund created by Resolution of the Board. Funds of the District shall be invested as provided in a Resolution, order, indenture, or documents authorizing or relating to the execution or issuance of Obligations. Any investments made with proceeds from any Obligations must be approved by the City Council.

(b) Subject to the requirements of contracts, loan agreements, indentures or other agreements securing Obligations, all other monies of the District, 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 and approved by City Council. The Board shall designate the accounts and depositories to be created and designated for these purposes and the methods of withdrawal of funds for use by and for the purposes of the District upon the signature of its Treasurer and such other people as the Board shall designate, as well as approval by the City Council. The City shall perform the accounts, reconciliation, and investment of funds and accounts in collaboration with the Board Treasurer.

Section 7.9 Expenditures of District Money.

The monies of the District, including sales and use taxes collected by the District pursuant to the Act, monies derived from rents received from the lease or use of property, the proceeds from the investment of funds of the District, the proceeds from the sale of property and the proceeds derived from the sale of Obligations may be expended by the District for any of the purposes authorized by the Act, and for the assumption of a debt, contingency agreement, or other obligation for the benefit of the District, 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 Obligations to the purchasers provided by Section 7.8 of these Bylaws;

(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, with City Council approval, 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 approval by the City Council; and

(c) All other proposed expenditures shall be made in accordance with and shall be set forth in the annual budget required by Section 7.7 of this Article.

Section 7.10. Approval of the City Council.

(a) Notwithstanding any provision to the contrary, the District shall obtain City Council approval for the following:

1. The acceptance of any grant or loan;
2. The acquisition, selling, leasing, conveying, or otherwise disposing of property or an interest in property;

3. The issuance or payment of any and all bonds or other obligations;
4. Any change in the sales and use tax; and
5. The employment of any personnel.

(b) To the extent that these Bylaws refer to any approval by the City or by the City Council, that approval shall be evidenced by a certified copy of an ordinance, resolution, order, or motion duly adopted by the City Council.

Section 7.11 Implied Duties.

The District is authorized to take such actions as it may deem reasonable or necessary to accomplish any of the purposes or duties set out in these Bylaws in accordance with the Act and any other applicable law.

Article VIII

EFFECTIVE DATE

These Bylaws shall become effective upon the occurrence of the latter of the following events:

- (a) The approval of these Bylaws by the City Council; and
- (b) The adoption of these Bylaws by the Board of Directors.