

## BYLAWS

### TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

APPROVED BY:  
TXCPA Membership

EFFECTIVE DATE:  
September 15, 2022

#### ARTICLE I - PURPOSE

The Texas Society of Certified Public Accountants ("TXCPA") dedicates itself to preserving and elevating the public's trust and respect for the CPA license and accounting profession and the high ethical and moral standards it represents. TXCPA commits leadership and resources to enable its members to provide valued services to the public, employers and clients in a changing and complex world.

#### ARTICLE II - MEMBERSHIP

- (1) TXCPA shall be comprised of the following classes of membership: CERTIFIED PUBLIC ACCOUNTANTS; AFFILIATES; AND STUDENTS/CANDIDATES. The requirements for admission to membership shall be prescribed by the Board of Directors and set forth in the *Volunteer Policies and Procedures Manual ("Manual")*. The requirements for student and candidate members and dues, if any, shall be prescribed by the Executive Board.
- (2) A certified public accountant holding a valid and unrevoked license issued by the Texas State Board of Public Accountancy ("State Board"), any state or territory of the United States, the District of Columbia or its equivalent (as determined by the State Board) issued by a foreign country, shall be eligible for membership in TXCPA.
- (3) Voting privileges shall extend only to members who are certified public accountants holding a valid and unrevoked license issued by the Texas State Board of Public Accountancy, any state or territory of the United States, or the District of Columbia.
- (4) All privileges and benefits of membership in TXCPA shall extend to members other than those specifically excepted by these *Bylaws* or the *Manual*.
- (5) Member recognition categories.
  - a) Distinguished Fellows. A CPA member, who, in the opinion of the Board of Directors, has performed outstanding service to TXCPA may be nominated to become a distinguished fellow by unanimous vote of the Board of Directors, subject to the approval by unanimous vote of the members present at the next general meeting of TXCPA. Distinguished fellows must continue to meet the requirements of a CPA member unless they have honorably surrendered their license. Distinguished fellows shall not be required to pay dues or other assessments. Distinguished fellows holding a valid and unrevoked license per Article II(3) shall be eligible to hold offices and to vote at meetings.
  - b) Honorary members. A person that is not a CPA and who has performed outstanding service to TXCPA or the profession, may be nominated by unanimous vote of the Board of Directors for honorary membership, subject to the approval by unanimous

vote of the members present at the next general meeting of TXCPA. Honorary members shall not be required to pay dues or other assessments, nor shall they be eligible to hold office, chair a committee or vote at meetings.

- c) Lifetime members. A CPA member who has obtained 40 consecutive years of membership prior to June 1, 2015, and whose license has not been suspended or revoked shall be considered a lifetime member. Lifetime members must continue to meet the requirements of a CPA member unless they have honorably surrendered their license. Lifetime members shall not be required to pay dues or other assessments. Lifetime members holding a valid and unrevoked license per Article II(3) shall be eligible to hold office and to vote.
  - d) Legacy members. A CPA member who obtains 40 years of consecutive membership after June 1, 2015 shall be deemed a legacy member.
- (6) The Board of Directors shall, from time to time, determine categories of, and adopt rules governing affiliates. Affiliates shall be required to pay dues and to abide by TXCPA's *Bylaws*. Affiliates shall not be eligible to hold office, chair a committee, or vote. Affiliates are otherwise eligible to receive applicable member benefits and participate in activities including committee service. The Executive Board, in its sole discretion, may terminate the membership of an affiliate for cause.

#### ARTICLE III - DISCIPLINARY ACTIONS AND TERMINATION OF MEMBERSHIP

- (1) Member resignations may be offered in writing at any time and shall be effective on the date of receipt, except that any tendered resignation of a member under charges under this Article III shall not be effective until such charges have been fully determined under the procedures set forth herein. A member may be permitted to resign or accept suspension or expulsion if an agreement has been reached between the member and the Professional Ethics Committee, provided that such an agreement is approved by the Joint Trial Board ("Trial Board"), or its equivalent, in accordance with the existing agreement between TXCPA and the American Institute of Certified Public Accountants ("AICPA") relating to joint ethics and enforcement.
- (2) Any member who shall neglect to pay dues, assessments or other obligations to TXCPA for a period of 60 days after they become due and notice has been given shall forfeit TXCPA membership unless excused by the Board of Directors. A final delinquency notice will be mailed 30 days prior to the date of forfeiture. This paragraph shall not apply to a member under disciplinary investigation or sanctions under this Article III.
- (3) Former members may apply for reinstatement as prescribed by the Executive Board and reinstatement shall be at the discretion of the Executive Board.
- (4A) A member may be suspended by the Executive Board without a hearing if it finds:
  - (1) the member's license as a certified public accountant or license to practice accountancy has been suspended by the authority of the State Board or its equivalent of any state, territory, District of Columbia, or foreign country except for suspensions which are the result of the voluntary lapse of a license to practice accountancy in more than one jurisdiction, and the voluntary lapse was not for the purpose of avoiding suspension for ethical or technical violations; or

- (2) a court or jury of competent jurisdiction renders a finding of guilt of a felony or other crime or misdemeanor involving moral turpitude.
- (4B) A member may be expelled by the Executive Board without a hearing if:
- (1) the member's license as a certified public accountant or license to practice accountancy has been revoked by the authority of the State Board or its equivalent in any state, territory, District of Columbia or foreign country, except for revocations that are the result of the voluntary lapse of a license to practice accountancy in more than one jurisdiction, and the voluntary lapse was not for the purpose of avoiding revocation for ethical or technical violations; or
  - (2) (a) the member (i) is convicted of a felony or is convicted of any other crime or offense involving moral turpitude, and (ii) the conviction becomes final and nonappealable; or  
  
(b) in connection with the criminal prosecution of a member for a felony or for any other crime or offense involving moral turpitude, a court of competent jurisdiction defers adjudication of guilt of such member after a finding of guilt by the court or jury or after the court receives a plea of guilty or *nolo contendere* from such member; or
  - (3) the member is not in compliance with Article XVIII of these *Bylaws*.
- (4C) A member may be placed on probation by the Executive Board without a hearing if the member has been placed on probation by the authority of the State Board or its equivalent in any state, territory, District of Columbia or foreign country ("boards"). The probation by the Executive Board shall follow the same terms and conditions as those imposed by the State Board or boards.
- (4D) Application of the provisions of this Section (4) shall not limit or otherwise modify any other provision of these *Bylaws* addressing suspension or expulsion of members.
- (4E) Members who are subject to membership suspension, expulsion or probation shall be notified in writing. A member may request a hearing within 30 days of being notified. The Executive Board or a committee appointed by the Chair shall conduct a hearing if requested by the member and afford the member due process and an opportunity to be heard. All matters relating to hearings including notice, timelines, and hearing procedures shall be set forth in the *Manual*.
- (5) Whenever a member of the Society, whether or not the person is a member of the AICPA, is charged with violating these *Bylaws*, the charge shall be submitted to the Executive Board, except that whenever a member is charged with violating the Society's *Code of Professional Ethics*, or is declared by a court of competent jurisdiction to have committed any fraud, the charge shall be submitted to the Professional Ethics Committee. If it appears to this committee that the matter should be investigated, investigation shall proceed in accordance with the terms of any existing agreements between TXCPA and the AICPA relating to ethics enforcement. In the absence of any such agreement, investigation shall proceed in accordance with policies adopted by the Board of Directors.

- (6) All committees, boards and other bodies of TXCPA are empowered to carry the provisions of Section (5) into effect by acting jointly and in cooperation with the appropriate bodies of the AICPA under agreements, rules and procedures in effect between TXCPA and the AICPA at the time of such action.
- (7) If the Professional Ethics Committee shall dismiss any complaint or shall fail to act thereon within 90 days after such complaint is presented to it in writing, the person referring the complaint may present the complaint in writing to the Trial Board under the agreement in effect between TXCPA and the AICPA at the time of such presentation. On receipt of such complaint, the said Trial Board shall make investigation of the matter as provided for in the existing agreement between TXCPA and the AICPA relating to joint ethics and enforcement.
- (8) A member becomes liable to expulsion or suspension under Section (5) of this Article if the member:
  - (a) infringes upon any of these *Bylaws* or *Code of Professional Ethics* of TXCPA ;
  - (b) is guilty of an act discreditable to the profession;
  - (c) is declared by a court of competent jurisdiction to have committed any fraud; or
  - (d) except for good cause, fails to cooperate with the Professional Ethics Committee in any disciplinary investigation of the member or the member's partner or employee by not making a substantive response to interrogatories or a request for documents from the Professional Ethics Committee, or by not complying with the educational and remedial or corrective action determined to be necessary by the Professional Ethics Committee within 30 days of notice issued by registered or certified mail, postage prepaid, to the member at the member's last known address shown in TXCPA's records.
- (9) During the period of suspension under this Article, a member who has been suspended remains a member of TXCPA. The suspended member shall not, however, at TXCPA or chapter level:
  - (a) vote;
  - (b) identify as a member;
  - (c) hold an office, committee position or other position, or privilege described in these *Bylaws*; or
  - (d) be eligible for an additional benefit of membership or increase an existing benefit of membership.

However, eligibility to participate in a TXCPA-sponsored insurance program shall not terminate if the member was a participant in the program prior to the date of suspension; complies with the provisions of the program; and continues to pay all dues, fees, and assessments in accordance with these *Bylaws*.

- (10) Notice of final disciplinary action approved by the Trial Board, and the basis thereof, shall be

published in electronic or print medium and shall disclose the name of the member involved. No publication shall be made until the decision has become effective.

- (11) Notice of probation, suspension or expulsion under Section (4) shall be published in print or electronic medium. The notice shall disclose the name of the member involved. Prior to any notice of probation, suspension or expulsion under Section (4) being published, the member involved shall be notified of the action by mailing written notice to the member's last known address according to TXCPA's records.

#### ARTICLE IV - LOCAL CHAPTERS

- (1) The state of Texas shall be divided into chapters determined by the Board of Directors. The Board of Directors shall set minimum standards for the existence of a chapter provided, however, no more than one chapter may be organized within one county. A chapter, once created, shall remain until changed by the Board of Directors.
- (2) A member shall be a member of the chapter in which the member maintains their principal office unless the member specifies the chapter of their principal residence. A member may become a member of an additional chapter if accepted to membership by action of that chapter. A member whose residence or principal office is out-of-state or out-of-country and honorary members may maintain membership in TXCPA and shall not be required to be a member of a chapter.
- (3) A properly organized local chapter of TXCPA may exercise customary functions of TXCPA that are not reserved by these *Bylaws* to the officers, Executive Board, Board of Directors or TXCPA as a whole, but is without the power by its own actions to bind or obligate TXCPA in any manner.
- (4) Bylaws of the local chapter shall not conflict with those of TXCPA, and any changes therein shall take effect upon approval of the Executive Board of TXCPA. The bylaws of each local chapter shall provide for:
  - (a) a fiscal year coinciding with that of TXCPA;
  - (b) election of officers prior to February 1 each year, but tenure of office to coincide with that of the officers of TXCPA;
  - (c) membership limited to members of TXCPA in good standing; and
  - (d) a provision that, if any part of the chapter bylaws is or becomes in conflict with TXCPA *Bylaws*, that part shall be void and TXCPA *Bylaws* shall govern.
- (5) At its first meeting and annually thereafter, each chapter shall elect from among its members such officers and directors as may be deemed necessary. The chapter shall keep a record of proceedings subject to inspection by TXCPA.
- (6) Local chapters may be separately incorporated provided that the proposed articles of incorporation of such chapters and any proposed amendments thereto receive the approval of the Board of Directors of TXCPA prior to their being filed with the Secretary of State. Further, such articles of incorporation must provide for full and complete compliance by the chapter

with the *Bylaws* of TXCPA as they relate to the local chapters.

#### ARTICLE V - BOARD OF DIRECTORS

- (1) The Board of Directors shall have general charge and control of the affairs, funds and property of TXCPA, and shall carry out the purposes of TXCPA in accordance with these *Bylaws* and duly enacted resolutions of the membership. The Board of Directors shall not delegate the authority to: reverse a previous vote of the Board of Directors; remove or fill the vacant term of a director; vote on a proposal to amend the *Bylaws* or withdraw or modify a proposal; or designate the auditor or auditors.
- (2) The Board of Directors shall consist of the following members: (a) all past TXCPA presidents elected prior to June 1998; (b) all past chairs; (c) the members of the Executive Board; (d) the president of each chapter; (e) 36 directors-at-large; (f) one extra director elected by each chapter for each unit of 200 members and distinguished members of TXCPA or portion thereof in its designated area; (g) chair of TXCPA's Strategic Planning Committee; and (h) the chair of the Accounting Education Foundation of the TXCPA. The 36 directors-at-large elected by TXCPA shall be elected for three-year terms except as necessary to maintain a general pattern of one-third of the at-large directors' terms expiring each year. The entitlement of the local chapters to extra directors shall be based upon membership on May 31 of the previous fiscal year. TXCPA shall notify the chapters of the number of extra directors to be elected and the term of office for each so that a general pattern of three-year terms, with one-third of the elected directors' terms expiring each year, will be preserved so far as is practical. A chapter is not required to elect the maximum number of entitled directors and may elect a smaller number in any given year. Directors shall take office June 1 in the year of their election. Extra directors whose chapters subsequently lose their entitlement and who are thus not succeeded shall serve the full term for which elected.
- (3) The resignation of any director shall be effective on the date of receipt. Except in the case of a past chair or a past TXCPA president elected prior to June 1998, absence from three consecutive meetings of the Board of Directors by any director shall terminate their Board of Directors membership unless reasonable explanations are submitted by the director and are accepted by the Executive Board. A member of the Board may be removed for cause by a vote of at least two-thirds of the members of the Board of Directors present at a meeting at which a quorum is present.
- (4) Vacancies, however created, among the directors-at-large shall be filled at the next election of officers and directors by electing a director for the unexpired term. A vacancy among the extra directors elected by the chapters shall be promptly filled for the unexpired term by action of the respective chapter.
- (5) If any director elected pursuant to the provisions of Section (2)(f) of this Article changes status such that the director qualifies under the provisions of any other provision of Section (2) then a vacancy shall be deemed to have been created.
- (6) The Board of Directors shall meet in conjunction with the annual meeting. It shall also meet at such other times and places as may be specified by the chair or whenever convened by call of at least 50 of its members or by a majority of the Executive Board. Written notice stating the purpose of the meeting shall be furnished to all directors at least five days in advance of every meeting. One hundred members shall constitute a quorum. The Board of Directors shall keep a

record of its proceedings, which shall be available for inspection by any member of TXCPA at all reasonable times.

#### ARTICLE VI - OFFICERS

- (1) The elected officers of TXCPA shall be members of TXCPA and shall be a chair, a chair-elect, a treasurer, a treasurer-elect, and a secretary. The elected officers shall perform all duties prescribed in these *Bylaws* and all duties ordinarily pertaining to their office or delegated to them by the Board of Directors.
- (2) The Executive Board shall appoint a president who shall be a full-time employee of TXCPA and who may have the additional title of chief executive officer. The president and chief executive officer takes direction from the Executive Board and shall hold office at the pleasure of the Executive Board. The president with the Executive Board's approval may designate other officers as considered necessary to perform duties for TXCPA. These other officers may be appointed by and will report to and take direction from the president. Appointed officers need not be members of TXCPA.
- (3) An elected officer may be removed for cause by a vote of at least two-thirds of the members of the Board of Directors.
- (4) If any vacancy shall occur among the officers, the Nominations Committee, with the approval of the Executive Board, shall appoint a member to fill the vacancy.
- (5) The chair shall preside at all meetings of the membership, the Board of Directors and the Executive Board. In the event the chair is temporarily unable or unwilling to act, the chair-elect shall act in the chair's stead. In the further event that the chair and chair-elect are both temporarily unable or unwilling to act, the Nominations Committee shall select a member of the Executive Board to act.
- (6) The treasurer and designated financial staff shall have charge of the funds, accounts and fiscal affairs of TXCPA, subject to direction or review by the Executive Board or Board of Directors. The treasurer and designated financial staff shall furnish reports and statements as directed by the Executive Board or the Board of Directors. In the event the treasurer is temporarily unable or unwilling to act, the treasurer-elect shall furnish reports and statements as directed by the Executive Board or Board of Directors.
- (7) The secretary shall approve and sign the minutes of all meetings of the membership, the Board of Directors and the Executive Board and ensure that the minutes are disseminated to members of the Board of Directors.
- (8) The president shall cause notice of all meetings to be given of all meetings requiring notice and cause a record of the proceedings at all meetings to be made and of all matters of which a record shall be ordered.

#### ARTICLE VII - EXECUTIVE BOARD

- (1) The Executive Board shall consist of the officers of TXCPA, the immediate past chair and nine members. Six Executive Board members shall be elected for three-year terms expiring in alternate years. The chair-elect shall appoint three Executive Board members for a one-year

term. Members appointed by the chair-elect shall be current or past members of the Board of Directors and shall require the approval of the Board of Directors.

- (2) The resignation of a member of the Executive Board shall be tendered to the Executive Board and shall be effective upon receipt. The Board of Directors may remove a member from the Executive Board for failure to perform duties as provided herein. If a vacancy occurs among the Executive Board members, the Nominations Committee, with the approval of the Executive Board, shall appoint a current or past member of the Board of Directors to fill the vacancy.
- (3) The Executive Board shall function for the Board of Directors during the period between Board of Directors meetings and shall have all of the powers of the Board of Directors except for those powers specifically reserved by the Board of Directors.
- (4) The chair shall designate the time, place and agenda for any meeting of the Executive Board. A majority of the members shall constitute a quorum, and a majority vote of the members present and voting shall constitute a vote of the Executive Board. The Executive Board shall keep a record of its proceedings which shall be available for inspection by any member of TXCPA at all reasonable times.

#### ARTICLE VIII - TRIAL BOARD AND COMMITTEES

- (1) There shall be a nationwide Trial Board to adjudicate disciplinary charges against members of TXCPA pursuant to Article III, Section (5). The Trial Board is empowered to adopt rules consistent with actions of the AICPA Council, governing procedure in cases heard by any hearing panel, and in connection with any application for review of a decision of a hearing panel. Decisions of any hearing panel shall be subject to review only by the Trial Board. A member of the Trial Board shall not serve simultaneously as a member of the Professional Ethics Committee, a member of the AICPA Professional Ethics Division or a member of the State Board.
- (2) There shall be a Professional Ethics Committee which shall be charged with investigating professional ethics cases and the disposition decisions involving members. The Professional Ethics Committee shall report to the Board of Directors through the Executive Board. No member of the Professional Ethics Committee shall serve simultaneously as a member of the State Board.
- (3) There shall be a Peer Review Committee which shall be responsible for administering the TXCPA and AICPA Peer Review program in accordance with the requirements for the State Board and the AICPA. No member of the Peer Review Committee shall serve simultaneously as a member of the State Board.
- (4) There shall be a Nominations Committee consisting of up to 15 members. The composition of the Nominations Committee shall include:
  - (a) the chair-elect of TXCPA;
  - (b) the immediate past chair of TXCPA who shall serve as chair of the committee and who shall vote only in the event of ties;
  - (c) two members appointed by the chair-elect of TXCPA;
  - (d) the most recent past chair of TXCPA prior to the immediate past chair.; and
  - (e) ten members elected by TXCPA according to Article IX (5). Nominees for the 10 elected positions shall be selected by the Nominations Committee from a pool of candidates



submitted by the boards of directors of each chapter and nominations from the general membership. Of the 10 members elected, there shall be one each from the Austin, Dallas, Fort Worth, Houston and San Antonio chapters and five from the other TXCPA chapters.

Members of the Nominations Committee shall have been members of TXCPA for at least five years and elected members may not serve for two succeeding terms. If any vacancy shall occur on the Nominations Committee, the Nominations Committee, with the approval of the Executive Board, shall appoint a member to fill the vacancy.

Appointments to the Nominations Committee shall meet all qualifications, requirements, and guidelines established in the *Manual*.

- (5) A Finance Committee shall be established as a standing committee of TXCPA.
- (6) The Board of Directors or Executive Board may designate and charge other committees.
- (7) Except as otherwise provided in these *Bylaws*, committee chairs and members shall be appointed or removed by the individual who will be or is chair during the service year in which the appointment or removal is to take effect.

#### ARTICLE IX - NOMINATIONS AND ELECTIONS

- (1) The Nominations Committee shall certify by a report filed with the president not later than October 10, its nominations for officers, elected Executive Board members, directors-at-large, and 10 members of the Nominations Committee, and that the nominees have consented to serve if elected. Notice shall be disseminated to the membership within 10 days after filing of the report. None of the nominees shall be a member of the Nominations Committee.
- (2) In addition to the nominations of the Nominations Committee, independent nominations for officers, directors-at-large, members of the Nominations Committee, or elected members of the Executive Board, may be presented by any 50 members in good standing at the date such nominations are filed, provided that such nominations are filed with the president not later than November 10. Nominations shall be at-large.
- (3) If any nominee of the Nominations Committee becomes unavailable before the elections are held or in the event a director-nominee should become a member of the Board of Directors by reason of the member's election to president of a local chapter or in the event a vacancy occurs among the directors-at-large, then the Nominations Committee shall, as early as practicable but before the elections are held and without reference to the provisions set out in Section (1) above, report a substitute nominee. If the substitute nominee is a member previously nominated by the committee for another position, the Nominations Committee shall at the same time report a substitute nominee for that position.
- (4) Nominations other than those made as provided above shall not be in order.
- (5) Election of officers, directors-at-large, members of the Nominations Committee, and members of the Executive Board shall be conducted through a secure TXCPA designated electronic ballot approved by the Executive Board prior to March 1 of each year, and those elected shall take

office June 1. The electronic ballot shall be open to all eligible members to vote for a period of at least 30 days. A majority vote of the members voting via the electronic ballot shall elect except that candidates nominated under Section (2) shall be elected by a plurality.

- (6) The chair-elect and treasurer-elect shall become chair and treasurer, respectively, on June 1 one year after becoming chair-elect and treasurer-elect, respectively.

#### ARTICLE X - MEETINGS

- (1) An annual meeting of TXCPA shall be held at such time and place as may be designated by the chair. Notice of the time and place of the meeting shall be disseminated by or at the direction of the chair, president, or their designee not less than 30 days before the meeting date.
- (2) Special meetings of TXCPA may be called at any time by the chair, a majority of the Board of Directors, or by the secretary at the written request of at least 5% of the members entitled to cast votes at such meeting. Notice stating the time, place, and purpose of any special meeting shall be disseminated by or at the direction of the chair, the secretary, or the officers or persons calling the meeting to all members entitled to vote not less than 10 or more than 60 days before the meeting date. No business may be transacted at any special meeting other than that specified in the notice. All special meetings shall be held within the state of Texas at a place designated by the chair or held virtually.
- (3) One hundred members when present either in person or virtually shall constitute a quorum at any TXCPA meeting.
- (4) With the exception of elections which are required by the *Bylaws* to be conducted electronically, a majority of the members voting in person, virtually, or by proxy at the annual meeting or a special meeting shall constitute a vote of the membership. At the Executive Board's discretion, a mail ballot or secure TXCPA designated electronic ballot as permitted by state law shall be had on any matter if a motion for such a ballot is voted at the meeting or, if at or before the meeting, the secretary receives a petition for a ballot on the matter signed by at least 5% of the members entitled to vote on such ballot as of the date such ballots would be required to be returned.

All members of TXCPA entitled to vote shall be entitled to vote by proxy at any meeting, but no member may vote more than five such proxies. All proxies must state the name of the member to whom the proxy is given and may not contain a power substitution. A member may vote by proxy at any meeting only with respect to matters set forth on the agenda included in the notice of the meeting.

#### ARTICLE XI - DUES AND ASSESSMENTS

- (1) Dues for members and affiliates shall be determined by the Board of Directors. Notice must be disseminated to the Board of Directors at least 20 days prior to the date on which the Board of Directors meets to consider any dues change. Dues for students/candidates shall be determined by the Executive Board.
- (2) All dues are payable in advance on the first day of each fiscal year or in such other manner as the Executive Board shall prescribe.

- (3) Two-thirds of the members voting in person or by proxy at any membership meeting may levy a per capita assessment for any specific purpose not to exceed \$50 for any one year.
- (4) TXCPA members may be excused from the payment of dues and per capita assessments for reasonable cause by the Executive Board. Members who have previously been approved for dues waiver because of permanent disability will automatically receive same upon request.

#### ARTICLE XII - FISCAL MATTERS

- (1) The TXCPA fiscal year shall begin on June 1 and end on May 31 of the following year.
- (2) The Executive Board shall recommend a budget to the Board of Directors which shall approve the budget for the fiscal year at its first meeting. No expenditures shall be made in a fiscal year in excess of the total limitations of the budget for that year unless they are approved in accordance with the budgetary controls adopted in the *Volunteer Policies and Procedures Manual*.
- (3) The Board of Directors shall designate an auditor or firm of auditors to annually examine the financial statements of TXCPA and related entities (excluding chapters). The auditor or partner of the firm of auditors shall be a member of TXCPA.

#### ARTICLE XIII - NOTICE

Notice, when required, may be mailed or otherwise disseminated in whatever manner and form the Executive Board designates as being reasonably effective to convey notice, including by electronic means or by inclusion in other TXCPA publications. Notice provided under these *Bylaws* shall constitute proper notice of any in person or virtual meeting.

#### ARTICLE XIV - PERSONAL LIABILITY AND INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHER PERSONS

- (1) Personal Liability.
  - (a) The directors, officers, and employees of TXCPA shall not, as such, be personally liable for the acts, debts, liabilities, or obligations of TXCPA.
  - (b) A director or officer shall not be personally liable to TXCPA or for any action taken or omitted to be taken as a director or officer, as the case may be, if, in connection with such action or omission, the director or officer performed the duties of his or her position (i) in good faith; (ii) with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and (iii) in a manner the director or officer reasonably believes to be in the best interests of TXCPA.
  - (c) A director or officer of TXCPA, in the performance of his or her duties, shall not have any fiduciary duty to any creditor of TXCPA arising only from such creditor's status as a creditor of TXCPA.
  - (d) No director or officer shall be personally liable for any injury to a person or property arising out of a tort committed by an employee, unless such director or officer was personally involved in the situation giving rise to the litigation or unless such director or officer committed a criminal offense in connection with such situation.

- (2) Mandatory Indemnification. TXCPA shall indemnify an individual who was wholly successful, on the merits, in the defense of any action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, to which the individual was a party because the individual is or was a director or officer of TXCPA, or, while a director or officer, is or was serving at TXCPA's request as a director, officer, partner, member, manager, trustee, employee, fiduciary, or agent of another domestic or foreign entity or of an employee benefit plan, against reasonable expenses (including attorneys' fees) incurred by the individual in connection with such action, suit or proceeding. An individual entitled to indemnification under this Article XIV (2) is hereafter called "an individual covered by Article XIV (2) hereof."
- (3) Optional Indemnification. Except as provided in Article XIV (4), TXCPA may (but shall not be obligated to) indemnify an individual made a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, because the individual is or was a director, officer, employee, fiduciary, or agent of TXCPA, or an individual who, while a director of a nonprofit corporation, is or was serving at the nonprofit corporation's request as a director, officer, partner, member, manager, trustee, employee, fiduciary, or agent of another domestic or foreign entity or of an employee benefit plan, against liability incurred in such action, suit or proceeding, if (i) the individual's conduct was in good faith; (ii) the individual reasonably believed, in the case of conduct in an official capacity, that the conduct was in TXCPA's best interests, and in all other cases, that the conduct was at least not opposed to TXCPA's best interests; and (iii) in the case of any criminal proceeding, the individual had no reasonable cause to believe the conduct was unlawful. Indemnification permitted under this Article XIV (3) in connection with an action, suit, or proceeding by or in the right of TXCPA is limited to reasonable expenses (including attorneys' fees) incurred in connection with such action, suit, or proceeding.
- (4) Exceptions. No indemnification under Article XIV (3) shall be provided to an individual (a) in connection with any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, by or in the right of TXCPA in which the individual was adjudged liable to TXCPA; or (b) in connection with any other threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, alleging that the individual derived an improper personal benefit, whether or not involving action in an official capacity, as defined in Texas Business Organizations Code ("TBOC") § 8.001(6) (as amended from time to time), in which such action, suit, or proceeding such individual was adjudged liable on the basis that such individual derived an improper personal benefit. The Executive Board is hereby authorized, at any time, to add to the above list of exceptions from the right of indemnification under Article XIV (3), but any such additional exceptions shall not apply with respect to any event, act or omission which has occurred prior to the date that the Executive Board in fact adopts such exceptions. Any such additional exception may, at any time after its adoption, be amended, supplemented, waived or terminated by further resolution of the Board.
- (5) Advancement of Expenses. Expenses incurred in connection with an action, suit, or proceeding described in Article XIV (3) hereof may be paid by TXCPA in advance of a final disposition of such action, suit, or proceeding if (a) the individual who has been made party to such action, suit, or proceeding furnishes to TXCPA a written affirmation of such individual's good faith belief that they have met the standard of conduct described in Article XIV (3); (b) the individual furnishes to

TXCPA a written undertaking, executed personally or on such individual's behalf, to repay the advance if it is ultimately determined that such individual did not meet the standard of conduct; and (c) a determination is made that the facts then known to those making the determination would not preclude indemnification under the TBOC or Article XIV (4).

(6) Continuation of Rights. The indemnification and advancement or reimbursement of expenses provided by, or granted pursuant to, this Article shall continue as to an individual who has ceased to be a director or officer of TXCPA, and shall inure to the benefit of heirs, executors and administrators of such individual.

(7) General Provisions.

(a) TXCPA shall not indemnify any individual under Article XIV (3) unless such indemnification is authorized in the specific case after determination has been made that indemnification of the individual is permissible in the circumstances because the individual has met the standard of conduct described in Article XIV (3). TXCPA shall not advance expenses to an individual under Article XIV (5) unless authorized in the specific case after the written affirmation and undertaking required in Article XIV (5) are received and the determination required by Article XIV (5) has been made. The determinations required by Article XIV (3), Article XIV (5) and this Article XIV (7)(A) shall be made (i) by a majority vote of those present at a meeting of the Board of Directors at which quorum is present, in which only those directors not parties to the action, suit, or proceeding are counted to satisfy quorum; or (ii) if a quorum cannot be obtained in accordance with clause (i), by a majority vote of a committee of the Board of Directors designated by the Board, which committee shall consist of two or more directors not parties to the action, suit, or proceeding. In the event quorum cannot be obtained, and a committee cannot be established, as contemplated in the previous sentence, or, even if a quorum is obtained or a committee is designated, if a majority of the directors constituting such quorum or such committee so directs, the determination required to be made shall be made by independent legal counsel selected by a vote of the Board or the committee in the manner specified above in this Article XIV (7)(A) or, if a quorum of the full Board cannot be obtained and a committee cannot be established, by independent legal counsel selected by a majority of the full Board. If the determination that indemnification or advance of expenses is permissible is made by independent legal counsel, authorization of indemnification and advance of expenses shall be made by the body that selected such counsel.

(b) The right of an individual covered by Article XIV (2) hereof to be indemnified (i) may also be enforced as a contract right pursuant to which the individual entitled thereto may bring suit as if the provisions hereof were set forth in a separate written contract between TXCPA and such individual; and (ii) shall continue to exist after the rescission or restrictive modification (as determined by such individual) of this Article XIV with respect to events, acts or omissions occurring before such rescission or restrictive modification is adopted.

(c) If a request for indemnification under Article XIV (2) or for the advancement or reimbursement of expenses validly authorized pursuant to Article XIV (5) is not paid in full by TXCPA within thirty (30) days after a written claim has been received by TXCPA

together with all supporting information reasonably requested by TXCPA, the claimant may at any time thereafter bring suit against TXCPA to recover the unpaid amount of the claim (plus interest at the prime rate announced from time to time by TXCPA's primary banker) and, if successful in whole or in part, the claimant also shall be entitled to be paid the expenses (including, but not limited to, attorneys' fees and costs) of prosecuting such claim. Neither the failure of TXCPA (including its Board or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification of or the advancement or reimbursement of expenses to the claimant is proper in the circumstances, nor an actual determination by TXCPA (including its Board independent legal counsel) that the claimant is not entitled to indemnification or to the reimbursement or advancement of expenses, shall be a defense to the TBOC or create a presumption that the claimant is not so entitled.

- (d) The indemnification and advancement or reimbursement of expenses provided by, or granted pursuant to, this Article XIV shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement or reimbursement of expenses may be entitled under any bylaw, agreement, vote of the directors or otherwise, both as to action in such director's or officer's official capacity and as to action in another capacity while holding that office.
  - (e) Nothing contained in this Article XIV shall be construed to limit the rights and powers TXCPA possesses under the TBOC, or otherwise, including, but not limited to, the powers to purchase and maintain insurance, create funds to secure or insure its indemnification obligations, and any other rights or powers TXCPA may otherwise have under applicable law.
  - (f) TXCPA shall have the right to appoint the attorney for an individual covered by Article XIV (2) hereof or for an individual covered by Article XIV (3) hereof, provided such appointment is not unreasonable under the circumstances.
- (8) Insurance for Corporate Agents. Except as may be otherwise provided under provisions of law, the Board may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of an individual who is or was a director, officer, employee, fiduciary or agent of TXCPA, or who, while a director, officer, employee, fiduciary, or agent of TXCPA, is or was serving at the request of TXCPA as a director, officer, partner, member, manager, trustee, employee, fiduciary, or agent of any domestic or foreign entity or of any employee benefit plan, against liability asserted against or incurred by the individual in such capacity or arising out of the individual's status as such, whether or not TXCPA would have the power to indemnify the individual against such liability under the Certificate of Formation, these *Bylaws* or provisions of law.

#### ARTICLE XV - AMENDMENTS AND INTERPRETATIONS

- (1) A proposal to amend these *Bylaws* may be initiated by the Board of Directors or by petition filed with the president and signed by 50 or more members in good standing at the date the petition is filed. If a proposal is put forth by members, the proposal must be approved by the Board of Directors prior to being presented to the membership for a vote.
- (2) The *Code of Professional Ethics* shall be a part of these *Bylaws* and a proposal to amend the *Code of Professional Ethics* shall be deemed a proposal to amend these *Bylaws*. Either the Executive Board or the Board of Directors by a two-thirds vote of those present may suspend

any section(s) of the *Code of Professional Ethics* if deemed in possible conflict with the laws of the State of Texas or of the United States and may issue temporary rules of professional ethics to be effective during the interim period before the *Code of Professional Ethics* is amended.

- (3) Proposals to amend these *Bylaws* shall be adopted by a vote of the membership conducted through a secure TXCPA designated electronic ballot approved by the Executive Board, if approved by two-thirds of the members voting. The electronic ballot shall be open to all eligible members to vote for a period of at least 30 days. Notice of proposals to amend these *Bylaws* shall be given at least 30 days prior to the date the electronic ballot thereon is first open for voting.  
Notice may be given electronically or in such other fashion as the Executive Board may determine.
- (4) In the event of lack of clarity, the Executive Board shall interpret these *Bylaws*.
- (5) *Robert's Rules of Order* shall govern in all cases to which they are applicable to the extent they are not inconsistent with these *Bylaws*.

#### ARTICLE XVI - VOLUNTEER POLICIES AND PROCEDURES MANUAL

- (1) The Executive Board shall adopt a *Volunteer Policies and Procedures Manual* (the "*Manual*") to provide guidelines and procedures by which TXCPA will function and operate.
- (2) The *Manual* is TXCPA's governing document except when it is inconsistent with the Articles of Incorporation or *Bylaws* of TXCPA. The *Manual* may be amended by the vote of two-thirds of the members of the Executive Board. Unless otherwise stated in the *Manual*, policies and procedures of programs and services that must meet the requirements of the AICPA, State Board, or other regulatory entities may be amended by the committee that implements the programs and services, provided all amendments are promptly reported in writing to the Executive Board.

#### ARTICLE XVII – STRATEGIC PLAN

- (1) TXCPA shall adopt a written strategic plan ("*Strategic Plan*") with the primary objective of carrying out the mission of TXCPA. The Board of Directors shall delegate to the Executive Board all responsibility and authority to periodically oversee, evaluate, recommend modification and report on status of the *Strategic Plan*.
- (2) The *Strategic Plan* shall be adopted and amended by the vote of two-thirds of the members of the Executive Board.

#### ARTICLE XVIII - PEER REVIEW

- (1) All members of TXCPA engaged in the practice of public accounting in Texas shall be associated as proprietors, partners, shareholders, owners or employees of firms enrolled in a TXCPA-approved practice-monitoring program that is consistent with the requirements for membership in AICPA if the services the firm performs are within the scope of AICPA's practice-monitoring standards and the firm issues reports purporting to be in accordance with AICPA professional standards.

- (2) A firm enrolled in any AICPA-approved practice-monitoring program or the TXCPA Peer Review program shall be deemed to be enrolled in a TXCPA-approved practice-monitoring program. Enrolled firms shall arrange and schedule their reviews in compliance with administrative procedures and policies established by TXCPA and shall cooperate with TXCPA in all matters related to their review. The Peer Review Committee shall develop policies that specify what actions by firms are considered a failure to cooperate and shall recommend such policies to the Executive Board for adoption and inclusion in the *Volunteer Policies and Procedures Manual*.
- (3) The Executive Board in its discretion may drop a firm's enrollment in a TXCPA-approved practice-monitoring program prior to the commencement of the firm's peer review if the Peer Review Committee recommends dropping such firm for failing to cooperate in the administration of the program.
- (4) The Executive Board in its discretion may terminate a firm's enrollment in a TXCPA-approved practice monitoring program, or take such other action as the Executive Board may elect, if the Peer Review Committee recommends termination of the firm for failing to cooperate in the execution or administration of the firm's peer review after the review has commenced. The Executive Board's termination of enrollment as described in (4) above shall be effective without a hearing for such firm, unless the Executive Board, in its sole discretion, decides to grant a hearing. A firm's termination of enrollment in a TXCPA-approved practice monitoring program will automatically result in termination of membership of all TXCPA members employed by that firm if such members are no longer in compliance with subsection (1) of this Article.
- (5) All terminations of mandatory enrollment in the TXCPA-approved practice-monitoring programs shall be reported to TXCPA membership in one or more periodicals published by TXCPA.
- (6) Any firm headquartered outside Texas that is enrolled in and in full compliance with the AICPA Peer Review Program shall be deemed to be in compliance with the TXCPA-approved practice-monitoring program and, therefore, shall be exempt from the administrative requirements and procedures of Section (2) hereof and exempt from the provisions of Section (3) hereof.



## TXCPA Code of Professional Ethics

APPROVED BY:  
TXCPA Membership

EFFECTIVE DATE: June  
30, 2006

### PREAMBLE

The reliance of the public and business community on the professional services of the Texas Society of Certified Public Accountants' ("TXCPA") members imposes on its members certain obligations. These obligations include, but are not limited to, a member's responsibility to: maintain independence of thought and action; strive continuously to improve one's professional skills; observe, where applicable, the pronouncements of various regulatory and professional standards bodies; promote sound and informative financial reporting; hold the client's affairs in confidence; uphold the standards of the profession; and maintain high standards of personal and professional conduct in all matters affecting fitness to render professional services.

In recognition of these responsibilities, the *Code of Professional Ethics* ("Code") set forth herein has been adopted by TXCPA to help regulate the conduct of its members.

### TXCPA RULES OF CONDUCT

The TXCPA Code shall consist of both the American Institute of Certified Public Accountants (AICPA) *Code of Professional Conduct* and the State Board *Rules of Professional Conduct*, including definitions, interpretations and rulings, as they may be amended or changed from time to time by the AICPA and TSBPA. Where the wording of the AICPA and TSBPA rules pertain specifically to AICPA members and Texas licensees, the name of TXCPA and designation of TXCPA members should be substituted.

The definitions, rules, interpretations, and rulings of the AICPA and TSBPA shall be construed and applied by TXCPA in disciplinary proceedings conducted under authority of TXCPA's *Bylaws*. Both the AICPA and TSBPA rules will apply to all TXCPA members. When AICPA and TSBPA rules are not identical, the TXCPA shall apply the rule(s), which, in its judgment, is (are) the more restrictive, even when apparent contradictions exist in the two sets of rules.

TXCPA reserves the right to promulgate additional rules of conduct if considered necessary. Such additional rules would be promulgated as amendments to the *Bylaws* under Article XV of the TXCPA *Bylaws* and would, therefore, be subject to TXCPA membership vote at an annual meeting or by mail as provided in Article XV.

### APPLICABILITY OF RULES

The Code is a part of the *Bylaws* of TXCPA. The *Bylaws* provide that the Joint Trial Board may, after a hearing, impose sanctions on a member who is found guilty of infringing upon any of the provisions of TXCPA's *Code of Professional Ethics*. The *Bylaws* also provide that the Joint Trial Board may approve, without a hearing, sanctions agreed upon between a member and the Professional Ethics Committee.

Sanctions may include a reprimand, suspension, resignation, expulsion, admonishment or the imposition of other sanctions considered appropriate by the Joint Trial Board in the circumstances.

Pronouncements could also be issued from time to time by the Professional Ethics Committee of TXCPA to provide guidelines as to the scope and application of the Code.

The Code was adopted by TXCPA's membership to provide guidance and rules to all members - those in public practice, in industry, in government, and in education - in performance of their professional responsibilities.

A member shall not permit others to carry out on the member's behalf, either with or without compensation, acts that, if carried out by the member, would place the member in violation of the Code.