

Bylaws of the Texas Society of Certified Public Accountants & TSCPA Code of Professional Ethics

APPROVED BY:

TSCPA Membership

EFFECTIVE DATE:

June 27, 2003

ARTICLE I - PURPOSE

The Texas Society of Certified Public Accountants ("Society") dedicates itself to preserving and elevating the public's trust and respect for the CPA certificate and the high ethical and moral standards it represents. The Society 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) The Society shall be comprised of six classes: FELLOWS, HONORARY FELLOWS, HONORARY MEMBERS, CANDIDATES FOR MEMBERSHIP, AFFILIATE MEMBERS and STUDENT AFFILIATE MEMBERS. The requirements for admission to membership shall be prescribed by the Board of Directors. The requirements for Student Affiliate membership and dues, if any, shall be prescribed by the Executive Board.
- (2) Certified public accountants holding a valid and unrevoked certificate as such 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 joint membership (TSCPA and one area chapter) as follows.
- (3) Any fellow member who, in the opinion of the Board of Directors, has performed outstanding service to the Society may be nominated for honorary fellowship by unanimous vote of the Board of Directors, such nomination to be subject to the approval by unanimous vote of the members present at the next general meeting of the Society. Honorary fellows shall not be required to pay dues or other assessments, but shall be eligible to hold offices and to vote at meetings.
- (4) Any person who, in the opinion of the Board of Directors, has rendered distinguished service to the profession, but who is not a member may be nominated by unanimous vote of the Board of Directors for honorary membership, such nominations to be subject to the approval by unanimous vote of the members present at the next general meeting of the Society. Such honorary members shall not be required to pay dues or other assessments, nor shall they be eligible to hold office or to vote at meetings, but all other privileges of the Society shall be extended to them.

- (5) Any person who has passed the written examination as set forth by the State Board, any state or territory of the United States or the District of Columbia, but who has not met experience requirements for licensing, shall be eligible as a candidate for membership. All rights and privileges of a candidate for membership in that status shall expire five years from the date of notification of passing the written examination.
Candidates for membership shall be required to pay dues, but shall not be eligible to hold office or to vote at meetings. All other privileges of the Society shall be extended to them.
- (6) The Board of Directors shall, from time to time, determine categories of, and adopt rules governing, affiliate members. Affiliate members shall be required to pay dues and to abide by the Society's *Bylaws*. Affiliate members shall not be eligible to hold office or vote. Affiliate members are otherwise eligible to receive applicable member benefits and participate in activities including committee service. The Executive Board may terminate the membership of an affiliate member for cause in its sole discretion.
- (7) Members, if engaged in the practice of public accounting as a proprietor, partner, or shareholder or as an employee, shall engage in the practice of public accounting only with a firm that is enrolled in a Society-approved practice-monitoring program if the services performed by such a firm are within the scope of the AICPA's practice-monitoring standards and the firm issues reports purporting to be in accordance with AICPA professional standards. (See Article XVIII.)

ARTICLE III - DISCIPLINARY ACTIONS AND TERMINATION OF MEMBERSHIP

- (1) Resignations of members 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 Committee on Professional Ethics, provided that such an agreement is approved by the Joint Trial Board ("Trial Board") in accordance with the existing agreement between the Society and the American Institute of Certified Public Accountants ("AICPA") relating to joint ethics and enforcement.
- (2) Any member who shall neglect to pay his/her dues, assessments or other obligations to the Society for a period of 60 days after such have become due and notice thereof shall have been given by the assistant secretary shall forfeit his/her membership unless excused by the Board of Directors. A final delinquency notice will be mailed 30 days prior to date of forfeiture. This paragraph shall not apply to a member under charges under this Article III.
- (3) Former members may make application for reinstatement in such manner as shall be prescribed by the Executive Board.

- (4A) A member may be suspended by the Executive Board without a hearing if it finds:
- (1) the member's certificate 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 certificate or 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;
 - (2) the member's privilege of appearing or practicing before the United States Securities and Exchange Commission ("SEC") has been suspended by the SEC; or
 - (3) 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 certificate 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 certificate or 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) such member (i) is convicted of a felony or is convicted of any other crime or offense involving moral turpitude, and (ii) such conviction becomes final and nonappealable; or (b) in connection with the criminal prosecution of such 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) such 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.
- (5) Whenever a member of the Society, whether or not he/she is a member of the AICPA, shall be charged with violating these *Bylaws*,

the said charge shall be submitted to the Executive Board, except that whenever a member shall be 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 said charge shall be submitted to the Committee on Professional Ethics. If it appears to this committee that the matter should be prosecuted, such prosecution shall proceed in accordance with the terms of any then-existing agreements between the Society and the AICPA relating to ethics enforcement. In the absence of any such agreement, such prosecution shall proceed in accordance with policies adopted by the Board of Directors.

- (6) All committees, boards and other bodies of the Society are hereby 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 the Society and the AICPA at the time of such action.
- (7) If the Committee on Professional Ethics 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 the Society and the AICPA at the time of such presentation. On receipt of such complaint, the said Trial Board shall make such investigation of the matter as is provided for in the existing agreement between the Society and the AICPA relating to joint ethics and enforcement.
- (8) A member renders himself liable to expulsion or suspension under Section (5) of this Article if:
 - (a) he/she infringes upon any of these *Bylaws* or *Code of Professional Ethics* of the Society;
 - (b) he/she is guilty of an act discreditable to the profession;
 - (c) he/she is declared by a court of competent jurisdiction to have committed any fraud; or
 - (d) except for good cause, he/she fails to cooperate with the Committee on Professional Ethics in any disciplinary investigation of him/her or his/her partner or employee by not making a substantive response to interrogatories or a request for documents from the Committee on Professional Ethics, or by not complying with the educational and remedial or corrective action determined to be necessary by the Committee on Professional Ethics within 30 days of their posting by registered or certified mail, postage prepaid, to him/her at his/her last known address shown on the records of the Society.
- (9) During the period of suspension under this Article, a member who has been suspended remains a member of the Society. The suspended member shall not, however, at the Society or chapter level:

- (a) vote;
- (b) identify himself/herself as a member;
- (c) hold an office, committee position or other position, or privilege described in these *Bylaws*; or
- (d) increase an existing or be eligible for an additional benefit of membership.

However, eligibility to participate in a Society-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 a membership periodical of the Society.

- (a) In the case of suspension or expulsion, such notice shall be in a form approved by the chair of the panel that took the final action in the matter and shall disclose the name of the member concerned.
- (b) In the case of other disciplinary action, the Trial Board or sub-board shall decide on the form of the notice of the case and the decision to be published, which notice shall disclose the name of the member involved.

The statement and decision, as released by the chair, Trial Board, or panel, shall be published in a membership periodical of the Society. No such publication shall be made until such decision has become effective.

- (11) Notice of suspension or expulsion under Section (4) shall be published in a membership periodical of the Society. The notice shall disclose the name of the member involved if such member is also a member of the AICPA. If the member is not a member of the AICPA, the notice may disclose the name of the member involved. Prior to any notice of suspension or expulsion under Section (4) being published, the member involved shall be notified of the action by mailing such notification to his last known address according to the records of the Society.

ARTICLE IV - LOCAL CHAPTERS

- (1) The state of Texas shall be divided into chapter districts determined by the Board of Directors. The Board of Directors shall set minimum standards for the existence of a chapter provided, however, that no more than one chapter district may be organized within one county. A chapter district, once created, shall remain as such for the ensuing fiscal year of the Society.

- (2) A fellow member shall be a member of the chapter in which the member maintains his/her principal office unless the member specifies the chapter of his/her principal residence. A member may become a member of an additional chapter if accepted to membership by action of that chapter. The following Society members may maintain membership in the Society and shall not be required to be a member of a chapter: CPAs whose residence or principal office is out-of-state or out-of-country and honorary members. If a chapter offers a membership to CPA candidates, the candidate shall join one of the following chapters: 1) the chapter in which the candidate maintains his/her principal office; 2) the chapter in which the candidate maintains his/her principal residence; or 3) in the event the candidate is a full-time student, the chapter of his/her educational institution.
- (3) A properly organized local chapter of the Society may exercise such customary functions of the Society as are not reserved by these *Bylaws* to the officers, Board of Directors or the Society as a whole, but is without the power by its own actions to bind or obligate the Society in any manner.
- (4) Bylaws of the local chapter shall not be in conflict with those of the Society, and any changes therein shall take effect upon approval of the Executive Board of the Society. The bylaws of each local chapter shall provide for:
 - (a) a fiscal year coinciding with that of the Society;
 - (b) election of officers prior to February 1 each year, but tenure of office to coincide with that of the officers of the Society;
 - (c) membership limited to members of the Society in good standing; and
 - (d) a provision that, if any part of the chapter bylaws is or becomes in conflict with the Society *Bylaws*, that part shall be void and the Society *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 the Society.
- (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 the Society 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 the Society 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 the Society, including member sections,

and shall carry out the purposes of the Society 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 TSCPA presidents elected prior to June 1998; (b) all past chairmen; (c) the members of the Executive Board; (d) the president of each chapter; (e) 18 directors -at-large; (f) one extra director elected by each chapter for each unit of 200 fellow and honorary fellow members of the Society or portion thereof in its designated area; (g) one director elected by each member section for each 300 paid members or a portion thereof, not to exceed two directors elected by any section; (h) chair of TSCPA's Strategic Planning Committee; and (i) the president of the Accounting Education Foundation of the TSCPA. The 18 directors -at-large elected by the Society shall be elected for three-year terms. The entitlement of the local chapters to extra directors shall be based upon membership at May 31 of the previous fiscal year. The Society 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 at the conclusion of the annual meeting of the Society 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 chairman or a past TSCPA president elected prior to June 1998, absence from three consecutive meetings of the Board of Directors by any director shall terminate his Board of Directors membership unless reasonable explanations are submitted by the director and are accepted by the Executive Board.
- (4) Vacancies, however created, among the directors -at-large shall be filled at the next annual meeting 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 within 48 hours after the conclusion of the annual meeting. It shall also meet at such other times and places as may be specified by the chairman 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 except the meeting held within 48 hours after the conclusion of the annual meeting. Fifty members shall constitute a quorum. The Board of Directors shall keep a record of its proceedings, and such record shall be available for inspection by any member of the Society at all reasonable times.

ARTICLE VI - OFFICERS

- (1) The officers of the Society shall be a chairman, a chairman-elect, a treasurer, a treasurer-elect, a secretary and an assistant secretary. The 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 assistant secretary may have the additional title of executive director and chief executive officer and need not be a member of the Society. The executive director and chief executive officer takes his/her direction from the Executive Board. The assistant secretary shall be appointed by the Executive Board at any time that the Executive Board may declare the office vacant and shall hold office at the pleasure of the Executive Board. In accordance with the Texas Non-Profit Corporation Act (or successor statutes), the assistant secretary shall serve in the capacity of president when required to fulfill all legal requirements.
- (3) An 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 Committee on Nominations, with the approval of the Executive Board, shall appoint a member to fill the vacancy.
- (5) The chairman shall preside at all meetings of the membership, the Board of Directors and the Executive Board. In the event the chairman is temporarily unable or unwilling to act, the Executive Board shall designate one of the Executive Board members or the chairman-elect to act in his/her stead. In the further event that the chairman, chairman-elect, and Executive Board members are all temporarily unable or unwilling to act, the Board of Directors shall select a member of the Board of Directors to act.
- (6) The treasurer shall have charge of the funds, accounts and fiscal affairs of the Society, subject to direction or review by the Executive Board or Board of Directors. The treasurer shall furnish such reports and statements as the Executive Board or the Board of Directors may direct. In the event the treasurer is temporarily unable or unwilling to act, the Executive Board may designate an acting treasurer.
- (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 by surface mail, facsimile or electronic means.

- (8) The assistant secretary 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 the Society and nine members. Six Executive Board members shall be elected for three-year terms expiring in alternate years. The chairman-elect shall appoint three Executive Board members for a one-year term. Members appointed by the chairman-elect shall be current or past members of the Board of Directors and shall require the approval of the Board of Directors at its first meeting following the annual meeting each year. Members of the Executive Board shall serve until their successors are elected and qualified.
- (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 Committee on Nominations, 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 chairman 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, and such record shall be available for inspection by any member of the Society 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 TSCPA 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 Committee

on Professional Ethics, a member of the AICPA Professional Ethics Division or a member of the State Board.

- (2) There shall be a Committee on Professional Ethics, no member of which shall serve simultaneously as a member of the State Board.
- (3) There shall be a Committee on Nominations consisting of the immediate past chairman, who shall vote only in the event of ties, and 11 members. One member shall be appointed at the annual meeting of the Society by the chairman-elect. Ten members shall be elected by the Society at its annual meeting. Nominees for the 10 elected positions shall be selected by the Committee on Nominations from the pool of candidates submitted by the boards of directors of each chapter. The number of candidates each chapter is entitled to submit shall be based upon the then-existing Chapter Coordinating Committee group classifications of chapters, the same that is used for chapter awards. Each Group I (small) and II (medium) chapter will submit one candidate, and each Group III (large) chapter will submit two candidates. Of the 10 members elected, two members must be from Group I chapters, three must be from Group II chapters, and five must be from Group III chapters.

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

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

ARTICLE IX - NOMINATIONS AND ELECTIONS

- (1) The Committee on Nominations shall certify by a report filed with the assistant secretary not later than December 31, its nominations for officers, elected Executive Board members, directors -at-large, and 10 members of the Committee on Nominations, and that the nominees have consented to serve if elected. Notice shall be disseminated to the membership within 30 days after filing of the report. None of the nominees shall be a member of the Committee on Nominations.
- (2) In addition to the nominations of the Committee on Nominations, any 50 members of the Society may submit independent nominations for officers, directors -at-large, members of the Committee on Nominations, or elected members of the Executive Board, provided that such nominations be filed with the assistant secretary not later than March 1. Nominations shall be at-large.

- (3) If any nominee of the Committee on Nominations becomes unavailable before the annual meeting or in the event a director-nominee should become a member of the Board of Directors by reason of his/her election to president of a local chapter or in the event a vacancy occurs among the directors -at-large, then the Committee on Nominations shall, as early as practicable but before the annual meeting 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 Committee on Nominations 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 Committee on Nominations, and members of the Executive Board shall be held at the annual meeting, and those elected shall take office at the conclusion of the annual meeting. A majority vote of the members present in person or by proxy shall elect except that candidates nominated under Section (2) shall be elected by a plurality.
- (6) The chairman-elect and treasurer-elect shall become chairman and treasurer, respectively, at the conclusion of the annual meeting one year after becoming chairman-elect and treasurer-elect, respectively.

ARTICLE X - MEETINGS

- (1) An annual meeting of the Society shall be held in May or June at such time and place as may be designated by the Executive Board. Notice of the time and place of the meeting shall be disseminated by or at the direction of the chairman, the secretary, or the officers or persons calling the meeting not less than 10 or more than 50 days before the meeting date.
- (2) Special meetings of the Society may be called at any time by the chairman, 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 mailed by or at the direction of the chairman, the secretary, or the officers or persons calling the meeting to all members entitled to vote not less than 10 or more than 50 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 Executive Board.
- (3) One hundred members when present in person shall constitute a quorum at any meeting of the Society.
- (4) A majority of the members voting in person or by proxy shall

constitute a vote of the membership. At the Executive Board's discretion, a mail ballot or secure ballot on a TSCPA designated Web site 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 assistant 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.

- (5) All members of the Society 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.

ARTICLE XI - DUES AND ASSESSMENTS

- (1) Dues 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.
- (2) All dues are payable in advance on the first day of each fiscal year.
- (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) Members of the Society 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.
- (5) Members who have attained age 55 and pay to the Society the amount of 10 years' dues in advance based on their then-current dues classification shall be relieved of further payment of dues.
- (6) Members who have been members for 40 consecutive years shall become lifetime members and shall be relieved of further payment of dues. In the event that a lifetime member of the TSCPA has honorably surrendered his or her CPA license, the TSCPA status as a lifetime member will be retained.

ARTICLE XII - FISCAL MATTERS

- (1) The fiscal year of the Society shall begin on June 1 and end on May 31 of the following year.

- (2) The Board of Directors 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 limitations of the budget for that year unless authorized or ratified by the Executive Board or the Board of Directors.
- (3) The Board of Directors shall designate an auditor or firm of auditors to examine the report of the treasurer for the then-current fiscal year. The auditor or partner of the firm of auditors shall be a member of the Society.

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 Society publications.

ARTICLE XIV - INDEMNIFICATION

The Society shall indemnify:

- (1) any person who is or was a party or is or was threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of the Society or a member of any committee, member section or task force of the Society against expenses, judgments, awards, fines, penalties and amounts paid in settlement actually and reasonably incurred by such person (with the prior consent of the Society acting through its Executive Board by a two-thirds vote and concurrence of counsel which the Society shall have retained to defend such person, as hereinafter provided) in connection with such action, suit or proceeding,
 - (a) except with respect to matters as to which it is adjudged in any suit, action or proceeding that such person is liable to the Society by reason of the fact that such person has been found guilty of the commission of a crime or of gross negligence in the performance of his/her duties, it being understood that termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent (whether or not after trial) shall not, of itself, create a presumption or be deemed an adjudication that such person is liable to the Society by reason of the commission of a crime or gross negligence in the performance of his/her duties; and

- (b) provided that such person shall have given the Society prompt notice of the threatening or commencement (as appropriate) of any such action, suit or proceeding.

- (2) Upon notice from any such indemnified person that there is threatened or has been commenced any such action, suit or proceeding, the Society:
 - (a) shall defend such indemnified person through counsel selected by and paid for by the Society and reasonably acceptable to such indemnified person, which counsel shall assume control of the defense; and

 - (b) shall reimburse such indemnified person for expenses encompassed by the foregoing indemnity in advance of the final disposition of any such action, suit or proceeding, provided that the indemnified person shall agree to repay to the Society all amounts so reimbursed if a court of competent jurisdiction finally determines that such indemnified person is liable to the Society by reason of the fact that such indemnified person has been found guilty of the commission of a crime or of gross negligence in the performance of his/her duties. The foregoing provision shall be in addition to any and all rights that the persons specified above may otherwise have at any time to indemnification from and/or reimbursement by the Society.

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 assistant secretary and signed by 50 or more members in good standing.

- (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 either of the following two ways:

- (a) by a two-thirds majority of members present in person or by proxy at the annual meeting, provided that written notice shall be mailed to the membership at least 30 days prior to the date of such meeting; or
 - (b) by mail ballot, if approved by two-thirds of the votes received within 30 days after the date of mailing the ballot.

- (4) In the event of lack of clarity, the Executive Board shall interpret these *Bylaws*.

- (5) The rules contained in Robert's Rules of Order shall govern in all cases to which they are applicable, and in which 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 to provide guidelines and procedures by which the Society will function and operate.

- (2) The Volunteer Policies and Procedures Manual will be the Society's governing document except in cases in which it is inconsistent with the Articles of Incorporation or *Bylaws* of the Society. 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 such amendments are promptly reported in writing to the Executive Board.

ARTICLE XVII - STRATEGIC PLAN

- (1) The Society shall adopt a written strategic plan ("*Strategic Plan*") with the primary objective of positioning and maintaining the Society as a leading professional accounting organization. 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* may be amended by the vote of two-thirds of the members of the Executive Board.

ARTICLE XVIII - PEER REVIEW

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

- (2) A firm that is
 - (a) enrolled in the AICPA Peer Review Program,
 - (b) a member firm of the AICPA Division for CPA firms, or
 - (c) reviewed under the standards and regulations of the AICPA Peer Review Program as administered by the Society

shall be deemed to be enrolled in a Society-approved practice-monitoring program. Such enrolled firms shall arrange and schedule their reviews in compliance with administrative procedures established by the Society and shall cooperate with the Society in all matters related to their review.

- (3) The Executive Board shall terminate the enrollment of a firm in a Society-approved practice-monitoring program if such firm:
 - (a) fails to pay fees authorized by the Executive Board and related to the administration of the Society-approved practice-monitoring program in which it is enrolled; or
 - (b) fails to file with the Society or AICPA (i) all review information related to arrangements for mandatory review, (ii) the report, or (iii) any letter of comment and the firm's response thereto; and
 - (c) such failure continues uncorrected for a period of 30 days after the Peer Review Committee has notified the firm in writing by registered or certified mail, return receipt requested, of such failure.

The Executive Board's termination of enrollment as described above shall be effective without a hearing for such firm, unless the Executive Board, in its sole discretion, decides to grant a hearing.

- (4) All terminations of mandatory enrollment in the Society-approved practice-monitoring programs shall be reported to the Society membership in one or more periodicals published by the Society.
- (5) Any firm headquartered outside the state of Texas that is enrolled in and in full compliance with the AICPA Peer Review Program shall be deemed to be in compliance with the Society-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.

ARTICLE XIX - MEMBER SECTIONS

- (1) General Policy
 - (a) The Executive Board may establish and maintain member sections ("sections") for the purpose of promoting the objectives of the TSCPA within the particular field designated by the application of each proposed section, all subject to the *Bylaws*, policies and procedures of the TSCPA. The Executive Board is authorized to condition the TSCPA's relationship with a member section on such contractual arrangements or other agreements as the Executive Board may approve on a case-by-case basis.
 - (b) Sections may be comprised of TSCPA members and other individuals, firms, other entities, or a combination thereof, who perform services in specialized fields or who otherwise have common interests.
 - (c) A CPA eligible for TSCPA membership must be a member of TSCPA to join and retain membership in a member section.
 - (d) Non-CPAs and CPAs who are not licensed to practice public accounting in Texas may be permitted to be section members at the invitation of the TSCPA members of the member section.
 - (e) The member section shall select a chairman who is a TSCPA member.
 - (f) TSCPA members shall comprise the majority of the voting members of a member section.

- (g) A member section shall be without the power by its own actions to bind or obligate the TSCPA in any manner. No section, or member thereof, shall assume to represent the TSCPA unless specifically authorized to do so by the Executive Board.
- (h) Authorization of a section's organization and any related agreements shall take effect upon approval by the Executive Board. The organization and operation of the section shall not be in conflict with the TSCPA *Strategic Plan*.

(2) Continuanace

- (a) The Executive Board may review the productive use of section dues income and other section revenues, development of programs, plans, and other activities of each section to determine whether they warrant continuation of the section relationship. The TSCPA 's relationship with a member section is subject to dissolution at the discretion of the Executive Board. Furthermore, intentional disregard of TSCPA policy by a member section or breach of any contractual relationship or other agreement with the TSCPA will result in its termination of TSCPA's relationship with the member section. A member section may dissolve itself.

TSCPA Code of Professional Ethics

APPROVED BY:
TSCPA Membership

EFFECTIVE DATE:
June 27, 2003

PREAMBLE

The reliance of the public and business community on the professional services of the Texas Society of Certified Public Accountants' ("Society") members imposes on such members certain obligations to their clients and to the public. Such 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 affairs of clients 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 the Society to help regulate the conduct of its members.

TSCPA RULES OF CONDUCT

The Code of the Society shall consist of both the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct and the Texas State Board of Public Accountancy (TSBPA) 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 TSCPA and designation of TSCPA members should be substituted.

The definitions, rules, interpretations, and rulings of the AICPA and TSBPA shall be construed and applied by the Society in disciplinary proceedings conducted under authority of the Texas Society of Certified Public Accountants (TSCPA) Bylaws. Both the AICPA and TSBPA rules will apply to all members of the Society. When AICPA and TSBPA rules are not identical, the TSCPA 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.

The Society 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 TSCPA Bylaws and would, therefore, be subject to TSCPA 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 the Society. 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 the Society'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 Committee on Professional Ethics. Sanctions may include a reprimand, suspension, resignation, expulsion, 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 Committee on Professional Ethics of the Society to provide guidelines as to the scope and application of the Code.

The Code was adopted by the Society'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.

