

Professional corporation by laws

PREVIEW

1. The shareholders of a professional corporation and the members of a professional association may adopt bylaws for the regulation of the affairs of the corporation or association.
2. The bylaws should be adopted at the organizational meeting. The bylaws may provide for the management and operations of the professional organization.
3. The bylaws may contain a provision that requires the corporation to purchase the shares of a shareholder who leaves the employment of the company. Failure to include such a provision could lead to a situation where the corporation could refuse to purchase a shareholder's shares. Thereafter the shareholder's assets would become frozen and unavailable. Consequently the shareholder would be prevented from withdrawing the assets that he or she put into the corporation.
4. Difference between regular bylaws and professional association and corporation bylaws:
5. The bylaws of a professional corporation or association are fundamentally the same as those of an ordinary business corporation and relate to the regulation and management of the affairs of the organization.
6. The main difference between regular corporation bylaws and professional corporation/association bylaws are the provisions which relate to the statutory restrictions which are imposed on professional corporations and associations.
7. Bylaws of an ordinary business corporation should, therefore, be used selectively and should be tailored to fit the particular professional practice and type of service to be performed. Consequently, the bylaws should include provisions peculiar to the professional corporation or association.
8. The bylaws should prohibit the following:
 - a. sale of stock to any person who is not licensed to perform the services provided by the organization,
 - b. the election to the board of directors of any person who is not licensed to perform the services provided by the organization, and
 - c. the election as an officer of any person who is not licensed to perform the services provided by the organization.
 - d. The bylaws should stipulate that if any shareholder, director, officer, employee, or agent of the corporation or association who has been rendering professional service becomes legally disqualified from practicing the profession, his or her employment with and financial interest in the corporation will be immediately terminated.

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9. The bylaws should contain a provision reflecting statutory requirements concerning the internal operation of professional corporations or associations.

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a. For example, the bylaws may prohibit any person who is not licensed to render the professional service for which a professional corporation or association is formed from owning shares in the corporation or association.

10. Dissolution By One Member:

a. The bylaws should contain a statement that no member of the association shall have the power to dissolve the association by his or her independent act.

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Matters to consider including in bylaws of professional corporation or association

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1. Restriction on the ownership of the shares to persons licensed to render the professional service for which the professional corporation or association was organized.
2. Restriction on the transfer of the shares to persons licensed to render professional service for which professional corporation or association was organized
3. Specification of the number and qualifications of the directors
4. Specification of the officers and their qualifications
5. Redemption of the shares of a shareholder or of a deceased shareholder by the professional corporation
6. Requirement that the professional corporation purchase the shares of a shareholder, officer, or director who becomes legally disqualified to render professional service for which the professional corporation was organized
7. Requirement that the professional corporation purchase the shares of a person who is not licensed or authorized to render the professional service for which the corporation was organized, who may have succeeded to an interest in a shareholder's interest.
8. No member of the association shall have the power to dissolve the association by his or her independent act.

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BYLAWS

1. OFFICES

1.1 The principal office of the corporation is fixed and located at [address], City of _____, County of _____, State of Texas [ZIP Code]. The corporation may have such other offices as the business of the corporation may require from time to time.

1.2 The street address of the corporation's initial registered office is [address], City of _____, County of _____, State of Texas [ZIP Code] and the name of its initial registered agent at such address is [Name].

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2. SHARES

2.1 Eligible shareholders.

a. Shares of the corporation will be issued only to persons duly licensed or authorized by law to [practice the profession of _____ or perform the services of _____] in the State of Texas.

2.2 Certificates.

a. The shares of the corporation will be represented by certificates signed by the president or vice president and the secretary. Each certificate will be issued in numerical order from the share certificate book, and a full record of each certificate, as issued, will be entered on the stub thereof. Each certificate will contain an appropriate legend setting forth the restrictions on sale and transfer provided for in Sections 2.3 and 2.4 of this Article.

2.3 Transfer.

a. Transfers of shares of the corporation will be made only on the books of the corporation by the holder of record of such shares or by his or her duly authorized attorney in fact.

b. No shareholder of the corporation may sell or transfer his or her shares in the corporation except to any other shareholder of the corporation, to the corporation, or to any other person who is licensed or otherwise legally authorized to [practice the profession of _____ or perform the services of _____] in the State of Texas.

c. The corporation and/or its shareholders are authorized to enter into a separate buy-sell agreement for the purchase of outstanding shares of the corporation. Any such agreement will be deemed a part of these bylaws, and will be attached to the bylaws and incorporated therein. Any transfer of shares will be subject to the terms of the separate buy-sell agreement.

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2.4 Death, severance or disqualification of shareholders, agents, and employees.

a. If any shareholder, officer, or director of the corporation, or any agent or employee of such corporation who has been rendering professional service of the same type that the corporation was organized to render, becomes legally disqualified to render such professional service, or his or her employment with the corporation is severed, then he or she will sever all employment with, and financial interest in the corporation immediately.

b. Thereafter the corporation will purchase or cause to be purchased the shares of the aforesaid shareholder and will redeem the shares within _____ months after such severance, disqualification or after appointment of the executor, administrator, or other legal representative of the estate of the deceased shareholder.

c. The price and terms on which the shares of each deceased or disqualified shareholder will be redeemed or purchased will be _____

[set forth price and terms such as: the book value of such shares as of the end of the month immediately preceding the death or disqualification of the shareholder as determined from the books and records of the corporation in accordance with its regular method of accounting].

d. At no time after the shareholder's death or disqualification to practice _____ in Texas will the shareholder or his or her personal representative have the right to vote on matters relating to the corporation's practice of _____.

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3.1 Annual meeting.

a. Meetings of shareholders will be held annually on the [first Monday] in the month of _____ at [time], unless such day should fall on a legal holiday. In such event, the meeting shall be held at the same hour and place on the next succeeding business day that is not a legal holiday.

3.2 Special meetings.

a. Special meetings of the shareholders may be called by the president, the board of directors, or by one or more shareholders holding not less than [one-tenth] of all the shares entitled to vote at special meetings.

3.3 Notice of meetings.

a. The notice of any regular or special meeting for the shareholders shall specify the place, the date, the hour of the meeting, and, in the case of special meetings, the purpose or purposes for which the meeting is called.

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b. Written notice of the meeting will be given by the secretary of the corporation to each shareholder appearing on the books of the corporation and will be mailed to the shareholder at his or her address as it appears on the record of shareholders of the corporation at least _____ days before any such meeting is convened.

3.4 Quorum.

a. The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote shall be necessary to constitute a quorum of the shareholders for all purposes, unless the presence of a larger number shall be required by law.

b. If, however, such quorum shall not be present or represented at any meeting of the shareholders, the holders of a majority of the voting shares represented at the meeting will have the power to adjourn the meeting until a future day.

c. At such adjourned meeting, any business may be transacted that might have been transacted at the meeting as originally called.

3.5 Voting.

a. Every shareholder will be entitled to one vote for each share standing in his or her name on the record of shareholders.

b. All corporate action, except for those decisions that are regulated by statute, will be determined by a majority vote of the shareholders present in person.

c. Preemptive rights and cumulative voting.

i. The shareholders of the corporation shall not have the preemptive right to subscribe to any issue of shares or securities of the corporation.

ii. No shareholder shall have the right to cumulate his or her votes at any election for directors of the corporation.

4. BOARD OF DIRECTORS

4.1 Number and qualifications

a. The board of directors of the corporation shall consist of _____ persons.

b. Each director must be duly licensed or otherwise legally qualified in the State of Texas to render the professional service for which the corporation has been organized.

c. In the event a director becomes disqualified to render such professional service in the State of Texas, he or she shall immediately cease to be a director on the effective date of disqualification, and his or her office as director shall become vacant.

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4.2 Manner of election; term of office

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- a. Directors shall be elected at the annual meeting of the shareholders.
- b. The term of office of each director shall be until the next annual meeting of the shareholders and the election of a successor in office.

4.3 Vacancies.

a. Any vacancy occurring in the board of directors by death, resignation, disqualification, or otherwise shall be filled by a majority vote of the remaining directors at a special meeting that will be called for such purpose within _____ days after the vacancy occurs.

b. The successor thus chosen will hold office until the next succeeding annual meeting of the shareholders and until his or her successor has been elected and qualified.

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4.4 Duties and powers.

a. The board of directors will have control and management of the affairs and businesses of the corporation.

b. Subject to the limitations of the Certificate of Formation, these bylaws, and the Texas Business Organizations Code concerning corporate action that must be authorized or approved by the shareholders of the corporation, all corporate powers will be exercised by or under the authority of the board of directors, and the business and affairs of the corporation will be managed by the board of directors.

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4.5. Meetings.

a. Without notice or call, the board of directors will hold an organizational meeting immediately following each annual meeting of the shareholders of the corporation.

b. Special meetings of the board of directors may be called by the president, any vice president, or by any two directors.

c. No notice need be given of any regular meeting of the board.

d. Notice of special meetings shall be given by the secretary through at least one of the following methods:

i. Actual notice in person or by telephone to each director at least _____ days in advance of the date set for the meeting; or

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ii. Notice by mail or telegraph sent to each director in time in the regular course of business to reach each respective director at least _____ days prior to the date set for the meeting.

e. Written or telegraphic notices will be sufficient if sent, charges prepaid, to each respective director at his or her last address known to the secretary as shown by the records of the corporation.

f. Notice of any particular meeting may be given to some directors in one manner and to the remaining directors in a different manner.

g. Attendance of a director at the meeting will constitute a waiver of notice of such meeting, except where a director attends the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

4.6 Quorum.

a. A majority [plus _____ (number)] of the authorized number of directors constitutes a quorum of the board of directors for the transaction of business.

b. All action taken by the board of directors shall be approved by vote of a majority of the directors present at a meeting of the directors at which a quorum is present.

4.7 Compensation.

Each director shall receive from the corporation for attendance at each meeting of the board _____ Dollars (\$_____) per diem and such travel expenses as may be fixed or determined by a resolution of the board.

5. OFFICERS

5.1 Officers and qualifications. The officers of the corporation shall be a president, a vice president, a secretary, a treasurer, and such other officers as the board of directors may determine. One person may serve as both president and secretary.

a. All officers must be duly licensed or otherwise duly authorized in the State of Texas to render the professional service for which this corporation has been organized.

b. Each officer must be duly licensed or otherwise legally qualified in the State of Texas to render the professional service for which the corporation has been organized.

5.2 Election and term of office.

a. All officers of the corporation will be elected annually by the board of directors at its organizational meeting held in accordance with the annual meeting of the state officers.

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Each officer so elected will hold his or her office until he or she resigns or is removed or otherwise disqualified to serve, or a successor is elected and qualifies.

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5.3 Removal. Any officer may be removed during his or her term by vote of a majority [plus (number)] of the board of directors whenever, in the board's judgment, removal of such person would serve the best interest of the corporation.

a. In the event an officer becomes disqualified to render such professional service in the State of Texas, then he or she shall immediately resign and cease to be an officer on the effective date of his or her disqualification.

b. His or her office shall become vacant and another person shall be named to his or her office according to the provisions for naming officers in these bylaws.

5.4 Vacancies.

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a. Vacancies in any office within the corporation will be filled for the unexpired term by election of the board of directors.

5.5 Compensation.

a. The officers shall receive such salary or compensation as may be fixed by the board of directors.

5.6 Powers and duties. The officers of the corporation will have the following powers and duties, subject to such limitation as the board of directors may from time to time prescribe, and such other powers as may be conferred by the board:

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a. President.

i. The president shall be the principal executive officer of the corporation. Subject to the control of the board of directors, the president will supervise and direct generally all the business and affairs of the corporation.

ii. The president will preside at all meetings of the shareholders at which [he or she] is present. In the absence of the chairman of the board, or if there is no such chairman, the president will preside at all meetings of the board of directors at which [he or she] is present.

iii. The president may sign, with [the secretary or as the case may be], certificates for shares of the corporation, and any deeds, mortgages, bonds, contracts, or other instruments that the board of directors has authorized for execution, except when the signing and execution thereof have been expressly delegated by the board of directors or these bylaws to some other officer or agent of the corporation or is required by Texas law to be otherwise signed or executed.

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iv. The president shall also make reports to the board of directors and the shareholders and generally perform all duties incident to the office of president and such other duties as may be prescribed by the board of directors;

b. Vice president.

i. In the absence of the president of the corporation or in the event of [his or her] death or inability or refusal to act, the vice president will perform all the duties of the president and, when so acting, will act with all the powers of and be subject to all the restrictions on the president.

ii. In the event more than one vice president is elected, the vice presidents will serve in the capacity of the president in the order designated at the time of their election, or, in the absence of any such designation, in the order of their election. Any vice president may sign share certificates with the [secretary or as the case may be].

iii. The vice president or vice presidents shall also perform such other duties as may be assigned by the president or the board of directors.

c. Treasurer. The treasurer of the corporation shall have the following powers and duties:

i. To be custodian and take charge of and be responsible for all funds and securities of the corporation;

ii. To receive and give receipts for money due and paid to the corporation from any source whatsoever;

iii. To deposit all such monies paid to the corporation in the name of the corporation in such banks, trust companies, or other depositories as shall be selected in accordance with these bylaws;

iv. To perform all of the duties incidental to the office of treasurer and such other duties as may be assigned by the president or the board of directors;

v. To give a bond for the faithful performance of [his or her] duties when required to do so by the board of directors.

d. Secretary. The secretary of the corporation shall have the following powers and duties:

i. To keep the minutes for the meetings of the shareholders and the board of directors, in [one or more books or as the case may be] provided for that purpose;

ii. To see that all notices are duly given, in accordance with these bylaws or as required by law;

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- iii. To be custodian of the corporate records and the seal of the corporation;
- iv. To see that the seal of the corporation is affixed to all documents duly authorized for execution under seal on behalf of the corporation;
- v. To keep a register of the post office address of each shareholder whose address shall be furnished to the secretary by the shareholder;
- vi. To sign with the president, or vice president, certificates for corporate shares the issuance of which have been authorized by resolution of the board of directors;
- vii. To have general charge of the stock transfer books of the corporation; and
- viii. To perform all duties incidental to the office of secretary and such other duties as the president or board of directors may assign.

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6. AMENDMENTS

6.1 These bylaws may be amended or repealed or added to, or new bylaws may be adopted, by a majority vote of the shareholders or by the written assent of shareholders entitled to exercise a majority of the voting power.

7. DISSOLUTION

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7.1 The corporation may be dissolved at any time by the affirmative vote of the holders of [specify fraction] of the outstanding shares of the corporation at a meeting called for that purpose or by unanimous written consent of all the shareholders without a meeting.

7.2 In the event of such dissolution, the corporate property and assets shall, after payment of all debts of the corporation, be distributed to the shareholders, each shareholder to participate in such distribution in direct proportion to the number of shares held by such shareholder.

7.3 No one shareholder may cause the dissolution of the corporation by his or her own independent action.

Adopted by the board of directors on _____

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[director's name]

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[attorney's name]

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