

Amend CSHB 1165 by inserting the following new section, appropriately numbered, and renumbering the subsequent sections accordingly:

SECTION _____. Subchapter D, Chapter 371, Finance Code, is amended by adding Section 371.184 to read as follows:

Sec. 371.184. RESTRICTIONS ON TRANSACTIONS INVOLVING INTERESTED PARTIES. (a) In this section:

(1) "Controlling shareholder" means a shareholder or group of affiliated shareholders that has effective control of a corporation or other business entity.

(2) "Effective control" means, with respect to a corporation or other business entity, the ownership of 25 percent or more of the shares eligible to vote in any election of directors or other matters typically requiring shareholder approval.

(3) "Interested party" means, with respect to a corporation or other business entity:

(A) a controlling shareholder;

(B) a member of the board of directors or its equivalent;

(C) an executive officer of the corporation or business entity;

(D) a member of the immediate family of a controlling shareholder, director, or executive officer; or

(E) an affiliate of the corporation or other business entity, a controlling shareholder, director, or executive officer of an affiliate, or a member of the immediate family of a controlling shareholder, director, or executive officer of an affiliate.

(b) A corporation or other business entity that holds a license under this chapter, makes loans and charges interest, whose shares are publicly traded, and that has a shareholder or group of affiliated shareholders who have the power to exercise effective control of the corporation or other business entity may not engage in transaction involving more than \$10,000 with an interested party unless the transaction receives prior approval of a majority of the holders of outstanding shares of the corporation's or other business entity's capital stock or its equivalent, including

capital stock that is not otherwise entitled to vote, who are not interested parties, voting together as a single class of capital stock.