

BILL ANALYSIS

C.S.H.B. 2578
By: Goolsby
Business & Industry
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Texas is currently one of only eight states that do not permit corporations to use electronic means (Internet, electronic mail, facsimile transmission or telephone) to provide notice of meetings and other corporate activities to shareholders and directors. Texas corporations also do not have the Option to permit shareholder voting by electronic means. CSHB 2578 would amend the Texas Business Corporation Act to permit a corporation to employ such electronic means of communication between a corporation and its shareholders and directors, but only with the express consent of individual shareholders and directors. The results should be substantial cost savings to Texas corporations through the reduction of printing and mailing costs for paper documents, elimination of lost documents and mail delays during periods of heavy mail traffic, and increased shareholder participation in corporate affairs due to the inconvenience and time saving features of electronic communications.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

CSHB 2578 amends Section A, Article 1.02 by adding Subdivision (13-a), Article 2.24 by adding Section E, Part 2 by adding 2.25-1 and 2.29-1, and 2.37 by adding Section C, Texas Business Corporation Act, to permit corporations to use electronic means to provide notice to directors and shareholders, and to permit shareholders to vote by electronic transmission means. The option to use such electronic transmission means is only allowed when specifically consented to by an individual shareholder or director.

EFFECTIVE DATE

September 1, 2003

COMPARISON OF ORIGINAL TO SUBSTITUTE

The committee substitute provides wording changes but no substantive changes to the original intent of the House Bill 2578. The changes were also prompted by the necessity to underline any language that is an addition to the current statutes.