

By: Ellis, et al.

S.B. No. 1059

Substitute the following for S.B. No. 1059:

By: Marchant

C.S.S.B. No. 1059

A BILL TO BE ENTITLED

AN ACT

relating to corporate and business ethics and integrity.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter D, Chapter 371, Finance Code, is amended by adding Section 371.184 to read as follows:

Sec. 371.184. INTERESTED PARTY TRANSACTION. (a) In this section:

(1) "Controlling owner" means a shareholder or other holder of an ownership interest, or a group of affiliated shareholders or other holders of ownership interests, that has effective control of a business entity.

(2) "Effective control" means ownership of 25 percent or more of the shares or other ownership interests eligible to vote:

(A) in an election of the governing body of a business entity; or

(B) on other matters that require approval of shareholders or other holders of ownership interests.

(3) "Interested party" means:

(A) a controlling owner;

(B) a member of the governing body of a business entity;

(C) an executive officer of a business entity;

(D) an immediate family member of a member of the governing body, executive officer, or controlling owner of a

1 business entity; or

2 (E) an affiliate of a business entity or of a
3 person described by Paragraphs (A)-(D).

4 (b) This section applies only to a publicly traded business
5 entity that:

6 (1) makes interest-bearing loans;

7 (2) has a single controlling owner; and

8 (3) is licensed under this chapter.

9 (c) A business entity may not enter into a transaction with
10 an interested party that involves more than \$10,000 without the
11 prior approval of a majority of the holders of all the outstanding
12 shares of capital stock, or other ownership interests, of every
13 class or series, including capital stock or ownership interests not
14 otherwise entitled to vote, who are not interested parties, voting
15 together as a single class.

16 SECTION 2. Subchapter B, Chapter 402, Government Code, is
17 amended by adding Section 402.0231 to read as follows:

18 Sec. 402.0231. CORPORATE INTEGRITY UNIT. (a) In this
19 section, "corporate fraud" means a violation of state or federal
20 law or rules relating to fraud committed by a corporation, limited
21 liability company, or registered limited liability partnership or
22 an officer, director, or partner of those entities while acting in a
23 representative capacity.

24 (b) A corporate integrity unit is created within the office
25 of the attorney general to assist in the enforcement of the laws
26 relating to corporate fraud or other similar illegal activities.

27 The unit shall:

1 (1) assist district attorneys and county attorneys in
2 the investigation and prosecution of corporate fraud or other
3 similar illegal activities allegedly committed by corporations,
4 limited liability companies, and registered limited liability
5 partnerships;

6 (2) assist state agencies with investigation of
7 complaints and administrative enforcement actions for corporate
8 fraud violations, including the assessment of an administrative
9 penalty or other administrative sanction; and

10 (3) serve as a clearinghouse for information relating
11 to the investigation and prosecution of corporate fraud and other
12 similar illegal activities in this state.

13 (c) To the extent allowed by law, a state agency or local law
14 enforcement agency shall cooperate with the corporate integrity
15 unit by providing information requested by the unit as necessary to
16 carry out the purposes of this section. Information disclosed
17 under this subsection is confidential and not subject to disclosure
18 under Chapter 552.

19 SECTION 3. Section 371.184, Finance Code, as added by this
20 Act, applies only to a transaction that is entered into on or after
21 the effective date of this Act. A transaction that is entered into
22 before the effective date of this Act is governed by the law in
23 effect at the time the transaction was entered into, and the former
24 law is continued in effect for that purpose.

25 SECTION 4. The office of the attorney general is not
26 required to implement Section 402.0231, Government Code, as added
27 by this Act, unless a specific appropriation for the implementation

C.S.S.B. No. 1059

1 is provided in the General Appropriations Act, Acts of the 78th
2 Legislature, Regular Session, 2003.

3 SECTION 5. This Act takes effect September 1, 2003.