

BILL ANALYSIS

H.B. 2393
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Business & Industry
Committee Report (Unamended)

BACKGROUND AND PURPOSE

A company generally is required to issue shares to shareholders unless shares are uncertificated in the company's bylaws. However, questions arise as to whether a domestic entity is in violation of the law or of its governing documents if it fails to issue a certificated share of ownership to an owner if the owner requests beforehand that the share be uncertificated. H.B. 2393 seeks to provide a defense for an owner not issuing certificated shares upon rejection or request of the owner due those shares by establishing that a failure to issue a certificated share in those circumstances is not a violation of the law or of the company's governing documents .

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

H.B. 2393 amends the Business Organizations Code to establish that a domestic entity that is required by law or its governing documents to issue shares based on certificated and uncertificated ownership interest is not in violation of the law or its governing documents for failure to issue a certificated share of ownership to an owner if the owner has specifically made a request before the issuance of the shares that the ownership interest be uncertificated.

EFFECTIVE DATE

September 1, 2011.