

BILL ANALYSIS

S.B. 1568
By: Estes
Business & Industry
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties have expressed concern that certain statutory provisions have caused confusion concerning a shareholder's standing to institute or maintain a derivative proceeding after a corporation's shares, pursuant to a merger, are converted into cash or securities of another entity. These parties observe that a Texas court has clarified that a shareholder, in order to have standing, must own stock at the time of filing a derivative suit and continuously through the completion of the suit. S.B. 1568 seeks to address this issue by eliminating ambiguity in statutory provisions relating to derivative proceedings.

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

S.B. 1568 amends the Business Organizations Code to remove the provision of law prohibiting statutory provisions governing fundamental business transactions of for-profit corporations and mergers, interest exchanges, conversions, and sales of assets from being construed to limit or terminate a shareholder's standing to institute or maintain a derivative proceeding on behalf of a corporation after a merger.

EFFECTIVE DATE

September 1, 2011.