

BILL ANALYSIS

S.B. 1057
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Trade, Workforce & Economic Development
Committee Report (Unamended)

BACKGROUND AND PURPOSE

U.S. Securities Exchange Commission rules allow company shareholders with special interests to propose issues that all company shareholders must consider, and those rules require public companies to include shareholder proposals alongside management's proposals in proxy materials for shareholder meetings. The bill sponsor has informed the committee that the rules set low ownership thresholds, enabling shareholders to submit proposals that can create an additional burden on companies and other shareholders. Further, while state law governs what can be voted on at these meetings, the federal rules influence what appears in proxy materials. S.B. 1057 seeks to address this issue by establishing a requirement for certain eligible corporations that any shareholder has to own a meaningful amount of shares in the corporation before forcing other shareholders to vote on the shareholder's proposal.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

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. 1057 amends the Business Organizations Code to set out provisions relating to the submission and approval of a proposal by shareholders of an applicable nationally listed corporation that makes an affirmative election to be governed by the bill's provisions under an amendment to the corporation's governing documents. The bill requires such a corporation to provide notice to shareholders of the proposed adoption of such an amendment in any proxy statement provided to shareholders preceding the amendment's adoption and to include in any proxy statement provided to shareholders specific information about the process by which a shareholder or group of shareholders may submit a proposal on a matter requiring shareholder approval, including information for how shareholders may contact other shareholders for the purpose of satisfying the ownership requirements in the bill's provisions.

S.B. 1057 requires a shareholder or group of shareholders, subject to the corporation's governing documents, to satisfy the following criteria in order to submit a proposal on a matter to the shareholders for approval at a meeting of shareholders:

- hold an amount of voting shares of the corporation, determined as of the date of submission of the proposal, equal to at least \$1 million in market value or three percent of the corporation's voting shares;
- hold those required shares for a continuous period of at least six months before the date of the meeting and throughout the entire duration of the meeting; and

- solicit the holders of shares representing at least 67 percent of the voting power of shares entitled to vote on the proposal.

This requirement expressly does not apply to director nominations and procedural resolutions that are ancillary to the conduct of the meeting.

S.B. 1057 defines "nationally listed corporation" as a corporation that satisfies the following criteria:

- has a class of equity securities registered under applicable provisions of the federal Securities Exchange Act of 1934;
- is admitted to listing on a national securities exchange; and
- either has its principal office in Texas or is admitted to listing on a stock exchange that has its principal office in Texas and has received approval by the securities commissioner under applicable Government Code provisions.

The bill defines "voting shares" as shares that entitle the holders of the shares to vote on a proposal.

EFFECTIVE DATE

September 1, 2025.