

By: Longoria

H.B. No. 4862

Substitute the following for H.B. No. 4862:

By: Leach

C.S.H.B. No. 4862

A BILL TO BE ENTITLED

1 AN ACT

2 relating to business organizations.

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

4 SECTION 1. Subchapter B, Chapter 1, Business Organizations  
5 Code, is amended by adding Sections 1.056 and 1.057 to read as  
6 follows:

7 Sec. 1.056. REFERENCES IN CODE TO CERTAIN DISTRICT COURTS  
8 INCLUDES BUSINESS COURTS. Notwithstanding any other law, a  
9 reference or grant of jurisdiction in this code, including a grant  
10 of exclusive jurisdiction, to a district court constitutes a  
11 reference or grant of concurrent jurisdiction to a business court  
12 established under Chapter 25A, Government Code, if the business  
13 court has authority and jurisdiction under Chapter 25A, Government  
14 Code, to adjudicate the action or claim. This section does not  
15 expand the authority of the business court under Chapter 25A,  
16 Government Code.

17 Sec. 1.057. LAWS GOVERNING FORMATION, INTERNAL AFFAIRS, AND  
18 GOVERNANCE OF DOMESTIC ENTITY. (a) The plain meaning of the text  
19 of this code may not be supplanted, contravened, or modified by the  
20 laws or judicial decisions of any other state.

21 (b) The managerial officials of a domestic entity, in  
22 exercising their powers with respect to the domestic entity, may  
23 consider the laws and judicial decisions of other states and the  
24 practices observed by entities formed in those other states. The

1 failure or refusal of a managerial official to consider, or to  
2 conform the exercise of the managerial official's powers to, the  
3 laws, judicial decisions, or practices of another state does not  
4 constitute or imply a breach of this code or of any duty existing  
5 under the laws of this state.

6 SECTION 2. Section 2.115(b), Business Organizations Code,  
7 is amended to read as follows:

8 (b) The governing documents of a domestic entity [may  
9 require], consistent with applicable state and federal  
10 jurisdictional requirements, may require:

11 (1) that any internal entity claims shall be brought  
12 only in a court in this state; and

13 (2) that one or more courts in this state having  
14 jurisdiction shall serve as the exclusive forum and venue for any  
15 internal entity claims.

16 SECTION 3. Section 3.007(a), Business Organizations Code,  
17 is amended to read as follows:

18 (a) In addition to the information required by Section  
19 3.005, the certificate of formation of a for-profit or professional  
20 corporation must state:

21 (1) the aggregate number of shares the corporation is  
22 authorized to issue;

23 (2) if the shares the corporation is authorized to  
24 issue consist of one class of shares only, the par value of each  
25 share or a statement that each share is without par value;

26 (3) if the corporation is to be managed by a board of  
27 directors, the number of directors constituting the initial board

1 of directors and the name and address of each individual ~~[person]~~  
2 who will serve as director until the first annual meeting of  
3 shareholders and until a successor is elected and qualified; and

4 (4) if the corporation is to be managed pursuant to a  
5 shareholders' agreement in a manner other than by a board of  
6 directors, the name and address of each person who will perform the  
7 functions required by this code to be performed by the initial board  
8 of directors.

9 SECTION 4. Section 3.015(a), Business Organizations Code,  
10 is amended to read as follows:

11 (a) In addition to containing the information required  
12 under Sections 3.005 and 3.014, the certificate of formation of a  
13 professional association must:

14 (1) be signed by each member of the association; and

15 (2) state:

16 (A) the name and address of each original member  
17 of the association;

18 (B) whether the association is to be governed by  
19 a board of directors or by an executive committee; and

20 (C) the name and address of each individual  
21 ~~[person]~~ serving as an initial member of the board of directors or  
22 executive committee of the association.

23 SECTION 5. Section 3.060, Business Organizations Code, is  
24 amended by amending Subsection (a) and adding Subsection (c) to  
25 read as follows:

26 (a) In addition to the provisions authorized or required by  
27 Section 3.059, a restated certificate of formation for a for-profit

1 corporation or professional corporation may omit:

2                   (1) any prior statements regarding the number of  
3 directors and the names and addresses of the individuals [persons]  
4 serving as directors and, at the corporation's election, may insert  
5 a statement regarding the current number of directors and the names  
6 and addresses of the individuals [persons] currently serving as  
7 directors; and

8                   (2) any provisions that were necessary to effect a  
9 change, exchange, reclassification, subdivision, combination, or  
10 cancellation of shares, if the change, exchange, reclassification,  
11 subdivision, combination, or cancellation has become effective.

12                   (c) Any omission or insertion under Subsection (a) or  
13 omission under Section 3.059(b) is not considered an amendment that  
14 requires shareholder approval.

15                   SECTION 6. Section 3.061, Business Organizations Code, is  
16 amended by amending Subsection (a) and adding Subsection (c) to  
17 read as follows:

18                   (a) In addition to the provisions authorized or required by  
19 Section 3.059, a restated certificate of formation for a nonprofit  
20 corporation may omit any prior statements regarding the number of  
21 directors and the names and addresses of the individuals [persons]  
22 serving as directors and, at the corporation's election, may insert  
23 a statement regarding the current number of directors and the names  
24 and addresses of the individuals [persons] currently serving as  
25 directors.

26                   (c) Any omission or insertion under Subsection (a) or  
27 omission under Section 3.059(b) is not considered an amendment that

1 requires member approval.

2 SECTION 7. Section 3.0611, Business Organizations Code, is  
3 amended to read as follows:

4 Sec. 3.0611. SUPPLEMENTAL PROVISIONS FOR RESTATED  
5 CERTIFICATE OF FORMATION FOR LIMITED LIABILITY COMPANY. (a) In  
6 addition to the provisions authorized or required by Section 3.059,  
7 a restated certificate of formation for a limited liability company  
8 may omit any prior statements regarding whether the company has or  
9 does not have managers and the names and addresses of managers or  
10 members and, at the company's election, may insert a statement:

11 (1) regarding whether the company currently has or  
12 does not have managers;

13 (2) that the company currently has managers and the  
14 names and addresses of the persons currently serving as managers;  
15 or

16 (3) that the company currently does not have managers  
17 and the names and addresses of the current members of the company.

18 (b) Any omission or insertion under Subsection (a) or  
19 omission under Section 3.059(b) is not considered an amendment that  
20 requires member approval.

21 SECTION 8. Section 3.062, Business Organizations Code, is  
22 amended to read as follows:

23 Sec. 3.062. SUPPLEMENTAL PROVISIONS FOR RESTATED  
24 CERTIFICATE OF FORMATION FOR REAL ESTATE INVESTMENT TRUST. (a) In  
25 addition to the provisions authorized or required by Section 3.059,  
26 a restated certificate of formation for a real estate investment  
27 trust may update the current number of trust managers and the names

1 and addresses of the individuals [persons] serving as trust  
2 managers.

3 (b) Any update under Subsection (a) or Section 3.059(b) is  
4 not considered an amendment that requires shareholder approval.

5 SECTION 9. Subchapter C, Chapter 3, Business Organizations  
6 Code, is amended by adding Section 3.106 to read as follows:

7 Sec. 3.106. AUTHORIZATION OF PLANS, AGREEMENTS,  
8 INSTRUMENTS, AND OTHER DOCUMENTS. (a) If this code expressly  
9 requires the governing authority to approve or take other action  
10 with respect to any plan, agreement, instrument, or other document,  
11 the plan, agreement, instrument, or other document may be approved  
12 by the governing authority in final form or in substantially final  
13 form.

14 (b) If the governing authority has acted to approve or take  
15 other action with respect to a plan, agreement, instrument, or  
16 other document that is required by this code to be filed with the  
17 secretary of state or referenced in any certificate to be filed with  
18 the secretary of state, the governing authority may, at any time  
19 after acting to approve or taking that other action and before the  
20 effectiveness of the filing with the secretary of state, act to  
21 ratify the plan, agreement, instrument, or other document. That  
22 ratification is considered:

23 (1) to be effective as of the time of the original act  
24 to approve or the original taking of other action by the governing  
25 authority; and

26 (2) to satisfy any requirement under this code that  
27 the governing authority approve or take other action with respect

1 to the plan, agreement, instrument, or other document in a specific  
2 manner or sequence.

3 SECTION 10. Section 4.001(a), Business Organizations Code,  
4 is amended to read as follows:

5 (a) A filing instrument must be:

6 (1) signed by a person authorized by this code to act  
7 on behalf of the entity in regard to the filing instrument; and

8 (2) delivered to the secretary of state in person or by  
9 mail, courier, [facsimile or] electronic transmission, or any other  
10 method approved by the secretary of state [comparable form of  
11 delivery].

12 SECTION 11. Section 4.152, Business Organizations Code, is  
13 amended to read as follows:

14 Sec. 4.152. FILING FEES: FOR-PROFIT CORPORATIONS. For a  
15 filing by or for a for-profit corporation, the secretary of state  
16 shall impose the following fees:

17 (1) for filing a certificate of formation, \$300;

18 (2) for filing a certificate of amendment, \$150;

19 (3) for filing an application of a foreign corporation  
20 for registration to transact business in this state, \$750;

21 (4) for filing an application of a foreign corporation  
22 for an amended registration to transact business in this state,  
23 \$150;

24 (5) for filing a restated certificate of formation and  
25 accompanying statement, \$300;

26 (6) for filing a statement of change of registered  
27 office, registered agent, or both, \$15;

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5 (8) for filing a statement of resolution establishing  
6 one or more series of shares, \$15;

7 (9) for filing a certificate of termination, \$40;

13 (12) for filing a bylaw or agreement restricting  
14 transfer of shares or securities other than as an amendment to the  
15 certificate of formation, §15;

16 (13) for filing an application for reinstatement of a  
17 certificate of formation or registration as a foreign corporation  
18 following forfeiture under the Tax Code, §75;

19 (14) for filing an application for reinstatement of a  
20 corporation or registration as a foreign corporation after  
21 involuntary termination or revocation. §75:

22 (15) for filing a certificate of validation, \$15, plus  
23 the filing fee imposed for filing each new filing instrument that is  
24 attached as an exhibit to the certificate of validation under  
25 Section 21.908(b)(3)(B) [21.908(b)(3)(C)]; and

26 (16) for filing any instrument as provided by this  
27 code for which this section does not expressly provide a fee, \$15.

1 SECTION 12. Section [4.153](#), Business Organizations Code, is  
2 amended to read as follows:

3 Sec. 4.153. FILING FEES: NONPROFIT CORPORATIONS. For a  
4 filing by or for a nonprofit corporation, the secretary of state  
5 shall impose the following fees:

6 (1) for filing a certificate of formation, \$25;  
7 (2) for filing a certificate of amendment, \$25;  
8 (3) for filing a certificate of merger, conversion, or  
9 consolidation, without regard to whether the surviving or new  
10 corporation is a domestic or foreign corporation, \$50;

11 (4) for filing a statement of change of a registered  
12 office, registered agent, or both, \$5;

13 (5) for filing a certificate of termination, \$5;

14 (6) for filing an application of a foreign corporation  
15 for registration to conduct affairs in this state, \$25;

16 (7) for filing an application of a foreign corporation  
17 for an amended registration to conduct affairs in this state, \$25;

18 (8) for filing a certificate of withdrawal of a  
19 foreign corporation, \$5;

20 (9) for filing a restated certificate of formation and  
21 accompanying statement, \$50;

22 (10) for filing a statement of change of name or  
23 address of a registered agent, \$15, except that the maximum fee for  
24 simultaneous filings by a registered agent for more than one  
25 corporation may not exceed \$250;

26 (11) for filing a report under Chapter [22](#), \$5;

27 (12) for filing a report under Chapter [22](#) to reinstate

1 a corporation's right to conduct affairs in this state, \$5, plus a  
2 late fee in the amount of \$5 or in the amount of \$1 for each month or  
3 part of a month that the report remains unfiled, whichever amount is  
4 greater, except that the late fee may not exceed \$25;

5 (13) for filing a report under Chapter 22 to reinstate  
6 a corporation or registration following involuntary termination or  
7 revocation, \$25;

8 (14) for filing a certificate of validation, \$5, plus  
9 the filing fee imposed for filing each new filing instrument that is  
10 attached as an exhibit to the certificate of validation under  
11 Section 22.508(c)(3)(B) [~~22.508(c)(3)(C)~~]; and

12 (15) for filing any instrument of a domestic or  
13 foreign corporation as provided by this code for which this section  
14 does not expressly provide a fee, \$5.

15 SECTION 13. Section 4.162(b), Business Organizations Code,  
16 is amended to read as follows:

17 (b) For a filing by or for a registered series of a domestic  
18 limited liability company when no other fee has been provided, the  
19 secretary of state shall impose the same fee as the filing fee for a  
20 similar instrument under Section 4.151 or 4.154.

21 SECTION 14. Section 6.051, Business Organizations Code, is  
22 amended by adding Subsection (c) to read as follows:

23 (c) When a notice is required or permitted by this code or  
24 the governing documents of a domestic entity to be given to an  
25 owner, member, or governing person of the domestic entity, a  
26 document enclosed with, or annexed or appended to, the notice is  
27 considered part of the notice for the purpose of determining

1 whether notice was properly given under this code and the governing  
2 documents.

3 SECTION 15. Section 6.202(d), Business Organizations Code,  
4 is amended to read as follows:

5 (d) The entity shall promptly provide notice to [notify]  
6 each person who is an owner or member as of the record date for the  
7 action, as determined by Section 6.102, who did not sign a consent  
8 described by Subsection (b) of the action that is the subject of the  
9 consent. The notice required by this subsection:

10 (1) in addition to other information required by  
11 applicable law, must contain a reasonable description of the action  
12 that is the subject of the consent; and

13 (2) may, instead of containing the complete notice,  
14 include information directing the owner or member to a publicly  
15 available electronic resource at which a reasonable description of  
16 the action that is the subject of the consent and any other  
17 information required by applicable law may be accessed by the owner  
18 or member without subscription or cost.

19 SECTION 16. Section 7.001, Business Organizations Code, is  
20 amended to read as follows:

21 Sec. 7.001. LIMITATION OF LIABILITY OF MANAGERIAL OFFICIAL  
22 [GOVERNING PERSON]. (a) Subsections (b) and (c) apply to:

23 (1) a domestic entity other than a partnership or  
24 limited liability company;

25 (2) another organization incorporated or organized  
26 under another law of this state; and

27 (3) to the extent permitted by federal law, a

1 federally chartered bank, savings and loan association, or credit  
2 union.

3 (b) The certificate of formation or similar instrument of an  
4 organization to which this section applies may provide that a  
5 managerial official ~~[governing person]~~ of the organization is not  
6 liable, or is liable only to the extent provided by the certificate  
7 of formation or similar instrument, to the organization or its  
8 owners or members for monetary damages for an act or omission by the  
9 managerial official ~~[person]~~ in the managerial official's  
10 ~~[person's]~~ capacity as a managerial official ~~[governing person]~~.

11 (c) Subsection (b) does not authorize the elimination or  
12 limitation of the liability of a managerial official ~~[governing~~  
13 ~~person]~~ to the extent the managerial official ~~[person]~~ is found  
14 liable under applicable law for:

15 (1) a breach of the managerial official's ~~[person's]~~  
16 duty of loyalty, if any, to the organization or its owners or  
17 members;

18 (2) an act or omission not in good faith that:

19 (A) constitutes a breach of duty of the  
20 managerial official ~~[person]~~ to the organization; or

21 (B) involves intentional misconduct or a knowing  
22 violation of law;

23 (3) a transaction from which the managerial official  
24 ~~[person]~~ received an improper benefit, regardless of whether the  
25 benefit resulted from an action taken within the scope of the  
26 managerial official's ~~[person's]~~ duties; or

27 (4) an act or omission for which the liability of a

1 managerial official [~~governing person~~] is expressly provided by an  
2 applicable statute.

3 (d) The liability of a managerial official [~~governing~~  
4 ~~person~~] may be limited or eliminated:

5 (1) in a general partnership by its partnership  
6 agreement to the same extent Subsections (b) and (c) permit the  
7 limitation or elimination of liability of a managerial official  
8 [~~governing person~~] of an organization to which those subsections  
9 apply and to the additional extent permitted under Chapter 152;

10 (2) in a limited partnership by its partnership  
11 agreement to the same extent Subsections (b) and (c) permit the  
12 limitation or elimination of liability of a managerial official  
13 [~~governing person~~] of an organization to which those subsections  
14 apply and to the additional extent permitted under Chapter 153 and,  
15 to the extent applicable to limited partnerships, Chapter 152; and

16 (3) in a limited liability company by its certificate  
17 of formation or company agreement to the same extent Subsections  
18 (b) and (c) permit the limitation or elimination of liability of a  
19 managerial official [~~governing person~~] of an organization to which  
20 those subsections apply and to the additional extent permitted  
21 under Sections 101.052 and [Section] 101.401.

22 SECTION 17. Section 10.002, Business Organizations Code, is  
23 amended by adding Subsection (e) to read as follows:

24 (e) Unless otherwise expressly provided by the plan of  
25 merger, a disclosure letter, disclosure schedules, or similar  
26 documents or instruments delivered in connection with the plan of  
27 merger are not considered part of the plan of merger for purposes of

1 this chapter, but those documents or instruments have the effects  
2 provided in the plan of merger.

3 SECTION 18. Section 10.004, Business Organizations Code, is  
4 amended to read as follows:

5 Sec. 10.004. PLAN OF MERGER: PERMISSIVE PROVISIONS. (a) A  
6 plan of merger may include:

7 (1) amendments to, restatements of, or amendments and  
8 restatements of the governing documents of any surviving  
9 organization, including a certificate of amendment, a restated  
10 certificate of formation without amendment, or a restated  
11 certificate of formation containing amendments;

12 (2) provisions relating to an interest exchange,  
13 including a plan of exchange; [and]

14 (3) provisions for the appointment, at or after the  
15 time at which the plan of merger is adopted by the owners or members  
16 of a party to the merger, of one or more persons, which may include  
17 an organization surviving or resulting from the merger or any  
18 managerial official, representative, or agent of a party to the  
19 merger or of a surviving or resulting organization, as  
20 representative of the owners or members of a party to the merger,  
21 including those whose ownership interests or membership interests  
22 are cancelled, converted, or exchanged in the merger; and

23 (4) any other provisions relating to the merger that  
24 are not required by this chapter.

25 (b) Provisions for the appointment of a representative in a  
26 plan of merger under Subsection (a)(3) may:

27 (1) delegate to the representative the sole and

1 exclusive authority to take action on behalf of the owners or  
2 members under the plan of merger, including the authority to take  
3 any action the representative determines to enforce or settle the  
4 rights of the owners or members under the plan of merger, subject to  
5 the terms and conditions prescribed by the plan of merger;

6                   (2) prescribe the irrevocable nature and binding  
7 effect of the appointment as to all owners or members to be bound by  
8 the appointment from and after the approval of the plan of merger by  
9 those owners or members in accordance with this subchapter; and

10                   (3) provide that any of the provisions:

11                   (A) may not be amended after the merger has  
12 become effective; or

13                   (B) may be amended only with the consent or  
14 approval of persons specified in the plan of merger.

15                   SECTION 19. Section 10.006(e), Business Organizations  
16 Code, is amended to read as follows:

17                   (e) Sections 10.001(c)-(e), 10.002(c), 10.003, 10.004, and  
18 10.007-10.010 apply to a merger approved under Subsection (d),  
19 except that the resolution approving the merger should be  
20 considered the plan of merger for purposes of those sections.

21                   SECTION 20. Section 10.052, Business Organizations Code, is  
22 amended by adding Subsection (d) to read as follows:

23                   (d) Unless otherwise expressly provided by the plan of  
24 exchange, a disclosure letter, disclosure schedules, or similar  
25 documents or instruments delivered in connection with the plan of  
26 exchange are not considered part of the plan of exchange for  
27 purposes of this chapter, but the documents or instruments have the

1 effect provided in the plan of exchange.

2 SECTION 21. Section 10.053, Business Organizations Code, is  
3 amended to read as follows:

4 Sec. 10.053. PLAN OF EXCHANGE: PERMISSIVE PROVISIONS. (a)

5 A plan of exchange may include:

6 (1) provisions for the appointment, at or after the  
7 time at which the plan of exchange is adopted by the owners or  
8 members whose ownership or membership interests are being acquired  
9 in the interest exchange, of one or more persons, which may include  
10 an organization that is a party to the interest exchange or any  
11 managerial official, representative, or agent of a party to the  
12 interest exchange, as representative of those owners or members;  
13 and

14 (2) any other provisions not required by Section  
15 10.052 relating to the interest exchange.

16 (b) Provisions for the appointment of a representative in a  
17 plan of exchange under Subsection (a)(1) may:

18 (1) delegate to the representative the sole and  
19 exclusive authority to take action on behalf of the owners or  
20 members under the plan of exchange, including the authority to take  
21 actions the representative determines to enforce or settle the  
22 rights of the owners or members under the plan of exchange, subject  
23 to the terms and conditions as prescribed by the plan of exchange;

24 (2) prescribe the irrevocable nature and binding  
25 effect of the appointment as to all owners or members to be bound by  
26 the appointment from and after the approval of the plan of exchange  
27 by those owners or members in accordance with this subchapter; and

1                   (3) provide that any of the provisions:

2                   (A) may not be amended after the interest  
3                   exchange has become effective; or

4                   (B) may be amended only with the consent or  
5                   approval of persons specified in the plan of exchange.

6               SECTION 22. Section 10.104, Business Organizations Code, is  
7               amended to read as follows:

8               Sec. 10.104. PLAN OF CONVERSION: PERMISSIVE PROVISIONS.

9               (a) A plan of conversion may include other provisions relating to  
10               the conversion that are not inconsistent with law.

11               (b) An action to be taken by the converted entity in  
12               connection with the conversion of the converting entity that is  
13               provided by the plan of conversion adopted in the manner required by  
14               Section 10.101 or 10.102, as applicable, and that is within the  
15               power of the converted entity under the law of its jurisdiction of  
16               formation:

17               (1) is considered authorized, adopted, and approved,  
18               as applicable, by:

19               (A) the converted entity; and

20               (B) the governing authority and owners or members  
21               of the converted entity, as applicable; and

22               (2) does not require any further action of the  
23               governing authority, owners, or members of the converted entity for  
24               purposes of this code.

25               SECTION 23. Section 21.053, Business Organizations Code, is  
26               amended by amending Subsection (c) and adding Subsections (d), (e),  
27               (f), and (g) to read as follows:

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11 (C) omit any provisions that were necessary to  
12 effect a change, exchange, reclassification, subdivision,  
13 combination, or cancellation of shares, if the change, exchange,  
14 reclassification, subdivision, combination, or cancellation has  
15 become effective; and

1 of the class.

2       (d) An amendment described by Subsection (c)(2)(A) may also  
3 increase the number of authorized shares of the class up to an  
4 amount determined by multiplying the existing number of authorized  
5 shares of the class by the same multiple by which the issued shares  
6 of the class are subdivided in the reclassification and rounding up  
7 any resulting fractional number of shares to a whole number of  
8 shares.

9       (e) An amendment described by Subsection (c)(2)(B) may also  
10 decrease the number of authorized shares of the class to an amount  
11 determined by dividing the existing number of authorized shares of  
12 the class by the same multiple by which the issued shares of the  
13 class are combined in the reclassification and rounding up any  
14 resulting fractional number of shares to a whole number of shares.

15       (f) When a reclassification of issued shares:

16           (1) with par value is made by a corporation under  
17 Subsection (c)(2)(A), an amount of surplus designated by the  
18 corporation's board of directors that is not less than the  
19 aggregate par value of the shares issued as a result of the  
20 reclassification shall be transferred to stated capital; and

21           (2) without par value is made by a corporation under  
22 Subsection (c)(2)(A), an amount of surplus equal to an aggregate  
23 value with respect to the shares issued as a result of the  
24 reclassification, as set by the board of directors when the  
25 reclassification is authorized, shall be transferred to stated  
26 capital.

27       (g) A corporation may not effect a reclassification under

1 Subsection (c)(2)(A) if the surplus of the corporation is less than  
2 the amount required by Subsection (f)(1) or (f)(2), as applicable,  
3 to be transferred to stated capital at the time the  
4 reclassification becomes effective.

5 SECTION 24. Section 21.160(c), Business Organizations  
6 Code, is amended to read as follows:

7 (c) A corporation may dispose of treasury shares for  
8 consideration that may be determined by the board of directors. The  
9 consideration received for treasury shares may:

10 (1) have a value greater or less than, or equal to, the  
11 par value, if any, of the shares; and

12 (2) consist of the types of consideration described by  
13 Section 21.159.

14 SECTION 25. Section 21.168(e), Business Organizations  
15 Code, is amended to read as follows:

16 (e) An authorization of the board of directors may delegate  
17 to a person or persons, in addition to the board of directors, the  
18 authority to enter into one or more transactions to issue rights or  
19 options. For a transaction entered into by a person or persons to  
20 whom authority was delegated under this subsection, the rights or  
21 options may be issued in the number, at the time, and for the  
22 consideration, and under the other terms on which shares may be  
23 issued on the exercise of those rights and options, as the person or  
24 persons may determine if that authorization of the board of  
25 directors:

26 (1) states:

27 (A) the maximum number of ~~rights or options~~, and

1 ~~the maximum number of~~ shares issuable on exercise of those rights  
2 or options, that may be issued under the authorization;

3 (B) the period of time during which the rights or  
4 options[~~–~~] and the period of time during which the shares issuable  
5 on exercise of those rights or options, may be issued; and

6 (C) the minimum amount of consideration:

7 (i) if any, for which the rights or options  
8 may be issued; and

9 (ii) for the shares issuable on exercise of  
10 the rights or options; and

11 (2) does not permit the person or persons to whom  
12 authority was delegated to issue rights, options, or shares to that  
13 person or those persons.

14 SECTION 26. Section 21.402, Business Organizations Code, is  
15 amended to read as follows:

16 Sec. 21.402. BOARD MEMBER ELIGIBILITY REQUIREMENTS. Unless  
17 the certificate of formation or bylaws of a corporation provide  
18 otherwise, a director [~~person~~] is not required to be a resident of  
19 this state or a shareholder of the corporation [~~to serve as a~~  
20 ~~director~~]. The certificate of formation or bylaws may prescribe  
21 other qualifications for directors.

22 SECTION 27. Section 21.404, Business Organizations Code, is  
23 amended to read as follows:

24 Sec. 21.404. DESIGNATION OF INITIAL BOARD OF DIRECTORS. If  
25 the corporation is to be managed by a board of directors, the  
26 certificate of formation of a corporation must state the name and  
27 address [~~names and addresses~~] of each individual who will serve as

1 director until the first annual meeting of shareholders and until a  
2 successor is elected and qualified ~~[the persons constituting the~~  
3 ~~initial board of directors of the corporation]~~.

4 SECTION 28. Section 21.561, Business Organizations Code, is  
5 amended by adding Subsection (c) to read as follows:

6 (c) For purposes of Subsection (b)(1), substantial benefit  
7 to the corporation does not include additional or amended  
8 disclosures made to the shareholders, regardless of materiality.

9 SECTION 29. Section 21.562(a), Business Organizations  
10 Code, is amended to read as follows:

11 (a) In a derivative proceeding brought in the right of a  
12 foreign corporation, the matters covered by this subchapter are  
13 governed by the laws of the jurisdiction of formation of the foreign  
14 corporation, except for Sections 21.555, 21.560, and 21.561, which  
15 with respect to foreign corporations are procedural provisions and  
16 do not relate to the internal affairs of the foreign corporation,  
17 unless applying the laws of the jurisdiction of formation of the  
18 foreign corporation requires otherwise with respect to Section  
19 21.555.

20 SECTION 30. Section 21.563(b), Business Organizations  
21 Code, is amended to read as follows:

22 (b) Sections 21.552-21.560 do not apply to ~~[a claim or]~~ a  
23 derivative proceeding by a shareholder of a closely held  
24 corporation against a present or former director, officer, or  
25 shareholder of the corporation. In the event the shareholder also  
26 asserts a claim in the ~~[or]~~ derivative proceeding ~~[is also made]~~  
27 against a person who is not a present or former ~~[that]~~ director,

1 officer, or shareholder, this subsection applies only to a [~~the~~]  
2 claim in the [~~or~~] derivative proceeding against a present or former  
3 [~~the~~] director, officer, or shareholder.

4 SECTION 31. Sections 21.901(2) and (4), Business  
5 Organizations Code, are amended to read as follows:

6 (2) "Defective corporate act" means:  
7 (A) an overissue;  
8 (B) an election or appointment of directors that  
9 is void or voidable due to a failure of authorization; or  
10 (C) any act or transaction purportedly taken by  
11 or on behalf of the corporation that is, and at the time the act or  
12 transaction was purportedly taken would have been, within the power  
13 of a corporation to take under the corporate statute, without  
14 regard to the failure of authorization identified in Section  
15 21.903(a)(4), but is ineffective, void, or voidable due to a  
16 failure of authorization, including a failure to file with the  
17 filings officer a filing instrument that was required under the  
18 corporate statute to complete the effectiveness of the act or  
19 transaction.

20 (4) "Failure of authorization" means:  
21 (A) the failure to authorize or effect an act or  
22 transaction in compliance with the provisions of the corporate  
23 statute, the governing documents of the corporation, any plan or  
24 agreement to which the corporation is a party, or the disclosure set  
25 forth in any proxy or consent solicitation statement, if and to the  
26 extent the failure would render the act or transaction ineffective,  
27 void, or voidable; or

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1 (B) the failure of the board of directors or an  
2 officer of the corporation to authorize or approve an act or  
3 transaction taken by or on behalf of the corporation that required  
4 the prior authorization or approval of the board of directors or the  
5 officer.

6 SECTION 32. Section [21.902](#), Business Organizations Code, is  
7 amended to read as follows:

8 Sec. 21.902. RATIFICATION OF DEFECTIVE CORPORATE ACT AND  
9 PUTATIVE SHARES. (a) Except as provided by Subsection (b) and  
10 subject [Subject] to Section 21.909 or 21.910, a defective  
11 corporate act or putative shares are not ineffective, void, or  
12 voidable solely as a result of a failure of authorization if the act  
13 or shares are:

17                   (b) A corporation may not ratify with retroactive effect in  
18 accordance with this subchapter a defective corporate act resulting  
19 from a failure of authorization that is attributable to the failure  
20 to file with the filing officer the following filing instrument:

27 (3) a certificate of formation under Subchapter **A**,

1    Chapter 3;  
2                (4) a certificate of termination under Subchapter C,  
3    Chapter 11;  
4                (5) a certificate of merger or certificate of  
5    conversion under Subchapter D, Chapter 10; or  
6                (6) a report under Subchapter E, Chapter 171, Tax  
7    Code.

8                SECTION 33. Sections 21.908(a), (b), and (c), Business  
9    Organizations Code, are amended to read as follows:

10              (a) The [If a defective corporate act ratified under this  
11    subchapter would have required under any other provision of the  
12   corporate statute the filing of a filing instrument or other  
13   document with the filing officer, the] corporation shall file a  
14   certificate of validation with respect to the defective corporate  
15   act in accordance with Chapter 4, if:

16              (1) a defective corporate act ratified under this  
17    subchapter would have required under any other provision of the  
18   corporate statute the filing of a filing instrument or other  
19   document with the filing officer; and

20              (2) the filing instrument or other document:

21              (A) previously filed with the filing officer  
22    requires any change to give effect to the defective corporate act in  
23   accordance with this subchapter, including a change to the date and  
24   time of the effectiveness of the filed filing instrument or other  
25   document; or

26              (B) was not previously filed with the filing  
27   officer under any other provision of the corporate statute [

1 ~~regardless of whether a filing instrument or other document was~~  
2 ~~previously filed~~] with respect to the defective corporate act.

3 (b) The certificate of validation must include:

4 (1) a statement that the corporation has ratified one  
5 or more defective corporate acts that would have required the  
6 filng of a filing instrument or other document with the filing  
7 officer under any provision of the corporate statute [each  
8 defective corporate act that is a subject of the certificate of  
9 validation, including:

10 [(A) ~~for a defective corporate act involving the~~  
11 ~~issuance of putative shares, the number and type of putative shares~~  
12 ~~issued and the date or dates on which the putative shares were~~  
13 ~~purported to have been issued;~~

14 [(B) ~~the date of the defective corporate act; and~~  
15 [(C) ~~the nature of the failure of authorization~~  
16 ~~with respect to the defective corporate act];~~

17 (2) a statement that each defective corporate act has  
18 been [was] ratified in accordance with this subchapter [~~7~~  
19 including:

20 [(A) ~~the date on which the board of directors~~  
21 ~~ratified each defective corporate act; and~~

22 [(B) ~~the date, if any, on which the shareholders~~  
23 ~~approved the ratification of each defective corporate act]; and~~

24 (3) as appropriate:

25 (A) if a filing instrument was previously filed  
26 with a filing officer under the corporate statute with respect to  
27 the defective corporate act and [~~no change to the filing instrument~~

1 ~~is required to give effect to the defective corporate act as~~  
2 ~~ratified in accordance with this subchapter:~~

3 ~~[(i) the name, title, and filing date of the~~  
4 ~~previously filed filing instrument and of any certificate of~~  
5 ~~correction to the filing instrument; and~~

6 ~~[(ii) a statement that a copy of the~~  
7 ~~previously filed filing instrument, together with any certificate~~  
8 ~~of correction to the filing instrument, is attached as an exhibit to~~  
9 ~~the certificate of validation;~~

10 ~~[(B) if a filing instrument was previously filed~~  
11 ~~with a filing officer under the corporate statute with respect to~~  
12 ~~the defective corporate act and] the filing instrument requires any~~  
13 ~~change to give effect to the defective corporate act as ratified in~~  
14 ~~accordance with this subchapter, including a change to the date and~~  
15 ~~time of the effectiveness of the filing instrument:~~

16 ~~(i) the name, title, and filing date of the~~  
17 ~~previously filed filing instrument and of any certificate of~~  
18 ~~correction to the filing instrument;~~

19 ~~(ii) a statement that a filing instrument~~  
20 ~~containing all the information required to be included under the~~  
21 ~~applicable provisions of this code to give effect to the ratified~~  
22 ~~defective corporate act is attached as an exhibit to the~~  
23 ~~certificate of validation; and~~

24 ~~(iii) the date and time that the attached~~  
25 ~~filings instrument is considered to have become effective under this~~  
26 ~~subchapter; or~~

27 ~~(B) [(C)] if a filing instrument was not~~

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1 previously filed with a filing officer under the corporate statute  
2 with respect to the defective corporate act and the defective  
3 corporate act as ratified under this subchapter would have required  
4 under the other applicable provisions of this code the filing of a  
5 filing instrument in accordance with Chapter 4, if the defective  
6 corporate act had occurred when this code was in effect:

7 (i) a statement that a filing instrument  
8 containing all the information required to be included under the  
9 applicable provisions of this code to give effect to the defective  
10 corporate act, as if the defective corporate act had occurred when  
11 this code was in effect, is attached as an exhibit to the  
12 certificate of validation; and

13 (ii) the date and time that the attached  
14 filing instrument is considered to have become effective under this  
15 subchapter.

16 (c) A filing instrument attached to a certificate of  
17 validation under this section [Subsection (b)(3)(B) or (C)] does  
18 not need to be executed separately and does not need to include any  
19 statement required by any other provision of this code that the  
20 instrument has been approved and adopted in accordance with that  
21 provision.

22 SECTION 34. Section 21.909, Business Organizations Code, is  
23 amended to read as follows:

24 Sec. 21.909. ADOPTION OF RESOLUTIONS; EFFECT ON DEFECTIVE  
25 CORPORATE ACT. On or after the validation effective time, unless  
26 determined otherwise in an action brought under Section 21.914 and  
27 subject to Sections 21.902(b) and [Section] 21.907(e), each

1 defective corporate act ratified in accordance with this subchapter  
2 may not be considered ineffective, void, or voidable as a result of  
3 the failure of authorization described by the resolutions adopted  
4 under Sections [21.903](#) and [21.904](#), and the effect shall be  
5 retroactive to the time of the defective corporate act.

6 SECTION 35. Section [21.910](#), Business Organizations Code, is  
7 amended to read as follows:

8 Sec. 21.910. ADOPTION OF RESOLUTIONS; EFFECT ON PUTATIVE  
9 SHARES. On or after the validation effective time, unless  
10 determined otherwise in an action brought under Section [21.914](#) and  
11 subject to Sections 21.902(b) and [Section] 21.907(e), each  
12 putative share or fraction of a putative share issued or  
13 purportedly issued pursuant to a defective corporate act ratified  
14 in accordance with this subchapter and described by the resolutions  
15 adopted under Sections [21.903](#) and [21.904](#) may not be considered  
16 ineffective, void, or voidable and is considered to be an identical  
17 share or fraction of a share outstanding as of the time it was  
18 purportedly issued.

19 SECTION 36. Section [21.913\(b\)](#), Business Organizations  
20 Code, is amended to read as follows:

21 (b) The absence or failure of ratification of an act or  
22 transaction in accordance with this subchapter or of validation of  
23 an act or transaction as provided by Sections [21.914](#) through [21.917](#)  
24 does not, of itself, affect the validity or effectiveness of any act  
25 or transaction or the issuance of any shares properly ratified  
26 under common law or otherwise, nor does it create a presumption that  
27 any such act or transaction is or was a defective corporate act or

1 that those shares are ineffective, void, or voidable.

2 SECTION 37. Section 21.915, Business Organizations Code, is  
3 amended to read as follows:

4 Sec. 21.915. EXCLUSIVE JURISDICTION. Subject to Section  
5 1.056, the [The] district court has exclusive jurisdiction to hear  
6 and determine any action brought under Section 21.914.

7 SECTION 38. Section 21.917(b), Business Organizations  
8 Code, is amended to read as follows:

9 (b) Notwithstanding any other provision of this subchapter:  
10 (1) an action claiming that a defective corporate act  
11 or putative shares are ineffective, void, or voidable due to a  
12 failure of authorization identified in the resolutions adopted in  
13 accordance with Section 21.903 may not be filed in or must be  
14 dismissed by any court after the applicable validation effective  
15 time; and

16 (2) an action claiming that a court of appropriate  
17 jurisdiction, in its discretion, should declare that a ratification  
18 in accordance with this subchapter not take effect or that the  
19 ratification take effect only on certain conditions may not be  
20 filed with the court after the expiration of the 120th day after the  
21 later of the validation effective time or the time that any notice  
22 required to be given under Section 21.911 is given with respect to  
23 the ratification.

24 SECTION 39. Sections 22.001(1) and (3-a), Business  
25 Organizations Code, are amended to read as follows:

26 (1) "Board of directors" means the group of  
27 individuals [persons] vested with the management of the affairs of

1 the corporation, regardless of the name used to designate the  
2 group. The term does not include the member or members of the  
3 corporation if the certificate of formation of the corporation  
4 vests the management of the affairs of the corporation in the  
5 members.

6 (3-a) "Director" means an individual [a person] who is  
7 a member of the board of directors, regardless of the name or title  
8 used to designate the individual [person]. The term does not  
9 include an individual [a person] designated as a director of the  
10 corporation, or as an ex officio, honorary, or other type of  
11 director of the corporation if the individual [person] is not  
12 entitled to vote as a director.

13 SECTION 40. Section 22.218(a), Business Organizations  
14 Code, is amended to read as follows:

15 (a) The [~~If authorized by the~~] certificate of formation or  
16 bylaws of the corporation:

17 (1) [~~, the board of directors of a corporation, by~~  
18 ~~resolution adopted by the majority of the directors in office,~~] may  
19 designate one or more committees to have and exercise all, or a  
20 specified portion, of the authority of the board of directors of the  
21 corporation in the management of the corporation; or

22 (2) may authorize the board of directors, by  
23 resolution adopted by the majority of the directors in office, to  
24 designate one or more committees to have and exercise all, or a  
25 specified portion, of the authority of the board in the management  
26 of the corporation to the extent permitted in the authorization in  
27 the certificate of formation or bylaws [~~to the extent provided by:~~

1                   [~~(1) the resolution,~~

2                   [~~(2) the certificate of formation; or~~

3                   [~~(3) the bylaws~~].

4                 SECTION 41. Section [22.231](#)(a), Business Organizations  
5 Code, is amended to read as follows:

6                 (a) The officers of a corporation shall include a president  
7 and a secretary and may include one or more vice presidents, a  
8 treasurer, and other officers and assistant officers as considered  
9 necessary. Any two or more offices, other than the offices of  
10 president and secretary, may be held by the same individual  
11 [~~person~~].

12               SECTION 42. Sections [22.501](#)(2) and (4), Business  
13 Organizations Code, are amended to read as follows:

14               (2) "Defective corporate act" means:

15                   (A) an election or appointment of directors that  
16 is void or voidable due to a failure of authorization; or

17                   (B) any act or transaction purportedly taken by  
18 or on behalf of the corporation that is, and at the time the act or  
19 transaction was purportedly taken would have been, within the power  
20 of a corporation to take under the corporate statute, but is  
21 ineffective, void, or voidable due to a failure of authorization,  
22 including a failure to file with the filing officer a filing  
23 instrument that was required under the corporate statute to  
24 complete the effectiveness of the act or transaction.

25               (4) "Failure of authorization" means:

26                   (A) the failure to authorize or effect an act or  
27 transaction in compliance with the provisions of the corporate

1 statute, the governing documents of the corporation, a corporate  
2 resolution, or any plan or agreement to which the corporation is a  
3 party, if and to the extent the failure would render the act or  
4 transaction ineffective, void, or voidable; or

5 (B) the failure of the board of directors or an  
6 officer of the corporation to authorize or approve an act or  
7 transaction taken by or on behalf of the corporation that required  
8 the prior authorization or approval of the board of directors or the  
9 officer.

10 SECTION 43. Section 22.502, Business Organizations Code, is  
11 amended to read as follows:

12 Sec. 22.502. RATIFICATION OF DEFECTIVE CORPORATE ACT. (a)  
13 Except as provided by Subsection (b) and subject [Subject] to  
14 Section 22.509, a defective corporate act is not ineffective, void,  
15 or voidable solely as a result of a failure of authorization if the  
16 act is:

17 (1) ratified in accordance with this subchapter; or  
18 (2) validated by the district court in a proceeding  
19 brought under Section 22.512.

20 (b) A corporation may not ratify with retroactive effect in  
21 accordance with this subchapter a defective corporate act resulting  
22 from a failure of authorization that is attributable to the failure  
23 to file with the filing officer the following filing instrument:

24 (1) a statement of change of registered agent or a  
25 statement of change of registered office under Subchapter E,  
26 Chapter 5;

27 (2) a certificate of amendment or restated certificate

1 of formation that amends the registered agent or registered office  
2 under Subchapter B, Chapter 3;  
3                   (3) a certificate of formation under Subchapter A,  
4 Chapter 3;  
5                   (4) a certificate of termination under Subchapter C,  
6 Chapter 11;  
7                   (5) a certificate of merger or certificate of  
8 conversion under Subchapter D, Chapter 10;  
9                   (6) a report under Subchapter E, Chapter 171, Tax  
10 Code; or  
11                   (7) a report under Sections 22.357 through 22.359.

12 SECTION 44. Sections 22.508(a), (c), and (d), Business  
13 Organizations Code, are amended to read as follows:

14           (a) The [If a defective corporate act ratified under this  
15 subchapter would have required under any other provision of the  
16 corporate statute the filing of a filing instrument or other  
17 document with the filing officer, the] corporation shall file a  
18 certificate of validation with respect to the defective corporate  
19 act in accordance with Chapter 4, if:

20           (1) a defective corporate act ratified under this  
21 subchapter would have required under any other provision of the  
22 corporate statute the filing of a filing instrument or other  
23 document with the filing officer; and

24           (2) the filing instrument or other document:  
25                   (A) previously filed with the filing officer  
26 requires any change to give effect to the defective corporate act in  
27 accordance with this subchapter, including a change to the date and

1 time of the effectiveness of the filed filing instrument or other  
2 document; or

3 (B) was not previously filed with the filing  
4 officer under any other provision of the corporate statute [  
5 ~~regardless of whether a filing instrument or other document was~~  
6 ~~previously filed~~] with respect to the defective corporate act.

7 (c) The certificate of validation must include:

8 (1) a statement that the corporation has ratified one  
9 or more defective corporate acts that would have required the  
10 filings of a filing instrument or other document with the filing  
11 officer under any provision of the corporate statute [each  
12 ~~defective corporate act that is a subject of the certificate of~~  
13 ~~validation, including:~~

14 ~~[(A) the date of the defective corporate act; and~~  
15 ~~[(B) the nature of the failure of authorization~~  
16 ~~with respect to the defective corporate act];~~

17 (2) a statement that each defective corporate act has  
18 been [was] ratified in accordance with this subchapter [  
19 including:

20 ~~[(A) the date on which the board of directors~~  
21 ~~ratified each defective corporate act; and~~  
22 ~~[(B) if the corporation has members with voting~~  
23 ~~rights, the date, if any, on which the members approved the~~  
24 ~~ratification of each defective corporate act or, if the management~~  
25 ~~of the affairs of the corporation is vested in its members under~~  
26 ~~Section 22.202, the date on which the members ratified each~~  
27 ~~defective corporate act]; and~~

1 (3) as appropriate:

2 (A) ~~[if a filing instrument was previously filed~~  
3 ~~with a filing officer under the corporate statute with respect to~~  
4 ~~the defective corporate act and no change to the filing instrument~~  
5 ~~is required to give effect to the defective corporate act as~~  
6 ~~ratified in accordance with this subchapter:~~

7 [ (i) the name, title, and filing date of the  
8 previously filed filing instrument and of any certificate of  
9 correction to the filing instrument; and

10 [ (ii) a statement that a copy of the  
11 previously filed filing instrument, together with any certificate  
12 of correction to the filing instrument, is attached as an exhibit to  
13 the certificate of validation;

14 [ (B) ] if a filing instrument was previously filed  
15 with a filing officer under the corporate statute with respect to  
16 the defective corporate act and the filing instrument requires any  
17 change to give effect to the defective corporate act as ratified in  
18 accordance with this subchapter, including a change to the date and  
19 time of the effectiveness of the filing instrument:

23 (ii) a statement that a filing instrument  
24 containing all the information required to be included under the  
25 applicable provisions of this code to give effect to the ratified  
26 defective corporate act is attached as an exhibit to the  
27 certificate of validation; and

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11 (i) a statement that a filing instrument  
12 containing all the information required to be included under the  
13 applicable provisions of this code to give effect to the defective  
14 corporate act, as if the defective corporate act had occurred when  
15 this code was in effect, is attached as an exhibit to the  
16 certificate of validation; and

17 (ii) the date and time that the attached  
18 filing instrument is considered to have become effective under this  
19 subchapter.

20                   (d) A filing instrument attached to a certificate of  
21 validation under this section [Subsection (c)(3)(B) or (C)] does  
22 not need to be executed separately and does not need to include any  
23 statement required by any other provision of this code that the  
24 instrument has been approved and adopted in accordance with that  
25 provision.

26 SECTION 45. Section 22.509, Business Organizations Code, is  
27 amended to read as follows:

1 Sec. 22.509. ADOPTION OF RESOLUTIONS; EFFECT ON DEFECTIVE  
2 CORPORATE ACT. On or after the validation effective time, unless  
3 determined otherwise in an action brought under Section 22.512 and  
4 subject to Section 22.502(b), each defective corporate act ratified  
5 in accordance with this subchapter may not be considered  
6 ineffective, void, or voidable as a result of the failure of  
7 authorization described by the resolutions adopted under Sections  
8 22.503 and 22.504, and the effect shall be retroactive to the time  
9 of the defective corporate act.

10 SECTION 46. Section 22.513, Business Organizations Code, is  
11 amended to read as follows:

12 Sec. 22.513. EXCLUSIVE JURISDICTION. Subject to Section  
13 1.056, the [The] district court has exclusive jurisdiction to hear  
14 and determine any action brought under Section 22.512.

15 SECTION 47. Section 22.515(b), Business Organizations  
16 Code, is amended to read as follows:

17 (b) Notwithstanding any other provision of this subchapter:  
18 (1) an action claiming that a defective corporate act  
19 is ineffective, void, or voidable due to a failure of authorization  
20 identified in the resolutions adopted in accordance with Section  
21 22.503 may not be filed in or must be dismissed by any court after  
22 the applicable validation effective time; and

23 (2) an action claiming that a court of appropriate  
24 jurisdiction, in its discretion, should declare that a ratification  
25 in accordance with this subchapter not take effect or that the  
26 ratification take effect only on certain conditions may not be  
27 filed with the court after the expiration of the 120th day after the

1 later of the validation effective time or the time that any notice  
2 required to be given under Section 22.510 is given with respect to  
3 the ratification.

4 SECTION 48. Subchapter C, Chapter 101, Business  
5 Organizations Code, is amended by adding Section 101.1055 to read  
6 as follows:

7 Sec. 101.1055. SUBSCRIPTIONS. (a) A subscription to  
8 purchase a membership interest in a limited liability company in  
9 the process of being formed is irrevocable to the extent provided by  
10 the terms of the subscription if:

11 (1) the subscription is in writing and signed by the  
12 subscriber; and

13 (2) the subscription states that it is irrevocable.

14 (b) A written subscription entered into after the limited  
15 liability company is formed is a contract between the subscriber  
16 and the company.

17 SECTION 49. Section 101.109(a), Business Organizations  
18 Code, is amended to read as follows:

19 (a) A person who is assigned a membership interest in a  
20 limited liability company is entitled to:

21 (1) receive any allocation of income, gain, loss,  
22 deduction, credit, or a similar item that the assignor is entitled  
23 to receive to the extent the allocation of the item is assigned;

24 (2) receive any distribution the assignor is entitled  
25 to receive to the extent the distribution is assigned; and

26 (3) the rights described by Section 101.502 [require  
27 for any proper purpose, reasonable information or a reasonable

1 ~~account of the transactions of the company, and~~  
2 [4) make, for any proper purpose, reasonable  
3 ~~inspections of the books and records of the company~~].

4 SECTION 50. Section 101.463(b), Business Organizations  
5 Code, is amended to read as follows:

6 (b) Sections 101.452-101.460 do not apply to [a claim or] a  
7 derivative proceeding by a member of a closely held limited  
8 liability company against a present or former governing person,  
9 member, or officer of the limited liability company. In the event  
10 the member also asserts a claim in the [or] derivative proceeding  
11 [is also made] against a person who is not a present or former  
12 [that] governing person, member, or officer, this subsection  
13 applies only to a [the] claim in the [or] derivative proceeding  
14 against a present or former [the] governing person, member, or  
15 officer.

16 SECTION 51. Subchapter F, Chapter 153, Business  
17 Organizations Code, is amended by adding Section 153.258 to read as  
18 follows:

19 Sec. 153.258. SUBSCRIPTIONS. (a) A subscription to  
20 purchase a partnership interest in a limited partnership in the  
21 process of being formed is irrevocable to the extent provided by the  
22 terms of the subscription if:

23 (1) the subscription is in writing and signed by the  
24 subscriber; and  
25 (2) the subscription states that it is irrevocable.

26 (b) A written subscription entered into after the limited  
27 partnership is formed is a contract between the subscriber and the

1 partnership.

2 SECTION 52. Section 153.413(b), Business Organizations  
3 Code, is amended to read as follows:

4 (b) Sections 153.402-153.410 do not apply to [a claim or] a  
5 derivative proceeding by a limited partner of a closely held  
6 limited partnership against a present or former general partner,  
7 limited partner, or officer of the limited partnership. In the  
8 event the limited partner also asserts a claim in the [or]  
9 derivative proceeding [~~is also made~~] against a person who is not a  
10 present or former [~~that~~] general partner, limited partner, or  
11 officer, this subsection shall apply only to a [~~the~~] claim in the  
12 [or] derivative proceeding against a present or former [~~the~~]  
13 general partner, limited partner, or officer.

14 SECTION 53. Section 153.553(a-1), Business Organizations  
15 Code, is amended to read as follows:

16 (a-1) The following certificates shall be executed as  
17 follows:

18 (1) an initial certificate of formation must be signed  
19 as provided in Section 3.004(b)(1);

20 (2) a certificate of amendment or restated certificate  
21 of formation containing amendments must be signed by at least one  
22 general partner and by each other general partner designated in the  
23 certificate of amendment or the restated certificate of formation  
24 as a new general partner, unless signed and filed by a person under  
25 Section 153.052(b) or (c), but the certificate of amendment or the  
26 restated certificate of formation need not be signed by a  
27 withdrawing general partner;

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16 (5) a certificate of conversion or exchange filed on  
17 behalf of a domestic limited partnership must be signed by at least  
18 one general partner; and

21 SECTION 54. Section 251.352(a), Business Organizations  
22 Code, is amended to read as follows:

23 (a) A cooperative association shall submit a written report  
24 to its members at the annual meeting of the cooperative  
25 association. The annual report must contain:

26 (1) a balance sheet;

27 (2) an income and expense statement;

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1 (3) the amount and nature of the cooperative  
2 association's authorized, subscribed, and paid-in capital;

3 (4) the total number of shareholders;

4 (5) the number of shareholders who were admitted to or  
5 withdrew from the association during the year;

6 (6) the par value of the association's shares;

11 (A) the total number of members;

12 (B) the number of members who were admitted to or  
13 withdrew from the association during the year; and

14 (c) the amount of membership fees received;

15 (9) the name, address, occupation, and date of  
16 expiration of the term of office of each officer and director; and

19 SECTION 55. Section 252.017(b), Business Organizations  
20 Code, is amended to read as follows:

21 (b) Chapters 1, 2, 4, [and] 10, and 11 and, if a nonprofit  
22 association designates an agent for service of process, Subchapter  
23 E, Chapter 5, apply to a nonprofit association.

24 SECTION 56. Sections [153.502\(c\)](#), [251.353](#), and [251.354](#),  
25 Business Organizations Code, are repealed.

26 SECTION 57. Section 4.001(a), Business Organizations Code,  
27 as amended by this Act, applies only to a filing instrument

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1 delivered to the secretary of state on or after the effective date  
2 of this Act. A filing instrument delivered to the secretary of state  
3 before the effective date of this Act is governed by the law in  
4 effect on the date the filing instrument was delivered to the  
5 secretary of state, and the former law is continued in effect for  
6 that purpose.

7 SECTION 58. Sections [21.561](#) and [21.562](#), Business  
8 Organizations Code, as amended by this Act, apply only to a  
9 derivative proceeding instituted on or after the effective date of  
10 this Act. A derivative proceeding instituted before the effective  
11 date of this Act is governed by the law in effect on the date the  
12 proceeding was instituted, and the former law is continued in  
13 effect for that purpose.

14 SECTION 59. This Act takes effect September 1, 2025.