

BILL ANALYSIS

Senate Research Center
89R22700 SRA-F

C.S.S.B. 2411
By: Schwertner
Business & Commerce
4/8/2025
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Business Organizations Code (the "BOC") was initially passed by the Legislature in 2003 to outline Texas' myriad of business organizations laws. Keeping it current, however, requires ongoing technical and substantive updates and modifications.

S.B. 2411 updates various BOC provisions and aligns the statute with corresponding changes made from recent legislation relating to all domestic entities, with a primary focus on corporations, partnerships, and LLCs. Primary changes include:

1. updating BOC references to the new Texas Business Court;
2. expanding the use of electronic resources for notices and consents;
3. expanding use of certificate of formation provisions to address the liability of managerial officials;
4. specifying that a properly adopted plan of conversion may authorize additional entity action by the converted entity;
5. clarifying procedures and safeguards for corporations to retroactively ratify acts or transactions that might be ineffective because of filing failures;
6. simplifying the information required for a certificate of validation and limiting the circumstances under which a certificate must be filed under corporation ratification provisions;
7. providing for irrevocable subscriptions for interests in limited liability companies and limited partnerships at formation;
8. eliminating redundant annual reporting requirements for cooperative associations;
9. expanding authority for boards of directors of for-profit corporations, without shareholder approval, to effect limited amendments to a corporation's certificate of formation subject to specified conditions and safeguards;
10. authorizing a governing authority of an entity to approve a plan, agreement, instrument, or other document in substantially final form and subsequently to ratify the final form before the effective filing date with the Secretary of State;
11. recognizing that owners or members in a domestic entity that is party to a merger or interest exchange can appoint a representative to represent them in enforcing the plan of merger or exchange;
12. specifying that a shareholder's demand to examine and copy records of the corporation is not for a proper purpose if the demand is made in connection with litigation between the corporation and shareholder;

13. clarifying that disclosure-only settlements or judgments do not alone support an award of expenses in a shareholder judicial action; and
14. authorizing corporations to obtain binding advance determinations from a court as to whether appointed director committees are independent and disinterested with respect to corporate transactions or to shareholder allegations made in judicial proceedings.

(Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 2411 amends current law relating to business organizations.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 1, Business Organizations Code, by adding Sections 1.056 and 1.057, as follows:

Sec. 1.056. REFERENCES IN CODE TO CERTAIN DISTRICT COURTS INCLUDES BUSINESS COURTS. Provides that, notwithstanding any other law, a reference or grant of jurisdiction in the Business Organizations Code, including a grant of exclusive jurisdiction, to a district court constitutes a reference or grant of concurrent jurisdiction to a business court established under Chapter 25A (Business Court), Government Code, if the business court has authority and jurisdiction under Chapter 25A, Government Code, to adjudicate the action or claim. Provides that this section does not expand the authority of the business court under Chapter 25A, Government Code.

Sec. 1.057. LAWS GOVERNING FORMATION, INTERNAL AFFAIRS, AND GOVERNANCE OF DOMESTIC ENTITY. (a) Prohibits the plain meaning of the text of the Business Organizations Code from being supplanted, contravened, or modified by the laws or judicial decisions of any other state.

(b) Authorizes the managerial officials of a domestic entity, in exercising their powers with respect to the domestic entity, to consider the laws and judicial decisions of other states and the practices observed by entities formed in those other states. Provides that the failure or refusal of a managerial official to consider, or to conform the exercise of the managerial official's powers to, the laws, judicial decisions, or practices of another state does not constitute or imply a breach of this code or of any duty existing under the laws of this state.

SECTION 2. Amends Section 2.115(b), Business Organizations Code, to authorize the governing documents of a domestic entity, consistent with applicable state and federal jurisdictional requirements, to require that one or more courts in this state having jurisdiction is required to serve as the exclusive forum and venue for any internal entity claims and to make nonsubstantive changes.

SECTION 3. Amends Section 3.007(a), Business Organizations Code, as follows:

(a) Requires that the certificate of formation of a for-profit or professional corporation, in addition to the information required by Section 3.005 (Certificate of Formation), state, if the corporation is to be managed by a board of directors, the number of directors constituting the initial board of directors and the name and address of each individual, rather than each person, who will serve as director until the first annual meeting of shareholders and until a successor is elected and qualified.

SECTION 4. Amends Section 3.015(a) Business Organizations Code, to make conforming changes.

SECTION 5. Amends Section 3.060, Business Organizations Code, by amending Subsection (a) and adding Subsection (c), as follows:

(a) Authorizes a restated certificate of formation for a for-profit corporation or professional corporation, in addition to the provisions authorized or required by Section 3.059 (Restated Certificate of Formation), to omit:

(1) makes conforming and nonsubstantive changes to this subdivision; and

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

(c) Provides that any omission or insertion under Subsection (a) or omission under Section 3.059(b) (relating to authorizing a restated certificate of formation to omit certain information) is not considered an amendment that requires shareholder approval.

SECTION 6. Amends Section 3.061, Business Organizations Code, by amending Subsection (a) and adding Subsection (c), as follows:

(a) Makes conforming changes to this subsection.

(c) Provides that any omission or insertion under Subsection (a) or omission under Section 3.059(b) is not considered an amendment that requires member approval.

SECTION 7. Amends Section 3.0611, Business Organizations Code, as follows:

Sec. 3.0611. SUPPLEMENTAL PROVISIONS FOR RESTATED CERTIFICATE OF FORMATION FOR LIMITED LIABILITY COMPANY. (a) Creates this subsection from existing text and makes no further changes.

(b) Provides that any omission or insertion under Subsection (a) (relating to authorizing a restated certificate of formation for a limited liability company to omit any prior statement regarding certain circumstances) or omission under Section 3.059(b) is not considered an amendment that requires member approval.

SECTION 8. Amends Section 3.062, Business Organizations Code, as follow:

Sec. 3.062. SUPPLEMENTAL PROVISIONS FOR RESTATED CERTIFICATE OF FORMATION FOR REAL ESTATE INVESTMENT TRUST. (a) Creates this subsection from existing text and makes a conforming change.

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

SECTION 9. Amends Subchapter C, Chapter 3, Business Organizations Code, by adding Section 3.106, as follows:

Sec. 3.106. AUTHORIZATION OF PLANS, AGREEMENTS, INSTRUMENTS, AND OTHER DOCUMENTS. (a) Provides that if this code expressly requires the governing authority to approve or take other action with respect to any plan, agreement, instrument, or other document, the plan, agreement, instrument, or other document is authorized to be approved by the governing authority in final form or in substantially final form.

(b) Authorizes the governing authority, if the governing authority has acted to approve or take other action with respect to a plan, agreement, instrument, or other document that is required by this code to be filed with the secretary of state (SOS) or referenced in any certificate to be filed with SOS, at any time after

acting to approve or taking that other action and before the effectiveness of the filing with SOS, to act to ratify the plan, agreement, instrument, or other document. Provides that that ratification is considered:

- (1) to be effective as of the time of the original act to approve or the original taking of other action by the governing authority; and
- (2) to satisfy any requirement under this code that the governing authority approve or take other action with respect to the plan, agreement, instrument, or other document in a specific manner or sequence.

SECTION 10. Amends Section 4.152, Business Organizations Code, to make a nonsubstantive change.

SECTION 11. Amends Section 4.153, Business Organizations Code, to make a nonsubstantive change.

SECTION 12. Amends Section 4.162(b), Business Organizations Code, to require SOS, for a filing by or for a registered series of a domestic limited liability company when no other fee has been provided, to impose the same fee as the filing fee for a similar instrument under Section 4.151 (Filing Fees: All Entities) or 4.154 (Filing Fees: Limited Liability Companies).

SECTION 13. Amends Section 6.051, Business Organizations Code, by amending Subsection (c), as follows:

(c) Provides that, when a notice is required or permitted by this code or the governing documents of a domestic entity to be given to an owner, member, or governing person of the domestic entity, a document enclosed with, or annexed or appended to, the notice is considered part of the notice for the purpose of determining whether notice was given under this code and the governing documents.

SECTION 14. Amends Section 6.202(d), Business Organizations Code, as follows:

(d) Requires the entity to promptly provide notice to each person who is an owner or member as of the record date for the action, as determined by Section 6.102 (Record Date For Written Consent to Action), who did not sign a consent described by Subsection (b) (relating to authorizing the certificate of formation of a filing entity to authorize the owners or members of the entity to take action without performing certain actions) of the action that is the subject of the consent. Provides that the notice required by this subsection:

- (1) in addition to other information required by applicable law, is required to contain a reasonable description of the action that is the subject of the consent; and
- (2) is authorized to, instead of containing the complete notice, include information directing the owner or member to a publicly available electronic resource at which a reasonable description of the action that is the subject of the consent and any other information required by applicable law is authorized to be accessed by the owner or member without subscription or cost.

Makes nonsubstantive changes to this subsection.

SECTION 15. Amends Section 7.001, Business Organizations Code, as follows:

Sec. 7.001. New heading: LIMITATION OF LIABILITY OF MANAGERIAL OFFICIAL. (a) Makes no changes to this subsection.

(b) Changes references to a governing person to a managerial official.

(c) Makes conforming change to this subsection.

(d) Authorizes the liability of a managerial official, rather than the liability of a governing person, to be limited or eliminated in a limited liability company by its certificate of formation or company agreement to the same extent Subsections (b) and (c) permit the limitation or elimination of liability of a managerial official of an organization to which those subsections apply to the additional extent permitted under Sections 101.052 (Company Agreement) and 101.401 (Expansion or Restriction of Duties and Liabilities). Makes conforming and nonsubstantive changes.

SECTION 16. Amends Section 10.002, Business Organizations Code, by adding Subsection (e), as follows:

(e) Provides that, unless otherwise expressly provided by the plan of merger, a disclosure letter, disclosure schedules, or similar documents or instruments delivered in connection with the plan of merger are not considered part of the plan of merger for purposes of Chapter 10 (Mergers, Interest Exchanges, Conversions, and Sales of Assets), but those documents or instructions have the effects provided in the plan of merger.

SECTION 17. Amends Section 10.004, Business Organizations Code, as follows:

Sec. 10.004. PLAN OF MERGER: PERMISSIVE PROVISIONS. (a) Creates this subsection from existing text. Authorizes a plan of merger to include:

(1) makes no changes to this subdivision;

(2) makes nonsubstantive changes to this subdivision;

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

(4) creates this subdivision from existing text and makes no further changes.

(b) Authorizes provisions for the appointment of a representative in a plan of merger under Subsection (a)(3) to:

(1) delegate to the representative the sole and exclusive authority to take action on behalf of the owners or members under the plan of merger, including the authority to take any action the representative determines to enforce or settle the rights of the owners or members under the plan of merger, subject to the terms and conditions prescribed by the plan of merger;

(2) prescribe the irrevocable nature and binding effect of the appointment as to all owners or members to be bound by the appointment from and after the approval of the plan of merger by those owners or members in accordance with Subchapter A (Mergers); and

(3) provide that any of the provisions are prohibited from being amended after the merger has become effective or are authorized to be amended only with the consent or approval of persons specified in the plan of merger.

SECTION 18. Amends Section 10.006(e), Business Organizations Code, as follows:

(e) Provides that certain provisions, including Section 10.004 apply to a merger approved under Subsection (d) (relating to providing that if the parent organization will survive the merger, the merger is required to be approved only by a resolution adopted by the governing authority of the parent organization), except that the resolution approving the merger should be considered the plan of merger for purposes of those sections.

SECTION 19. Amends Section 10.052, Business Organizations Code, by adding Subsection (d), as follows:

(d) Provides that, unless otherwise expressly provided by the plan of exchange, a disclosure letter, disclosure schedules, or similar documents or instruments delivered in connection with the plan of exchange are not considered part of the plan of exchange for purposes of this chapter, but the documents or instruments have the effect provided in the plan of exchange.

SECTION 20. Amends Section 10.053, Business Organizations Code, as follows:

Sec. 10.053. PLAN OF EXCHANGE: PERMISSIVE PROVISIONS. (a) Creates this subsection from existing text. Authorizes a plan of exchange to include:

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

(2) creates this subdivision from existing text and makes no further changes.

(b) Authorizes provisions for the appointment of a representative in a plan of exchange under Subsection (a)(1) to:

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

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

(3) provide that any of the provisions are prohibited from being amended after the interest exchange has become effective or are authorized to be amended only with the consent or approval of persons specified in the plan of exchange.

SECTION 21. Amends Section 10.104, Business Organizations Code, as follows:

Sec. 10.104. PLAN OF CONVERSION: PERMISSIVE PROVISIONS. (a) Creates this subsection from existing text and makes no further changes.

(b) Provides that an action to be taken by the converted entity in connection with the conversion of the converting entity that is provided by the plan of conversion adopted in the manner required by Section 10.101 (Conversion of Domestic Entities) or 10.102 (Conversion of Non-Code Organizations), as applicable, and

that is within the power of the converted entity under the law of its jurisdiction of formation is:

(1) considered authorized, adopted, and approved, as applicable, by the converted entity and the governing authority and owners or members of the converted entity, as applicable; and

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

SECTION 22. Amends Section 21.053, Business Organizations Code, by amending Subsection (c) and adding Subsections (d), (e), (f), and (g), as follows:

(c) Provides that, notwithstanding Section 21.054 (Adoption of Amendment by Shareholders) and except as otherwise provided by the certificate of formation, the board of directors of a corporation that has outstanding shares:

(1) is authorized, without shareholder approval, to adopt an amendment to the corporation's certificate of formation to:

(A) creates this paragraph from existing text and makes no further changes;

(B) omit any provision that specifies the name and address of each organizer or director; or

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

(2) if the corporation has only one class of outstanding stock that is not divided into series and in which no change is made in any par value of shares of that class, is authorized, without shareholder approval, to adopt an amendment to the corporation's certificate of formation to:

(A) reclassify by subdividing the issued shares of the class into a greater number of issued shares of the class; and

(B) if the reclassification is primarily for the purpose of maintaining the listing eligibility of the class on any applicable national securities exchange, reclassify by combining the issued shares of the class into a lesser number of issued shares of the class.

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

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

(f) Provides that, when a reclassification of issued shares:

(1) with par value is made by a corporation under Subsection (c)(2)(A), an amount of surplus designated by the corporation's board of directors that is not

less than the aggregate par value of the shares issued as a result of the reclassification is required to be transferred to stated capital; or

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

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

SECTION 23. Amends Section 21.160(c), Business Organizations Code, to authorize consideration received for treasury shares to have a value greater or less than, or equal to, the par value, if any, of the shares; and consist of the types of consideration described by Section 21.159 (Types of Consideration for Shares).

SECTION 24. Amends Section 21.168(e), Business Organizations Code, as follows:

(e) Provides that, for a transaction entered into by a person or persons to whom authority was delegated under this subsection, the rights or options are authorized to be issued in the number, at the time, and for the consideration, and under the other terms on which shares are authorized to be issued on the exercise of those rights and options, as the person or persons may determine if that authorization of the board of directors:

(1) states:

(A) the maximum number of rights or options, and the maximum number of shares issuable on exercise of those rights or options, rather than the maximum number of rights or options, and the maximum number of shares issuable on exercise of those rights or options, that is authorized to be issued under the authorization;

(B) the period of time during which the rights or options and the period of time during which the shares issuable on exercise of those rights or options, may be issued; and

(C) makes no changes to this paragraph.

SECTION 25. Amends Section 21.402, Business Organizations Code, as follows:

Sec. 21.402. BOARD MEMBER ELIGIBILITY REQUIREMENTS. Provides that, unless the certificate of formation or bylaws of a corporation provide otherwise, a director, rather than a person, is not required to be a resident of this state or a shareholder of the corporation, rather than to serve as a director.

SECTION 26. Amends Section 21.404, Business Organizations Code, as follows:

Sec. 21.404. DESIGNATION OF INITIAL BOARD OF DIRECTORS. Requires that the certificate of formation of a corporation, if the corporation is to be managed by a board of directors, state the name and address, rather than the names and addresses, of each individual who will serve as director until the first annual meeting of shareholders and until a successor is elected and qualified, rather than the persons constituting the initial board of directors of the corporation.

SECTION 27. Amends Section 21.561, Business Organizations Code, by adding Subsection (c), to provide that, for purposes of Subsection (b)(1) (relating to authorizing the court to order the corporation to pay expenses the plaintiff incurred in the proceeding), substantial benefit to the

corporation does not include additional or amended disclosures made to the shareholders, regardless of materiality.

SECTION 28. Amends Section 21.562(a), Business Organizations Code,

(a) Provides that, in a derivative proceeding brought in the right of a foreign corporation, the matters covered by this subchapter are governed by the laws of the jurisdiction of formation of the foreign corporation, except for certain sections, which with respect to foreign corporations are procedural provisions and do not relate to the internal affairs of the foreign corporation, unless applying the laws of the jurisdiction of formation of the foreign corporation requires otherwise with respect to Section 21.555 (Stay of Proceeding).

SECTION 29. Amends Section 21.563(b), Business Organizations Code, as follows:

(b) Provides that Sections 21.552 (Standing to Bring Proceeding)–21.560 (Discontinuance or Settlement) do not apply to a derivative proceeding, rather than to a claim or a derivative proceeding, by a shareholder of a closely held corporation against a present or former director, officer, or shareholder of the corporation. Provides that, in the event the shareholder also asserts a claim in the derivative proceeding against a person who is not a present or former director, officer, or shareholder, this subsection applies only to a claim in the derivative proceeding against a present or former director, officer, or shareholder. Makes nonsubstantive changes.

SECTION 30. Amends Sections 21.901(2) and (4), Business Organizations Code, to redefine "defective corporate act" and "failure of authorization."

SECTION 31. Amends Section 21.902, Business Organizations Code, as follows:

Sec. 21.902. RATIFICATION OF DEFECTIVE CORPORATE ACT AND PUTATIVE SHARES. (a) Provides that, except as provided by Subsection (b) and subject to Section 21.909 (Adoption of Resolutions; Effect on Defective Corporate Act) or 21.910 (Adoption of Resolutions; Effect on Putative Shares), a defective corporate act or putative shares are not ineffective, void, or voidable solely as a result of a failure of authorization if the act or shares are ratified or validated in certain manners. Makes nonsubstantive changes.

(b) Prohibits a corporation from ratifying with retroactive effect in accordance with Subchapter R (Ratification of Defective Corporate Acts or Shares; Proceedings) a defective corporate act resulting from a failure of authorization that is attributable to the failure to file with the filing officer certain filing instruments.

SECTION 32. Amends Sections 21.908(a), (b), and (c), Business Organizations Code, as follows:

(a) Requires the corporation to file a certificate of validation with respect to the defective corporate act in accordance with Chapter 4 (Filings), if:

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

(2) the filing instrument or other document:

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

(B) was not previously filed with the filing officer under any other provision of the corporate statute, rather than regardless of whether a filing instrument or other document was previously filed, with respect to the defective corporate act.

Makes nonsubstantive changes to this subsection.

(b) Requires that the certificate of validation include:

(1) a statement that the corporation has ratified one or more defective corporate acts that would have required the filing of a filing instrument or other document with the filing officer under any provision of the corporate statute, rather than each defective corporate act that is a subject of the certificate of validation, including certain defective corporate acts;

(2) a statement that each defective corporate act has been ratified in accordance with this subchapter, rather than a statement that each defective corporate act was ratified in accordance with this subchapter, including certain dates; and

(3) as appropriate:

(A) deletes existing text requiring that the certification of validation include, if a filing instrument was meets certain requirements, certain information; and

(B) redesignates existing Paragraph (C) as Paragraph (B) and makes no further changes.

Makes nonsubstantive changes to this subsection.

(c) Provides that a filing instrument attached to a certificate of validation under this section, rather than under Subsection (b)(3)(B) or (C), does not need to be executed separately and does not need to include any statement required by any other provision of this code that the instrument has been approved and adopted in accordance with that provision.

SECTION 33. Amends Section 21.909, Business Organizations Code, as follows:

Sec. 21.909. ADOPTION OF RESOLUTIONS; EFFECT ON DEFECTIVE CORPORATE ACT. Provides that, on or after the validation effective time, unless determined otherwise in an action brought under Section 21.914 (Proceeding Regarding Validity of Defective Corporate Acts and Shares) and subject to Sections 21.902(b) and 21.907(e) (relating to providing that putative shares on the record date for determining shareholders entitled to vote on certain matters are not entitled to be counted for voting or quorum purposes), each defective corporate act ratified in accordance with this subchapter is prohibited from being considered ineffective, void, or voidable as a result of the failure of authorization described by the resolutions adopted under Sections 21.903 (Ratification of Defective Corporate Act; Adoption of Resolutions) and 21.904 (Quorum and Voting Requirements for Adoption of Resolutions), and the effect is required to be retroactive to the time of the defective corporate act. Makes a nonsubstantive change.

SECTION 34. Amends Section 21.910, Business Organizations Code, as follows:

Sec. 21.910. ADOPTION OF RESOLUTIONS; EFFECT ON PUTATIVE SHARES. Provides that, on or after the validation effective time, unless determined otherwise in an action brought under Section 21.914 and subject to Sections 21.902(b) and 21.907(e), each putative share or fraction of a putative share issued or purportedly issued pursuant to a defective corporate act ratified in accordance with this subchapter and described by the resolutions adopted under Sections 21.903 and 21.904 is prohibited from being considered ineffective, void, or voidable and is considered to be an identical share or

fraction of a share outstanding as of the time it was purportedly issued. Makes a nonsubstantive change.

SECTION 35. Amends Section 21.913(b), Business Organizations Code, as follows:

(b) Provides that the absence or failure of ratification of an act or transaction in accordance with this subchapter or of validation of an act or transaction as provided by Sections 21.914 through 21.917 (Statute of Limitations) does not, of itself, affect the validity or effectiveness of any act or transaction or the issuance of any shares properly ratified under common law or otherwise, nor does it create a presumption that any such act or transaction is or was a defective corporate act or that those shares are ineffective, void, or voidable.

SECTION 36. Amends Section 21.915, Business Organizations Code, to provide that, subject to Section 1.056, the district court has exclusive jurisdiction to hear and determine any action brought under Section 21.914, and to make nonsubstantive changes.

SECTION 37. Amends Section 21.917(b), Business Organizations Code, as follows:

(b) Provides that, notwithstanding any other provision of this subchapter, an action claiming that a defective corporate act or putative shares are ineffective, void, or voidable due to a failure of authorization identified in the resolutions adopted in accordance with Section 21.903 is prohibited from being filed in or is required to be dismissed by any court after the applicable validation effective time.

SECTION 38. Amends Sections 22.001(1) and (3-a), Business Organizations Code, to redefine "board of directors" and "director."

SECTION 39. Amends Section 22.218(a), Business Organizations Code, as follows:

(a) Provides that the certificate of formation or bylaws of the corporation is:

(1) authorized to designate one or more committees to have and exercise all, or a specified portion, of the authority of the board of directors of the corporation in the management of the corporation; or

(2) authorized to authorize the board of directors, by resolution adopted by the majority of the directors in office, to designate one or more committees to have and exercise all, or a specified portion, of the authority of the board in the management of the corporation to the extent permitted in the authorization in the certificate of formation or bylaws, rather than to the extent provided by the resolution, the certificate of formation, or the bylaws.

Deletes existing text authorizing the board of directors if a corporation, by resolution adopted by the majority of the directors in office, if authorized by the certificate of formation or bylaws of the corporation, to designate one or more committees to serve certain functions.

SECTION 40. Amends Section 22.231(a), Business Organizations Code, to authorize any two or more offices, other than the offices of president and secretary, to be held by the same individual, rather than the same person.

SECTION 41. Amends Sections 22.501(2) and (4), Business Organizations Code, to redefine "defective corporate act" and "failure of authorization."

SECTION 42. Amends Section 22.502, Business Organizations Code, as follows:

Sec. 22.502. RATIFICATION OF DEFECTIVE CORPORATE ACT. (a) Creates this subsection from existing text. Creates an exception under Subsection (b). Makes a conforming change.

(b) Prohibits a corporation from ratifying with retroactive effect in accordance with Subchapter J (Ratification of Defective Corporate Acts; Proceedings) a defective corporate act resulting from a failure of authorization that is attributable to the failure to file with the filing officer the certain filing instruments.

SECTION 43. Amends Sections 22.508(a), (c), and (d), Business Organizations Code, as follows:

(a) Requires the corporation to file a certificate of validation with respect to the defective corporate act in accordance with Chapter 4, if:

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

(2) the filing instrument or other document:

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

(B) was not previously filed with the filing officer under any other provision of the corporate statute with respect to the defective corporate act, rather than regardless of whether a filing instrument or other document was previously filed with respect to the defective corporate act.

Makes a nonsubstantive change to this subsection.

(c) Requires that the certification of validation include:

(1) a statement that the corporation has ratified one or more defective corporate acts that would have required the filing of a filing instrument or other document with the filing officer under any provision of the corporate statute, rather than each defective corporate act that is a subject of the certificate of validation, including the certain information.

(2) a statement that each defective corporate act has been ratified in accordance with this subchapter, rather than a statement that each defective corporate act was ratified in accordance with this subchapter including certain dates; and

(3) as appropriate, if certain criteria are met, certain information.

Deletes existing text requiring that the certificate include, if a filing instrument meets certain requirements, certain information.

(d) Provides that a filing instrument attached to a certificate of validation under this section, rather than Subsection (e)(3)(B) or (C), does not need to be executed separately and does not need to include any statement required by any other provision of this code that the instrument has been approved and adopted in accordance with that provision.

SECTION 44. Amends Section 22.509, Business Organizations Code, as follows:

Sec. 22.509. ADOPTION OF RESOLUTIONS; EFFECT ON DEFECTIVE CORPORATE ACT. Prohibits each defective corporate act ratified in accordance with this subchapter, on or after the validation effective time, unless determined otherwise in an action brought under Section 22.512 (Proceeding Regarding Validity of Defective Corporate Acts) and subject to Section 22.502(b), from being considered ineffective, void, or voidable as a result of the failure of authorization described by the resolutions

adopted under Sections 22.503 (Ratification of Defective Corporate Acts; Adoption of Resolutions) and 22.504 (Quorum and Voting Requirements For Adoption of Resolutions), and the effect is required to be retroactive to the time of the defective corporate act.

SECTION 45. Amends Section 22.513, Business Organizations Code, to provide that, subject to Section 1.056, the district court has exclusive jurisdiction to hear and determine any action brought under Section 22.512 and to make a nonsubstantive change.

SECTION 46. Amends Section 22.515(b), Business Organizations Code, to make a conforming change.

SECTION 47. Amends Subchapter C, Chapter 101, Business Organizations Code, by adding Section 101.1055, as follows:

Sec. 101.1055. **SUBSCRIPTIONS.** (a) Provides that a subscription to purchase a membership interest in a limited liability company in the process of being formed is irrevocable to the extent provided by the terms of the subscription if the subscription is in writing and signed by the subscriber and the subscription states that it is irrevocable.

(b) Provides that a written subscription entered into after the limited liability company is formed is a contract between the subscriber and the company.

SECTION 48. Amends Section 101.109(a), Business Organizations Code, as follows:

(a) Provides that a person who is assigned a membership interest in a limited liability company is entitled to:

(1) makes no changes to this subdivision;

(2) makes a nonsubstantive change to this subdivision; and

(3) the rights described by Section 101.502 (Right to Examine Records), rather than require, for any proper purpose, reasonable information or a reasonable account of the transactions of the company.

Deletes text of existing of Subdivision (4) providing that a person who is assigned a membership interest in a limited liability company is entitled to make, for any proper purpose, reasonable inspections of the books and records of the company.

SECTION 49. Amends Section 101.463(b), Business Organizations Code, as follows:

(b) Provides that certain sections do not apply to a derivative proceeding, rather than a claim or a derivative proceeding, by a member of a closely held limited liability company against a present or former governing person, member, or officer of the limited liability company. Provides that in the event the member also asserts a claim in the derivative proceeding, rather in the extent the claim or derivative proceeding is also made, against a person who is not a present or former governing person, member, or officer, this subsection applies only to a claim in the derivative proceeding against a present or former governing person, member, or officer. Makes conforming and nonsubstantive changes.

SECTION 50. Amends Subchapter F, Chapter 153, Business Organizations Code, by adding Section 153.258, as follows:

Sec. 153.258. **SUBSCRIPTIONS.** (a) Provides that a subscription to purchase a partnership interest in a limited partnership in the process of being formed is irrevocable to the extent provided by the terms of the subscription if the subscription is in writing and signed by the subscriber and the subscription states that it is irrevocable.

(b) Provides that a written subscription entered into after the limited partnership is formed is a contract between the subscriber and the partnership.

SECTION 51. Amends Section 153.413(b), Business Organizations Code, as follows:

(b) Provides that certain sections do not apply to a derivative proceeding, rather than a claim or a derivative proceeding by a limited partner of a closely held limited partnership against a present or former general partner, limited partner, or officer of the limited partnership. Requires that this subsection, in the event the limited partner also asserts a claim in the derivative proceeding, rather than in the event a claim or derivative proceeding is also made, against a person who is not a present or former general partner, limited partner, or officer, apply only to a claim in the derivative proceeding against a present or former general partner, limited partner, or officer. Makes conforming and nonsubstantive changes.

SECTION 52. Amends Section 153.533(a-1), Business Organizations Code, as follows:

(a-1) Requires that the following certificates be executed as follows:

(1) makes no changes to this subdivision;

(2) a certificate of amendment or restated certificate of formation containing amendments is required to be signed by at least one general partner and by each other general partner designated in the certificate of amendment or the restated certificate of formation as a new general partner, unless signed and filed by a person under certain provisions, but the certificate of amendment or the restated certificate of formation need not be signed by a withdrawing general partner;

(3) makes no changes to this subdivision;

(4) a certificate of merger, rather than a certificate of merger, conversion, or exchange, filed on behalf of a domestic limited partnership is required to be signed by at least one general partner and by each other general partner designated as a new general partner by any amendment to the certificate of formation of the limited partnership being made by the certificate of merger, but the certificate of merger need not be signed by a withdrawing general partner, rather than as provided by Chapter 10;

(5) a certificate of conversion or exchange filed on behalf of a domestic limited partnership is required to be signed by at least one general partner; and

(6) a certificate filed under Subchapter G (Bankruptcy Reorganization), Chapter 10, is required to be signed by the person designated by the court.

Makes nonsubstantive changes to this subsection.

SECTION 53. Amends Section 251.352(a), Business Organizations Code, to require that the annual report submitted by a cooperative association to its members contain certain information including the name, address, occupation, and date of expiration of the term of office of each officer and director and any compensation paid by the association to each officer or director of the association, and to make nonsubstantive changes.

SECTION 54. Amends Section 252.017(b), Business Organizations Code, to provide that certain chapters, including Chapters 2 (Purposes and Power of Domestic Entity), and 11 and, if a nonprofit association designates an agent for service of process, Subchapter E (Registered Agents and Registered Offices), Chapter 5 (Names of Entities; Registered Agents and Registered Offices), apply to a nonprofit association.

SECTION 55. Repealer: Section 153.502(c) (relating to prohibiting the requirement that a domestic entity that is not a general partnership to send a written notice of the winding up to certain claimants from being applicable to a limited partnership), Business Organizations Code.

Repealers: Sections 251.353 (Annual Report of Financial Condition) and 251.354 (Failure to File Report), Business Organizations Code.

SECTION 56. Makes application of Sections 21.561 and 21.562, Business Organizations Code, as amended by this Act, prospective.

SECTION 57. Effective date: September 1, 2025.