

- SUBJECT:** Technical and substantive changes to the Business Organizations Code
- COMMITTEE:** Business and Industry — committee substitute recommended
- VOTE:** 7 ayes — Deshotel, Orr, Bohac, Garza, Giddings, Quintanilla, Solomons
0 nays
2 absent — S. Miller, Workman
- WITNESSES:** For — Elizabeth Miller; Daryl Robertson, Texas Business Law Foundation
Against — None
On — (*Registered, but did not testify:* Carmen Flores, Texas Secretary of State Business and Public Filings Division)
- BACKGROUND:** The Texas Business Organizations Code was enacted in 2003 and took effect in 2006. The Business Organization Code codified prior source laws pertaining to businesses. In 2005, 2007, and 2009, the Legislature addressed concerns raised during the initial review period and the first years of operation. Effective January 1, 2010, the underlying source laws were repealed, and the transition to exclusive use of the Business Organizations Code was complete.

The Texas State Bar and the secretary of state made recommendations for technical and substantive revisions to be made to the Business Organizations Code.
- DIGEST:** CSHB 1873 would make various nonsubstantive technical revisions to the Business Organization Code. The bill's substantive amendments to the Business Organization Code would include:
- eliminating the requirement for liability insurance or posting of a cash deposit or bond as a condition to the registration of a limited liability partnership;
 - conforming the liability provisions relating to limited liability partnerships to the Uniform Partnership Act;

- adding charging order provisions for partnership interests in general partnerships similar to those applicable to partnership interests in limited partnerships and to membership interests in limited liability companies;
- allowing the company agreement of a limited liability company and the partnership agreement of a limited partnership reasonably to restrict access to the entity's books and records;
- authorizing the certificates of nonprofit organizations to change or eliminate the requirement to hold an annual meeting of members; and
- amending time limits for certain notices and other actions in the dissenters' rights provisions.

The bill would take effect September 1, 2011.

NOTES:

The companion bill, SB 748 by Carona, passed the Senate by 31-0 on the Local and Uncontested Calendar on March 17 and was reported favorably, as amended, by the House Business and Industry Committee on April 20, making it eligible to be considered in lieu of HB 1873.