

## **BILL ANALYSIS**

Senate Research Center  
77R10591 CLG-F

H.B. 2728  
By: Crownover (Fraser)  
Business & Commerce  
5/9/2001  
Engrossed

### **DIGEST AND PURPOSE**

The federal Securities Act of 1933 provides certain exemptions under federal law to companies that intend to grant stock options to their employees. It also extends these exemptions to consultants, managers, partners, and others who provide services to a company. Texas law does not currently provide exemptions for grants of options to consultants and others who are not traditional employees of an issuer of securities. As a result, Texas companies are unable to make certain option grants even when federal law would permit them. H.B. 2728 amends The Securities Act to correspond to federal law by providing for the exemption from registration of option grants for consultants, managers, partners, and others who provide services to a company but who are not traditional employees of the company.

### **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 Section 5, The Securities Act (Article 581-5, V.T.C.S.), as follows:

Sec. 5. EXEMPT TRANSACTIONS. Includes among exempt transactions certain sales or distributions to persons, including consultants and advisors who provide the issuer or its subsidiary bon fide services unrelated to the offer or sale of securities in a capital-raising transaction

SECTION 2. Effective date: September 1, 2001.

Makes application of this Act prospective.