

1-1 By: Eltife S.B. No. 1008
1-2 (In the Senate - Filed March 6, 2015; March 10, 2015, read
1-3 first time and referred to Committee on Business and Commerce;
1-4 April 9, 2015, reported adversely, with favorable Committee
1-5 Substitute by the following vote: Yeas 9, Nays 0; April 9, 2015,
1-6 sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	Eltife	X		
1-10	Creighton	X		
1-11	Ellis	X		
1-12	Huffines	X		
1-13	Schwertner	X		
1-14	Seliger	X		
1-15	Taylor of Galveston	X		
1-16	Watson	X		
1-17	Whitmire	X		

1-18 COMMITTEE SUBSTITUTE FOR S.B. No. 1008 By: Eltife

1-19 A BILL TO BE ENTITLED
1-20 AN ACT

1-21 relating to the authority of certain domestic life, health, and
1-22 accident insurance companies to make investments in mezzanine real
1-23 estate loans.

1-24 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-25 SECTION 1. Subchapter C, Chapter 425, Insurance Code, is
1-26 amended by adding Section 425.1185 to read as follows:

1-27 Sec. 425.1185. AUTHORIZED INVESTMENTS: MEZZANINE REAL
1-28 ESTATE LOANS. (a) In this section, "mezzanine real estate loan"
1-29 means a loan that is secured by a pledge of direct or indirect
1-30 equity interests in an entity that owns real estate.

1-31 (b) Subject to Subsections (c) and (d), an insurance company
1-32 with more than \$10 billion in admitted assets may invest in a
1-33 mezzanine real estate loan if the loan documents:

1-34 (1) require that each pledgor abstain from granting an
1-35 additional security interest in the equity interest pledged;

1-36 (2) employ techniques to minimize the likelihood or
1-37 impact of a bankruptcy filing by the real estate owner or the
1-38 mezzanine real estate loan borrower; and

1-39 (3) require the real estate owner or the mezzanine
1-40 real estate loan borrower to:

1-41 (A) hold no assets other than, in the case of the
1-42 owner, the real estate, and in the case of the borrower, the equity
1-43 interests in the entity;

1-44 (B) not engage in any business other than, in the
1-45 case of the owner, the ownership and operation of the real estate,
1-46 and in the case of the borrower, holding an ownership interest in
1-47 the owner; and

1-48 (C) not incur additional debt, other than limited
1-49 trade payables, a first mortgage loan, or the mezzanine real estate
1-50 loan.

1-51 (c) Before making an initial investment in a mezzanine real
1-52 estate loan, an insurance company shall corroborate that the sum of
1-53 the first mortgage on the real estate and the mezzanine real estate
1-54 loan does not exceed 100 percent of the value of the current
1-55 appraised value of the real estate.

1-56 (d) An insurance company's cumulative investment under this
1-57 section may not exceed three percent of the insurance company's
1-58 admitted assets.

1-59 SECTION 2. Section 425.1185, Insurance Code, as added by
1-60 this Act, applies only to an investment made on or after the

2-1 effective date of this Act. An investment made before the effective
2-2 date of this Act is governed by the law as it existed immediately
2-3 before that date, and that law is continued in effect for that
2-4 purpose.

2-5 SECTION 3. This Act takes effect September 1, 2015.

2-6 * * * * *