

1-1 By: Schwertner S.B. No. 2411
1-2 (In the Senate - Filed March 12, 2025; March 25, 2025, read
1-3 first time and referred to Committee on Business & Commerce;
1-4 April 9, 2025, reported adversely, with favorable Committee
1-5 Substitute by the following vote: Yeas 10, Nays 0; April 9, 2025,
1-6 sent to printer.)

1-7 COMMITTEE VOTE

1-8	Yea	Nay	Absent	PNV
1-9	Schwertner	X		
1-10	King		X	
1-11	Blanco	X		
1-12	Campbell	X		
1-13	Creighton	X		
1-14	Johnson	X		
1-15	Kolkhorst	X		
1-16	Menéndez	X		
1-17	Middleton	X		
1-18	Nichols	X		
1-19	Zaffirini	X		

1-20 COMMITTEE SUBSTITUTE FOR S.B. No. 2411 By: Schwertner

1-21 A BILL TO BE ENTITLED
1-22 AN ACT

1-23 relating to business organizations.

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

1-25 SECTION 1. Subchapter B, Chapter 1, Business Organizations
1-26 Code, is amended by adding Sections 1.056 and 1.057 to read as
1-27 follows:

1-28 Sec. 1.056. REFERENCES IN CODE TO CERTAIN DISTRICT COURTS
1-29 INCLUDES BUSINESS COURTS. Notwithstanding any other law, a
1-30 reference or grant of jurisdiction in this code, including a grant
1-31 of exclusive jurisdiction, to a district court constitutes a
1-32 reference or grant of concurrent jurisdiction to a business court
1-33 established under Chapter 25A, Government Code, if the business
1-34 court has authority and jurisdiction under Chapter 25A, Government
1-35 Code, to adjudicate the action or claim. This section does not
1-36 expand the authority of the business court under Chapter 25A,
1-37 Government Code.

1-38 Sec. 1.057. LAWS GOVERNING FORMATION, INTERNAL AFFAIRS, AND
1-39 GOVERNANCE OF DOMESTIC ENTITY. (a) The plain meaning of the text
1-40 of this code may not be supplanted, contravened, or modified by the
1-41 laws or judicial decisions of any other state.

1-42 (b) The managerial officials of a domestic entity, in
1-43 exercising their powers with respect to the domestic entity, may
1-44 consider the laws and judicial decisions of other states and the
1-45 practices observed by entities formed in those other states. The
1-46 failure or refusal of a managerial official to consider, or to
1-47 conform the exercise of the managerial official's powers to, the
1-48 laws, judicial decisions, or practices of another state does not
1-49 constitute or imply a breach of this code or of any duty existing
1-50 under the laws of this state.

1-51 SECTION 2. Section 2.115(b), Business Organizations Code,
1-52 is amended to read as follows:

1-53 (b) The governing documents of a domestic entity ~~may~~
1-54 ~~require~~, consistent with applicable state and federal
1-55 jurisdictional requirements, may require:

1-56 (1) that any internal entity claims shall be brought
1-57 only in a court in this state; and

1-58 (2) that one or more courts in this state having
1-59 jurisdiction shall serve as the exclusive forum and venue for any
1-60 internal entity claims.

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

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

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

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

(3) 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 ~~[person]~~ who will serve as director until the first annual meeting of shareholders and until a successor is elected and qualified; and

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

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

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

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

(2) state:

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

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

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

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

(a) In addition to the provisions authorized or required by Section 3.059, a restated certificate of formation for a for-profit corporation or professional corporation may omit:

(1) any prior statements regarding the number of directors and the names and addresses of the individuals ~~[persons]~~ serving as directors and, at the corporation's election, may insert a statement regarding the current number of directors and the names and addresses of the individuals ~~[persons]~~ currently serving as directors; 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) Any omission or insertion under Subsection (a) or omission under Section 3.059(b) is not considered an amendment that requires shareholder approval.

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

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

(c) 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. Section 3.0611, Business Organizations Code, is amended to read as follows:

3-1 Sec. 3.0611. SUPPLEMENTAL PROVISIONS FOR RESTATED
 3-2 CERTIFICATE OF FORMATION FOR LIMITED LIABILITY COMPANY. (a) In
 3-3 addition to the provisions authorized or required by Section 3.059,
 3-4 a restated certificate of formation for a limited liability company
 3-5 may omit any prior statements regarding whether the company has or
 3-6 does not have managers and the names and addresses of managers or
 3-7 members and, at the company's election, may insert a statement:

3-8 (1) regarding whether the company currently has or
 3-9 does not have managers;

3-10 (2) that the company currently has managers and the
 3-11 names and addresses of the persons currently serving as managers;
 3-12 or

3-13 (3) that the company currently does not have managers
 3-14 and the names and addresses of the current members of the company.

3-15 (b) Any omission or insertion under Subsection (a) or
 3-16 omission under Section 3.059(b) is not considered an amendment that
 3-17 requires member approval.

3-18 SECTION 8. Section 3.062, Business Organizations Code, is
 3-19 amended to read as follows:

3-20 Sec. 3.062. SUPPLEMENTAL PROVISIONS FOR RESTATED
 3-21 CERTIFICATE OF FORMATION FOR REAL ESTATE INVESTMENT TRUST. (a) In
 3-22 addition to the provisions authorized or required by Section 3.059,
 3-23 a restated certificate of formation for a real estate investment
 3-24 trust may update the current number of trust managers and the names
 3-25 and addresses of the individuals ~~[persons]~~ serving as trust
 3-26 managers.

3-27 (b) Any update under Subsection (a) or Section 3.059(b) is
 3-28 not considered an amendment that requires shareholder approval.

3-29 SECTION 9. Subchapter C, Chapter 3, Business Organizations
 3-30 Code, is amended by adding Section 3.106 to read as follows:

3-31 Sec. 3.106. AUTHORIZATION OF PLANS, AGREEMENTS,
 3-32 INSTRUMENTS, AND OTHER DOCUMENTS. (a) If this code expressly
 3-33 requires the governing authority to approve or take other action
 3-34 with respect to any plan, agreement, instrument, or other document,
 3-35 the plan, agreement, instrument, or other document may be approved
 3-36 by the governing authority in final form or in substantially final
 3-37 form.

3-38 (b) If the governing authority has acted to approve or take
 3-39 other action with respect to a plan, agreement, instrument, or
 3-40 other document that is required by this code to be filed with the
 3-41 secretary of state or referenced in any certificate to be filed with
 3-42 the secretary of state, the governing authority may, at any time
 3-43 after acting to approve or taking that other action and before the
 3-44 effectiveness of the filing with the secretary of state, act to
 3-45 ratify the plan, agreement, instrument, or other document. That
 3-46 ratification is considered:

3-47 (1) to be effective as of the time of the original act
 3-48 to approve or the original taking of other action by the governing
 3-49 authority; and

3-50 (2) to satisfy any requirement under this code that
 3-51 the governing authority approve or take other action with respect
 3-52 to the plan, agreement, instrument, or other document in a specific
 3-53 manner or sequence.

3-54 SECTION 10. Section 4.152, Business Organizations Code, is
 3-55 amended to read as follows:

3-56 Sec. 4.152. FILING FEES: FOR-PROFIT CORPORATIONS. For a
 3-57 filing by or for a for-profit corporation, the secretary of state
 3-58 shall impose the following fees:

3-59 (1) for filing a certificate of formation, \$300;

3-60 (2) for filing a certificate of amendment, \$150;

3-61 (3) for filing an application of a foreign corporation
 3-62 for registration to transact business in this state, \$750;

3-63 (4) for filing an application of a foreign corporation
 3-64 for an amended registration to transact business in this state,
 3-65 \$150;

3-66 (5) for filing a restated certificate of formation and
 3-67 accompanying statement, \$300;

3-68 (6) for filing a statement of change of registered
 3-69 office, registered agent, or both, \$15;

(7) for filing a statement of change of name or address of a registered agent, \$15, except that the maximum fee for simultaneous filings by a registered agent for more than one corporation may not exceed \$750;

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

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

(10) for filing a certificate of withdrawal of a foreign corporation, \$15;

(11) for filing a certificate from the home state of a foreign corporation that the corporation no longer exists in that state, \$15;

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

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

(14) for filing an application for reinstatement of a corporation or registration as a foreign corporation after involuntary termination or revocation, \$75;

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

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

SECTION 11. Section 4.153, Business Organizations Code, is amended to read as follows:

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

(1) for filing a certificate of formation, \$25;

(2) for filing a certificate of amendment, \$25;

(3) for filing a certificate of merger, conversion, or consolidation, without regard to whether the surviving or new corporation is a domestic or foreign corporation, \$50;

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

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

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

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

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

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

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

(11) for filing a report under Chapter 22, \$5;

(12) for filing a report under Chapter 22 to reinstate a corporation's right to conduct affairs in this state, \$5, plus a late fee in the amount of \$5 or in the amount of \$1 for each month or part of a month that the report remains unfiled, whichever amount is greater, except that the late fee may not exceed \$25;

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

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

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

SECTION 12. Section 4.162(b), Business Organizations Code,

is amended to read as follows:

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

SECTION 13. Section 6.051, Business Organizations Code, is amended by adding Subsection (c) to read as follows:

(c) 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 properly given under this code and the governing documents.

SECTION 14. Section 6.202(d), Business Organizations Code, is amended to read as follows:

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

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

(2) may, 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 may be accessed by the owner or member without subscription or cost.

SECTION 15. Section 7.001, Business Organizations Code, is amended to read as follows:

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

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

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

(3) to the extent permitted by federal law, a federally chartered bank, savings and loan association, or credit union.

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

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

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

(2) an act or omission not in good faith that:
(A) constitutes a breach of duty of the managerial official ~~[person]~~ to the organization; or

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

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

(4) an act or omission for which the liability of a managerial official ~~[governing person]~~ is expressly provided by an applicable statute.

(d) The liability of a managerial official ~~[governing~~

person] may be limited or eliminated:

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

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

(3) 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 ~~[governing person]~~ of an organization to which those subsections apply and to the additional extent permitted under Sections 101.052 and ~~[Section]~~ 101.401.

SECTION 16. Section 10.002, Business Organizations Code, is amended by adding Subsection (e) to read as follows:

(e) 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 this chapter, but those documents or instruments have the effects provided in the plan of merger.

SECTION 17. Section 10.004, Business Organizations Code, is amended to read as follows:

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

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

(2) provisions relating to an interest exchange, including a plan of exchange; ~~and~~

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

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

(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 this subchapter; and

(3) provide that any of the provisions:

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

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

SECTION 18. Section 10.006(e), Business Organizations Code, is amended to read as follows:

(e) Sections 10.001(c)-(e), 10.002(c), 10.003, 10.004, and 10.007-10.010 apply to a merger approved under Subsection (d),

except that the resolution approving the merger should be considered the plan of merger for purposes of those sections.

SECTION 19. Section [10.052](#), Business Organizations Code, is amended by adding Subsection (d) to read as follows:

(d) 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. Section [10.053](#), Business Organizations Code, is amended to read as follows:

Sec. 10.053. PLAN OF EXCHANGE: PERMISSIVE PROVISIONS. (a) A plan of exchange may 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 may 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) any other provisions not required by Section [10.052](#) relating to the interest exchange.

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

(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:

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

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

SECTION 21. Section [10.104](#), Business Organizations Code, is amended to read as follows:

Sec. 10.104. PLAN OF CONVERSION: PERMISSIVE PROVISIONS. (a) A plan of conversion may include other provisions relating to the conversion that are not inconsistent with law.

(b) 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](#) or [10.102](#), as applicable, and that is within the power of the converted entity under the law of its jurisdiction of formation:

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

(A) the converted entity; and

(B) 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. Section [21.053](#), Business Organizations Code, is amended by amending Subsection (c) and adding Subsections (d), (e), (f), and (g) to read as follows:

(c) Notwithstanding Section [21.054](#) and except as otherwise provided by the certificate of formation, the board of directors of a corporation that has outstanding shares:

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

(A) change the word or abbreviation in its

corporate name as required by Section 5.054(a) to be a different word or abbreviation required by that section;

(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, may, without shareholder approval, 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) An amendment described by Subsection (c)(2)(A) may 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) An amendment described by Subsection (c)(2)(B) may 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) 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 shall be transferred to stated capital; and

(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, shall be transferred to stated capital.

(g) A corporation may not effect 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. Section 21.160(c), Business Organizations Code, is amended to read as follows:

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

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

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

SECTION 24. Section 21.168(e), Business Organizations Code, is amended to read as follows:

(e) An authorization of the board of directors may delegate to a person or persons, in addition to the board of directors, the authority to enter into one or more transactions to issue rights or options. For a transaction entered into by a person or persons to whom authority was delegated under this subsection, the rights or options may be issued in the number, at the time, and for the

consideration, and under the other terms on which shares may 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, that may 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) the minimum amount of consideration:

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

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

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

SECTION 25. Section 21.402, Business Organizations Code, is amended to read as follows:

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

SECTION 26. Section 21.404, Business Organizations Code, is amended to read as follows:

Sec. 21.404. DESIGNATION OF INITIAL BOARD OF DIRECTORS. If the corporation is to be managed by a board of directors, the certificate of formation of a corporation must state the name and address ~~[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 ~~[the persons constituting the initial board of directors of the corporation]~~.

SECTION 27. Section 21.561, Business Organizations Code, is amended by adding Subsection (c) to read as follows:

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

SECTION 28. Section 21.562(a), Business Organizations Code, is amended to read as follows:

(a) 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 Sections 21.555, 21.560, and 21.561, 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.

SECTION 29. Section 21.563(b), Business Organizations Code, is amended to read as follows:

(b) Sections 21.552-21.560 do not apply 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. In the event the shareholder also asserts a claim in the ~~[or]~~ derivative proceeding ~~[is also made]~~ against a person who is not a present or former ~~[that]~~ director, officer, or shareholder, this subsection applies only to a ~~[the]~~ claim in the ~~[or]~~ derivative proceeding against a present or former ~~[the]~~ director, officer, or shareholder.

SECTION 30. Sections 21.901(2) and (4), Business Organizations Code, are amended to read as follows:

(2) "Defective corporate act" means:

(A) an overissue;

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

(C) any act or transaction purportedly taken by or on behalf of the corporation that is, and at the time the act or transaction was purportedly taken would have been, within the power of a corporation to take under the corporate statute, without regard to the failure of authorization identified in Section [21.903\(a\)\(4\)](#), but is ineffective, void, or voidable due to a failure of authorization, including a failure to file with the filing officer a filing instrument that was required under the corporate statute to complete the effectiveness of the act or transaction.

(4) "Failure of authorization" means:

(A) the failure to authorize or effect an act or transaction in compliance with the provisions of the corporate statute, the governing documents of the corporation, any plan or agreement to which the corporation is a party, or the disclosure set forth in any proxy or consent solicitation statement, if and to the extent the failure would render the act or transaction ineffective, void, or voidable; or

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

SECTION 31. Section [21.902](#), Business Organizations Code, is amended to read as follows:

Sec. 21.902. RATIFICATION OF DEFECTIVE CORPORATE ACT AND PUTATIVE SHARES. (a) Except as provided by Subsection (b) and subject [Subject] to Section [21.909](#) or [21.910](#), 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:

(1) ratified in accordance with this subchapter; or

(2) validated by the district court in a proceeding brought under Section [21.914](#).

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

(1) a statement of change of registered agent or a statement of change of registered office under Subchapter [E](#), Chapter [5](#);

(2) a certificate of amendment or restated certificate of formation that amends the registered agent or registered office under Subchapter [B](#), Chapter [3](#);

(3) a certificate of formation under Subchapter [A](#), Chapter [3](#);

(4) a certificate of termination under Subchapter [C](#), Chapter [11](#);

(5) a certificate of merger or certificate of conversion under Subchapter [D](#), Chapter [10](#); or

(6) a report under Subchapter [E](#), Chapter [171](#), Tax Code.

SECTION 32. Sections [21.908\(a\)](#), (b), and (c), Business Organizations Code, are amended to read as follows:

(a) ~~The [If 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, the]~~ corporation shall 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~~[, regardless of whether a filing instrument or other document was previously filed]~~ with respect to the defective corporate act.

(b) The certificate of validation must 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 ~~[each defective corporate act that is a subject of the certificate of validation, including:~~

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

~~[(B) the date of the defective corporate act, and~~

~~[(C) the nature of the failure of authorization with respect to the defective corporate act];~~

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

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

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

(3) as appropriate:

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

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

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

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

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

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

(iii) the date and time that the attached filing instrument is considered to have become effective under this subchapter; or

(B) ~~[(C)]~~ if a filing instrument was not previously filed with a filing officer under the corporate statute with respect to the defective corporate act and the defective corporate act as ratified under this subchapter would have required under the other applicable provisions of this code the filing of a filing instrument in accordance with Chapter 4, if the defective corporate act had occurred when this code was in effect:

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

(ii) the date and time that the attached

filing instrument is considered to have become effective under this subchapter.

(c) A filing instrument attached to a certificate of validation under this section [~~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. Section 21.909, Business Organizations Code, is amended to read as follows:

Sec. 21.909. ADOPTION OF RESOLUTIONS; EFFECT ON DEFECTIVE CORPORATE ACT. 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 [~~Section~~] 21.907(e), each defective corporate act ratified in accordance with this subchapter may not be considered ineffective, void, or voidable as a result of the failure of authorization described by the resolutions adopted under Sections 21.903 and 21.904, and the effect shall be retroactive to the time of the defective corporate act.

SECTION 34. Section 21.910, Business Organizations Code, is amended to read as follows:

Sec. 21.910. ADOPTION OF RESOLUTIONS; EFFECT ON PUTATIVE SHARES. 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 [~~Section~~] 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 may not be 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.

SECTION 35. Section 21.913(b), Business Organizations Code, is amended to read as follows:

(b) 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 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. Section 21.915, Business Organizations Code, is amended to read as follows:

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

SECTION 37. Section 21.917(b), Business Organizations Code, is amended to read as follows:

(b) Notwithstanding any other provision of this subchapter:

(1) 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 may not be filed in or must be dismissed by any court after the applicable validation effective time; and

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

SECTION 38. Sections 22.001(1) and (3-a), Business Organizations Code, are amended to read as follows:

(1) "Board of directors" means the group of individuals [~~persons~~] vested with the management of the affairs of the corporation, regardless of the name used to designate the

group. The term does not include the member or members of the corporation if the certificate of formation of the corporation vests the management of the affairs of the corporation in the members.

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

SECTION 39. Section 22.218(a), Business Organizations Code, is amended to read as follows:

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

~~(1) [the board of directors of a corporation, by resolution adopted by the majority of the directors in office,] may 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) may 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 [to the extent provided by:~~

~~[(1) the resolution,~~

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

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

SECTION 40. Section 22.231(a), Business Organizations Code, is amended to read as follows:

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

SECTION 41. Sections 22.501(2) and (4), Business Organizations Code, are amended to read as follows:

(2) "Defective corporate act" means:

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

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

(4) "Failure of authorization" means:

(A) the failure to authorize or effect an act or transaction in compliance with the provisions of the corporate statute, the governing documents of the corporation, a corporate resolution, or any plan or agreement to which the corporation is a party, if and to the extent the failure would render the act or transaction ineffective, void, or voidable; or

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

SECTION 42. Section 22.502, Business Organizations Code, is amended to read as follows:

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

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

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

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

(2) a certificate of amendment or restated certificate of formation that amends the registered agent or registered office under Subchapter B, Chapter 3;

(3) a certificate of formation under Subchapter A, Chapter 3;

(4) a certificate of termination under Subchapter C, Chapter 11;

(5) a certificate of merger or certificate of conversion under Subchapter D, Chapter 10;

(6) a report under Subchapter E, Chapter 171, Tax Code; or

(7) a report under Sections 22.357 through 22.359.

SECTION 43. Sections 22.508(a), (c), and (d), Business Organizations Code, are amended to read as follows:

(a) ~~The [If 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, the]~~ corporation shall 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~~[, regardless of whether a filing instrument or other document was previously filed]~~ with respect to the defective corporate act.

(c) The certificate of validation must 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 ~~[each defective corporate act that is a subject of the certificate of validation, including:~~

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

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

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

~~[(B) if the corporation has members with voting rights, the date, if any, on which the members approved the ratification of each defective corporate act or, if the management of the affairs of the corporation is vested in its members under Section 22.202, the date on which the members ratified each defective corporate act]; and~~

(3) as appropriate:

(A) ~~[if a filing instrument was previously filed with a filing officer under the corporate statute with respect to the defective corporate act and no change to the filing instrument is required to give effect to the defective corporate act as~~

ratified in accordance with this subchapter:

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

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

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

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

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

(iii) the date and time that the attached filing instrument is considered to have become effective under this subchapter; or

(B) ~~[(C)]~~ if a filing instrument was not previously filed with a filing officer under the corporate statute with respect to the defective corporate act and the defective corporate act as ratified under this subchapter would have required under the other applicable provisions of this code the filing of a filing instrument in accordance with Chapter 4, if the defective corporate act had occurred when this code was in effect:

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

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

(d) A filing instrument attached to a certificate of validation under this section ~~[Subsection (c)(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. Section 22.509, Business Organizations Code, is amended to read as follows:

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

SECTION 45. Section 22.513, Business Organizations Code, is amended to read as follows:

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

SECTION 46. Section 22.515(b), Business Organizations Code, is amended to read as follows:

(b) Notwithstanding any other provision of this subchapter:

(1) an action claiming that a defective corporate act is ineffective, void, or voidable due to a failure of authorization identified in the resolutions adopted in accordance with Section

22.503 may not be filed in or must be dismissed by any court after the applicable validation effective time; and

(2) an action claiming that a court of appropriate jurisdiction, in its discretion, should declare that a ratification in accordance with this subchapter not take effect or that the ratification take effect only on certain conditions may not be filed with the court after the expiration of the 120th day after the later of the validation effective time or the time that any notice required to be given under Section 22.510 is given with respect to the ratification.

SECTION 47. Subchapter C, Chapter 101, Business Organizations Code, is amended by adding Section 101.1055 to read as follows:

Sec. 101.1055. SUBSCRIPTIONS. (a) 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:

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

(2) the subscription states that it is irrevocable.

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

SECTION 48. Section 101.109(a), Business Organizations Code, is amended to read as follows:

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

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

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

~~(3) the rights described by Section 101.502 [require, for any proper purpose, reasonable information or a reasonable account of the transactions of the company; and~~

~~[(4) make, for any proper purpose, reasonable inspections of the books and records of the company].~~

SECTION 49. Section 101.463(b), Business Organizations Code, is amended to read as follows:

(b) Sections 101.452-101.460 do not apply to ~~[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. In the event the member also asserts a claim in the ~~[or]~~ derivative proceeding ~~[is also made]~~ against a person who is not a present or former ~~[that]~~ governing person, member, or officer, this subsection applies only to a ~~[the]~~ claim in the ~~[or]~~ derivative proceeding against a present or former ~~[the]~~ governing person, member, or officer.

SECTION 50. Subchapter F, Chapter 153, Business Organizations Code, is amended by adding Section 153.258 to read as follows:

Sec. 153.258. SUBSCRIPTIONS. (a) 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:

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

(2) the subscription states that it is irrevocable.

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

SECTION 51. Section 153.413(b), Business Organizations Code, is amended to read as follows:

(b) Sections 153.402-153.410 do not apply to ~~[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. In the event the limited partner also asserts a claim in the ~~[or]~~

derivative proceeding ~~[is also made]~~ against a person who is not a present or former ~~[that]~~ general partner, limited partner, or officer, this subsection shall apply only to a ~~[the]~~ claim in the ~~[or]~~ derivative proceeding against a present or former ~~[the]~~ general partner, limited partner, or officer.

SECTION 52. Section 153.553(a-1), Business Organizations Code, is amended to read as follows:

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

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

(2) a certificate of amendment or restated certificate of formation containing amendments must 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 Section 153.052(b) or (c), but the certificate of amendment or the restated certificate of formation need not be signed by a withdrawing general partner;

(3) a certificate of termination must be signed by all general partners participating in the winding up of the limited partnership's business or, if no general partners are winding up the limited partnership's business, by all nonpartner liquidators or, if the limited partners are winding up the limited partnership's business, by a majority-in-interest of the limited partners;

(4) a certificate of merger~~[, conversion, or exchange]~~ filed on behalf of a domestic limited partnership must 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; [as provided by Chapter 10, and]

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

(6) a certificate filed under Subchapter G, Chapter 10, must be signed by the person designated by the court.

SECTION 53. Section 251.352(a), Business Organizations Code, is amended to read as follows:

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

(1) a balance sheet;
 (2) an income and expense statement;
 (3) the amount and nature of the cooperative association's authorized, subscribed, and paid-in capital;

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

(6) the par value of the association's shares;
 (7) the rate at which any investment dividends have been paid; ~~[and]~~

(8) if the cooperative association does not issue shares:

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

(C) the amount of membership fees received;
 (9) the name, address, occupation, and date of expiration of the term of office of each officer and director; and

(10) any compensation paid by the association to each officer or director of the association.

SECTION 54. Section 252.017(b), Business Organizations Code, is amended to read as follows:

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

SECTION 56. Sections 21.561 and 21.562, Business Organizations Code, as amended by this Act, apply only to a derivative proceeding instituted on or after the effective date of this Act. A derivative proceeding instituted before the effective date of this Act is governed by the law in effect on the date the proceeding was instituted, and the former law is continued in effect for that purpose.

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