

BUSINESS ORGANIZATIONS CODE

TITLE 1. GENERAL PROVISIONS

CHAPTER 1. DEFINITIONS AND OTHER GENERAL PROVISIONS

SUBCHAPTER A. DEFINITIONS AND PURPOSE

Sec. 1.001. PURPOSE. The purpose of this code is to make the law encompassed by this code more accessible and understandable by:

(1) rearranging the statutes into a more logical order;

(2) employing a format and numbering system designed to facilitate citation of the law and to accommodate future expansion of the law;

(3) eliminating repealed, duplicative, expired, executed, and other ineffective provisions; and

(4) restating the law in modern American English to the greatest extent possible.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 1.002. DEFINITIONS. In this code:

(1) "Affiliate" means a person who controls, is controlled by, or is under common control with another person.

(2) "Associate," when used to indicate a relationship with a person, means:

(A) a domestic or foreign entity or organization for which the person:

(i) is an officer or governing person; or

(ii) beneficially owns, directly or indirectly, either individually or through an affiliate, 10 percent or more of a class of voting ownership interests or similar securities of the entity or organization;

(B) a trust or estate in which the person has a substantial beneficial interest or for which the person serves as trustee or in a similar fiduciary capacity;

(C) the person's spouse or a relative of the person related by consanguinity or affinity who resides with the

person; or

(D) a governing person or an affiliate or officer of the person.

(3) "Association" means an entity governed as an association under Title 6 or 7. The term includes a cooperative association, nonprofit association, and professional association.

(4) "Assumed name" means a name adopted for use by a person. The term includes an assumed name filed under Chapter 71, Business & Commerce Code.

(5) "Business" means a trade, occupation, profession, or other commercial activity.

(6) "Certificate of formation" means:

(A) the document required to be filed with the filing officer under Chapter 3 to form a filing entity; and

(B) if appropriate, a restated certificate of formation and all amendments of an original or restated certificate of formation.

(7) "Certificated ownership interest" means an ownership interest of a domestic entity represented by a certificate issued in bearer or registered form.

(8) "Close corporation" means a for-profit corporation that elects to be governed as a close corporation in accordance with Subchapter O, Chapter 21.

(9) "Contribution" means a tangible or intangible benefit that a person transfers to an entity in consideration for an ownership interest in the entity or otherwise in the person's capacity as an owner or a member. The benefit includes cash, services rendered, a contract for services to be performed, a promissory note or other obligation of a person to pay cash or transfer property to the entity, or securities or other interests in or obligations of an entity, but does not include cash or property received by the entity:

(A) with respect to a promissory note or other obligation to the extent that the agreed value of the note or obligation has previously been included as a contribution; or

(B) that the person intends to be a loan to the entity.

(10) "Conversion" means:

(A) the continuance of a domestic entity as a non-code organization of any type;

(B) the continuance of a non-code organization as a domestic entity of any type;

(C) the continuance of a domestic entity of one type as a domestic entity of another type;

(D) the continuance of a domestic entity of one type as a foreign entity of the same type that may be treated as a domestication, continuance, or transfer transaction under the laws of the jurisdiction of formation of the foreign entity; or

(E) the continuance of a foreign entity of one type as a domestic entity of the same type that may be treated as a domestication, continuance, or transfer transaction under the laws of the jurisdiction of formation of the foreign entity.

(11) "Converted entity" means an organization resulting from a conversion.

(12) "Converting entity" means an organization as the organization existed before the organization's conversion.

(13) "Cooperative" or "cooperative association" means an association governed as a cooperative association under Chapter [251](#).

(14) "Corporation" means an entity governed as a corporation under Title 2 or 7. The term includes a for-profit corporation, nonprofit corporation, and professional corporation.

(15) "Debtor in bankruptcy" means a person who is the subject of:

(A) an order for relief under the United States bankruptcy laws (Title 11, United States Code); or

(B) a comparable order under a:
(i) successor statute of general applicability; or

(ii) federal or state law governing insolvency.

(16) "Director" means an individual who serves on the board of directors of a foreign or domestic corporation.

(17) "Domestic" means, with respect to an entity, that

the entity is formed under this code or the entity's internal affairs are governed by this code.

(18) "Domestic entity" means an organization formed under or the internal affairs of which are governed by this code.

(19) "'Domestic entity subject to dissenters' rights" means a domestic entity the owners of which have rights of dissent and appraisal under this code or the governing documents of the entity.

(20) "Effective date of this code" means January 1, 2006. The applicability of this code is governed by Title 8.

(20-a) "Electronic data system" means an electronic network or database. The term includes a distributed electronic network or database, including one that employs blockchain or distributed ledger technology.

(20-b) "Electronic transmission" means a form of communication, including communication by use of or participation in one or more electronic data systems, that:

(A) does not directly involve the physical transmission of paper;

(B) creates a record that may be retained, retrieved, and reviewed by the recipient; and

(C) may be directly reproduced in paper form by the recipient through an automated process.

(21) "Entity" means a domestic entity or foreign entity.

(21-a) "Fictitious name" means an assumed name:

(A) that a foreign filing entity adopts for use because the name of the entity as stated in the entity's certificate of formation or similar organizational instrument is not available for use under the laws of this state; and

(B) under which the foreign filing entity is registered to transact business in this state, in accordance with Chapter 9.

(22) "Filing entity" means a domestic entity that is a corporation, limited partnership, limited liability company, professional association, cooperative, or real estate investment trust.

(23) "Filing instrument" means an instrument, document, consent, or statement that is required or authorized by this code to be filed by or for an entity with the filing officer in accordance with Chapter 4.

(24) "Filing officer" means:

(A) with respect to an entity other than a domestic real estate investment trust, the secretary of state; or

(B) with respect to a domestic real estate investment trust, the county clerk of the county in which the real estate investment trust's principal office is located in this state.

(25) "For-profit corporation" means a corporation governed as a for-profit corporation under Chapter 21.

(26) "For-profit entity" means an entity other than a nonprofit entity.

(27) "Foreign" means, with respect to an entity, that the entity is formed under, and the entity's internal affairs are governed by, the laws of a jurisdiction other than this state.

(28) "Foreign entity" means an organization formed under, and the internal affairs of which are governed by, the laws of a jurisdiction other than this state.

(29) "Foreign filing entity" means a foreign entity, other than a foreign limited liability partnership, that registers or is required to register as a foreign entity under Chapter 9.

(30) "Foreign governmental authority" means a governmental official, agency, or instrumentality of a jurisdiction other than this state.

(31) "Foreign nonfiling entity" means a foreign entity that is not a foreign filing entity.

(32) "Fundamental business transaction" means a merger, interest exchange, conversion, or sale of all or substantially all of an entity's assets.

(33) "General partner" means:

(A) each partner in a general partnership; or

(B) a person who has become, and has not ceased to be, a general partner in a limited partnership in accordance with the governing documents of the limited partnership or this code.

(34) "General partnership" means a partnership governed as a general partnership under Chapter 152. The term includes a general partnership registered as a limited liability partnership.

(35)(A) "Governing authority" means a person or group of persons who are entitled to manage and direct the affairs of an entity under this code and the governing documents of the entity, except that if the governing documents of the entity or this code divide the authority to manage and direct the affairs of the entity among different persons or groups of persons according to different matters, "governing authority" means the person or group of persons entitled to manage and direct the affairs of the entity with respect to a matter under the governing documents of the entity or this code. The term includes:

(i) the board of directors of a corporation or other persons authorized to perform the functions of the board of directors of a corporation;

(ii) the general partners of a general partnership or limited partnership;

(iii) the managers of a limited liability company that is managed by managers;

(iv) the members of a limited liability company that is managed by members who are entitled to manage the company;

(v) the board of directors of a cooperative association; and

(vi) the trust managers of a real estate investment trust.

(B) The term does not include an officer who is acting in the capacity of an officer.

(36) "Governing documents" means:

(A) in the case of a domestic entity:

(i) the certificate of formation for a domestic filing entity or the document or agreement under which a domestic nonfiling entity is formed; and

(ii) the other documents or agreements adopted by the entity under this code to govern the formation or the

internal affairs of the entity; or

(B) in the case of a foreign entity, the instruments, documents, or agreements adopted under the law of its jurisdiction of formation to govern the formation or the internal affairs of the entity.

(37) "Governing person" means a person serving as part of the governing authority of an entity.

(38) "Individual" means a natural person.

(39) "Insolvency" means the inability of a person to pay the person's debts as they become due in the usual course of business or affairs.

(40) "Insolvent" means a person who is unable to pay the person's debts as they become due in the usual course of business or affairs.

(41) "Interest exchange" means the acquisition of an ownership or membership interest in a domestic entity as provided by Subchapter B, Chapter 10. The term does not include a merger or conversion.

(42) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended. The term includes corresponding provisions of subsequent federal tax laws.

(43) "Jurisdiction of formation" means:

(A) in the case of a domestic filing entity, this state;

(B) in the case of a foreign entity for which a certificate of formation or similar organizational instrument is filed in connection with its formation, the jurisdiction in which the entity's certificate of formation or similar organizational instrument is filed; or

(C) in the case of a domestic nonfiling entity or a foreign entity for which a certificate of formation or similar organizational instrument is not filed in connection with its formation:

(i) the jurisdiction the laws of which are chosen in the entity's governing documents to govern its internal affairs if that jurisdiction bears a reasonable relation to the owners or members or to the entity's business and affairs under the

principles of this state that otherwise would apply to a contract among the owners or members; or

(ii) if Subparagraph (i) does not apply, the jurisdiction in which the entity has its chief executive office.

(44) "Law" means, unless the context requires otherwise, both statutory and common law.

(45) "License" means a license, certificate of registration, or other legal authorization.

(46) "Limited liability company" means an entity governed as a limited liability company under Title 3 or 7. The term includes a professional limited liability company.

(47) "Limited liability limited partnership" means a partnership governed as a limited liability partnership and a limited partnership under Title 4.

(48) "Limited liability partnership" means a partnership governed as a limited liability partnership under Title 4.

(49) "Limited partner" means a person who has become, and has not ceased to be, a limited partner in a limited partnership in accordance with the governing documents of the limited partnership or this code.

(50) "Limited partnership" means a partnership that is governed as a limited partnership under Title 4 and that has one or more general partners and one or more limited partners. The term includes a limited partnership registered as a limited liability limited partnership.

(51) "Manager" means a person designated as a manager of a limited liability company that is not managed by members of the company.

(52) "Managerial official" means an officer or a governing person.

(53) "Member" means:

(A) in the case of a limited liability company, a person who has become, and has not ceased to be, a member in the limited liability company as provided by its governing documents or this code;

(B) in the case of a nonprofit corporation, a person who has membership rights in the nonprofit corporation under its governing documents;

(C) in the case of a cooperative association, a member of a nonshare or share association;

(D) in the case of a nonprofit association, a person who has membership rights in the nonprofit association under its governing documents; or

(E) in the case of a professional association, a person who has membership rights in the professional association under its governing documents.

(54) "Membership interest" means a member's interest in an entity. With respect to a limited liability company, the term includes a member's share of profits and losses or similar items and the right to receive distributions, but does not include a member's right to participate in management.

(55) "Merger" means:

(A) the division of a domestic entity into two or more new domestic entities or other organizations or into a surviving domestic entity and one or more new domestic or foreign entities or non-code organizations; or

(B) the combination of one or more domestic entities with one or more domestic entities or non-code organizations resulting in:

(i) one or more surviving domestic entities or non-code organizations;

(ii) the creation of one or more new domestic entities or non-code organizations; or

(iii) one or more surviving domestic entities or non-code organizations and the creation of one or more new domestic entities or non-code organizations.

(55-a) "National securities exchange" means an exchange registered as a national securities exchange under Section 6, Securities Exchange Act of 1934 (15 U.S.C. Section 78f).

(56) "Non-code organization" means an organization other than a domestic entity.

(56-a) "Non-United States entity" means a foreign

entity formed under, and the internal affairs of which are governed by, the laws of a non-United States jurisdiction.

(56-b) "Non-United States jurisdiction" means a foreign country or other foreign jurisdiction that is not the United States or a state of the United States.

(57) "Nonfiling entity" means a domestic entity that is not a filing entity. The term includes a domestic general partnership and nonprofit association.

(58) "Nonprofit association" means an association governed as a nonprofit association under Chapter 252.

(59) "Nonprofit corporation" means a corporation governed as a nonprofit corporation under Chapter 22.

(60) "Nonprofit entity" means an entity that is a nonprofit corporation, nonprofit association, or other entity that is organized solely for one or more of the purposes specified by Section 2.002.

(61) "Officer" means an individual elected, appointed, or designated as an officer of an entity by the entity's governing authority or under the entity's governing documents.

(62) "Organization" means a corporation, limited or general partnership, limited liability company, business trust, real estate investment trust, joint venture, joint stock company, cooperative, association, bank, insurance company, credit union, savings and loan association, or other organization, regardless of whether the organization is for-profit, nonprofit, domestic, or foreign.

(63) "Owner," for purposes of Title 1, 7, or 8, means:

(A) with respect to a foreign or domestic for-profit corporation or real estate investment trust, a shareholder;

(B) with respect to a foreign or domestic partnership, a partner;

(C) with respect to a foreign or domestic limited liability company or professional association, a member; or

(D) with respect to another foreign or domestic entity, an owner of an equity interest in that entity.

(63-a) "Owner liability" means personal liability for a

liability or other obligation of an organization that is imposed on a person:

(A) by statute solely because of the person's status as an owner or member of the organization; or

(B) by a governing document of an organization under a provision of this code or the law of the organization's jurisdiction of formation that authorizes the governing document to make one or more specified owners or members of the organization liable in their capacity as owners or members for all or specified liabilities or other obligations of the organization.

(64) "Ownership interest" means an owner's interest in an entity. The term includes the owner's share of profits and losses or similar items and the right to receive distributions. The term does not include an owner's right to participate in management.

(65) "Parent" means an organization that, directly or indirectly through or with one or more of its subsidiaries:

(A) owns at least 50 percent of the outstanding ownership or membership interests of another organization; or

(B) possesses at least 50 percent of the voting power of the owners or members of another organization.

(66) "Partner" means a limited partner or general partner.

(67) "Partnership" means an entity governed as a partnership under Title 4.

(68) "Partnership interest" means a partner's interest in a partnership. The term includes the partner's share of profits and losses or similar items and the right to receive distributions. The term does not include a partner's right to participate in management.

(69) "Party to the merger" means a domestic entity or non-code organization that under a plan of merger is divided or combined by a merger. The term does not include a domestic entity or non-code organization that is not to be divided or combined into or with one or more domestic entities or non-code organizations, regardless of whether ownership interest of the entity are to be issued under the plan of merger.

(69-a) "Period of duration," in reference to when a domestic entity is required to wind up its business and affairs:

(A) means:

(i) a specified term or period of time, such as a specified number of months or years; or

(ii) a period that expires as of a specified time or date; and

(B) does not include:

(i) a period that expires or whose expiration is made contingent on the occurrence of a future event or fact, other than the passage of time or the occurrence of a specified time or date; or

(ii) a period specified to be perpetual.

Text of subdivision effective until June 01, 2022

(69-b) "Person" means an individual or a corporation, partnership, limited liability company, business trust, trust, association, or other organization, estate, government or governmental subdivision or agency, or other legal entity, or a series of a domestic limited liability company or foreign entity.

Text of subdivision effective on June 01, 2022

(69-b) "Person" means an individual or a corporation, partnership, limited liability company, business trust, trust, association, or other organization, estate, government or governmental subdivision or agency, or other legal entity, or a protected series or registered series of a domestic limited liability company or foreign entity.

(69-c) "Plan of conversion" means a document that conforms with the requirements of Section [10.103](#).

(69-d) "Plan of exchange" means a document that conforms with the requirements of Section [10.052](#).

(69-e) "Plan of merger" means a document that conforms with the requirements of Sections [10.002](#) and [10.003](#).

(70) "President" means the:

(A) individual designated as president of an entity under the entity's governing documents; or

(B) officer or committee of persons authorized to

perform the functions of the principal executive officer of an entity without regard to the designated name of the officer or committee.

(71) "Professional association" has the meaning assigned by Section 301.003.

(72) "Professional corporation" has the meaning assigned by Section 301.003.

(73) "Professional entity" has the meaning assigned by Section 301.003.

(74) "Professional individual" has the meaning assigned by Section 301.003.

(75) "Professional limited liability company" has the meaning assigned by Section 301.003.

(76) "Professional service" has the meaning assigned by Section 301.003.

(77) "Property" includes tangible and intangible property and an interest in that property.

Text of subdivision effective on June 01, 2022

(77-a) "Protected series" means a series of a domestic limited liability company that is established as a protected series in accordance with Section 101.602.

(78) "Real estate investment trust" means an entity governed as a real estate investment trust under Title 5.

Text of subdivision effective on June 01, 2022

(78-a) "Registered series" means a series of a domestic limited liability company that is formed as a registered series in accordance with Section 101.602.

(79) "Secretary" means the:

(A) individual designated as secretary of an entity under the entity's governing documents; or

(B) officer or committee of persons authorized to perform the functions of secretary of an entity without regard to the designated name of the officer or committee.

Text of subdivision effective on June 01, 2022

(79-a) "Series," with respect to a limited liability company, means a designated series of members, managers, membership

interests, or assets that is a protected series or a registered series, or that is neither a protected series nor a registered series.

(80) "Share" means a unit into which the ownership interest in a for-profit corporation, professional corporation, real estate investment trust, or professional association is divided, regardless of whether the share is certificated or uncertificated.

(81) "Shareholder" or "holder of shares" means:

(A) the person in whose name shares issued by a for-profit corporation, professional corporation, or real estate investment trust are registered in the share transfer records maintained by or on behalf of the for-profit corporation, professional corporation, or real estate investment trust; or

(B) the beneficial owner of shares issued by a for-profit corporation, whose shares are held in a voting trust or by a nominee on the beneficial owner's behalf, to the extent of the rights granted by a nominee statement on file with the for-profit corporation in accordance with Sections [21.201\(b\)](#) and (c).

(82) "Signature" means any symbol executed or adopted by a person with present intention to authenticate a writing. Unless the context requires otherwise, the term includes a digital signature, an electronic signature, and a facsimile of a signature.

(82-a) "Social purposes" means one or more purposes of a for-profit corporation that are specified in the corporation's certificate of formation and consist of promoting one or more positive impacts on society or the environment or of minimizing one or more adverse impacts of the corporation's activities on society or the environment. Those impacts may include:

(A) providing low-income or underserved individuals or communities with beneficial products or services;

(B) promoting economic opportunity for individuals or communities beyond the creation of jobs in the normal course of business;

(C) preserving the environment;

(D) improving human health;

(E) promoting the arts, sciences, or advancement

of knowledge;

(F) increasing the flow of capital to entities with a social purpose; and

(G) conferring any particular benefit on society or the environment.

(83) "Subscriber" means a person who agrees with or makes an offer to an entity to purchase by subscription an ownership interest in the entity.

(84) "Subscription" means an agreement between a subscriber and an entity, or a written offer made by a subscriber to an entity before or after the entity's formation, in which the subscriber agrees or offers to purchase a specified ownership interest in the entity.

(85) "Subsidiary" means an organization for which another organization, either directly or indirectly through or with one or more of its other subsidiaries:

(A) owns at least 50 percent of the outstanding ownership or membership interests of the organization; or

(B) possesses at least 50 percent of the voting power of the owners or members of the organization.

(86) "Treasurer" means the:

(A) individual designated as treasurer of an entity under the entity's governing documents; or

(B) officer or committee of persons authorized to perform the functions of treasurer of an entity without regard to the designated name of the officer or committee.

(87) "Uncertificated ownership interest" means an ownership interest in a domestic entity that is not represented by an instrument and is transferred by:

(A) amendment of the governing documents of the entity; or

(B) registration on books maintained by or on behalf of the entity for the purpose of registering transfers of ownership interests.

(88) "Vice president" means the:

(A) individual designated as vice president of an entity under the governing documents of the entity; or

(B) officer or committee of persons authorized to perform the functions of the president of the entity on the death, absence, or resignation of the president or on the inability of the president to perform the functions of office without regard to the designated name of the officer or committee.

(89) "Writing" or "written" means an expression of words, letters, characters, numbers, symbols, figures, or other textual information that is inscribed on a tangible medium or that is stored in an electronic or other medium that is retrievable in a perceivable form. Unless the context requires otherwise, the term:

(A) includes stored or transmitted electronic data, electronic transmissions, and reproductions of writings; and

(B) does not include sound or video recordings of speech other than transcriptions that are otherwise writings.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Amended by:

Acts 2005, 79th Leg., Ch. 64 (H.B. [1319](#)), Sec. 1, eff. January 1, 2006.

Acts 2007, 80th Leg., R.S., Ch. 688 (H.B. [1737](#)), Sec. 1, eff. September 1, 2007.

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. [2278](#)), Sec. 2.07, eff. April 1, 2009.

Acts 2009, 81st Leg., R.S., Ch. 84 (S.B. [1442](#)), Sec. 1, eff. September 1, 2009.

Acts 2011, 82nd Leg., R.S., Ch. 139 (S.B. [748](#)), Sec. 1, eff. September 1, 2011.

Acts 2013, 83rd Leg., R.S., Ch. 100 (S.B. [849](#)), Sec. 1, eff. September 1, 2013.

Acts 2015, 84th Leg., R.S., Ch. 32 (S.B. [860](#)), Sec. 1, eff. September 1, 2015.

Acts 2017, 85th Leg., R.S., Ch. 74 (S.B. [1517](#)), Sec. 1, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 503 (H.B. [2856](#)), Sec. 1, eff. June 1, 2018.

Acts 2019, 86th Leg., R.S., Ch. 658 (S.B. [1859](#)), Sec. 1, eff.

September 1, 2019.

Acts 2021, 87th Leg., R.S., Ch. 39 (S.B. 1203), Sec. 1, eff. September 1, 2021.

Acts 2021, 87th Leg., R.S., Ch. 43 (S.B. 1523), Sec. 10, eff. June 1, 2022.

Sec. 1.003. DISINTERESTED PERSON. (a) For purposes of this code, a person is disinterested with respect to the approval of a contract, transaction, or other matter, or to the consideration of the disposition of a claim or challenge relating to a contract, transaction, or particular conduct, if the person or the person's associate:

(1) is not a party to the contract or transaction or materially involved in the conduct that is the subject of the claim or challenge; and

(2) does not have a material financial interest in the outcome of the contract or transaction or the disposition of the claim or challenge.

(b) For purposes of Subsection (a), a person is not materially involved in a contract or transaction that is the subject of a claim or challenge and does not have a material financial interest in the outcome of a contract or transaction or the disposition of a claim or challenge solely because:

(1) the person was nominated or elected as a governing person by a person who is:

(A) interested in the contract or transaction;
or

(B) alleged to have engaged in the conduct that is the subject of the claim or challenge;

(2) the person receives normal fees or customary compensation, reimbursement for expenses, or benefits as a governing person of the entity;

(3) the person has a direct or indirect equity interest in the entity;

(4) the entity has, or its subsidiaries have, an interest in the contract or transaction or was affected by the alleged conduct;

(5) the person or an associate of the person receives ordinary and reasonable compensation for reviewing, making recommendations regarding, or deciding on the disposition of the claim or challenge; or

(6) in the case of a review by the person of the alleged conduct that is the subject of the claim or challenge:

(A) the person is named as a defendant in the derivative proceeding regarding the matter or as a person who engaged in the alleged conduct; or

(B) the person, acting as a governing person, approved, voted for, or acquiesced in the act being challenged if the act did not result in a material personal or financial benefit to the person and the challenging party fails to allege particular facts that, if true, raise a significant prospect that the governing person would be held liable to the entity or its owners or members as a result of the conduct.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 1.004. INDEPENDENT PERSON. (a) For purposes of this code, a person is independent with respect to considering the disposition of a claim or challenge regarding a contract or transaction, or particular or alleged conduct, if the person:

(1) is disinterested;

(2) either:

(A) is not an associate, or member of the immediate family, of a party to the contract or transaction or of a person who is alleged to have engaged in the conduct that is the subject of the claim or challenge; or

(B) is an associate to a party or person described by Paragraph (A) that is an entity if the person is an associate solely because the person is a governing person of the entity or of the entity's subsidiaries or associates;

(3) does not have a business, financial, or familial relationship with a party to the contract or transaction, or with another person who is alleged to have engaged in the conduct, that is the subject of the claim or challenge that could reasonably be expected to materially and adversely affect the judgment of the

person in favor of the party or other person with respect to the consideration of the matter; and

(4) is not shown, by a preponderance of the evidence, to be under the controlling influence of a party to the contract or transaction that is the subject of the claim or challenge or of a person who is alleged to have engaged in the conduct that is the subject of the claim or challenge.

(b) For purposes of Subsection (a), a person does not have a relationship that could reasonably be expected to materially and adversely affect the judgment of the person regarding the disposition of a matter that is the subject of a claim or challenge and is not otherwise under the controlling influence of a party to a contract or transaction that is the subject of a claim or challenge or that is alleged to have engaged in the conduct that is the subject of a claim or challenge solely because:

(1) the person has been nominated or elected as a governing person by a person who is interested in the contract or transaction or alleged to be engaged in the conduct that is the subject of the claim or challenge;

(2) the person receives normal fees or similar customary compensation, reimbursement for expenses, or benefits as a governing person of the entity;

(3) the person has a direct or indirect equity interest in the entity;

(4) the entity has, or its subsidiaries have, an interest in the contract or transaction or was affected by the alleged conduct;

(5) the person or an associate of the person receives ordinary and reasonable compensation for reviewing, making recommendations regarding, or deciding on the disposition of the claim or challenge; or

(6) the person, an associate of the person, other than the entity or its associates, or an immediate family member has a continuing business relationship with the entity that is not material to the person, associate, or family member.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 1.005. CONSPICUOUS INFORMATION. In this code, required information is conspicuous if the information is placed in a manner or displayed using a font that provides or should provide notice to a reasonable person affected by the information. Required information in a document is conspicuous if the font used for the information is capitalized, boldfaced, italicized, or underlined or is larger or of a different color than the remainder of the document.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 1.006. SYNONYMOUS TERMS. To the extent not inconsistent with the provisions of the constitution, other statutes or codes, and governing documents wherein such terms may be found, and as the context requires, in this code, any other statute or code of this state, or any governing documents:

(1) a reference to "articles of incorporation," "articles of organization," "articles of association," "certificate of limited partnership," and "charter" includes a "certificate of formation";

(2) a reference to "authorized capital stock" includes "authorized shares";

(3) a reference to "capital stock" includes "authorized and issued shares," "issued share," and "stated capital";

(4) a reference to a "certificate of registration," "certificate of authority," and "permit to do business" includes "registration";

(5) a reference to "stock" and "shares of stock" includes "shares";

(6) a reference to "stockholder" includes "shareholder";

(7) a reference to "no par stock" includes "shares without par value";

(8) a reference to "paid-up capital" includes "stated capital";

(9) a reference to "articles of merger" includes a "certificate of merger";

(10) a reference to "articles of exchange" includes a "certificate of exchange";

(11) a reference to "articles of conversion" includes a "certificate of conversion";

(12) a reference to "articles of amendment" includes a "certificate of amendment";

(13) a reference to "articles of dissolution" or "certificate of cancellation" includes a "certificate of termination";

(14) a reference to "incorporator" includes an "organizer";

(15) a reference to "certificate of authority to transact business" includes a "registration to transact business";

(16) a reference to "regulations" in connection with a limited liability company includes a "company agreement"; and

(17) a reference to "business corporation" includes a "for-profit corporation."

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Amended by:

Acts 2005, 79th Leg., Ch. 64 (H.B. [1319](#)), Sec. 2, eff. January 1, 2006.

Acts 2007, 80th Leg., R.S., Ch. 688 (H.B. [1737](#)), Sec. 2, eff. September 1, 2007.

Sec. 1.007. SIGNING OF DOCUMENT OR OTHER WRITING. For purposes of this code, a writing has been signed by a person when the writing includes, bears, or incorporates the person's signature. A transmission or reproduction of a writing signed by a person is considered signed by that person for purposes of this code.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Amended by:

Acts 2005, 79th Leg., Ch. 64 (H.B. [1319](#)), Sec. 3, eff. January 1, 2006.

Sec. 1.008. SHORT TITLES. (a) The provisions of this code as described by this section may be cited as provided by this

section.

(b) The provisions of Title 2 and the provisions of Title 1 to the extent applicable to corporations may be cited as the "Texas Corporation Law."

(c) The provisions of Chapters 20 and 21 and the provisions of Title 1 to the extent applicable to for-profit corporations may be cited as the "Texas For-Profit Corporation Law."

(d) The provisions of Chapters 20 and 22 and the provisions of Title 1 to the extent applicable to nonprofit corporations may be cited as the "Texas Nonprofit Corporation Law."

(e) The provisions of Title 3 and the provisions of Title 1 to the extent applicable to limited liability companies may be cited as the "Texas Limited Liability Company Law."

(f) The provisions of Chapters 151, 152, and 154 and the provisions of Title 1 to the extent applicable to general partnerships may be cited as the "Texas General Partnership Law."

(g) The provisions of Chapters 151, 153, and 154 and the provisions of Title 1 and Chapter 152 to the extent applicable to limited partnerships may be cited as the "Texas Limited Partnership Law."

(h) The provisions of Title 5 and the provisions of Title 1 and Chapters 20 and 21 to the extent applicable to real estate investment trusts may be cited as the "Texas Real Estate Investment Trust Law."

(i) The provisions of Chapter 251 and the provisions of Title 1 and Chapters 20 and 22 to the extent applicable to cooperative associations may be cited as the "Texas Cooperative Association Law."

(j) The provisions of Title 7 and the provisions of Titles 1, 2, and 3 to the extent applicable to professional entities may be cited as the "Texas Professional Entities Law."

(k) The provisions of Chapter 252 may be cited as the "Uniform Unincorporated Nonprofit Association Act."

(l) The provisions of Chapters 301 and 302 and the provisions of Chapters 20 and 21 and Title 1 to the extent applicable to professional associations may be cited as the "Texas Professional Association Law."

(m) The provisions of Chapters 301 and 303 and the provisions of Chapters 20 and 21 and Title 1 to the extent applicable to professional corporations may be cited as the "Texas Professional Corporation Law."

(n) The provisions of Chapters 301 and 304 and the provisions of Titles 1 and 3 to the extent applicable to professional limited liability companies may be cited as the "Texas Professional Limited Liability Company Law."

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 688 (H.B. 1737), Sec. 3, eff. September 1, 2007.

Sec. 1.009. DOLLARS AS MONETARY UNITS. Unless the context requires otherwise, a value or amount that is required by this code to be stated in monetary terms must be stated in United States dollars. Currency that is not specified is considered to be in United States dollars.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

SUBCHAPTER B. CODE CONSTRUCTION

Sec. 1.051. CONSTRUCTION OF CODE. Chapter 311, Government Code (Code Construction Act), applies to the construction of each provision in this code except as otherwise expressly provided by this code.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 1.052. REFERENCE IN LAW TO STATUTE REVISED BY CODE. A reference in a law to a statute or a part of a statute revised by this code is considered to be a reference to the part of this code that revises that statute or part of that statute.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 1.053. APPLICABILITY TO FOREIGN AND INTERSTATE AFFAIRS. This code applies to the conduct of affairs with foreign countries and the other states of the United States only to the

extent permitted under the United States Constitution.
Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 1.054. RESERVATION OF POWER. The legislature at all times has the power to amend, repeal, or modify this code and to prescribe regulations, provisions, and limitations as the legislature considers advisable. The regulations, provisions, and limitations are binding on any entity subject to this code.
Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

SUBCHAPTER C. DETERMINATION OF APPLICABLE LAW

Sec. 1.101. DOMESTIC FILING ENTITIES. The law of this state governs the formation and internal affairs of an entity if the entity's formation occurs when a certificate of formation filed in accordance with Chapter 4 takes effect.
Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 1.102. FOREIGN FILING ENTITIES. If the formation of an entity occurs when a certificate of formation or similar instrument filed with a foreign governmental authority takes effect, the law of the state or other jurisdiction in which that foreign governmental authority is located governs the formation and internal affairs of the entity.
Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 1.103. ENTITIES NOT FORMED BY FILING INSTRUMENT. If the formation of an entity does not occur when a certificate of formation or similar instrument filed with the secretary of state or with a foreign governmental authority takes effect, the law governing the entity's formation and internal affairs is the law of the entity's jurisdiction of formation.
Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 1.104. LAW APPLICABLE TO LIABILITY. The law of the jurisdiction that governs an entity as determined under Sections 1.101-1.103 applies to the liability of an owner, a member, or a

managerial official of the entity in the capacity as an owner, a member, or a managerial official for an obligation, including a debt or other liability, of the entity for which the owner, member, or managerial official is not otherwise liable by contract or under provisions of law other than this code.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 1.105. INTERNAL AFFAIRS. For purposes of this code, the internal affairs of an entity include:

(1) the rights, powers, and duties of its governing authority, governing persons, officers, owners, and members; and

(2) matters relating to its membership or ownership interests.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.

Sec. 1.106. ORDER OF PRECEDENCE. (a) This title applies to all domestic entities and foreign entities to the extent provided by this title.

(b) Each title of this code, other than this title, applies to a different type of entity to the extent provided by that title.

(c) If a provision of this title conflicts with a provision in another title of this code, the provision of the other title supersedes the provision of this title.

Acts 2003, 78th Leg., ch. 182, Sec. 1, eff. Jan. 1, 2006.