

BILL ANALYSIS

Senate Research Center
77R11494 CLG-F

H.B. 3015
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Business & Commerce
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Engrossed

DIGEST AND PURPOSE

Charitable organizations have begun to recognize the benefit of accepting stock and stock options in addition to monetary donations in their fund-raising efforts. Donation of stock provides charities with great potential gains without great risk. The options also provide cash-poor corporations with the means to provide potentially large donations to charities. As a result of these types of fund-raising efforts, start-up companies have begun to issue stock options to charities when the strike price of the options is low and the potential benefits are significant. Currently, The Securities Act of Texas does not provide an exemption from registration under state law for the charitable donation of securities, which may negate the inherent incentives of stock donation. H.B. 3015 exempts the donation of securities to charitable organizations from The Securities Act.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 5, The Securities Act (Article 581-5, V.T.C.S.), as follows:

Sec. 5. EXEMPT TRANSACTIONS. Provides that, except as hereinafter in this Act specifically provided, the provisions of this Act do not apply to the sale of any security when made in any of the following transactions and under any of the following conditions, and the company or person engaged therein shall not be deemed a dealer within the meaning of this Act; that is to say, the provisions of this Act do not apply to any sale, offer for sale, solicitation, subscription, dealing in or delivery of any security under any of the following transactions or conditions:

U. The issuance or transfer of securities by the issuer of its securities to a corporation or association, organized exclusively for religious, educational, benevolent, fraternal, charitable, or reformatory purposes and not for pecuniary profit, only if:

- (a) the corporation or association does not provide anything of value for the securities other than, in the case of any security that is an option, payment of the exercise price of the option to acquire the securities at a price not to exceed the fair market value of the underlying securities on the date the option was granted;
- (b) the issuance or transfer of securities is not made for the purpose of raising capital for the issuer;
- (c) no commission or other form of consideration is paid or provided to a third party with respect to the issuance or transfer; and
- (d) the issuance or transfer is not directly or indirectly for the purpose of providing or

furthering a scheme in violation of or to evade this Act.

SECTION 2. Effective date: upon passage or September 1, 2001.