

Texas Adopts Additional Amendments to the Business Organizations Code Focused on Shareholder Proposals

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On May 19, 2025, Texas Governor Greg Abbott signed into law Senate Bill No. 1057 (SB 1057), effective Sept. 1, 2025, which amends the Texas Business Organizations Code (TBOC) to allow certain Texas-based corporations and other corporations with stock listed on Texas stock exchanges to adopt stock ownership requirements with respect to shareholder proposals. Largely due to SEC Rule 14a-8, shareholder proposals from holders with small ownership positions have become increasingly common and imposed substantial burdens on time and resources for public companies. Senator Tan Parker, the author of SB 1057, has called the new Texas legislation “a bold step forward in ensuring that shareholder proposals come from serious investors who are truly invested in a company’s long-term success.” Upon its effectiveness, SB 1057 should provide further enticement for publicly traded companies to list or dual list on NYSE Texas or, once it accepts listings, the Texas Stock Exchange.

Approval of SB 1057 follows the recent passage of other amendments to the TBOC designed to make Texas a leading jurisdiction for corporate incorporation. For more information, please see this [Haynes Boone alert](#).

Background

SB 1057 aims to provide relief from nuisance shareholder proposals to publicly traded corporations with their principal office in Texas or that are admitted to listing on a Texas stock exchange. SEC Rule 14a-8 provides shareholders with a process to include proposals in a company’s proxy statement so long as they comply with certain requirements, including minimal share ownership requirements. Once effective, new Section 21.373 of the TBOC imposes higher ownership requirements for shareholders seeking to introduce proposals for qualifying corporations that have opted to be governed by the statute.

SB 1057 Overview

New Section 21.373 of the TBOC provides that, except for shareholder proposals related to director nominations and resolutions ancillary to the conduct of the meeting, in order for shareholders to present a proposal at a shareholder meeting, the shareholder or shareholder group must hold an amount of voting shares of the corporation. This is determined as of the date of the submission of the proposal, equal to the lesser of (1) at least \$1 million in market value; or (2) at least three percent of the corporation’s voting shares. Additionally, a shareholder must hold the shares continuously for six months preceding and throughout the duration of the meeting and solicit the holders of shares representing at least 67 percent of the voting power of shares entitled to vote on the proposal.

New Section 21.373 applies to a nationally listed corporation, which is defined as a corporation that (1) has a class of equity securities registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act); (2) is admitted to listing on a national securities

exchange; and (3) either (i) has its principal office in Texas; or (ii) is admitted to listing on a stock exchange that: (a) has its principal office in Texas; and (b) has received approval by the Texas securities commissioner. The amendments to the TBOC define a national securities exchange to mean (1) an exchange registered as a national securities exchange under Section 6 of the Exchange Act; or (2) a stock exchange that: (i) has its principal office in Texas; and (ii) has received approval by the Texas securities commissioner.

Additionally, a corporation must make an affirmative election to be governed by Section 21.373 in its governing documents. If a corporation determines to adopt Section 21.373 through an amendment to its governing documents, it must provide notice to its shareholders of the proposed adoption in its proxy statement and include specific information in any proxy statement about the process by which a shareholder or group of shareholders may submit a proposal on a matter requiring shareholder approval, including information for how shareholders may contact other shareholders for the purpose of satisfying the ownership requirements set forth in Section 21.373.

Conclusion

By increasing the thresholds for shareholder proposals, new Section 21.373 of the TBOC streamlines the shareholder proposal process, which has significant implications for public companies. If a corporation desires to take advantage of these provisions, it should consider amending its governing documents as well as moving its principal office to Texas or listing or dual listing on a Texas stock exchange.

For further information, please contact a member of the Haynes Boone [Capital Markets and Securities Practice Group](#) or [Texas Corporate Governance Practice Group](#).

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