

FINANCE CODE

TITLE 3. FINANCIAL INSTITUTIONS AND BUSINESSES

SUBTITLE F. TRUST COMPANIES

CHAPTER 183. OWNERSHIP AND MANAGEMENT OF STATE TRUST COMPANY

SUBCHAPTER A. TRANSFER OF OWNERSHIP INTEREST

Sec. 183.001. ACQUISITION OF CONTROL. (a) Except as expressly permitted by this subtitle, without the prior written approval of the banking commissioner a person may not directly or indirectly acquire a legal or beneficial interest in voting securities of a state trust company or a corporation or other entity owning voting securities of a state trust company if, after the acquisition, the person would control the state trust company.

(b) For purposes of this subchapter and except as otherwise provided by rules adopted under this subtitle, the principal shareholder or principal participant of a state trust company that directly or indirectly owns or has the power to vote a greater percentage of voting securities of the state trust company than any other shareholder or participant is considered to control the state trust company.

(c) This subchapter does not prohibit a person from negotiating to acquire, but not acquiring, control of a state trust company or a person that controls a state trust company.

(d) This section does not apply to:

(1) the acquisition of securities in connection with the exercise of a security interest or otherwise in full or partial satisfaction of a debt previously contracted for in good faith if the acquiring person files written notice of acquisition with the banking commissioner before the person votes the securities acquired;

(2) the acquisition of voting securities in any class or series by a controlling person who has previously complied with and received approval under this subchapter or who was identified as a controlling person in a prior application filed with and approved by the banking commissioner;

(3) an acquisition or transfer by operation of law,

will, or intestate succession if the acquiring person files written notice of acquisition with the banking commissioner before the person votes the securities acquired; or

(4) a transaction exempted by the banking commissioner or by rules adopted under this subtitle because the transaction is not within the purposes of this subchapter or the regulation of which is not necessary or appropriate to achieve the objectives of this subchapter.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Sec. 183.002. APPLICATION REGARDING ACQUISITION OF CONTROL. (a) The transferee in an acquisition of control of a state trust company or of a person that controls a state trust company must file an application for approval of the acquisition. The application must:

(1) be under oath and on a form prescribed by the banking commissioner;

(2) contain all information that:

(A) is required by rules adopted under this subtitle; or

(B) the banking commissioner requires in a particular application as necessary to an informed decision to approve or reject the acquisition; and

(3) be accompanied by any filing fee required by statute or rule.

(b) If a person proposing to acquire voting securities in a transaction subject to this section includes a group of persons acting in concert, the information required by the banking commissioner may be required of each member of the group.

(c) Rules adopted under this subtitle may specify the confidential or nonconfidential character of information obtained by the banking commissioner under this section. In the absence of rules, information obtained by the banking commissioner under this section is confidential and may not be disclosed by the banking commissioner or any employee of the department except as provided by Subchapter D, Chapter 181.

(d) The applicant shall publish notice of the application, its date of filing, the identity of each applicant, and, if the applicant includes a group, the identity of each group member. The notice must be published in the form and frequency specified by the banking commissioner and in a newspaper of general circulation in the county where the state trust company's home office is located, or in another publication or location as directed by the banking commissioner.

(e) The applicant may defer publication of the notice until not later than the 34th day after the date the application is filed if:

(1) the application is filed in contemplation of a public tender offer subject to 15 U.S.C. Section 78n(d)(1);

(2) the applicant requests confidential treatment and represents that a public announcement of the tender offer and the filing of appropriate forms with the Securities and Exchange Commission or the appropriate federal banking agency, as applicable, will occur within the period of deferral; and

(3) the banking commissioner determines that the public interest will not be harmed by the requested confidential treatment.

(f) The banking commissioner may waive the requirement that a notice be published or permit delayed publication on a determination that waiver or delay is in the public interest. If publication of notice is waived under this subsection, the information that would be contained in a published notice becomes public information under Chapter 552, Government Code, on the 35th day after the date the application is filed.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999. Amended by Acts 2001, 77th Leg., ch. 412, Sec. 3.08, eff. Sept. 1, 2001.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 735 (H.B. 2754), Sec. 17, eff. September 1, 2007.

Sec. 183.003. HEARING AND DECISION ON ACQUISITION OF CONTROL. (a) Not later than the 60th day after the date the notice

is published, the banking commissioner shall approve the application or set the application for hearing. If the banking commissioner sets a hearing, the department shall participate as the opposing party and the banking commissioner shall conduct a hearing and one or more prehearing conferences and opportunities for discovery as the banking commissioner considers advisable and consistent with governing statutes and rules. A hearing held under this section is confidential and closed to the public.

(b) Based on the record, the banking commissioner may issue an order denying an application if:

(1) the acquisition would substantially lessen competition, be in restraint of trade, result in a monopoly, or be in furtherance of a combination or conspiracy to monopolize or attempt to monopolize the trust industry in any part of this state, unless:

(A) the anticompetitive effects of the acquisition are clearly outweighed in the public interest by the probable effect of acquisition in meeting the convenience and needs of the community to be served; and

(B) the acquisition is not in violation of the law of this state or the United States;

(2) the financial condition of the transferee, or any member of a group comprising the transferee, might jeopardize the financial stability of the state trust company being acquired;

(3) plans or proposals to operate, liquidate, or sell the state trust company or its assets are not in the best interest of the state trust company;

(4) the experience, ability, standing, competence, trustworthiness, and integrity of the transferee, or any member of a group comprising the transferee, are insufficient to justify a belief that the state trust company will be free from improper or unlawful influence or interference with respect to the state trust company's operation in compliance with law;

(5) the state trust company will not be solvent, have adequate capitalization, or be in compliance with the laws of this state after the acquisition;

(6) the transferee has failed to furnish all

information pertinent to the application reasonably required by the banking commissioner; or

(7) the transferee is not acting in good faith.

(c) If the banking commissioner approves the application, the transaction may be consummated. If the approval is conditioned on a written commitment from the transferee offered to and accepted by the banking commissioner, the commitment is:

(1) enforceable against the state trust company and the transferee; and

(2) considered for all purposes an agreement under this subtitle.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Sec. 183.004. APPEAL FROM ADVERSE DECISION. (a) If a hearing has been held, the banking commissioner has entered an order denying the application, and the order has become final, the transferee may appeal the final order by filing a petition for judicial review.

(b) The filing of an appeal under this section does not stay the order of the banking commissioner.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Sec. 183.005. OBJECTION TO OTHER TRANSFER. This subchapter does not prevent the banking commissioner from investigating, commenting on, or seeking to enjoin or set aside a transfer of voting securities that evidence a direct or indirect interest in a state trust company, regardless of whether the transfer is governed by this subchapter, if the banking commissioner considers the transfer to be against the public interest.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Sec. 183.006. CIVIL ENFORCEMENT; CRIMINAL PENALTY. (a) If the banking commissioner believes that a person has violated or is about to violate this subchapter or a rule or order of the banking

commissioner relating to this subchapter, the attorney general on behalf of the banking commissioner may apply to a district court in Travis County for an order enjoining the violation and for other equitable relief the nature of the case requires.

(b) A person who knowingly fails or refuses to file the application required by Section 183.002 commits an offense. An offense under this subsection is a Class A misdemeanor.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

#### SUBCHAPTER B. BOARD AND OFFICERS

Sec. 183.101. VOTING SECURITIES HELD BY TRUST COMPANY. (a) Voting securities of a state trust company held by the state trust company in a fiduciary capacity under a will or trust, whether registered in its own name or in the name of its nominee, may not be voted in the election of directors or managers or on a matter affecting the compensation of directors, managers, officers, or employees of the state trust company in that capacity, unless:

(1) under the terms of the will or trust, the manner in which the voting securities are to be voted may be determined by a donor or beneficiary of the will or trust and the donor or beneficiary actually makes the determination in the matter at issue;

(2) the terms of the will or trust expressly direct the manner in which the securities must be voted to the extent that discretion is not vested in the state trust company as fiduciary; or

(3) the securities are voted solely by a cofiduciary that is not an affiliate of the state trust company, as if the cofiduciary were the sole fiduciary.

(b) Voting securities of a state trust company that cannot be voted under this section are considered to be authorized but unissued for purposes of determining the procedures for and results of the affected vote.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Sec. 183.102. BYLAWS. Except as provided by Section 183.207, each state trust company shall adopt bylaws and may amend its bylaws from time to time for the purposes and in accordance with the procedures set forth in the Business Organizations Code.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 237 (H.B. 1962), Sec. 75, eff. September 1, 2007.

Sec. 183.103. BOARD OF DIRECTORS, MANAGERS, OR MANAGING PARTICIPANTS. (a) The board of a state trust company must consist of not fewer than five or more than 25 directors, managers, or managing participants, the majority of whom must be residents of this state. Except for a limited trust association in which management has been retained by its participants, the principal executive officer of the state trust company is a member of the board. The principal executive officer acting in the capacity of board member is the board's presiding officer unless the board elects a different presiding officer to perform the duties as designated by the board.

(b) Unless the banking commissioner consents otherwise in writing, a person may not serve as director, manager, or managing participant of a state trust company if:

(1) the state trust company incurs an unreimbursed loss attributable to a charged-off obligation of or holds a judgment against:

(A) the person; or

(B) an entity that was controlled by the person at the time of funding and at the time of default on the loan that gave rise to the judgment or charged-off obligation;

(2) the person is the subject of an order described by Section 185.007(a);

(3) the person has been convicted of a felony; or

(4) the person has violated, with respect to a trust under which the state trust company has fiduciary responsibility,

Section 113.052 or 113.053(a), Property Code, relating to loan of trust funds and purchase or sale of trust property by the trustee, and the violation has not been corrected.

(c) If a state trust company other than a limited trust association operated by managing participants does not elect directors or managers before the 61st day after the date of its regular annual meeting, the banking commissioner may appoint a conservator under Chapter 185 to operate the state trust company and elect directors or managers, as appropriate. If the conservator is unable to locate or elect persons willing and able to serve as directors or managers, the banking commissioner may close the state trust company for liquidation.

(d) A vacancy on the board that reduces the number of directors, managers, or managing participants to fewer than five must be filled not later than the 30th day after the date the vacancy occurs. A limited trust association with fewer than five managing participants must add one or more new participants or elect a board of managers of not fewer than five persons to resolve the vacancy. After the 30th day after the date the vacancy occurs, the banking commissioner may appoint a conservator under Chapter 185 to operate the state trust company and elect a board of not fewer than five persons to resolve the vacancy. If the conservator is unable to locate or elect five persons willing and able to serve as directors or managers, the banking commissioner may close the state trust company for liquidation.

(e) Before each term to which a person is elected to serve as a director or manager of a state trust company, or annually for a person who is a managing participant, the person shall submit an affidavit for filing in the minutes of the state trust company stating that the person, to the extent applicable:

(1) accepts the position and is not disqualified from serving in the position;

(2) will not violate or knowingly permit an officer, director, manager, managing participant, or employee of the state trust company to violate any law applicable to the conduct of business of the trust company; and

(3) will diligently perform the duties of the

position.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999. Amended by Acts 2001, 77th Leg., ch. 412, Sec. 3.09, eff. Sept. 1, 2001.

Sec. 183.104. ADVISORY DIRECTOR OR ADVISORY MANAGER. (a) An advisory director or advisory manager is not considered to be a director if the advisory director or advisory manager:

(1) is not elected by the shareholders or participants of the state trust company;

(2) does not vote on matters before the board or a committee of the board;

(3) is not counted for purposes of determining a quorum of the board or committee; and

(4) provides solely general policy advice to the board.

(b) A state trust company may not disclose to an advisory director or advisory manager confidential information pertaining to the state trust company or the company's clients unless:

(1) the board adopts a resolution that designates the advisory director or advisory manager as a person who is officially connected to the trust company and that describes the purpose for disclosure of the information, which must be a reasonable business purpose; and

(2) the disclosure is made under a written confidentiality agreement between the state trust company and the advisory director or advisory manager.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 940 (H.B. [1664](#)), Sec. 13, eff. June 14, 2013.

Sec. 183.105. REQUIRED QUARTERLY BOARD MEETING. (a) The board of a state trust company shall hold at least one regular meeting each quarter.

(b) At each regular meeting the board shall review and

approve the minutes of the preceding meeting and review the operations, activities, and financial condition of the state trust company. The board may designate committees from among its members to perform those duties and approve or disapprove the committees' reports at each regular meeting.

(c) All actions of the board must be recorded in its minutes.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Sec. 183.106. OFFICERS. (a) The board shall annually appoint the officers of the state trust company, who serve at the will of the board. Unless the banking commissioner consents otherwise in writing, a person may not serve as an officer of a state trust company if:

(1) the person is the subject of an order described by Section 185.007(a);

(2) the person has been convicted of a felony; or

(3) the person has violated, with respect to a trust under which the state trust company has fiduciary responsibility, Section 113.052 or 113.053(a), Property Code, relating to loan of trust funds and purchase or sale of trust property by the trustee, and the violation has not been corrected.

(b) The state trust company must have a principal executive officer primarily responsible for the execution of board policies and operation of the state trust company and an officer responsible for the maintenance and storage of all corporate books and records of the state trust company and for required attestation of signatures. Those positions may not be held by the same person.

(c) The board may appoint other officers of the state trust company as the board considers necessary.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 599 (S.B. 1401), Sec. 14, eff. September 1, 2017.

Sec. 183.107. LIMITATION ON ACTION OF OFFICER OR EMPLOYEE IN RELATION TO ASSET OR LIABILITY. Unless expressly authorized by a resolution of the board recorded in its minutes, an officer or employee may not create or dispose of a state trust company asset or create or incur a liability on behalf of the state trust company. Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Sec. 183.108. CERTAIN CRIMINAL OFFENSES. (a) An officer, director, manager, managing participant, employee, shareholder, or participant of a state trust company commits an offense if the person knowingly:

(1) conceals information or removes, destroys, or conceals a book or record of the state trust company for the purpose of concealing information from the banking commissioner or an agent of the banking commissioner; or

(2) for the purpose of concealing, removes or destroys any book or record of the state trust company that is material to a pending or anticipated legal or administrative proceeding.

(b) An officer, director, manager, managing participant, or employee of a state trust company commits an offense if the person knowingly makes a false entry in a book, record, report, or statement of the state trust company.

(c) An offense under this section is a felony of the third degree.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Sec. 183.109. TRANSACTIONS WITH MANAGEMENT AND AFFILIATES.

(a) Without the prior approval of a disinterested majority of the board recorded in the minutes, or if a disinterested majority cannot be obtained, the prior written approval of the banking commissioner, a state trust company may not directly or indirectly:

(1) sell or lease an asset of the state trust company to an officer, director, manager, managing participant, or principal shareholder or participant of the state trust company or an affiliate of the state trust company;

(2) purchase or lease an asset in which an officer, director, manager, managing participant, or principal shareholder or participant of the state trust company or an affiliate of the state trust company has an interest; or

(3) subject to Section 184.201, extend credit to an officer, director, manager, managing participant, or principal shareholder or participant of the state trust company or an affiliate of the state trust company.

(b) Notwithstanding Subsection (a), a lease transaction described in Subsection (a)(2) involving real property may not be consummated, renewed, or extended without the prior written approval of the banking commissioner. For purposes of this subsection only, an affiliate of a state trust company does not include a subsidiary of the state trust company.

(c) Subject to Section 184.201, a state trust company may not directly or indirectly extend credit to an employee, officer, director, manager, managing participant, or principal shareholder or participant of the state trust company or to an affiliate of the state trust company, unless:

(1) the extension of credit is made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions by the state trust company with persons who are not employees, officers, directors, managers, managing participants, principal shareholders, participants, or affiliates of the state trust company;

(2) the extension of credit does not involve more than the normal risk of repayment or present other unfavorable features; and

(3) the state trust company follows credit underwriting procedures that are not less stringent than those applicable to comparable transactions by the state trust company with persons who are not employees, officers, directors, managers, managing participants, principal shareholders, participants, or affiliates of the state trust company.

(d) An officer, director, manager, or managing participant of a state trust company who knowingly participates in or permits a

violation of this section commits an offense. An offense under this subsection is a felony of the third degree.

(e) The finance commission may adopt rules to administer and carry out this section, including rules to establish limits, requirements, or exemptions other than those specified by this section for particular categories of transactions.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Sec. 183.110. FIDUCIARY RESPONSIBILITY. The board of a state trust company is responsible for the proper exercise of fiduciary powers by the state trust company and each matter pertinent to the exercise of fiduciary powers, including:

(1) the determination of policies;

(2) the investment and disposition of property held in a fiduciary capacity; and

(3) the direction and review of the actions of each officer, employee, and committee used by the state trust company in the exercise of its fiduciary powers.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Sec. 183.111. RECORDKEEPING. A state trust company shall keep its fiduciary records separate and distinct from other records of the state trust company in compliance with applicable rules adopted under this subtitle. The fiduciary records must contain all appropriate material information relative to each account.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Sec. 183.112. BONDING REQUIREMENTS. (a) The board of a state trust company shall require a bond for the protection and indemnity of clients, in reasonable amounts established by rules adopted under this subtitle, against dishonesty, fraud, defalcation, forgery, theft, and other similar insurable losses. The bond must be with a corporate insurance or surety company:

(1) authorized to do business in this state; or

(2) acceptable to the banking commissioner and otherwise lawfully permitted to issue the coverage against those losses in this state.

(b) Except as otherwise provided by rule, a bond is required to cover each director, manager, managing participant, officer, and employee of a state trust company without regard to whether the person receives salary or other compensation.

(c) A state trust company may apply to the banking commissioner for permission to eliminate the bonding requirement of this section for a particular individual. The banking commissioner shall approve the application if the banking commissioner finds that the bonding requirement is unnecessary or burdensome. Unless the application presents novel or unusual questions, the banking commissioner shall approve the application or set the application for hearing not later than the 61st day after the date the banking commissioner considers the application complete and accepted for filing.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Sec. 183.113. REPORTS OF APPARENT CRIME. (a) A state trust company that is the victim of a robbery, has a shortage of corporate or fiduciary funds in excess of \$5,000, or is the victim of an apparent or suspected misapplication of its corporate or fiduciary funds or property in any amount by a director, manager, managing participant, officer, or employee shall report the robbery, shortage, or apparent or suspected misapplication of funds or property to the banking commissioner within 48 hours after the time it is discovered. The initial report may be oral if the report is promptly confirmed in writing. The state trust company or a director, manager, managing participant, officer, employee, or agent is not subject to liability for defamation or another charge resulting from information supplied in the report.

(b) A report filed with the banking commissioner under this section may be a copy of a written report filed with an appropriate federal agency.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1,

1999.

SUBCHAPTER C. LIMITED TRUST ASSOCIATION

Sec. 183.201. LIABILITY OF PARTICIPANTS AND MANAGERS. (a) Except as provided by Subsection (b), a participant, participant-transferee, or manager of a limited trust association is not liable for a debt, obligation, or liability of the limited trust association, including a debt, obligation, or liability under a judgment, decree, or order of court. A participant, other than a full liability participant, or a manager of a limited trust association is not a proper party to a proceeding by or against a limited trust association unless the object of the proceeding is to enforce the participant's or manager's right against or liability to a limited trust association.

(b) A full liability participant of a limited trust association is liable under a judgment, decree, or order of court for a debt, obligation, or liability of the limited trust association that accrued during the participation of the full liability participant in the limited trust association and before the full liability participant or a successor in interest filed with the banking commissioner a notice of withdrawal as a full liability participant from the limited trust association. The filed notice of withdrawal is a public record.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Sec. 183.202. FILING OF NOTICE OF FULL LIABILITY. (a) A limited trust association shall file with the banking commissioner a copy of any participation agreement by which a participant of the limited trust association agrees to become a full liability participant and the name and address of each full liability participant. Only the portion of the filed copy containing the designation of each full liability participant is a public record.

(b) The banking commissioner may require a complete copy of the participation agreement to be filed with the department, regardless of whether a state trust company has a full liability

participant, except that the provisions of the participation agreement other than those by which a participant of the limited trust association agrees to become a full liability participant are confidential and subject to release only as provided by Subchapter D, Chapter [181](#).

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Sec. 183.203. CONTRACTING FOR DEBT OR OBLIGATION. Except as provided by this section or the certificate of formation of the limited trust association, a debt, liability, or other obligation may be contracted for or incurred on behalf of a limited trust association only by:

(1) a majority of the managers, if management of the limited trust association has been vested in a board of managers;

(2) a majority of the managing participants; or

(3) an officer or other agent vested with actual or apparent authority to contract for or incur the debt, liability, or other obligation.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 575 (S.B. [804](#)), Sec. 27, eff. June 14, 2013.

Sec. 183.204. MANAGEMENT OF LIMITED TRUST ASSOCIATION.

(a) Management of a limited trust association is vested in the participants in proportion to each participant's contribution to capital, as adjusted periodically to properly reflect any additional contribution. The certificate of formation may provide that management of a limited trust association is vested in a board of managers to be elected annually by the participants as prescribed by the bylaws or the participation agreement.

(b) Participants of a limited trust association may not retain management and must elect a board of managers if:

(1) any participant is disqualified from serving as a managing participant under Section [183.103](#);

(2) the limited trust association has fewer than five or more than 25 participants; or

(3) any participant has been removed by the banking commissioner under Subchapter A, Chapter 185.

(c) The certificate of formation, bylaws, and participation agreement of a limited trust association may use the term "director" instead of "manager" and the term "board" instead of "board of managers."

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 575 (S.B. 804), Sec. 28, eff. June 14, 2013.

Sec. 183.205. WITHDRAWAL OR REDUCTION OF PARTICIPANT'S CONTRIBUTION TO CAPITAL. (a) Except as otherwise provided by this chapter, a participant may not receive from a limited trust association any part of the participant's contribution to capital unless:

(1) all liabilities of the limited trust association, except liabilities to participants on account of contribution to capital, have been paid;

(2) after the withdrawal or reduction, sufficient property of the limited trust association will remain to pay all liabilities of the limited trust association, except liabilities to participants on account of contribution to capital;

(3) all participants consent; or

(4) the certificate of formation is canceled or amended to set out the withdrawal or reduction.

(b) A participant may demand the return of the participant's contribution to capital on the dissolution of the association and the failure of the full liability participants to exercise the right to carry on the business of the limited trust association as provided by Section 183.208.

(c) A participant may demand the return of the participant's contribution to capital only in cash unless a different form of return of the contribution is allowed by the certificate of

formation or by the unanimous consent of all participants.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 575 (S.B. 804), Sec. 29, eff. June 14, 2013.

Sec. 183.206. INTEREST IN LIMITED TRUST ASSOCIATION; TRANSFERABILITY OF INTEREST. (a) The interest of a participant or participant-transferee in a limited trust association is the personal property of the participant or the participant-transferee and may be transferred as provided by the bylaws or the participation agreement.

(b) A transferee of a participant's interest has the status of a participant-transferee and does not by the transfer become a participant or obtain a right to participate in the management of the limited trust association.

(c) A participant-transferee is entitled to receive only a share of profits, return of contribution, or other distributive benefit in respect to the interest transferred to which the participant who transferred the interest would have been entitled.

(d) A participant-transferee may become a participant only as provided by the bylaws or the participation agreement.

(e) A limited trust association may add additional participants in the same manner as participant-transferees after payment in full of the capital contribution to the limited trust association payable for the issuance of additional participation interests.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Sec. 183.207. BYLAWS OF LIMITED TRUST ASSOCIATION. (a) A limited trust association in which management is retained by the participants is not required to adopt bylaws if the provisions required by law to be contained in the bylaws are contained in the certificate of formation or the participation agreement.

(b) If a limited trust association has adopted bylaws that

designate each full liability participant, the limited trust association shall file a copy of the bylaws with the banking commissioner. Only the portion of the bylaws designating each full liability participant is a public record.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 575 (S.B. 804), Sec. 30, eff. June 14, 2013.

Sec. 183.208. DISSOLUTION. (a) A limited trust association organized under this chapter is dissolved on:

(1) the expiration of the period fixed for the duration of the limited trust association;

(2) a vote to dissolve or the execution of a written consent to dissolve by all full liability participants, if any, and a sufficient number of other participants that, combined with all full liability participants, hold at least two-thirds of the participation shares in each class in the association, or a greater fraction as provided by the certificate of formation;

(3) except as provided by the certificate of formation, the death, insanity, expulsion, bankruptcy, retirement, or resignation of a participant unless a majority in interest of all remaining participants elect in writing not later than the 90th day after the date of the event to continue the business of the association; or

(4) the occurrence of an event of dissolution specified in the certificate of formation.

(b) A dissolution under this section is considered to be the initiation of a voluntary dissolution under Subchapter B, Chapter 186.

(c) An event of dissolution described by Subsection (a)(3) does not cancel or revoke a contract to which the limited trust association is a party, including a trust indenture or agreement or voluntary dissolution under Subchapter B, Chapter 186, until the period for the remaining participants to continue the business of the limited trust association has expired without the remaining

participants having completed the necessary action to continue the business of the limited trust association.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 575 (S.B. 804), Sec. 31, eff. June 14, 2013.

Sec. 183.209. ALLOCATION OF PROFITS AND LOSSES. The profits and losses of a limited trust association may be allocated among the participants and among classes of participants as provided by the participation agreement. Without the prior written approval of the banking commissioner to use a different allocation method, the profits and losses must be allocated according to the relative interests of the participants as reflected in the certificate of formation and related documents filed with and approved by the banking commissioner.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 575 (S.B. 804), Sec. 32, eff. June 14, 2013.

Sec. 183.210. DISTRIBUTIONS. Subject to Section 182.103, distributions of cash or other assets of a limited trust association may be made to the participants as provided by the participation agreement. Without the prior written approval of the banking commissioner to use a different distribution method, distributions must be made to the participants according to the relative interests of the participants as reflected in the certificate of formation and related documents filed with and approved by the banking commissioner.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 575 (S.B. 804), Sec. 33, eff. June 14, 2013.

Sec. 183.211. APPLICATION OF OTHER PROVISIONS TO LIMITED TRUST ASSOCIATIONS. For purposes of applying the provisions of this subtitle other than this subchapter to a limited trust association, as the context requires:

(1) a manager and the board of managers are considered to be a director and the board of directors;

(2) if there is not a board of managers, a participant is considered to be a director and all of the participants are considered to be the board of directors;

(3) a participant or participant-transferee is considered to be a shareholder;

(4) a participation share is considered to be a share of stock; and

(5) a distribution is considered to be a dividend.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.16(a), eff. Sept. 1, 1999.