

SUBJECT: Arts, entertainment, and sports contracts entered into by minors

COMMITTEE: Judicial Affairs — committee substitute recommended

VOTE: 8 ayes — Thompson, Hartnett, Deshotel, Garcia, Hinojosa, Solis, Talton, Uresti

0 nays

1 absent — Capelo

WITNESSES: For — Judge Guy Herman, Statutory Probate Judges of Texas

Against — None

On — Rob Carter

BACKGROUND: No Texas statute specifically addresses entertainment and sports contracts entered into by minors. When disputes over these types of contracts have arisen, Texas courts have had to look to California and New York laws that govern such types of contracts.

DIGEST: CSHB 593 would add language to the Probate Code governing contracts in arts, entertainment, advertisement, and sports. It would prohibit the making of such a contract that binds a minor for longer than seven years.

A court, on petition of the guardian of a minor's estate, could enter an order approving an arts and entertainment, advertising, or sports contract entered into by a minor, only after the guardian had notified the other party to the contract of the petition and had given the other party a chance to request a hearing. Approval by the court would encompass approval of the entire contract, including optional or conditional provisions relating to extending or terminating the contract.

A court could require the creation of a management trust or similar type of trust into which a portion of the minor's net earnings, as determined by the court, would be deposited and preserved for the minor's benefit. Net

earnings would mean the amount to be received under the contract, minus taxes, a reasonable sum for the minor's support and education, fees and expenses for procuring the contract or maintaining the minor's employment, and attorney's fees. The court could withhold approval of a contract until the guardian of the minor's estate provided written consent to establish such a management trust.

A valid contract approved by the court would not be voidable solely on the grounds that it was entered into by a minor. Each parent of the minor would be a necessary party to these proceedings.

The court could appoint a guardian *ad litem* for a minor who had entered into such a contract if the court found it would be in the minor's best interest.

The bill would take effect September 1, 2001.

NOTES:

HB 539 as filed would have prohibited the making of such a contract that would bind a minor beyond the minor's 18th birthday or the date on which the disabilities of minority were removed. The committee substitute would require the guardian of the minor's estate, rather than the party requesting the petition, to provide notice of the petition to the other party to the contract. The substitute also removed a provision outlining in which county these types of proceedings could be brought and language requiring that a managing conservator or guardian be a necessary party to the proceedings.