

BILL ANALYSIS

Senate Research Center

S.B. 808
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Jurisprudence
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As Filed

DIGEST

Due to the increased risk of jury findings of liability and the potential for enormous damages, a growing number of attorneys, accountants, and other professionals are declining to provide services in connection with the issuance of small securities in offerings for which the professional can earn only a small amount of fees for services performed in connection with the offering. Many professionals have indicated that it would substantially increase the likelihood of professional involvement in small securities offerings if the amount of potential liability could be limited. This bill will limit the liability of certain persons involved in the issuance of securities by a small business.

PURPOSE

As proposed, S.B. 808 limits the liability of certain persons involved in the issuance of securities by a small business.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 33, Article 581-33, V.T.C.S. (The Securities Act), by adding Subsection N, as follows:

N. Limitation of Liability in Small Business Issuances. Defines "small business issuer." Provides that this subsection applies only to an offer of securities made by a small business issuer or by the seller of securities of a small business issuer that is in an aggregate amount that does not exceed \$5 million and a person who has been engaged to provide services relating to an offer of securities described by Paragraph (a) of this subdivision, including an attorney, an accountant, a consultant, or the firm of the attorney, accountant, or consultant. Authorizes the maximum amount to be recovered against a person to which this subsection applies in all actions relating to an offer of securities to which this subsection applies is an amount equal to three times the fee paid by the issuer or other seller to the person for the services related to the offer of securities, unless the trier of fact in an action described by this subdivision finds the person engaged in intentional wrongdoing in providing the service.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Emergency clause.
Effective date: upon passage.