

## **BILL ANALYSIS**

Senate Research Center

C.S.S.B. 731  
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Jurisprudence  
4/10/2001  
Committee Report (Substituted)

### **DIGEST AND PURPOSE**

Currently, volunteer directors in a nonprofit corporation receive only limited liability with respect to acts and omissions performed within the scope of their duties. C.S.S.B. 731 amends the Texas Non-Profit Corporation Act to include a limitation on officer liability. C.S.S.B. 731 exempts a nonprofit corporation officer from liability concerning any action taken or omission made, unless the officer's conduct was not made in good faith or in the best interest of the corporation.

### **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 the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., V.T.C.S.), by adding Article 2.22, as follows:

Art. 2.22. OFFICER LIABILITY. Provides that an officer is not liable to the corporation or any other person for an action taken or omission made by the officer in the person's capacity as an officer unless the officer's conduct was not exercised in good faith, with ordinary care, and in a manner the officer reasonably believes to be in the best interest of the corporation. Prohibits this article from affecting the liability of the corporation for an act or omission of the officer.

SECTION 2. Effective date: September 1, 2001.  
Makes application of this Act prospective.

### **SUMMARY OF COMMITTEE CHANGES**

Differs from As Filed version in SECTION 1 by stating that this article shall not affect the liability of the corporation for an act or omission of the officer.