

## **BILL ANALYSIS**

Senate Research Center  
76R8076 CLG-F

S.B. 1344  
By: Brown  
Economic Development  
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As Filed

### **DIGEST**

Currently, under Article 1396-2.28 Section D, Texas Non-Profit Corporation Act, volunteer directors receive limited liability with respect to acts and omissions performed within the scope of their duties. Nonprofit organizations work together in this state to improve the quality of life of Texas through job creation, community development, economic activity, and education. These nonprofit organizations mobilize volunteer officers and directors by drawing on their members' special talents in order to meet social and economic needs. A 1997 study by the Gallup Organization on "The Liability Crisis and the Use of Volunteers by Nonprofit Associations" indicates that even more time would be volunteered if individuals felt that they were sheltered from potential lawsuits. S.B. 1344 would exempt a nonprofit corporation officer from liability concerning any action taken or omission made, unless the officer's conduct was not made in good faith.

### **PURPOSE**

As proposed, S.B. 1344 exempts an officer of a nonprofit corporation from liability.

### **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 Article 1396-1.01 et seq. (The Texas Non-Profit Corporation Act) by adding Section 2.22, as follows:

Sec. 2.22. OFFICER LIABILITY. Provides that an officer is not liable to a corporation or any other person for an action taken or omission made by the officer in that capacity 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.

SECTION 2. Effective date: September 1, 1999.  
Makes application of this Act prospective.

SECTION 3. Emergency clause.