

## CHAPTER 424

S.B. No. 260

## AN ACT

relating to liability of certain directors of certain corporations and associations.

*Be it enacted by the Legislature of the State of Texas:*

SECTION 1. Part Seven, Texas Miscellaneous Corporation Laws Act (Article 1302-7-01 et seq., Vernon's Texas Civil Statutes), is amended by adding Article 7.06 to read as follows:

*Art. 7.06. LIMITATION OF LIABILITY. A. In this article:*

(1) "Articles of incorporation" means the articles of incorporation or association of a corporation, the charter of a corporation, or any other document required to organize a corporation under the laws of this state.

(2) "Corporation" means any corporation organized under the Texas Business Corporation Act, the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes), The Texas Banking Code of 1943 (Article 342-1.01 et seq., Vernon's Texas Civil Statutes), the Insurance Code, the Electric Cooperative Corporation Act (Article 1528b, Vernon's Texas Civil Statutes), the Telephone Cooperative Act (Article 1528c, Vernon's Texas Civil Statutes), any association organized under the Texas Savings and Loan Act (Article 852a, Vernon's Texas Civil Statutes), a nonprofit water supply corporation organized under Chapter 76, Acts of the 43rd Legislature, 1st Called Session, 1933 (Article 1434a, Vernon's Texas Civil Statutes), any credit union organized under the Texas Credit Union Act (Article 2461-1.01 et seq., Vernon's Texas Civil Statutes), and, to the extent permitted by federal law, any federally chartered bank, savings and loan association, or credit union.

(3) "Director" means an individual who is a director of a corporation.

*B. The shareholders or members of a corporation may amend the articles of incorporation to provide that a director of the corporation is not liable to the corporation or its shareholders or members for monetary damages for an act or omission in the director's capacity as a director, except that this article does not eliminate or limit the liability of a director for:*

(1) a breach of a director's duty of loyalty to the corporation or its shareholders or members;

(2) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law;

(3) a transaction from which a director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office;

(4) an act or omission for which the liability of a director is expressly provided for by statute; or

(5) an act related to an unlawful stock repurchase or payment of a dividend.

SECTION 2. This Act applies only to an act or omission occurring on or after the effective date of this Act. An act or omission occurring before the effective date of this Act is governed by the law in effect when the act or omission occurred, and that law is continued in effect for that purpose.

SECTION 3. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed the Senate on March 24, 1987, by the following vote: Yeas 28, Nays 2; and that the Senate concurred in House amendments on May 28, 1987, by a viva-voce vote.

Passed the House, with amendments, on May 22, 1987, by a non-record vote.

Approved June 17, 1987.

Effective Aug. 31, 1987, 90 days after date of adjournment.