



Ohio Revised Code

Section 1701.18 Payment for shares and liability of shareholders to corporation.

Effective: October 12, 2006

Legislation: House Bill 301 - 126th General Assembly

(A) Except as provided in the case of change of shares, share dividends or distributions, reorganization, merger, consolidation, combination, or conversion of shares or obligations into shares, the following apply:

(1) Consideration for shares may include cash, property, services rendered, a promissory note, or any other binding obligation to contribute cash or property or to perform services; the provision of any other benefit to the corporation; or any combination of these.

(2) In the case of shares with par value, other than treasury shares, the consideration shall be not less than the par value of the shares, provided that the shares may be paid for at such a discount from the par value of the shares that would amount to or not exceed reasonable compensation for the sale, underwriting, or purchase of the shares, and, regardless of the discount, the shares shall be deemed to be fully paid.

(3) In the case of treasury shares with par value, the consideration may be less than the par value of the shares.

(B) Promissory notes, drafts, or other obligations of a subscriber or purchaser do not constitute payment for shares.

(C) An agreement by a person to perform services as the consideration for shares does not, of itself, constitute payment for such shares prior to the performance of the services.

(D) Except in the case of convertible shares or obligations, shares with par value shall not be issued or disposed of upon change of shares, share dividends or distributions, reorganization, merger, consolidation, exchange of shares for other shares or securities, or otherwise, if as a result the aggregate liabilities of the corporation plus its stated capital would exceed its aggregate assets or any existing excess would be increased.



(E) When shares have been issued as provided in this chapter, in the case of change of shares, share dividends or distributions, reorganization, merger, consolidation, or conversion of shares or obligations into shares, or when shares have been paid for in conformity with this section, such shares shall be deemed fully paid and nonassessable.

(F) Every person who subscribes for or purchases shares of a corporation is liable to the corporation to pay or deliver to the corporation the consideration agreed upon, and, except as provided in division (A) of this section, if the shares are with par value, the person is obligated to pay to the corporation consideration not less than the par value of the shares. The person is not liable to the corporation or its creditors in any other amount.

(G) Every holder, whether the original or a transferee, of shares not paid for as provided in this section, who has acquired them with actual knowledge of that fact, is personally liable to the corporation for the amount unpaid on the shares, and the holder's liability shall continue notwithstanding any transfer of the shares, until the shares are paid in full; but no holder who has acquired the shares without actual knowledge of the fact that the shares are not paid for is under any liability in respect of the shares.

(H) No pledgee or other holder of shares as collateral security is personally liable as a shareholder.

(I) No person who in fact, whether disclosed on the records of the corporation or otherwise, holds shares as executor, administrator, guardian, trustee, trustee of a voting trust, receiver, or in any other fiduciary capacity is personally liable as a shareholder, but the estate or property in the hands of such fiduciary is liable or the real or beneficial owner is liable under this section as equity may require. This section does not relieve a fiduciary from liability for a breach of trust.

(J) Except as set forth in any provision in Title LVII of the Revised Code, neither a shareholder of a corporation nor a subscriber to its shares is personally liable for any debts, obligations, or liabilities of the corporation in the absence of a written, enforceable agreement that is signed by the shareholder or subscriber and that specifically undertakes liability for such debts, obligations, or liabilities.