



Ohio Revised Code

Section 1745.56 Liability of managers and members.

Effective: May 22, 2012

Legislation: House Bill 267 - 129th General Assembly

(A) The members, the managers, and the officers of an unincorporated nonprofit association shall not be personally liable for any obligation of the association.

(B)(1) Managers who vote for or assent to any of the following shall be jointly and severally liable to the association as provided in division (B)(2) of this section:

(a) A distribution of assets to members contrary to law or the governing principles;

(b) A distribution of assets to persons other than creditors during the winding up of the affairs of the association on dissolution or otherwise without the payment of all known obligations of the association or without making adequate provision for that payment;

(c) The making of loans, other than in the usual conduct of its affairs or in accordance with provisions for the making of loans in the governing principles, to an officer, manager, or member of the association.

(2) The managers described in division (B)(1) of this section shall be jointly and severally liable to the association as follows:

(a) In cases under division (B)(1)(a) of this section, except as provided in division (B)(3) of this section, up to the amount of the distribution in excess of the amount that could have been distributed without violation of law or the governing principles but not in excess of the amount that would inure to the benefit of the creditors of the association if it was insolvent at the time of the distribution or there was reasonable ground to believe that by that action it would be rendered insolvent, or to the benefit of the members other than members of the class in respect of which the distribution was made;

(b) In cases under division (B)(1)(b) of this section, except as provided in division (B)(3) of this



section, to the extent that those obligations that are not otherwise barred by statute are not paid or for the payment of which adequate provision has not been made;

(c) In cases under division (B)(1)(c) of this section, for the amount of the loan with interest at the rate of six per cent per annum until that amount has been paid.

(3) A manager shall not be liable under division (B)(1)(a) or (b) of this section if in determining the amount available for any distribution under that division, the manager in good faith relied on a financial statement of the association prepared by an officer or employee of the association in charge of its accounts or certified by a public accountant or firm of public accountants, in good faith considered the assets to be of their book value, or followed what the manager believed to be sound accounting and business practice.

(C) A manager who is present at a meeting of the managers or of a committee of the managers at which action on any matter is authorized or taken and who has not voted for or against that action shall be presumed to have voted for the action unless the manager's written dissent from the action is filed either during the meeting or within a reasonable time after the adjournment of the meeting, with the person acting as secretary of the meeting or with the secretary of the association.

(D) A member who knowingly receives any distribution made contrary to law or the governing principles shall be liable to the association for the amount received by the member that is in excess of the amount that could have been distributed without violation of law or the governing principles.

(E) A manager against whom a claim is asserted under or pursuant to this section and who is held liable on the claim shall be entitled to contribution, on equitable principles, from other managers who are also liable. Additionally, any manager against whom a claim is asserted under or pursuant to this section or who is held liable on the claim shall have a right of contribution from the members who knowingly received any distribution made contrary to law or the governing principles, and those members as among themselves shall also be entitled to contribution in proportion to the amounts received by them respectively.

(F) No action shall be brought by or on behalf of an association upon any cause of action arising under division (B)(1)(a) or (b) of this section at any time after two years from the day on which the



violation occurs.

(G) Nothing in this section shall preclude any creditor whose claim is unpaid from exercising any rights that the creditor otherwise would have by law to enforce the creditor's claim against the assets of the association distributed to the members or other persons.