



Ohio Revised Code

Section 1706.31 Duties of a member to a limited liability company and other members.

Effective: April 12, 2021

Legislation: Senate Bill 276 - 133rd General Assembly

(A) Unless either a written operating agreement for the limited liability company or a written agreement with a member establishes additional fiduciary duties, in the event that there have been designated one or more managers to supervise or manage the activities or affairs of the limited liability company, the only obligation a member owes, in the member's capacity as a member, to the limited liability company and the other members is to discharge the member's duties and obligations under this chapter and the operating agreement in accordance with division (E) of this section. Divisions (C) and (D) of this section shall not apply to such a member.

(B) Unless either a written operating agreement for the limited liability company or a written agreement with a member establishes additional fiduciary duties or the duties of the member have been modified, waived, or eliminated as contemplated by section 1706.08 of the Revised Code, in the event that there have not been designated one or more managers to supervise or manage the activities of the limited liability company, the only fiduciary duties a member owes to the limited liability company and the other members is the duty of loyalty and the duty of care set forth in divisions (C) and (D) of this section.

(C) A member's duty of loyalty to the limited liability company and the other members is limited to the following:

- (1) To account to the limited liability company and hold for it any property, profit, or benefit derived by the member in the conduct and winding up of the limited liability company business or derived from a use by the member of limited liability company property or from the appropriation of a limited liability company opportunity;
- (2) To refrain from dealing with the limited liability company in the conduct or winding up of the limited liability company business as or on behalf of a party having an interest adverse to the limited liability company.



(D) A member's duty of care to the limited liability company and the other members in the conduct and winding up of the limited liability company business is limited to refraining from engaging in grossly negligent or reckless conduct, intentional misconduct, or a knowing violation of law.

(E) A member shall discharge the member's duties to the limited liability company and the other members under this chapter and under the operating agreement and exercise any rights consistent with the implied covenant of good faith and fair dealing.

(F) A member does not violate a duty or obligation under this chapter or under the operating agreement merely because the member's conduct furthers the member's own interest.

(G) All the members of a limited liability company may authorize or ratify, after full disclosure of all material facts, a specific act or transaction that otherwise would violate the duty of loyalty. It is a defense to a claim under division (C)(2) of this section and any comparable claim in equity or at common law that the transaction was fair to the limited liability company. If, as permitted, by this division or the limited liability company's operating agreement, a member enters into a transaction with a limited liability company that otherwise would be prohibited by division (C)(2) of this section, the member's rights and obligations arising from the transaction are the same as those of a person that is not a member.

(H) This section applies to a person winding up the limited liability company business as the personal or legal representative of the last surviving member as if the person were a member.