



**State Representative D.J Swearingen
District 89**

Sponsor Testimony

HB 301

Chairman Hillyer, Vice-Chair Mathews, Ranking Member Galonski, and members of the Civil Justice Committee, thank you for hearing HB 301 today. This legislation is intended to update the ORC regarding non-profit corporation law. It also allows religious organizations to opt-in to the unincorporated non-profit association.

Nonprofit Corporation Law and Corporation Law Conformity

Over the past few years, there have been several amendments to Chapter 1701 that are not reflected in Chapter 1702. This legislative proposal aligns, where appropriate, Chapter 1702 with amendments to Chapter 1701. Specifies that the director of a nonprofit corporation must be a natural person and at least 18 years old. Authorizes a committee consisting of one or more directors of a nonprofit corporation to create a subcommittee, unless otherwise provided in the articles, the regulations, or the resolution of the original committee. Specifies the fiduciary duty required of an officer of a nonprofit corporation. Provides that neither a director nor an officer is a trustee with respect to the corporation or any property held or administered by it.

Authorizes a majority of the incorporators of a nonprofit corporation to amend the articles of incorporation if (1) the articles do not name initial directors, (2) a meeting of voting members has not yet occurred, and (3) the incorporators have not yet elected directors.

Expands the circumstances in which provisional directors may be appointed. Establishes to what extent the certificate issued by the Secretary of State confirming that a nonprofit corporation is in good standing is conclusive evidence. Provides that absent an express agreement to the contrary, providing goods to or performing services for a domestic or foreign corporation does establish any duty, liability, obligation, or privity with the corporation or any member or creditor of the corporation. Revises the standards for determining liability of directors for making loans and the interest rate relating to that liability. Specifies that a loan made in violation of the law governing nonprofit corporation does not affect the borrower's liability on the loan.

Opt-In for Religious Organizations into Chapter 1745

The last time O.R.C. Chapter 1745 (Unincorporated Nonprofit Associations) was amended, one of the primary reasons for the amendments was to incorporate the latest concepts and procedures found at that time in the Uniform Unincorporated Nonprofit Associations Act into the Ohio statute. Members of the bar that represented religious organizations requested that religious organizations be specifically excluded from the chapter.