



**STATEMENT OF THE OHIO STATE BAR ASSOCIATION
IN SUPPORT OF HOUSE BILL 301**

Before the House Civil Justice Committee
Representative Brett Hillyer, Chair

Chairman Hillyer, Vice Chair Mathews, Ranking Member Galonski, and members of the House Civil Justice Committee: On behalf of the Ohio State Bar Association (“OSBA”), I am pleased to offer proponent testimony in support of House Bill 301.

My name is Holly Gross and I am an Attorney at Benesch, Friedlander, Coplan & Aronoff LLP, located in our Columbus office. In addition to Government Relations, I am also a member of the firm’s Not-For-Profit Practice Group, serving as outside counsel to many organizations located here in Ohio and across the country, specializing in formation, governance, and lobbying and political activity compliance. I have also served as the vice-chair of the Nonprofit Subcommittee of the Corporation Law Committee of the OSBA.

House Bill 301 is a reintroduction of House Bill 556 from the 134th General Assembly and contains proposals from the OSBA’s Corporation Law Committee to update Ohio’s Nonprofit Corporation Law (Chapter 1702) to mirror the changes, where appropriate, that have been made throughout the past several years to Ohio’s General Corporation Law (Chapter 1701).

House Bill 301 also includes an OSBA proposal to permit unincorporated religious organizations, which are currently not permitted to operate under Ohio’s Uniform Unincorporated Nonprofit Association (Chapter 1745), to elect to be covered by that chapter.

Updates to Ohio’s Nonprofit Corporation Law

- Specifies that the director of a nonprofit corporation must be a natural person.
- 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 duties required of an officer of a nonprofit corporation.
- 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 not establish any duty,

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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.

After House Bill 556 was introduced last General Assembly, we received very helpful feedback from various stakeholders, including the Charitable Law Section of the Ohio Attorney General's office. Based on this feedback the House included amendments to the legislation, which are also reflected in the introduced version of House Bill 301.

Opt-In for Religious Organizations into Unincorporated Nonprofit Associations Act

The last time Chapter 1745, which covers Unincorporated Nonprofit Associations, was amended, one of the primary reasons for those amendments was to incorporate the latest concepts and procedures found at that time in the Uniform Unincorporated Nonprofit Associations Act into the Ohio statute. At that time, members of the Bar who represented religious organizations requested that religious organizations be specifically excluded from the chapter.

Recently, we have been approached by several members who represent religious organizations who have requested that religious organizations have the option to "Opt-In" to the benefits and privileges associated with being an Unincorporated Nonprofit Association under Chapter 1745. The OSBA considered this request and voted unanimously to advocate for this change. As such, the ability of a religious organization to Opt-In to Chapter 1745 now appears in House Bill 556.

Thank you for the opportunity to provide this testimony. I would be happy to answer any questions you may have.