

Updates to Corporate Law Dissolution and Creditor Rights



The Ohio legislature recently updated the law of corporations. One of the updates pertains to the dissolution of a corporation. This change impacts both the shareholders and the creditors of a corporation. The updated law provides that upon the dissolution of a corporation the corporation may provide creditors a notice of the dissolution. A creditor is any person or business that has a claim against the dissolved corporation, whether the claim is conditional, unmatured or contingent upon the occurrence or nonoccurrence of some future event. The notice to the creditor must be in writing and sent via certified or registered mail, return receipt requested. The notice may also contain a time limitation within which the creditor must present its claim to the dissolving corporation.

This time limitation cannot be less than sixty days after the date the notice is given. If the creditor fails to respond within the allotted time frame then the creditor's claim will be forever barred against the dissolved corporation. The dissolving corporation is also to publish a notice similar to that provided to its creditors once a week for two consecutive weeks in a newspaper of general circulation in the county in which the dissolved corporation's principal place of business is or was located. The dissolving corporation is also to place a notice of its dissolution on its website and provide a copy of the notice to the Ohio Secretary of State, as the Ohio Secretary of State will include the notice in a format that is searchable by the public.

The benefit to the corporation is that the statute of limitations, or the time period within which to timely assert a claim, may be reduced to as little as sixty days - for the claims which are then able to be asserted against the dissolving corporation. However, the shareholders of a dissolving corporation will still have to be mindful that for claimants which did not receive the notice, claimants which are unknown, or for those claims which have not yet matured, these claimants have up to five years to assert their claim against the shareholders of the dissolved corporation.

Creditors which receive the notice of dissolution must promptly review its claims against the dissolving corporation. As part of this review the creditor must be mindful of the time limitation within which to timely assert its claims. If the creditor fails to timely assert its claims then the claims will be forever barred. If you are a creditor and you receive such a notice from a dissolving corporation, you should forward the notice to your attorney for further review and to ensure that any claim which you may have is timely filed.

This article is not providing legal advice or creating an attorney-client relationship. If you have any questions or would like to learn more about this topic or if you have other legal questions, do not hesitate to contact Christopher A. Corpus, Esq. at cacorpus@wegmanlaw.com.