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## DIGEST

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HB 892 Engrossed

2024 Regular Session

Wright

**Abstract:** Provides for the formation and administration of decentralized unincorporated nonprofit associations.

Proposed law (R.S. 12:531) provides that proposed law may be cited as the "Louisiana Decentralized Unincorporated Nonprofit Association Act".

Proposed law (R.S. 12:532) provides for a short title and defines "administrator", "decentralized unincorporated nonprofit association", "digital asset", "distributed ledger technology", "distributed ledger protocol", "distribution", "established practices", "governing principles", "member", "membership interest", "person", and "smart contract".

Proposed law (R.S. 12:533) provides that proposed law shall not repeal or modify present law for organizations that do not elect to become decentralized unincorporated nonprofit associations.

Proposed law (R.S. 12:534) provides that the governing principles of a nonprofit association shall identify the jurisdiction in which the decentralized unincorporated association is formed.

Proposed law permits a nonprofit association to do all of the following:

- (1) Engage in profit-making activities, pay reasonable compensation confer benefits on its members and administrators repurchase membership interests, and make certain property distributions. (R.S. 12:535)
- (2) Acquire, hold, mortgage, hypothecate, encumber, donate, or otherwise transfer its interest in immovable or movable property in its name. (R.S. 12:536)
- (3) Become beneficiary of a trust and to receive donations inter vivos and mortis causa. (R.S. 12:536)
- (4) Execute and file a statement of authority to mortgage, hypothecate, encumber, donate, or otherwise transfer an interest in immovable property. (R.S. 12:537)
- (5) Institute, defend, intervene, or participate in a judicial, administrative or other proceeding. (R.S. 12:539)
- (6) File with secretary of state a statement appointing an agent authorized to receive service of

process. (R.S. 12:541)

- (7) Suspend, dismiss, or expel a member subject to its governing principles or by approval of its active members. (R.S. 12:546)
- (8) Provide for its governance, in whole or in part, through distributed ledger technology. (R.S. 12:552)
- (9) Select administrators in accordance with its governance principles or pursuant to proposed law. (R.S. 12:554)
- (10) Reimburse a member or administrator for authorized expenses reasonably incurred on behalf of the nonprofit association. (R.S. 12:556)
- (11) Merge with any organization when the merger is not expressly prohibited by present law. (R.S. 12:558)
- (12) Convert to any entity form that is authorized to affect a conversion from a decentralized unincorporated nonprofit association. (R.S. 12:559)

Proposed law (R.S. 12:538) provides that a nonprofit association is a legal entity separate from its members for the purposes of determining and enforcing rights, duties, and liabilities in contract and tort. Proposed law further provides for certain rights, duties, and liabilities of members and administrators.

Proposed law (R.S. 12:540) provides that a judgment or order against a decentralized unincorporated nonprofit association is not by itself a judgment or order against a member or administrator.

Proposed law (R.S. 12:542) requires a person or entity to serve a summons and complaint on an agent or member in an action or proceeding against a nonprofit association.

Proposed law (R.S. 12:543) provides that claims against a nonprofit association are not abated by change of members or administrators.

Proposed law (R.S. 12:544) provides for venue of nonprofit associations.

Proposed law (R.S. 12:545 and 557) provides for the dissolution, continuation of existence, and termination of a nonprofit association.

Proposed law (R.S. 12:546) provides that a person becomes a member in accordance with the nonprofit association's governing principles, or a person shall be considered a member upon purchase or assumption of ownership of a membership interest.

Proposed law (R.S. 12:547) permits a member to resign as a member in accordance with the governing principles of a nonprofit association or in accordance with proposed law.

Proposed law (R.S. 12:548) a member shall not have any fiduciary duty to a nonprofit association or to any other member unless otherwise provided for in the governing principles, but all members shall be subject to the implied contractual covenant of good faith and fair dealing.

Proposed law (R.S. 12:549) prohibits members from acting as an agent of the nonprofit association under certain circumstances.

Proposed law (R.S. 12:550) permits a member to transfer his interests in the nonprofit association unless the governing principles provide otherwise.

Proposed law (R.S. 12:551) requires approval by a majority of membership interests to do each of the following:

- (1) Suspend, dismiss, or expel a member.
- (2) Select or dismiss an administrator.
- (3) Adopt, amend, or repeal the governing principles.
- (4) Sell, lease, exchange, or otherwise dispose of the nonprofit association's property.
- (5) Dissolve the association.
- (6) Undertake any other act outside the ordinary course of activities.
- (7) Determine the policy and purpose of the nonprofit association.

Proposed law (R.S. 12:553) provides for consensus formation algorithms and governance processes.

Proposed law (R.S. 12:555) permits a member or administrator to inspect the records of a nonprofit association on reasonable notice and under certain circumstances.

Proposed law (R.S. 12:560) provides that if proposed law is held invalid, the invalidity shall not affect any other provisions proposed law.

Proposed law (R.S. 49:222(B)(17)) authorizes the secretary of state to collect certain fees for documents filed by a decentralized unincorporated nonprofit association.

(Adds R.S. 12:531-560 and R.S. 49:222(B)(17))

#### Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Commerce to the original bill:

1. Make technical changes.

2. Require an entity to include identification that it is a decentralized unincorporated nonprofit association in a statement appointing an agent.
3. Change filing officer to the secretary of state in proposed law.
4. Clarify the definition of "conversion" and remove redundancies.
5. Authorize the secretary of state to collect certain fees.