

2024 Regular Session

HOUSE BILL NO. 892

BY REPRESENTATIVE WRIGHT

COMMERCIAL REGULATIONS: Provides relative to the formation and administration of decentralized unincorporated nonprofit associations

1 AN ACT

2 To enact Chapter 5-A of Title 12 of the Louisiana Revised Statutes of 1950, to be comprised

3 of R.S. 12:531 through 560, relative to unincorporated nonprofit associations; to

4 create uniform decentralized unincorporated nonprofit associations; to provide for

5 a short title; to provide for definitions; to provide for supplemental general

6 principles; to provide for governing jurisdictions; to prohibit certain distributions and

7 dividends; to provide for compensation; to establish certain property rights of the

8 nonprofit association; to provide for liability; to provide for certain actions,

9 proceedings, and procedures; to provide for filings with the secretary of state's office;

10 to provide for judgments and orders; to provide for agency; to provide for the

11 existence, dissolution, and termination of a nonprofit association; to provide for

12 disciplinary action and resignation of members; to provide for certain duties and

13 powers of members; to provide for the use of distributed ledger technology; to

14 require validation of records and procedures for conducting operations; to provide

15 for the rights and duties of administrators; to provide for record inspection; to

16 provide for indemnification; to provide for mergers and the conversion of entities;

17 to provide for severability; and to provide for related matters.

18 Be it enacted by the Legislature of Louisiana:

19 Section 1. Chapter 5-A of Title 12 of the Louisiana Revised Statutes of 1950,

20 comprised of R.S. 12:531 through 560, is hereby enacted to read as follows:

1        CHAPTER 5-A. LOUISIANA DECENTRALIZED UNINCORPORATED2                                NONPROFIT ASSOCIATION ACT3        §531. Short title

4                This Chapter may be cited as the "Louisiana Decentralized Unincorporated  
5        Nonprofit Association Act".

6        §532. Definitions

7                As used in this Chapter:

8                (1) "Administrator" means a member authorized by vote of the membership  
9        to fulfill administrative or operational tasks.

10               (2) "Decentralized unincorporated nonprofit association" or "nonprofit  
11        association" means an entity that meets all of the following requirements:

12               (a) Consists of at least one hundred members joined by mutual consent  
13        pursuant to an agreement that may be in writing or inferred from conduct for a  
14        common nonprofit purpose.

15               (b) Has elected to be formed in accordance with this Chapter.

16               (c) Is not formed in accordance with any other provisions of law governing  
17        organization or operation of the nonprofit association.

18               (3) "Digital asset" means virtual currency, cryptocurrencies, native electronic  
19        assets, including stablecoins and non-fungible tokens or NFTs, and other digital-only  
20        assets that confer economic, proprietary, or access rights or powers.

21               (4) "Distributed ledger technology" means a computational process protocol  
22        and supporting infrastructure, including blockchain, that uses a distributed, shared  
23        and replicated ledger, whether it is public or private or permissioned or  
24        permissionless, and that may include the use of digital assets as a medium of  
25        electronic exchange.

26               (5) "Distributed ledger protocol" means a computational process that governs  
27        the rules, operation, and communication between intersection and connection points  
28        in a telecommunication network.

1           (6) "Distribution" means the payment of a dividend or any part of the income  
2           or profit of a decentralized unincorporated nonprofit association to its members or  
3           administrators.

4           (7) "Established practices" means the methods and operations used by a  
5           decentralized unincorporated nonprofit association without material change during  
6           the most recent five years of existence of the nonprofit association, or if the nonprofit  
7           association has existed for less than five years, during the entire existence of the  
8           nonprofit association.

9           (8) "Governing principles" means all agreements and any amendment or  
10          restatement of those agreements including any decentralized unincorporated  
11          nonprofit association agreements, consensus formation algorithms, smart contracts  
12          or, enacted governance proposals that govern the purpose or operation of a  
13          decentralized unincorporated nonprofit association and the rights and obligations of  
14          the members and administrators. Governing principles may be contained in a record,  
15          implied from the established practices of the nonprofit association, or both.

16          (9) "Member" means a person who, pursuant to the governing principles of  
17          a decentralized unincorporated nonprofit association, may participate in the selection  
18          of the nonprofit association's administrators or the development of the policies and  
19          activities of the nonprofit association.

20          (10) "Membership interest" means a voting right of a member in a  
21          decentralized unincorporated nonprofit association determined by the governing  
22          principles and includes interests ascertained from decentralized ledger technology  
23          on which the nonprofit association relies to determine the voting right of a member.

24          (11) "Person" means an individual, corporation, business trust, estate, trust,  
25          partnership, association, agency, joint venture, government, governmental  
26          subdivision or instrumentality, or any other legal commercial entity.

27          (12) "Smart contract" means a computational process that executes on  
28          distributed ledger technology used to automate transactions and includes but is not  
29          limited to any of the following:

- 1                    (a) Facilitating or instructing transfers of assets.
- 2                    (b) Creating and transmitting digital assets.
- 3                    (c) Synchronizing information.
- 4                    (d) Authenticating user rights and conveying access to software applications.
- 5                    (e) Effectuating membership votes within an organization.

6                    §533. Supplemental general principles of law; relation to other law

7                    A. The provisions of the Louisiana Revised Statutes of 1950, and other  
8                    principles of law supplement this Chapter unless displaced by a particular provision  
9                    of this Chapter.

10                   B. This Chapter shall not repeal or modify a provision of law or rule for  
11                   organizations that do not elect to become decentralized unincorporated nonprofit  
12                   associations.

13                   §534. Governing law; jurisdiction

14                   A. The law of this state governs any decentralized unincorporated nonprofit  
15                   association that is formed in this state.

16                   B. The governing principles of a decentralized unincorporated nonprofit  
17                   association shall identify the jurisdiction in which the decentralized unincorporated  
18                   association is formed.

19                   §535. Profits; prohibitions on distributions and dividends; compensation and other  
20                   permitted payments

21                   A. A decentralized unincorporated nonprofit association may engage in  
22                   profit-making activities, but profits from any activities shall be used in furtherance  
23                   of or set aside for the common nonprofit purpose of the association.

24                   B. Except as provided in Subsection C of this Section, a decentralized  
25                   unincorporated nonprofit association may not make distributions to its members or  
26                   administrators.

27                   C. A decentralized unincorporated nonprofit association may do all of the  
28                   following:

1           (1) Pay reasonable compensation or reimburse reasonable expenses to its  
2           members, administrators, and persons outside the organization for services rendered,  
3           including with respect to the administration and operation of the decentralized  
4           unincorporated nonprofit association, which may include the provisions of collateral  
5           for the self-insurance of the decentralized unincorporated nonprofit association,  
6           voting, or participation in the operations and activities of the association.

7           (2) Confer benefits on its members and administrators in conformity with its  
8           common nonprofit purpose.

9           (3) Repurchase membership interests to the extent authorized by its  
10          governing principles.

11          (4) Make distributions of property to members upon winding up and  
12          termination of the decentralized unincorporated nonprofit association to the extent  
13          permitted in accordance with R.S. 12:557.

14          §536. Immovable and movable property; decentralized unincorporated nonprofit  
15          association as legatee, devisee, or beneficiary

16          A. A decentralized unincorporated nonprofit association is a legal entity  
17          separate from its members for the purposes of acquiring, holding, encumbering,  
18          donating, and otherwise transferring immovable and movable property.

19          B. A decentralized unincorporated nonprofit association may, in its name,  
20          acquire, hold, mortgage, hypothecate, encumber, donate, or otherwise transfer its  
21          interest in immovable or movable property.

22          C. A decentralized unincorporated nonprofit association may be a  
23          beneficiary of a trust and has the capacity to receive donations inter vivos and mortis  
24          causa.

25          §537. Statement of authority as to immovable property

26          A. A decentralized unincorporated nonprofit association may execute and  
27          file a statement of authority in its own name to mortgage, hypothecate, encumber,  
28          donate, or otherwise transfer an interest in immovable property.

1           B. An interest in immovable property held in the name of a decentralized  
2           unincorporated nonprofit association may be mortgaged, hypothecated, encumbered,  
3           donated, or otherwise transferred by a person, so authorized in a statement of  
4           authority filed in the conveyance records in the parish in which the immovable  
5           property is situated.

6           C. A statement of authority shall include all of the following:

7           (1) The name of the decentralized unincorporated nonprofit association.

8           (2) The federal tax identification number, if any, of the decentralized  
9           unincorporated nonprofit association.

10          (3) The address in this state, including the street address, if any, of the  
11          decentralized unincorporated nonprofit association, or if the nonprofit association  
12          does not have an address in this state, its out-of-state address.

13          (4) A statement or attestation that it is a decentralized unincorporated  
14          nonprofit association.

15          (5) The name or title of the person authorized to transfer an estate or interest  
16          in real property held in the name of the decentralized unincorporated nonprofit  
17          association.

18          (6) A written attestation or confirmation that the transaction was duly  
19          authorized by membership vote in accordance with R.S. 12:551 or otherwise in  
20          conformity with the governing principles of the decentralized unincorporated  
21          nonprofit association.

22          D. A statement of authority shall be in the form of an authentic act and shall  
23          be executed by a person who is not the person authorized to transfer the interest in  
24          immovable property.

25          E. The filing officer may collect a fee for collecting and recording the  
26          statement of authority in the amount authorized for recording a transfer of  
27          immovable property.

28          F. An amendment of a statement of authority, including a cancellation, shall  
29          meet the form requirements and be filed in the same manner as an original statement.

1 Unless canceled earlier, a filed statement of authority or its most recent amendments  
2 is canceled by operation of law five years after the most recent filing.

3 G. If the title to immovable property is in the name of a decentralized  
4 unincorporated nonprofit association and the statement of authority is filed in the  
5 conveyance records in the parish in which the immovable property is situated, the  
6 authority of the person named in a statement of authority to transfer is conclusive in  
7 favor of a person who gives value without notice that the person lacks authority.

8 §538. Liability in tort or contract

9 A. A decentralized unincorporated nonprofit association is a legal entity  
10 separate from its members for the purposes of determining and enforcing rights,  
11 duties, and liabilities in contract and tort.

12 B. A person shall not be liable for any of the following acts or omissions  
13 merely because the person is a member, administrator, authorized to participate in  
14 the management of the affairs of the nonprofit association, considered as a member  
15 by the nonprofit association or made the contract or incurred the obligation on behalf  
16 of the nonprofit association:

17 (1) A breach of a contract if the fact that the person was acting for the  
18 nonprofit association was disclosed to, known by the other party to the contract or  
19 to the party owed performance.

20 (2) A tortious act or omission for which a decentralized unincorporated  
21 nonprofit association is not liable.

22 (3) A tortious act or omission of a member, administrator, or other person  
23 for which a decentralized unincorporated nonprofit association is liable.

24 C. A member, administrator, person authorized to participate in the  
25 management of the affairs of the nonprofit association, or person considered as a  
26 member by the nonprofit association may assert a claim against the decentralized  
27 unincorporated nonprofit association. A decentralized unincorporated nonprofit  
28 association may assert a claim against a member, administrator, person authorized

1 to participate in the management of the affairs of the nonprofit association, or person  
2 considered as a member by the nonprofit association.

3 §539. Capacity to assert and defend; standing

4 A. A decentralized unincorporated nonprofit association, in its name, may  
5 institute, defend, intervene, or participate in a judicial, administrative, or other  
6 governmental proceedings or in an arbitration, mediation, or any other form of  
7 alternative dispute resolution.

8 B. A decentralized unincorporated nonprofit association may assert a claim  
9 on behalf of its members when all of the following are satisfied:

10 (1) One or more members of the nonprofit association have standing to assert  
11 a claim in their own right.

12 (2) The interests the nonprofit association seek to protect are germane to its  
13 purposes.

14 (3) Neither the claim asserted, nor the relief requested requires the  
15 participation of a member.

16 §540. Effect of judgment or order

17 A judgment or order against a decentralized unincorporated nonprofit  
18 association is not by itself a judgment or order against a member or administrator of  
19 the nonprofit association.

20 §541. Appointment of agent to receive service of process

21 A. A decentralized unincorporated nonprofit association may file in the  
22 office of the secretary of state a statement appointing an agent authorized to receive  
23 service of process.

24 B. A statement appointing an agent shall include all of the following:

25 (1) The name of the decentralized unincorporated nonprofit association.

26 (2) The federal tax identification number, if any, of the decentralized  
27 unincorporated nonprofit association.

28 (3) The address in this state, including the street address, if any, of the  
29 decentralized unincorporated nonprofit association. If the nonprofit association does

1 not have an address in this state, the nonprofit association shall provide its out-of-  
2 state address.

3 (4) The name and address of the person in this state who is authorized to  
4 receive service of process.

5 C. A statement appointing an agent shall be signed and acknowledged by a  
6 person authorized to administer the affairs of the decentralized unincorporated  
7 nonprofit association. The statement shall also be signed and acknowledged by the  
8 person who is appointed agent and accepts the appointment.

9 D. A filing officer may collect a fee when a nonprofit association files any  
10 of the following:

11 (1) A statement appointing an agent to receive service of process.

12 (2) An amendment.

13 (3) A resignation.

14 E. An amendment to a statement appointing an agent to receive service of  
15 process shall meet the requirements for execution of an original statement.

16 §542. Summons and complaint; service

17 In an action or proceeding against a decentralized unincorporated nonprofit  
18 association, a summons and complaint shall be served on an agent authorized by  
19 appointment to receive service of process or a person authorized to administer the  
20 affairs of the nonprofit association. If no agent or authorized person is designated  
21 for service of process, service may be made on a member of the nonprofit  
22 association.

23 §543. Claim not abated by change of members or administrators

24 A claim for relief against a decentralized unincorporated nonprofit  
25 association shall not abate merely because of a change in its members or persons  
26 authorized to administer the affairs of the nonprofit association.

27 §544. Venue

28 A. For purposes of venue, a decentralized unincorporated nonprofit  
29 association is a resident of either of the following:

1           (1) The parish in which the nonprofit association has an office.

2           (2) The parish in which the agent resides who is authorized to receive service  
3 of process pursuant to R.S. 12:541.

4 §545. Perpetual existence, dissolution, continuation of existence

5           A. A decentralized unincorporated nonprofit association shall have perpetual  
6 duration unless its governing principles specify otherwise.

7           B. A decentralized unincorporated nonprofit association may be dissolved  
8 in accordance with any of the following methods:

9           (1) If the governing principles of the nonprofit association provide a time or  
10 method for dissolution.

11           (2) If the governing principles of the nonprofit association do not provide a  
12 method for dissolution, by approval of its members in accordance with R.S. 12:551.

13           (3) If membership in the decentralized unincorporated nonprofit association  
14 falls below one hundred members and the nonprofit association does not meet the  
15 requirements of an unincorporated nonprofit association pursuant to this Chapter.

16           (4) By court order.

17           C. After dissolution, a decentralized unincorporated nonprofit association  
18 continues in existence until its activities have been wound up and terminated  
19 pursuant to R.S. 12:557.

20           D. If the nonprofit association meets the requirements of an unincorporated  
21 nonprofit association pursuant to this Chapter, the entity automatically converts to  
22 an unincorporated nonprofit association unless the governing principles specify  
23 otherwise.

24 §546. Admission, suspension, dismissal, or expulsion of members

25           A. A person becomes a member of a decentralized unincorporated nonprofit  
26 association in accordance with the governing principles of the nonprofit association.

27 If there are no applicable governing principles, a person shall be considered a  
28 member upon purchase or assumption of ownership of a membership interest and  
29 continue as a member absent the suspension, dismissal, or expulsion of the person  
30 pursuant to Subsection B of this Section, resignation pursuant to R.S.12:547, or the

1 dissolution and wind-up of the nonprofit association pursuant to R.S. 12:545 and  
2 557.

3 B. Pursuant to the governing principles, a member may be suspended,  
4 dismissed, or expelled from a decentralized unincorporated nonprofit association.  
5 If there are no applicable governing principles, a member may be suspended,  
6 dismissed, by approval of the members of the nonprofit association in accordance  
7 with R.S. 12:551.

8 C. Unless otherwise provided for in the governing principles, suspension,  
9 dismissal, or expulsion of a member shall not relieve the member of any obligation  
10 incurred, or commitment made by the member, before the suspension, dismissal, or  
11 expulsion.

12 §547. Member resignation

13 A. A member may resign from a decentralized unincorporated nonprofit  
14 association in accordance with the governing principles of the nonprofit association.  
15 In the absence of applicable governing principles, a member shall be deemed to have  
16 resigned as a member upon the voluntary or involuntary disposal of all membership  
17 interests, other property, or instruments that confer upon the person a voting right  
18 within the nonprofit association.

19 B. Unless otherwise provided for in the governing principles, resignation of  
20 a member shall not relieve the member of any obligation incurred, or commitment  
21 made by the member, before the resignation.

22 §548. Duties of members

23 A. Unless otherwise provided for in the governing principles, a member shall  
24 not have any fiduciary duty to a decentralized unincorporated nonprofit association  
25 or to any other member of the nonprofit association by merely being a member.

26 B. All members shall be subject to the implied contractual covenant of good  
27 faith and fair dealing.

28 §549. Prohibition of agency powers of members

29 A. A member shall not be considered an agent of a decentralized  
30 unincorporated nonprofit association merely by reason of being a member.

1           B. Liability may be imposed on a decentralized unincorporated nonprofit  
2           association as a result of a member's conduct. A person's status as a member shall  
3           not prevent or restrict any liability on the nonprofit association.

4           §550. Transferable member interests

5           Except as otherwise provided in the governing principles of the decentralized  
6           unincorporated nonprofit association, a member interest, or any right is freely  
7           transferable to another person through conveyance of the membership interest within  
8           the nonprofit association.

9           §551. Approval by members

10           A. Except as otherwise provided in the governing principles, a decentralized  
11           unincorporated nonprofit association shall have the approval of the majority of  
12           membership interests participating in a vote to do each of the following:

- 13           (1) Suspend, dismiss, or expel a member.
- 14           (2) Select or dismiss an administrator.
- 15           (3) Adopt, amend, or repeal the governing principles.
- 16           (4) Sell, lease, exchange, or otherwise dispose of the property of a nonprofit  
17           association.
- 18           (5) Dissolve the association pursuant to R.S. 12:545.
- 19           (6) Undertake any other act outside the ordinary course of activities of the  
20           nonprofit association.
- 21           (7) Determine the policy and purpose of the nonprofit association.

22           B. A decentralized unincorporated nonprofit association shall have the  
23           approval of its members in accordance with its governing principles to perform any  
24           acts or exercise a right that the governing principles require to be approved by  
25           members.

26           C. Unless otherwise provided for in the governing principles, membership  
27           interest in a decentralized unincorporated nonprofit association shall be calculated  
28           in proportion to the voting rights of a member within the nonprofit association.

1        §552. Utilization of distributed ledger technology

2            A. A decentralized unincorporated nonprofit association may provide for its  
3        governance, in whole or in part, through distributed ledger technology, including  
4        smart contracts.

5            B. The governing principles for a decentralized unincorporated nonprofit  
6        association may do both of the following:

7            (1) Specify whether any distributed ledger technology utilized or enabled by  
8        the decentralized unincorporated nonprofit association will be fully immutable or  
9        subject to change by the nonprofit association and whether any such ledger will be  
10       fully or partially public or private, including the extent of a member's access to  
11       information.

12           (2) Adopt voting procedures, which may include smart contracts deployed  
13        to distributed ledger technology that provide for all of the following:

14           (a) Proposals from members or administrators in the decentralized  
15        unincorporated nonprofit association for upgrades, modifications, or additions to  
16        software systems or protocols.

17           (b) Other proposed changes to the governing principles.

18           (c) Any other matters of governance or activities within the purpose of the  
19        decentralized unincorporated nonprofit association.

20        §553. Consensus formation algorithms and governance process

21           A. In accordance with its governing principles, a decentralized  
22        unincorporated nonprofit association may carry out both of the following:

23           (1) Adopt any reasonable algorithmic means for establishing consensus for  
24        the validation of records, as well as for establishing requirements, processes, and  
25        procedures for conducting operations or making organizational decisions with  
26        respect to the distributed ledger technology used by the decentralized unincorporated  
27        nonprofit association.

28           (2) In accordance with any procedure specified pursuant to R.S. 12:551,  
29        modify the consensus mechanism, as well as the requirements, processes, and

1 procedures or substitute a new consensus mechanism, requirements, processes or  
2 procedures that comply with state law and the governing principles of the  
3 decentralized unincorporated nonprofit association.

4 §554. Selection of administrators; rights and duties of administrators

5 A. Unless otherwise provided for in the governing principles, the members  
6 of an association may select administrators in accordance with R.S. 12:551.

7 B. If no administrators are selected, none of the members would be  
8 considered administrators for the decentralized unincorporated nonprofit association.

9 C. No decentralized unincorporated nonprofit association shall be required  
10 to have an administrator, and the rights and duties of all administrators shall be  
11 established as part of the authorization of authority to act as an administrator.

12 D. If in a record, the governing principles of a decentralized unincorporated  
13 nonprofit association may limit or eliminate the liability of an administrator or its  
14 members for money damages for an action or inaction except for any of the  
15 following:

16 (1) The amount of financial benefit improperly received by an administrator.

17 (2) An intentional infliction of harm on the association or its members.

18 (3) An intentional violation of criminal law.

19 (4) Breach of the duty of loyalty unless, following full disclosure of all  
20 material facts to the nonprofit association members, the specific act or transaction  
21 that would otherwise violate the duty of loyalty is authorized or ratified by approval  
22 of the disinterested members pursuant to R.S. 12:551.

23 (5) Improper distributions.

24 §555. Right to inspect records

25 A. Except as provided by Subsection B of this Section, on reasonable notice,  
26 a member or administrator of a decentralized unincorporated nonprofit association  
27 is entitled to an electronic record of any record maintained by the association  
28 regarding the association's activities, financial condition and other circumstances, to

1 the extent the information is material to the rights and duties of a member or  
2 administrator pursuant to the governing principles or this Chapter.

3 B. A decentralized unincorporated nonprofit association shall not be  
4 obligated to provide records requested from a member or administrator if access to  
5 the information is contained in a record available to the member or administrator on  
6 decentralized ledger technology.

7 C. A decentralized unincorporated nonprofit association may impose  
8 reasonable restrictions on access to and use of information that may be provided  
9 pursuant to this Section, including by designating the information confidential and  
10 imposing nondisclosure or other safeguarding obligations on the recipient of the  
11 information. In a dispute concerning the reasonableness of a restriction pursuant to  
12 this Subsection, the nonprofit association shall have the burden of proving  
13 reasonableness.

14 D. A former member or administrator may have access to information to  
15 which the member or administrator is entitled when all of the following are satisfied:

16 (1) The information relates to the period of time during which the person was  
17 a member or administrator.

18 (2) The former member or administrator seeks the information in good faith.

19 (3) The former member or administrator satisfies the requirements of  
20 Subsections A through C of this Section with respect to the information.

21 E. A decentralized unincorporated nonprofit association shall not be  
22 obligated to collect and maintain a list of members or individual member  
23 information, including the names or addresses of its members.

24 §556. Indemnification; advancement of expenses

25 A. Unless otherwise provided in its governing principles, a decentralized  
26 unincorporated nonprofit association may reimburse a member or administrator for  
27 authorized expenses reasonably incurred on behalf of the nonprofit association.

28 B. A decentralized unincorporated nonprofit association may indemnify a  
29 member or administrator for any debt, obligation, or other liability incurred in the

1 course of activities of the member or administrator on behalf of the nonprofit  
2 association. To be eligible for indemnification, an administrator shall have complied  
3 with the duties stated in R.S. 12:554. If in a record, the governing principles may  
4 broaden or limit this right of indemnification.

5 C. If a person is made, or threatened to be made, a party in a proceeding  
6 based on that person's conduct of the affairs of a decentralized unincorporated  
7 nonprofit association, that person is entitled, upon written request to the nonprofit  
8 association, including through decentralized ledger technology, to receive payment  
9 of or reimbursement by the nonprofit association, of reasonable expenses, including  
10 attorney's fees and disbursements, incurred by that person in advance of the final  
11 disposition of the proceeding. To be entitled to these payments or advances, the  
12 person making the request shall make a written affirmation that the person has a  
13 good faith belief that the criteria for indemnification in Subsection A of this Section  
14 have been satisfied and that the person shall repay the amounts paid or reimbursed  
15 if it is determined that the criteria for reimbursement are not satisfied.

16 D. A decentralized unincorporated nonprofit association may purchase and  
17 maintain insurance on behalf of a member or administrator for liability asserted  
18 against or incurred by the member or administrator in that capacity, whether or not  
19 the nonprofit association would have the power to indemnify or advance expenses  
20 to the member or administrator against the same liability pursuant to this Section.

21 E. These rights of reimbursement, indemnification, and advancement of  
22 expense shall apply to former members or administrators for activities undertaken  
23 on behalf of the decentralized unincorporated nonprofit association while they were  
24 members or administrators.

25 §557. Windup up; termination

26 A. A dissolved decentralized unincorporated association shall wind up its  
27 operations and the nonprofit association continues after dissolution only for the  
28 purpose of winding up.

1           B.(1) In winding up a decentralized unincorporated nonprofit association, the  
2           members shall discharge debts, obligations, and other liabilities, settle and close the  
3           nonprofit association's business, and marshal and distribute any remaining property  
4           to either of the following:

5                   (a) Another entity or person with similar nonprofit purposes, if required by  
6                   any other provision of law.

7                   (b) The current members of the nonprofit association in proportion to their  
8                   membership interests in accordance with the governing principles and in the absence  
9                   of applicable governing principles.

10                   (2) If neither Subparagraph (1)(a) or (b) of this Subsection applies, members  
11                   shall apply the law of unclaimed property to discharge debts, obligations, and other  
12                   liabilities, settle and close the nonprofit association's business, and marshal and  
13                   distribute any remaining property.

14                   (3) Members may also do any of the following:

15                   (a) Authorize an administrator to wind up the decentralized unincorporated  
16                   nonprofit association in accordance with R.S. 12:551. Any administrator or  
17                   administrators so authorized shall owe the nonprofit association a duty of care in the  
18                   conduct or winding up of the nonprofit to refrain from grossly negligent or reckless  
19                   conduct, willful or intentional misconduct or a knowing violation of the law.

20                   (b) Preserve the nonprofit association's operations and property as a going  
21                   concern for a reasonable time.

22                   (c) Prosecute and defend actions and proceedings, whether civil, criminal,  
23                   or administrative.

24                   (d) Transfer the decentralized unincorporated nonprofit association's  
25                   property.

26                   (e) Settle disputes by mediation or arbitration.

27                   (f) Transfer the decentralized unincorporated nonprofit association's  
28                   property.

29                   (g) Perform other acts necessary or appropriate to the winding up.

1           (4) If the members of a decentralized unincorporated nonprofit association  
2           do not appoint an administrator or administrators to wind up the nonprofit  
3           association, the members would owe the association a duty of care in the conduct or  
4           winding up of the nonprofit association's operations to refrain from engaging in  
5           grossly negligent or reckless conduct, willful or intentional misconduct or a knowing  
6           violation of the law.

7           §558. Mergers

8           A. As used in this Section:

9           (1) "Charitable purpose" means any purpose of an organization that has  
10           attained exemption pursuant to Section 501(c)(3) of the Internal Revenue Code or  
11           any successor section, or that upon dissolution shall distribute its assets to a public  
12           benefit corporation, the United States, or a state or a person that is recognized as  
13           exempt pursuant to Section 501(c)(3) of the Internal Revenue Code or any successor  
14           section.

15           (2) "Constituent organization" means an organization that is merged with  
16           one or more other organizations and includes the surviving organization.

17           (3) "Disappearing organization" means a constituent organization that is not  
18           the surviving organization.

19           (4) "Governing statute" means any provision of law that governs the internal  
20           affairs of an organization.

21           (5) "Organization" means a decentralized unincorporated nonprofit  
22           association, unincorporated nonprofit association, a general partnership, including  
23           a limited liability partnership, limited partnership, including a limited liability  
24           limited partnership, limited liability company, business or statutory trust, corporation  
25           or any other legal or commercial person having a governing statute. The term  
26           includes a domestic or foreign organization regardless of whether organized for  
27           profit.

1           (6) "Organizational document" means the basic records that create the  
2           organization and determine its internal governance and the relations among the  
3           persons that own it, have an interest in it or are members of it.

4           (7) "Surviving organization" means an organization into which one or more  
5           other organizations are merged.

6           B. A decentralized unincorporated association may merge with any  
7           organization that is not expressly prohibited by the law.

8           C. A merger involving a decentralized unincorporated nonprofit association  
9           is subject to all of the following requirements:

10           (1) Each of the constituent merging organizations shall comply with its  
11           governing law.

12           (2) Each party to the merger shall approve a plan of merger in accordance  
13           with its governing principles. The plan, which shall be in a record, shall include each  
14           of the following provisions:

15           (a) The name and form of each organization that is party to the merger.

16           (b) The name and form of the surviving organization and, if the surviving  
17           organization is to be created by the merger, a statement to that effect.

18           (c) The terms and conditions of the merger, including the manner and basis  
19           for converting the interests in each constituent organization into any combination of  
20           money, interests in the surviving organization or other considerations.

21           (d) If the surviving organization is to be created by the merger, the surviving  
22           organization's organizational documents that are proposed to be in a record.

23           (e) If the surviving organization is not to be created by the merger, any  
24           amendments to be made by the merger to the surviving organization's organizational  
25           documents that are, or are proposed to be, in a record.

26           (3) The plan of merger shall be approved by the members of each  
27           decentralized unincorporated nonprofit association that is a constituent organization  
28           in the merger subject to R.S. 12:551. If a member of an association that is party to  
29           a merger will have personal liability with respect to an obligation of a constituent or

1 surviving organization, the consent in a record of that member to the plan of merger  
2 shall also be obtained.

3 (4) Subject to the contractual rights of third parties, after a plan of merger  
4 is approved and at any time before the merger is effective, a constituent organization  
5 may amend the plan or abandon the merger as provided in the plan, or except as  
6 otherwise prohibited in the plan, with the same consent as was required to approve  
7 the plan.

8 (5) Following approval of the plan, a merger pursuant to this Section shall  
9 be effective if either of the following occurs:

10 (a) A constituent organization is required to give notice to or obtain the  
11 approval of a governmental agency or officer in order to be a party to a merger, the  
12 notice has been given and the approval has been obtained; and the surviving  
13 organization is a decentralized unincorporated nonprofit association, as specified in  
14 the plan of merger and upon compliance by any constituent organization that is not  
15 a nonprofit association with any requirements, including any required filings in the  
16 office of the secretary of state, of the organization's governing statute.

17 (b) The surviving organization is not a decentralized unincorporated  
18 nonprofit association pursuant to state law governing the surviving organization.

19 D. When a merger becomes effective all of the following are accomplished:

20 (1) The surviving organization continues or comes into existence.

21 (2) Each constituent organization that merges into the surviving organization  
22 ceases to exist as a separate entity.

23 (3) All property owned by each constituent organization that ceases to exist  
24 vests in the surviving organization.

25 (4) All debts, obligation, or other liabilities of each constituent organization  
26 that ceases to exist continue as debts, obligations, or other liabilities of the surviving  
27 organization.

28 (5) An action or proceeding pending by or against any constituent  
29 organization that ceases to exist may be continued as if the merger had not occurred.

1           (6) Except as prohibited by other provisions of law, all of the rights,  
2           privileges, immunities, powers, and purposes of each constituent organization that  
3           ceases to exist vest in the surviving organization.

4           (7) Except as otherwise provided in the plan of merger, the terms and  
5           conditions of the plan of merger take effect.

6           (8) The merger shall not affect the personal liability, if any, of a member,  
7           administrator or manager of a constituent association for a debt, liability or  
8           obligation of the nonprofit association incurred before the merger is effective.

9           (9) A surviving organization that is a foreign organization consents to the  
10          jurisdiction of the courts of this state to enforce any debt, obligation, or other liability  
11          owed by a constituent organization, if before the merger the constituent organization  
12          was subject to suit in this state on the debt, obligation, or other liability. A surviving  
13          organization that is a foreign organization and not authorized to transact business in  
14          this state appoints the secretary of state as agent for service of process for the  
15          purpose of enforcing a debt, obligation, or other liability pursuant to this Subsection.

16          E. Property held for a charitable purpose by a domestic or foreign  
17          organization in accordance with the provisions of law of this state and immediately  
18          before a merger pursuant to this Section becomes effective may not, as a result of the  
19          merger, be diverted from the objects for which it was donated, granted or devised,  
20          unless, to the extent required by or pursuant to the provisions of law of this state  
21          concerning nondiversion of charitable assets, the organization obtains an appropriate  
22          order of the attorney general or of the district court in a proceeding for which the  
23          attorney general has been given notice specifying the disposition of the property.

24          F. A bequest, devise, gift, grant or promise contained in a will or other  
25          instrument of donation, subscription, or conveyance that is made to a disappearing  
26          organization and that takes effect or remains payable after the merger inures to the  
27          benefit of the surviving organization. A trust obligation that would govern property  
28          if transferred to the disappearing entity applies to property that is instead transferred  
29          to the surviving organization pursuant to this Section.

1        §559. Conversion of entities2                A. As used in this Section:3                (1) "Conversion" means a transaction authorized in accordance with the  
4                Section to which an entity of one type is converted into an entity of another type.5                (2) "Converted entity" means the entity that results from a conversion.6                (3) "Converting entity" means the entity that becomes the converted entity  
7                through a conversion.8                B. A decentralized unincorporated nonprofit association may convert to any  
9                entity form that is authorized by state law to affect a conversion from a decentralized  
10               unincorporated nonprofit association.11               C. A conversion involving a decentralized unincorporated nonprofit  
12               association is subject to all of following requirements:13               (1) Each of the constituent converting organizations complies with its  
14               governing law.15               (2) The decentralized unincorporated organization, as a converting entity,  
16               shall approve a plan of conversion in accordance with its governing principles. The  
17               plan, which shall be in a record, shall include all of the following provisions:18               (a) The name of the converting decentralized unincorporated nonprofit  
19               association.20               (b) The name, jurisdiction of formation, and type of entity of the converted  
21               entity.22               (c) The manner of converting the interest in the converting decentralized  
23               unincorporated nonprofit association into interests, securities, obligations, money,  
24               other property, rights to acquire interests or securities, or any combination of the  
25               foregoing.26               (d) If the converted entity requires a record that is filed publicly to form,  
27               organize, incorporate, or otherwise create an entity, the converted entity's  
28               organizational documents that are proposed to be in a record.

1           (e) If the converted entity does not require a record that is filed publicly to  
2           form, organize, incorporate, or otherwise create an entity, a record of the converted  
3           entities governing principles to the extent they exist.

4           (f) The other terms and conditions of the conversion.

5           (g) Any other provision required by the law of this state or the governing  
6           principles of the converting decentralized unincorporated nonprofit association.

7           (3) The plan of conversion shall be approved by the members of the  
8           converting decentralized unincorporated in accordance with its governing principles.  
9           If a member of an association that is a party to a conversion will have personal  
10           liability with respect to an obligation of a converted entity or converting entity, the  
11           consent in a record of that member to the plan of conversion shall also be obtained.

12           (4) Subject to the contractual rights of third parties, after a plan of  
13           conversion is approved and at any time before the conversion is effective, a  
14           converting entity may amend the plan or abandon the conversion as provided in the  
15           plan, or except as otherwise prohibited in the plan, with the same consent as was  
16           required to approve the plan.

17           (5) Following approval of the plan, a conversion pursuant to this Section is  
18           effective when both of the following occur:

19           (a) If a converted entity is required to give notice to or obtain the approval  
20           of a governmental agency or officer in order to form an entity, the notice has been  
21           given and the approval has been obtained.

22           (b) If a converted entity is not required to give notice or obtain the approval  
23           of a governmental agency or officer in order to form an entity, as provided by the  
24           statute governing the converted entity.

25           D. A conversion becomes effective when the converted entity comes into  
26           existence.

27           E. When a conversion becomes effective, each of the following occurs:

28           (1) The converted entity is considered both of the following:

29           (a) Organized pursuant to and subject to the laws of the converted entity.

1                    (b) The same entity without interruption as the converting entity.

2                    (2) All property of the converting entity continues to be vested in the  
3                    converted entity without transfer, reversion, or impairment.

4                    (3) All debts, obligations, and other liabilities of the converting entity  
5                    continue as debts, obligations, and other liabilities of the converted entity.

6                    (4) The name of the converted entity may be substituted for the name of the  
7                    converting entity in any pending action or proceeding.

8                    F. A conversion does not require the entity to wind up its affairs and shall  
9                    not constitute or cause the dissolution of the entity.

10                    §560. Severability

11                    If any provision of this Chapter or its application to any person or  
12                    circumstance is held invalid, the invalidity shall not affect any other provisions or  
13                    applications of this Chapter which may be given effect without the invalid provision  
14                    or application, and to this end the provisions of this Chapter are severable.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 892 Original

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.

(Adds R.S. 12:531-560)