

By: Bucy, Capriglione, Button, Howard

H.B. No. 3768

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to the formation of decentralized unincorporated  
3 associations and the use of distributed ledger or blockchain  
4 technology for certain business purposes; authorizing a fee.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 1.002, Business Organizations Code, is  
7 amended by adding Subdivisions (15-a), (16-a), (78-b), and (82-b)  
8 and amending Subdivisions (78-a), (82-a), and (89) to read as  
9 follows:

10 (15-a) "Digital asset" means an electronic record in  
11 which a person has a right or interest. The term does not include an  
12 underlying asset, unless the asset is itself an electronic record.

13 (16-a) "Distributed ledger technology" means a  
14 distributed ledger protocol that:

15 (A) is a designated regulatory model of software  
16 that governs the rules, operations, and communication between  
17 intersection and connection points in a telecommunications network  
18 and supporting infrastructure;

19 (B) includes the computer software or hardware,  
20 or collections of computer software or hardware, that use or enable  
21 a distributed ledger, including blockchain; and

22 (C) uses a distributed, shared, and replicated  
23 ledger, which may:

24 (i) be public or private;

1                    (ii) be permissioned or permissionless; and  
2                    (iii) include the use of a digital asset as  
3 a medium of electronic exchange.

4            (78-a) "Record" means information that is inscribed on  
5 a tangible medium or that is stored in an electronic or other medium  
6 and is retrievable in a perceivable form, including information  
7 inscribed on blockchain or distributed ledger technology.

8            (78-b) "Registered series" means a series of a  
9 domestic limited liability company that is formed as a registered  
10 series in accordance with Section 101.602.

11            (82-a) "Smart contract" means an event-driven  
12 computer program that executes on distributed ledger technology  
13 used to automate a transaction, including a transaction that:

14                    (A) takes custody over and instructs transfer of  
15 assets on that ledger;

16                    (B) creates and transmits digital assets;

17                    (C) synchronizes information; or

18                    (D) authenticates user rights and conveys access  
19 to software applications.

20            (82-b) "Social purposes" means one or more purposes of  
21 a for-profit corporation that are specified in the corporation's  
22 certificate of formation and consist of promoting one or more  
23 positive impacts on society or the environment or of minimizing one  
24 or more adverse impacts of the corporation's activities on society  
25 or the environment. Those impacts may include:

26                    (A) providing low-income or underserved  
27 individuals or communities with beneficial products or services;

1 (B) promoting economic opportunity for  
2 individuals or communities beyond the creation of jobs in the  
3 normal course of business;

4 (C) preserving the environment;

5 (D) improving human health;

6 (E) promoting the arts, sciences, or advancement  
7 of knowledge;

8 (F) increasing the flow of capital to entities  
9 with a social purpose; and

10 (G) conferring any particular benefit on society  
11 or the environment.

12 (89) "Writing" or "written" means an expression of  
13 words, letters, characters, numbers, symbols, figures, or other  
14 textual information that is inscribed on a tangible medium or that  
15 is stored in an electronic or other medium that is retrievable in a  
16 perceivable form. Unless the context requires otherwise, the term:

17 (A) includes stored or transmitted electronic  
18 data, electronic transmissions, blockchain or distributed ledger  
19 technology, and reproductions of writings; and

20 (B) does not include sound or video recordings of  
21 speech other than transcriptions that are otherwise writings.

22 SECTION 2. Subchapter A, Chapter 1, Business Organizations  
23 Code, is amended by adding Section 1.010 to read as follows:

24 Sec. 1.010. CERTAIN PROVISIONS RELATED TO BLOCKCHAIN AND  
25 DISTRIBUTED LEDGER TECHNOLOGY. For purposes of this code:

26 (1) a requirement for a person's signature is  
27 satisfied by the submission of a blockchain that electronically

1 contains the signature or verifies the intent of a person to provide  
2 the signature;

3 (2) a requirement for a record to be in writing is  
4 satisfied by the submission of a blockchain that electronically  
5 contains the record; and

6 (3) a smart contract, record, or signature may not be  
7 excluded as evidence in a proceeding solely because blockchain or  
8 distributed ledger technology was used to create, store, or verify  
9 the smart contract, record, or signature.

10 SECTION 3. Section 6.002(a), Business Organizations Code,  
11 is amended to read as follows:

12 (a) Subject to this code and the governing documents of a  
13 domestic entity, the owners, members, or governing persons of the  
14 entity, or a committee of the owners, members, or governing  
15 persons, may hold meetings by using a conference telephone or  
16 similar communications equipment, or another suitable electronic  
17 communications system, including videoconferencing technology, an  
18 electronic data system, [~~or~~] the Internet, or any combination, if  
19 the telephone or other equipment or system permits each person  
20 participating in the meeting to communicate with all other persons  
21 participating in the meeting.

22 SECTION 4. Section 101.052, Business Organizations Code, is  
23 amended by adding Subsection (g) to read as follows:

24 (g) A company agreement may be composed of computer code and  
25 maintained on blockchain or distributed ledger technology in full  
26 or in part if the record of the agreement is capable of being  
27 retained and accurately reproduced for later reference.

1 SECTION 5. Section 101.501(a), Business Organizations  
2 Code, is amended to read as follows:

3 (a) In addition to the books and records required to be kept  
4 under Section 3.151, a limited liability company shall keep at its  
5 principal office in the United States, keep on an electronic data  
6 system, or make available to a person at its principal office in the  
7 United States not later than the fifth day after the date the person  
8 submits a written request to examine the books and records of the  
9 company under Section 3.152(a) or 101.502:

10 (1) a current list that states:

11 (A) the percentage or other interest in the  
12 limited liability company owned by each member; and

13 (B) if one or more classes or groups of  
14 membership interests are established in or under the certificate of  
15 formation or company agreement, the names of the members of each  
16 specified class or group;

17 (2) a copy of the company's federal, state, and local  
18 tax information or income tax returns for each of the six preceding  
19 tax years;

20 (3) a copy of the company's certificate of formation,  
21 including any amendments to or restatements of the certificate of  
22 formation;

23 (4) if the company agreement is in writing, a copy of  
24 the company agreement, including any amendments to or restatements  
25 of the company agreement;

26 (5) an executed copy of any powers of attorney;

27 (6) a copy of any document that establishes a class or

1 group of members of the company as provided by the company  
2 agreement; and

3 (7) except as provided by Subsection (b), a written  
4 statement of:

5 (A) the amount of a cash contribution and a  
6 description and statement of the agreed value of any other  
7 contribution made or agreed to be made by each member;

8 (B) the dates any additional contributions are to  
9 be made by a member;

10 (C) any event the occurrence of which requires a  
11 member to make additional contributions;

12 (D) any event the occurrence of which requires  
13 the winding up of the company; and

14 (E) the date each member became a member of the  
15 company.

16 SECTION 6. Title 6, Business Organizations Code, is amended  
17 by adding Chapter 253 to read as follows:

18 CHAPTER 253. DECENTRALIZED UNINCORPORATED ASSOCIATIONS

19 Sec. 253.001. DEFINITIONS. In this chapter:

20 (1) "Administrator" means a person authorized by the  
21 members of a decentralized unincorporated association to fulfill  
22 administrative or operational tasks at the direction of the  
23 members.

24 (2) "Decentralized unincorporated association" means  
25 an unincorporated association:

26 (A) consisting of at least 500 members joined by  
27 mutual consent under an agreement, that may be in writing or

1 inferred from conduct, for a common purpose, other than to operate a  
2 business for profit except as permitted under Section 253.004;

3 (B) that has elected to be formed under this  
4 chapter; and

5 (C) is not formed under any other law governing  
6 the association's organization and operation.

7 (3) "Established practices" means the practices used  
8 by a decentralized unincorporated association without material  
9 change during the most recent five years of the association's  
10 existence, or if the association has existed for less than five  
11 years, during the association's entire existence.

12 (4) "Governing principles" means all agreements and  
13 any amendment or restatement of those agreements, including any  
14 articles of organization, consensus formation algorithms, or  
15 enacted governance proposals, that govern the purpose or operation  
16 of a decentralized unincorporated association and the rights and  
17 obligations of the association's members and administrators,  
18 whether contained in a record, implied from the association's  
19 established practices, or both.

20 (5) "Member" means a person that, under the governing  
21 principles of a decentralized unincorporated association, may  
22 participate in:

23 (A) the development of the policies and  
24 activities of the association; and

25 (B) the selection of the association's  
26 administrators.

27 Sec. 253.002. SUPPLEMENTARY GENERAL PRINCIPLES OF LAW AND

1 EQUITY. (a) Principles of law and equity supplement this chapter  
2 unless displaced by a particular provision of this chapter.

3 (b) This chapter may not be interpreted to repeal or modify  
4 a statute or rule for an entity that does not elect to be formed as a  
5 decentralized unincorporated association.

6 Sec. 253.003. GOVERNING LAW; TERRITORIAL APPLICATION. (a)  
7 Except as otherwise provided by Subsection (b), the law of this  
8 state governs any decentralized unincorporated association that is  
9 formed or operates in this state.

10 (b) A decentralized unincorporated association's governing  
11 principles must identify the jurisdiction in which the  
12 decentralized unincorporated association is formed.

13 Sec. 253.004. DISTRIBUTION PROHIBITED; COMPENSATION AND  
14 OTHER PERMITTED PAYMENTS. (a) A decentralized unincorporated  
15 association may carry on any business activity in which the  
16 association may lawfully engage for profit and apply any profit  
17 that results from the business activity in accordance with  
18 Subsection (c).

19 (b) Except as provided by Subsection (c), a decentralized  
20 unincorporated association may not pay dividends or distribute any  
21 part of the association's income or profit to the association's  
22 members or administrators.

23 (c) A decentralized unincorporated association may:

24 (1) pay reasonable compensation to or reimburse  
25 reasonable expenses incurred by the association's members and  
26 administrators, or to a person who is not a member or administrator,  
27 for services rendered to the association, including for the



1 administration and operation of the association, including for:

2 (A) the provision of collateral for the  
3 self-insurance of the association;

4 (B) voting; and

5 (C) participation;

6 (2) confer benefits on the association's members or  
7 administrators in conformity with the association's common  
8 nonprofit purpose or purposes, if any;

9 (3) repurchase membership interests to the extent  
10 authorized by the association's governing principles; and

11 (4) make distributions of property to members on  
12 winding up and termination to the extent provided by Section  
13 253.027.

14 Sec. 253.005. LEGAL ENTITY; PERPETUAL EXISTENCE; POWERS.

15 (a) A decentralized unincorporated association is a legal entity  
16 distinct from the association's members and administrators.

17 (b) A decentralized unincorporated association has  
18 perpetual duration unless the association's governing principles  
19 otherwise specify.

20 (c) A decentralized unincorporated association has the  
21 power to do all things necessary or convenient to carry on the  
22 association's activities or affairs.

23 Sec. 253.006. REAL AND PERSONAL PROPERTY; DECENTRALIZED  
24 UNINCORPORATED ASSOCIATION AS BENEFICIARY, LEGATEE, OR DEVISEE.

25 (a) A decentralized unincorporated association may, in the name of  
26 the association, acquire, hold, encumber, or transfer an estate or  
27 interest in real or personal property.

1       (b) A decentralized unincorporated association may be a  
2 beneficiary of a trust or contract, legatee, or devisee.

3       Sec. 253.007. STATEMENT OF AUTHORITY AS TO REAL PROPERTY.

4       (a) A decentralized unincorporated association shall execute and  
5 record a statement of authority to transfer an estate or interest in  
6 real property in the name of the association.

7       (b) An estate or interest in real property in the name of a  
8 decentralized unincorporated association may be transferred by a  
9 person so authorized in a statement of authority recorded in the  
10 office of the county clerk in which a transfer of the property would  
11 be recorded.

12       (c) A statement of authority must contain:

13               (1) the name of the decentralized unincorporated  
14 association;

15               (2) the address in this state, including the street  
16 address, if any, of the association, or if the association does not  
17 have an address in this state, the association's address out of  
18 state;

19               (3) the name or title of the person authorized to  
20 transfer an estate or interest in real property held in the name of  
21 the association; and

22               (4) the action, procedure, or vote of the association  
23 that authorizes the person to transfer the real property of the  
24 association and to execute the statement of authority.

25       (d) A statement of authority must be executed in the same  
26 manner as a deed. The person who executes the statement of  
27 authority may not be the person named in the statement of authority

1 as authorized to transfer the estate or interest.

2 (e) The county clerk may collect a fee for recording the  
3 statement of authority in the amount authorized for recording a  
4 transfer of real property.

5 (f) An amendment, including a cancellation, of a statement  
6 of authority must meet the requirements for execution and recording  
7 of an original statement. Unless canceled earlier, a recorded  
8 statement of authority or the most recent amendment to the  
9 statement is canceled by operation of law on the fifth anniversary  
10 of the date of the most recent recording.

11 (g) If the record title to real property is in the name of a  
12 decentralized unincorporated association and the statement of  
13 authority is recorded in the office of the county clerk in which a  
14 transfer of real property would be recorded, the authority of the  
15 person named in a statement of authority is conclusive in favor of a  
16 transferee who gives value without notice that the person named in  
17 the statement of authority lacks authority.

18 Sec. 253.008. LIABILITY. (a) Except as otherwise provided  
19 by this chapter, the debts, obligations, and liabilities of a  
20 decentralized unincorporated association, whether arising in  
21 contract, tort, or otherwise, are solely the debts, obligations,  
22 and liabilities of the association. A member or administrator of a  
23 decentralized unincorporated association may not be obligated  
24 personally for any debt, obligation, or liability of the  
25 association solely by reason of being a member or acting as an  
26 administrator of the association.

27 (b) Notwithstanding Subsection (a), a member or

1 administrator of a decentralized unincorporated association may,  
2 under the governing principles of the association or under another  
3 agreement, agree to be obligated personally for any or all of the  
4 debts, obligations, and liabilities of the association.

5 (c) The failure of a decentralized unincorporated  
6 association to observe formalities relating to the exercise of the  
7 association's powers or administration of the association's  
8 activities and affairs may not be considered a ground for imposing  
9 liability on a member or administrator of the association for a  
10 debt, obligation, or other liability of the association.

11 Sec. 253.009. CAPACITY TO ASSERT AND DEFEND; STANDING. (a)  
12 A decentralized unincorporated association, in the association's  
13 name, may institute, defend, intervene, or participate in a  
14 judicial, administrative, or other governmental proceeding or in an  
15 arbitration, mediation, or any other form of alternative dispute  
16 resolution.

17 (b) A member or administrator may assert a claim the member  
18 or administrator has against the decentralized unincorporated  
19 association. An association may assert a claim the association has  
20 against a member or administrator.

21 Sec. 253.010. EFFECT OF JUDGMENT OR ORDER. A judgment or  
22 order against a decentralized unincorporated association is not by  
23 itself a judgment or order against a member or administrator of the  
24 association.

25 Sec. 253.011. APPOINTMENT OF AGENT TO RECEIVE SERVICE OF  
26 PROCESS. (a) A decentralized unincorporated association may file  
27 in the office of the secretary of state a statement appointing an

1 agent authorized to receive service of process.

2 (b) A statement appointing an agent must contain:

3 (1) the name of the decentralized unincorporated  
4 association;

5 (2) the address in this state, including the street  
6 address, if any, of the decentralized unincorporated association,  
7 or if the association does not have an address in this state, the  
8 association's address out of state; and

9 (3) the name of the person in this state authorized to  
10 receive service of process and the person's address, including the  
11 street address, in this state.

12 (c) A statement appointing an agent must be signed and  
13 acknowledged by a person authorized to manage the affairs of the  
14 decentralized unincorporated association. The statement must also  
15 be signed and acknowledged by the person appointed agent, who by  
16 signing accepts the appointment. The appointed agent may resign by  
17 filing a resignation in the office of the secretary of state and  
18 giving notice to the decentralized unincorporated association.

19 (d) The secretary of state may collect a fee of \$5 for filing  
20 a statement appointing an agent to receive service of process, an  
21 amendment, or a resignation under this section.

22 (e) An amendment to a statement appointing an agent to  
23 receive service of process must meet the requirements for execution  
24 of an original statement.

25 (f) If the secretary of state refuses to file a statement  
26 appointing an agent, the secretary of state shall return it to the  
27 decentralized unincorporated association or the association's

1 representative not later than the 15th day after the date the  
2 statement was delivered and include a brief explanation in writing  
3 of the reason for the refusal.

4 Sec. 253.012. SERVICE OF PROCESS. In an action or  
5 proceeding against a decentralized unincorporated association, a  
6 summons and complaint or other process shall be served on:

7 (1) an agent authorized by appointment to receive  
8 service of process;

9 (2) an appointed administrator of the association; or

10 (3) a member, but only if the agent or administrator  
11 described by Subdivisions (1) and (2) cannot be served.

12 Sec. 253.013. CLAIM NOT ABATED BY CHANGE OF MEMBERS OR  
13 ADMINISTRATORS. A claim for relief against a decentralized  
14 unincorporated association does not abate merely because of a  
15 change in the members or administrators of the association.

16 Sec. 253.014. VENUE. Unless provided otherwise by other  
17 law, venue of an action against a decentralized unincorporated  
18 association brought in this state is determined in accordance with  
19 the law applicable to an action brought in the state in which the  
20 association has appointed an agent for service of process under  
21 Section 253.011.

22 Sec. 253.015. MEMBER NOT AN AGENT. A member of a  
23 decentralized unincorporated association is not an agent of the  
24 association solely by reason of being a member.

25 Sec. 253.016. APPROVAL BY MEMBERS. (a) Except as otherwise  
26 provided by a decentralized unincorporated association's governing  
27 principles, the association must have the approval of the

1 association's members, attained in accordance with its governing  
2 principles, to:

3 (1) suspend, dismiss, or expel a member;

4 (2) select or dismiss an administrator;

5 (3) adopt, amend, or repeal the governing principles;

6 (4) sell, lease, exchange, or otherwise dispose of  
7 all, or substantially all, of the association's property outside  
8 the ordinary course of the association's activities, regardless of  
9 the association's goodwill;

10 (5) dissolve the association under Section 253.026;

11 (6) merge or convert the association as provided by  
12 Section 253.028;

13 (7) undertake any act outside the ordinary course of  
14 the association's activities; or

15 (8) determine the policy or purpose of the  
16 association.

17 (b) A decentralized unincorporated association must have  
18 the approval of the members in accordance with its governing  
19 principles to act or exercise a right for which the association's  
20 governing principles require member approval.

21 (c) Unless otherwise provided for in a decentralized  
22 unincorporated association's governing principles, membership  
23 interest in a decentralized unincorporated association is  
24 calculated in proportion to the person's membership interest or  
25 other property that confers onto the person a voting right in the  
26 association.

27 Sec. 253.017. USE OF DISTRIBUTED LEDGER TECHNOLOGY. (a) A

1 decentralized unincorporated association may provide for the  
2 association's governance, in whole or in part, through distributed  
3 ledger technology, including through a smart contract.

4 (b) The governing principles for a decentralized  
5 unincorporated association may:

6 (1) specify whether any distributed ledger technology  
7 used or enabled by the association is:

8 (A) immutable or subject to change by the  
9 association; and

10 (B) fully or partially public or private,  
11 including the extent of members' access to information; and

12 (2) adopt voting procedures, which may include a smart  
13 contract deployed to distributed ledger technology, that provides  
14 for:

15 (A) proposals from administrators or members in  
16 the decentralized unincorporated association for upgrades,  
17 modifications, or additions to software systems or protocols;

18 (B) proposed changes to the decentralized  
19 unincorporated association's governing principles; and

20 (C) any other matter of governance or relating to  
21 the activities of the association that is within the purpose of the  
22 association.

23 Sec. 253.018. CONSENSUS FORMATION ALGORITHMS AND  
24 GOVERNANCE PROCESS. In accordance with the association's governing  
25 principles, a decentralized unincorporated association may:

26 (1) adopt a reasonable algorithmic means for  
27 establishing consensus for:



1           (A) the validation of records;  
2           (B) the establishment of requirements,  
3 processes, and procedures for conducting operations; and  
4           (C) making organizational decisions with respect  
5 to the distributed ledger technology used by the association; and  
6           (2) in accordance with a procedure adopted by the  
7 association under Section 253.017, if any, and in compliance with  
8 the requirements of law and the governing principles of the  
9 decentralized unincorporated association:

10           (A) modify the consensus mechanism, including  
11 the requirements, processes, and procedures for that mechanism; or  
12           (B) substitute a new consensus mechanism,  
13 including the requirements, processes, or procedures for that  
14 mechanism.

15           Sec. 253.019. DUTIES OF MEMBERS. (a) A member of a  
16 decentralized unincorporated association does not owe a fiduciary  
17 duty to the association or to any another member of the association  
18 solely by virtue of the person's membership in the association.

19           (b) A member of a decentralized unincorporated association  
20 shall discharge the duties and obligations under this chapter or  
21 under the governing principles of the association and exercise the  
22 member's rights in a manner consistent with the contractual  
23 obligation of good faith and fair dealing.

24           Sec. 253.020. ADMISSION, SUSPENSION, DISMISSAL, OR  
25 EXPULSION OF MEMBERS. (a) A person becomes a member of a  
26 decentralized unincorporated association in accordance with the  
27 governing principles of the association. If there are no

1 applicable governing principles, a person:

2 (1) is considered a member on the purchase or  
3 assumption of a right of ownership of a membership interest or other  
4 property or instrument that confers on the person a voting right in  
5 the association; and

6 (2) continues as a member of the association until the  
7 earlier of the member's:

8 (A) resignation under Section 253.021; or

9 (B) suspension, dismissal, or expulsion under  
10 Subsection (b).

11 (b) A member may be suspended, dismissed, or expelled in  
12 accordance with the governing principles of the decentralized  
13 unincorporated association. If there are no applicable governing  
14 principles, the member may be suspended, dismissed, or expelled  
15 from an association only by a majority vote of the association's  
16 members.

17 (c) Unless the governing principles of a decentralized  
18 unincorporated association provide otherwise, the suspension,  
19 dismissal, or expulsion of a member does not relieve the member from  
20 any obligation incurred or commitment made by the member in  
21 connection with membership in the association before the member's  
22 suspension, dismissal, or expulsion.

23 Sec. 253.021. RESIGNATION OF MEMBER. (a) A member may  
24 resign as a member of a decentralized unincorporated association in  
25 accordance with the governing principles of the association. In  
26 the absence of applicable governing principles, a member is  
27 considered to have resigned on the voluntary or involuntary

1 disposal of all membership interest or other property or  
2 instruments that confer on the person a voting right in the  
3 association.

4 (b) Unless a decentralized unincorporated association's  
5 governing principles provide otherwise, resignation of a member  
6 does not relieve the member from any unpaid capital contribution,  
7 dues, an assessment, a fee, or another obligation incurred or  
8 commitment made by the member in connection with membership in the  
9 association before the member's resignation.

10 Sec. 253.022. MEMBERSHIP INTEREST TRANSFERABLE. Except as  
11 otherwise provided in the decentralized unincorporated  
12 association's governing principles, a member's interest or a right  
13 conferred in the association is freely transferable to another  
14 person through conveyance of the membership interest or other  
15 property that confers on a person a voting right in the association.

16 Sec. 253.023. SELECTION OF ADMINISTRATORS; RIGHTS AND  
17 DUTIES OF ADMINISTRATORS. (a) Except as otherwise provided by this  
18 chapter or a decentralized unincorporated association's governing  
19 principles, the members of an association may select the  
20 association's administrators in accordance with Section 253.016.

21 (b) An administrator may but is not required to be a member  
22 of the association. If no administrators are selected, no member of  
23 the association is an administrator.

24 (c) A decentralized unincorporated association is not  
25 required to have an administrator. There are no default  
26 obligations of an administrator of a decentralized unincorporated  
27 association. The rights and duties of an administrator of a

1 decentralized unincorporated association must be established as  
2 part of the selection process for an administrator or  
3 administrators of the association.

4 (d) An administrator of a decentralized unincorporated  
5 association does not have the authority to act on behalf of the  
6 association beyond the specific authority granted in the selection  
7 process of the administrator established under Subsection (c).

8 (e) The governing principles of a decentralized  
9 unincorporated association may, in a record, limit or eliminate the  
10 liability of an administrator to the association or the  
11 association's members for money damages for an action taken, or for  
12 failure to take an action, as an administrator, except liability  
13 for:

14 (1) the amount of a financial benefit improperly  
15 received by an administrator;

16 (2) an intentional infliction of harm on the  
17 association or the association's members;

18 (3) an intentional violation of criminal law;

19 (4) a breach of the duty of loyalty should one exist,  
20 unless a full disclosure of all material facts, a specific act, or a  
21 transaction that would otherwise violate the duty of loyalty by an  
22 agent is authorized or ratified by approval of the disinterested  
23 members in accordance with Section 253.016; or

24 (5) an improper distribution.

25 Sec. 253.024. RIGHTS OF MEMBERS AND ADMINISTRATORS TO  
26 INFORMATION. (a) Except as provided by Subsection (b), on  
27 reasonable notice, a member or administrator of a decentralized

1 unincorporated association is entitled to an electronic record of  
2 any record maintained by the association regarding the  
3 association's activities, financial condition, or other  
4 circumstances to the extent the information contained in the record  
5 is material to the member's or administrator's rights and duties  
6 under the association's governing principles or this chapter.

7 (b) A decentralized unincorporated association is not  
8 obligated to provide a record maintained by the association for  
9 record requests made through distributed ledger technology,  
10 including through a smart contract, to a member or administrator if  
11 the member or administrator has access to the information contained  
12 in the record in a record made available to the member or  
13 administrator on distributed ledger technology.

14 (c) A decentralized unincorporated association may impose  
15 reasonable restrictions on access to and use of information that  
16 may be provided under this section, including by designating the  
17 information confidential and imposing nondisclosure or other  
18 safeguarding obligations on the recipient of the information.

19 (d) A former member or administrator may have access to  
20 information to which the member or administrator was entitled as a  
21 member or administrator if:

22 (1) the information relates to the period of time  
23 during which the person was a member or administrator;

24 (2) the former member or administrator seeks the  
25 information in good faith; and

26 (3) the former member or administrator satisfies the  
27 requirements of Subsections (a), (b), and (c) with respect to the

1 information.

2 (e) A decentralized unincorporated association has no  
3 obligation to collect and maintain a list of members or member  
4 information, including the names or addresses of members.

5 Sec. 253.025. INDEMNIFICATION; ADVANCEMENT OF EXPENSES. A  
6 decentralized unincorporated association is an enterprise, as that  
7 term is defined by Section 8.001, for purposes of the requirements  
8 related to indemnification and advancement of expenses under  
9 Chapter 8.

10 Sec. 253.026. DISSOLUTION; CONTINUATION OF EXISTENCE. (a)  
11 A decentralized unincorporated association may be dissolved by any  
12 of the following methods:

13 (1) at a time or by a method for dissolution specified  
14 by the governing principles of the association, if any;

15 (2) if the governing principles of the association do  
16 not provide a method for dissolution, with the approval of the  
17 members of the association in accordance with Section 253.016;

18 (3) if the number of members of the association is  
19 fewer than 500 and the association is not able to use a merger or  
20 conversion to form another valid entity under Chapter 10; or

21 (4) by court order to dissolve.

22 (b) After dissolution, a decentralized unincorporated  
23 association continues in existence until the association's  
24 activities are wound up and the association is terminated under  
25 Section 253.027.

26 Sec. 253.027. WINDING UP AND TERMINATION. (a) A dissolved  
27 decentralized unincorporated association shall wind up the

1 association's business. The association continues in existence  
2 after dissolution only for the purpose of winding up under this  
3 section.

4 (b) In winding up a decentralized unincorporated  
5 association, the members:

6 (1) shall discharge the association's debts,  
7 obligations, and other liabilities, settle and close the  
8 association's business, and marshal and distribute any remaining  
9 property:

10 (A) in a manner required by law, other than this  
11 chapter, that requires assets of an association to be distributed  
12 to another entity or person with similar nonprofit purposes, if  
13 applicable to the association;

14 (B) in accordance with the association's  
15 governing principles, and in the absence of applicable governing  
16 principles, to the current members of the association in proportion  
17 to their membership interests; or

18 (C) if property cannot be distributed under  
19 Paragraph (A) or (B), under the laws governing unclaimed property  
20 for this state; and

21 (2) may:

22 (A) appoint and authorize an administrator to  
23 wind up the association in accordance with Section 253.017;

24 (B) preserve the association operations and  
25 property as a going concern for a reasonable time;

26 (C) prosecute and defend civil, criminal, or  
27 administrative actions and proceedings involving the association;

1           (D) transfer the association's property;

2           (E) settle disputes involving the association by  
3 mediation or arbitration;

4           (F) receive reasonable compensation for services  
5 rendered to the association in winding up the association; and

6           (G) perform other acts necessary or appropriate  
7 to effect the winding up.

8           (c) If the members of a decentralized unincorporated  
9 association do not appoint an administrator to wind up the  
10 association's business, the members shall owe the association a  
11 duty of care in the conduct or winding up of the association  
12 operations to refrain from engaging in:

13               (1) grossly negligent or reckless conduct;

14               (2) wilful or intentional misconduct; or

15               (3) a knowing violation of the law.

16           Sec. 253.028. MERGERS AND CONVERSIONS. A decentralized  
17 unincorporated association may effect a merger or conversion by  
18 complying with the applicable provisions of Chapter 10 and the  
19 association's governing principles.

20           Sec. 253.029. UNIFORMITY OF APPLICATION AND CONSTRUCTION.  
21 This chapter shall be applied and construed to make uniform the law  
22 with respect to the subject of this chapter among states enacting  
23 it.

24           SECTION 7. This Act takes effect September 1, 2023.