

By: Cook

H.B. No. 4518

A BILL TO BE ENTITLED

AN ACT

relating to the formation of decentralized unincorporated nonprofit associations and the use of distributed ledger or blockchain technology for certain business purposes; authorizing fees.

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

SECTION 1. Title 6, Business Organizations Code, is amended by adding Chapter 253 to read as follows:

CHAPTER 253. DECENTRALIZED UNINCORPORATED NONPROFIT ASSOCIATIONS

Sec. 253.001. DEFINITIONS. In this chapter:

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

(2) "Decentralized unincorporated nonprofit association" means an unincorporated association:

(A) consisting of at least 100 members joined by mutual consent under an agreement, that may be in writing or inferred from conduct, for a common nonprofit purpose;

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

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

(3) "Distributed ledger technology" means a software protocol that:

(A) governs the rules, operations, and

1 communication between intersection and connection points in a
2 telecommunications network and supporting infrastructure;

3 (B) includes the computer software or hardware or
4 collections of computer software or hardware that use or enable a
5 distributed ledger, including blockchain; and

6 (C) uses a distributed, shared, and replicated
7 ledger, which may:

8 (i) be public or private;
9 (ii) be permissioned or permissionless; and
10 (iii) include the use of a digital asset as
11 a medium of electronic exchange.

12 (4) "Established practices" means the practices used
13 by a decentralized unincorporated nonprofit association without
14 material change during:

15 (A) the most recent five years of the
16 association's existence; or

17 (B) the association's entire existence, if the
18 association has existed for less than five years.

19 (5) "Governing principles" means all agreements and
20 any amendment or restatement of those agreements, including any
21 association agreements, consensus formation algorithms, or enacted
22 governance proposals, that govern the purpose or operation of a
23 decentralized unincorporated nonprofit association and the rights
24 and obligations of the association's members and administrators,
25 whether contained in a record, implied from the association's
26 established practices, or both.

27 (6) "Member" means a person that, under the governing

principles of a decentralized unincorporated nonprofit association, may participate in:

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

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

(7) "Membership interest" means a member's voting right in a decentralized unincorporated nonprofit association as determined by the association's governing principles.

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

(9) "Smart contract" means a computational process that executes on distributed ledger technology used to automate a transaction, including a transaction that:

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

(B) creates and transmits digital assets;

(C) synchronizes information; or

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

Sec. 253.0015. APPLICABILITY OF CODE TO ASSOCIATIONS.

Except as provided by Sections 253.024(e) and 253.025, the only provisions of this code that apply to or govern a decentralized unincorporated nonprofit association are:

(1) this chapter;

1 (2) Chapters 1, 2, 4, and 10; and

2 (3) if a decentralized unincorporated nonprofit
3 association designates an agent for service of process, Subchapter
4 E, Chapter 5.

5 Sec. 253.002. SUPPLEMENTARY GENERAL PRINCIPLES OF LAW AND
6 EQUITY. (a) Principles of law and equity supplement this chapter
7 unless displaced by a particular provision of this chapter.

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

11 Sec. 253.003. GOVERNING LAW; TERRITORIAL APPLICATION. (a)
12 The law of this state governs any decentralized unincorporated
13 nonprofit association that is formed in this state.

14 (b) A decentralized unincorporated nonprofit association's
15 governing principles must identify the jurisdiction in which the
16 decentralized unincorporated nonprofit association is formed.

17 Sec. 253.004. DISTRIBUTION TO MEMBERS PROHIBITED;
18 COMPENSATION AND OTHER PERMITTED PAYMENTS. (a) A decentralized
19 unincorporated nonprofit association may carry on any business
20 activity in which the association may lawfully engage and apply any
21 profit that results from the business activity toward the
22 association's common nonprofit purpose in accordance with
23 Subsection (c).

24 (b) Except as provided by Subsection (c), a decentralized
25 unincorporated nonprofit association may not pay dividends or
26 distribute any part of the association's income or profit to the
27 association's members or administrators.

1 (c) A decentralized unincorporated nonprofit association
2 may:

3 (1) pay reasonable compensation or reimburse
4 reasonable expenses to the association's members, administrators,
5 or persons outside the association for services rendered to or for
6 the benefit of the association, including for the administration
7 and operation of the association, including for:

8 (A) the provision of collateral for the
9 self-insurance of the association;

10 (B) voting; and

11 (C) participation;

12 (2) confer benefits on the association's members or
13 administrators in conformity with the association's common
14 nonprofit purpose or purposes;

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

17 (4) make distributions of property to members on
18 winding up and termination to the extent provided by Section
19 253.027.

20 Sec. 253.005. LEGAL ENTITY; PERPETUAL EXISTENCE. (a) A
21 decentralized unincorporated nonprofit association is a legal
22 entity distinct from the association's members and administrators.

23 (b) A decentralized unincorporated nonprofit association
24 has perpetual duration unless the association's governing
25 principles otherwise specify.

26 Sec. 253.006. REAL AND PERSONAL PROPERTY; DECENTRALIZED
27 UNINCORPORATED NONPROFIT ASSOCIATION AS BENEFICIARY, LEGATEE, OR

1 DEVISEE. (a) A decentralized unincorporated nonprofit association
2 may, in the name of the association, acquire, hold, encumber, or
3 transfer an estate or interest in real or personal property.

4 (b) A decentralized unincorporated nonprofit association
5 may be a beneficiary of a trust or contract, legatee, or devisee.

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

7 (a) A decentralized unincorporated nonprofit association shall
8 execute and record a statement of authority to transfer an estate or
9 interest in real property in the name of the association.

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

15 (c) A statement of authority must contain:

16 (1) the legal description and address in this state,
17 including the street address, if any, of the real property;

18 (2) the name of the decentralized unincorporated
19 nonprofit association;

20 (3) the address in this state, including the street
21 address, if any, of the association, or, if the association does not
22 have an address in this state, the association's address out of
23 state;

24 (4) the name or title of the person authorized to
25 transfer an estate or interest in real property held in the name of
26 the association; and

27 (5) the action, procedure, or vote of the association

1 that authorizes the person to transfer the real property of the
2 association and to execute the statement of authority.

3 (d) A statement of authority must be executed in the same
4 manner as a deed. The person who executes the statement of
5 authority may not be the person named in the statement of authority
6 as authorized to transfer the estate or interest.

7 (e) The county clerk may collect a fee for recording the
8 statement of authority in the amount authorized for recording a
9 transfer of real property.

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

16 (g) If the record title to real property is in the name of a
17 decentralized unincorporated nonprofit association and the
18 statement of authority is recorded in the office of the county clerk
19 in which a transfer of real property would be recorded, the
20 authority of the person named in a statement of authority is
21 conclusive in favor of a transferee who gives value without notice
22 that the person named in the statement of authority lacks
23 authority.

24 Sec. 253.008. LIABILITY. (a) Except as otherwise provided
25 by this chapter, the debts, obligations, and liabilities of a
26 decentralized unincorporated nonprofit association, whether
27 arising in contract, tort, or otherwise, are solely the debts,

obligations, and liabilities of the association. A member or administrator of a decentralized unincorporated nonprofit association may not be obligated personally for any debt, obligation, or liability of the association solely by reason of being a member or acting as an administrator of the association.

(b) Notwithstanding Subsection (a), a member or administrator of a decentralized unincorporated nonprofit association may, under the governing principles of the association or under another agreement, agree to be obligated personally for any or all of the debts, obligations, and liabilities of the association.

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

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

(b) A member or administrator may assert a claim the member or administrator has against the decentralized unincorporated nonprofit association. An association may assert a claim the association has against a member or administrator.

1 Sec. 253.010. EFFECT OF JUDGMENT OR ORDER. A judgment or
2 order against a decentralized unincorporated nonprofit association
3 is not by itself a judgment or order against a member or
4 administrator of the association.

5 Sec. 253.011. APPOINTMENT OF AGENT TO RECEIVE SERVICE OF
6 PROCESS. (a) A decentralized unincorporated nonprofit association
7 may file in the office of the secretary of state a statement
8 appointing an agent authorized to receive service of process.

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

10 (1) the name of the decentralized unincorporated
11 nonprofit association;

12 (2) if applicable, the employer identification number
13 of the decentralized unincorporated nonprofit association;

14 (3) the address in this state, including the street
15 address, if any, of the decentralized unincorporated nonprofit
16 association, or, if the association does not have an address in this
17 state, the association's address out of state; and

18 (4) the name of the person in this state authorized to
19 receive service of process and the person's address, including the
20 street address, in this state.

21 (c) A statement appointing an agent must be signed and
22 acknowledged by a person authorized to manage the affairs of the
23 decentralized unincorporated nonprofit association. The statement
24 must also be signed and acknowledged by the person appointed agent,
25 who by signing accepts the appointment. The appointed agent may
26 resign by filing a resignation in the office of the secretary of
27 state and giving notice to the decentralized unincorporated

1 nonprofit association.

2 (d) The secretary of state may collect a fee for filing a
3 statement appointing an agent to receive service of process, an
4 amendment, or a resignation under this section.

5 (e) An amendment to a statement appointing an agent to
6 receive service of process must meet the requirements for execution
7 of an original statement.

8 (f) If the secretary of state refuses to file a statement
9 appointing an agent, the secretary of state shall return it to the
10 decentralized unincorporated nonprofit association or the
11 association's representative not later than the 30th day after the
12 date the statement was delivered and include a brief explanation in
13 writing of the reason for the refusal.

14 Sec. 253.012. SERVICE OF PROCESS. In an action or
15 proceeding against a decentralized unincorporated nonprofit
16 association, a summons and complaint or other process shall be
17 served on:

18 (1) an agent authorized by appointment to receive
19 service of process;

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

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

23 Sec. 253.013. CLAIM NOT ABATED BY CHANGE OF MEMBERS OR
24 ADMINISTRATORS. A claim for relief against a decentralized
25 unincorporated nonprofit association does not abate merely because
26 of a change in the members or administrators of the association.

27 Sec. 253.014. VENUE. Unless provided otherwise by other

1 law, venue of an action against a decentralized unincorporated
2 nonprofit association brought in this state is determined in
3 accordance with the law applicable to an action brought in the
4 county in which the association has appointed an agent for service
5 of process under Section 253.011.

6 Sec. 253.015. MEMBER NOT AN AGENT. A member of a
7 decentralized unincorporated nonprofit association is not an agent
8 of the association solely by reason of being a member.

9 Sec. 253.016. APPROVAL BY MEMBERS. (a) Except as otherwise
10 provided by a decentralized unincorporated nonprofit association's
11 governing principles, the association must have the approval of the
12 association's members, attained in accordance with its governing
13 principles, to:

14 (1) suspend, dismiss, or expel a member;
15 (2) select or dismiss an administrator;
16 (3) adopt, amend, or repeal the governing principles;
17 (4) sell, lease, exchange, or otherwise dispose of
18 all, or substantially all, of the association's property outside
19 the ordinary course of the association's activities, regardless of
20 the association's goodwill;

21 (5) dissolve the association under Section 253.026;
22 (6) merge or convert the association as provided by
23 Section 253.028;

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

26 (8) determine the policy or purpose of the
27 association.

1 (b) A decentralized unincorporated nonprofit association
2 must have the approval of the members in accordance with its
3 governing principles to act or exercise a right for which the
4 association's governing principles require member approval.

5 (c) Unless otherwise provided for in a decentralized
6 unincorporated nonprofit association's governing principles,
7 membership interest in a decentralized unincorporated nonprofit
8 association is calculated in proportion to the person's membership
9 interest or other property that confers onto the person a voting
10 right in the association.

11 Sec. 253.017. USE OF DISTRIBUTED LEDGER TECHNOLOGY. (a) A
12 decentralized unincorporated nonprofit association may provide for
13 the association's governance, wholly or partly, through
14 distributed ledger technology, including through a smart contract.

15 (b) The governing principles for a decentralized
16 unincorporated nonprofit association may:

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

19 (A) immutable or subject to change by the
20 association; and

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

23 (2) adopt voting procedures, which may include a smart
24 contract deployed to distributed ledger technology, that provide
25 for:

26 (A) proposals from members or administrators in
27 the decentralized unincorporated nonprofit association for

upgrades, modifications, or additions to software systems or protocols;

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

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

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

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

(A) the validation of records;

(B) the establishment of requirements, processes, and procedures for conducting operations; and

(C) making organizational decisions with respect to the distributed ledger technology used by the association; and

(2) in accordance with a procedure adopted by the association under Section 253.017, if any, and in compliance with the requirements of law and the governing principles of the decentralized unincorporated nonprofit association:

(A) modify the consensus mechanism, including the requirements, processes, and procedures for that mechanism; or

(B) substitute a new consensus mechanism, including the requirements, processes, or procedures for that mechanism.

1 Sec. 253.019. DUTIES OF MEMBERS. (a) A member of a
2 decentralized unincorporated nonprofit association does not owe a
3 fiduciary duty to the association or to any another member of the
4 association solely by virtue of the person's membership in the
5 association.

6 (b) A member of a decentralized unincorporated nonprofit
7 association shall discharge the duties and obligations under this
8 chapter or under the governing principles of the association and
9 exercise the member's rights in a manner consistent with the
10 contractual obligation of good faith and fair dealing.

11 Sec. 253.020. ADMISSION, SUSPENSION, DISMISSAL, OR
12 EXPULSION OF MEMBERS. (a) A person becomes a member of a
13 decentralized unincorporated nonprofit association in accordance
14 with the governing principles of the association. If there are no
15 applicable governing principles, a person:

16 (1) is considered a member on the purchase or
17 assumption of a right of ownership of a membership interest or other
18 property or instrument that confers on the person a voting right in
19 the association; and

20 (2) continues as a member of the association until the
21 earlier of the member's:

22 (A) resignation under Section 253.021; or

23 (B) suspension, dismissal, or expulsion under
24 Subsection (b).

25 (b) A member may be suspended, dismissed, or expelled in
26 accordance with the governing principles of the decentralized
27 unincorporated nonprofit association. If there are no applicable

1 governing principles, the member may be suspended, dismissed, or
2 expelled from an association only by a majority vote of the
3 association's members.

4 (c) Unless the governing principles of a decentralized
5 unincorporated nonprofit association provide otherwise, the
6 suspension, dismissal, or expulsion of a member does not relieve
7 the member from any obligation incurred or commitment made by the
8 member in connection with membership in the association before the
9 member's suspension, dismissal, or expulsion.

10 Sec. 253.021. RESIGNATION OF MEMBER. (a) A member may
11 resign as a member of a decentralized unincorporated nonprofit
12 association in accordance with the governing principles of the
13 association. In the absence of applicable governing principles, a
14 member is considered to have resigned on the voluntary or
15 involuntary disposal of all membership interest or other property
16 or instruments that confer on the person a voting right in the
17 association.

18 (b) Unless a decentralized unincorporated nonprofit
19 association's governing principles provide otherwise, resignation
20 of a member does not relieve the member of any obligation incurred
21 or commitment made by the member before the member's resignation.

22 Sec. 253.022. MEMBERSHIP INTEREST TRANSFERABLE. Except as
23 otherwise provided in the decentralized unincorporated nonprofit
24 association's governing principles, a member's interest or a right
25 conferred in the association is freely transferable to another
26 person through conveyance of the membership interest or other
27 property that confers on a person a voting right in the association.

1 Sec. 253.023. SELECTION OF ADMINISTRATORS; RIGHTS AND
2 DUTIES OF ADMINISTRATORS. (a) Except as otherwise provided by this
3 chapter or a decentralized unincorporated nonprofit association's
4 governing principles, the members of an association may select the
5 association's administrators in accordance with Section 253.016.

6 (b) If no administrators are selected, no member of the
7 decentralized unincorporated nonprofit association is an
8 administrator.

9 (c) A decentralized unincorporated nonprofit association is
10 not required to have an administrator. There are no default
11 obligations of an administrator of a decentralized unincorporated
12 nonprofit association. The rights and duties of an administrator
13 of a decentralized unincorporated nonprofit association must be
14 established as part of the selection process for an administrator
15 or administrators of the association.

16 (d) An administrator of a decentralized unincorporated
17 nonprofit association does not have the authority to act on behalf
18 of the association beyond the specific authority granted in the
19 selection process of the administrator established under
20 Subsection (c).

21 (e) The governing principles of a decentralized
22 unincorporated nonprofit association may, in a record, limit or
23 eliminate the liability of an administrator to the association or
24 the association's members for money damages for an action taken, or
25 for failure to take an action, as an administrator, except
26 liability for:

27 (1) the amount of a financial benefit improperly

1 received by an administrator;

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

4 (3) an intentional violation of criminal law;

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

10 (5) an improper distribution.

11 Sec. 253.024. RECORDS. (a) Except as provided by
12 Subsection (b), on reasonable notice, a member or administrator of
13 a decentralized unincorporated nonprofit association is entitled
14 to an electronic record of any record maintained by the association
15 regarding the association's activities, financial condition, or
16 other circumstances to the extent the information contained in the
17 record is material to the member's or administrator's rights and
18 duties under the association's governing principles or this
19 chapter.

20 (b) A decentralized unincorporated nonprofit association is
21 not obligated to provide a record maintained by the association for
22 record requests made through distributed ledger technology,
23 including through a smart contract, to a member or administrator if
24 the member or administrator has access to the information contained
25 in the record in a record made available to the member or
26 administrator on distributed ledger technology.

27 (c) A decentralized unincorporated nonprofit association

1 may impose reasonable restrictions on access to and use of
2 information that may be provided under this section, including by
3 designating the information confidential and imposing
4 nondisclosure or other safeguarding obligations on the recipient of
5 the information.

6 (d) A former member or administrator may have access to
7 information to which the member or administrator was entitled as a
8 member or administrator if:

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

11 (2) the former member or administrator seeks the
12 information in good faith; and

13 (3) the former member or administrator satisfies the
14 requirements of Subsections (a), (b), and (c) with respect to the
15 information.

16 (e) Sections 12.151 through 12.154 apply to a decentralized
17 unincorporated nonprofit association.

18 (f) A decentralized unincorporated nonprofit association
19 has no obligation to collect and maintain a list of members or
20 member information, including the names or addresses of members.

21 Sec. 253.025. INDEMNIFICATION; ADVANCEMENT OF EXPENSES. A
22 decentralized unincorporated nonprofit association is an
23 enterprise, as that term is defined by Section 8.001, for purposes
24 of the requirements related to indemnification and advancement of
25 expenses under Chapter 8.

26 Sec. 253.026. DISSOLUTION; CONTINUATION OF EXISTENCE. (a)
27 A decentralized unincorporated nonprofit association may be

dissolved by any of the following methods:

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

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

(3) if the number of members of the association is fewer than 100 and the association is not able to use a merger or conversion to form another valid entity under Chapter 10; or

(4) by court order to dissolve.

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

Sec. 253.027. WINDING UP AND TERMINATION. (a) A dissolved decentralized unincorporated nonprofit association shall wind up the association's business. The association continues in existence after dissolution only for the purpose of winding up under this section.

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

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

(A) in a manner required by law, other than this chapter, that requires assets of an association to be distributed

1 to another entity or person with similar nonprofit purposes, if
2 applicable to the association;

3 (B) in accordance with the association's
4 governing principles, and in the absence of applicable governing
5 principles, to the current members of the association in proportion
6 to their membership interests; or

7 (C) if property cannot be distributed under
8 Paragraph (A) or (B), under the laws governing unclaimed property
9 for this state; and

10 (2) may:

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

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

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

17 (D) transfer the association's property;

18 (E) settle disputes involving the association by
19 mediation or arbitration;

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

22 (G) perform other acts necessary or appropriate
23 to effect the winding up.

24 (c) If the members of a decentralized unincorporated
25 nonprofit association do not appoint an administrator to wind up
26 the association's business, the members shall owe the association a
27 duty of care in the conduct or winding up of the association

1 operations to refrain from engaging in:

2 (1) grossly negligent or reckless conduct;

3 (2) wilful or intentional misconduct; or

4 (3) a knowing violation of the law.

5 Sec. 253.028. MERGERS AND CONVERSIONS. A decentralized
6 unincorporated nonprofit association may effect a merger or
7 conversion by complying with the applicable provisions of Chapter
8 10 and the association's governing principles.

9 SECTION 2. This Act takes effect September 1, 2025.