

SB277 INTRODUCED



1 SB277

2 L5IXZYA-1

3 By Senator Bell

4 RFD: Fiscal Responsibility and Economic Development

5 First Read: 10-Feb-26



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4 SYNOPSIS:

5 This bill would authorize the formation and
6 operation of decentralized unincorporated nonprofit
7 associations as a subtype of unincorporated nonprofit
8 associations, which are authorized under existing law.

9 This bill would allow a decentralized
10 unincorporated nonprofit association to use distributed
11 ledger technology and smart contracts for its
12 governance and operation.

13 This bill would permit decentralized
14 unincorporated nonprofit associations to acquire and
15 maintain property and engage in profit-making
16 activities, subject to certain standards relating to
17 the distribution of proceeds.

18 This bill would provide for the duties,
19 obligations, and liabilities of the members and
20 administrators of a decentralized unincorporated
21 nonprofit association.

22 This bill would also provide for the dissolution
23 and winding up of a decentralized unincorporated
24 nonprofit association.

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 A BILL
 TO BE ENTITLED



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AN ACT

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31 Relating to corporations, partnerships, and
32 associations; to designate Sections 10A-17-1.01 through
33 10A-17-1.18, Code of Alabama 1975, inclusive, as Article 1;
34 and to add Article 2, commencing with Section 10A-17-2.01, to
35 Chapter 10A of the Code of Alabama 1975; to provide for the
36 formation, management, and governance of decentralized
37 unincorporated nonprofit associations; to provide for the
38 duties, obligations, and liabilities of members and
39 administrators of decentralized unincorporated nonprofit
40 associations; and to provide for the dissolution and winding
41 up of decentralized unincorporated nonprofit associations.

42 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

43 Section 1. Sections 10A-17-1.01 through 10A-17-1.18,
44 Code of Alabama 1975, inclusive, are designated as Article 1.

45 Section 2. Article 2, commencing with Section
46 10A-17-2.01, is added to Chapter 10A of the Code of Alabama
47 1975, to read as follows:

48 §10A-17-2.01

49 This article together with applicable provisions of
50 Chapter 1 shall be known and may be cited as the Decentralized
51 Unincorporated Nonprofit Association Law.

52 §10A-17-2.02

53 For the purposes of this article, the following terms
54 have the following meanings:

55 (1) ADMINISTRATOR. A person authorized by the members
56 of a decentralized unincorporated nonprofit association to



57 fulfill administrative or operational tasks at the direction
58 of the membership.

59 (2) DECENTRALIZED UNINCORPORATED NONPROFIT ASSOCIATION
60 or NONPROFIT ASSOCIATION. An unincorporated nonprofit
61 association that meets the following requirements:

62 a. Consists of at least 100 members joined by mutual
63 consent under an agreement, which may be in writing or
64 inferred from conduct, for a common nonprofit purpose.

65 b. Has elected to be formed under this article.

66 c. Is not formed under any other law governing the
67 nonprofit association's organization or operation.

68 (3) DIGITAL ASSET. A representation of economic,
69 proprietary, or access rights that is stored in a computer
70 readable format and is either a digital consumer asset,
71 digital security, or virtual currency.

72 (4) DISTRIBUTED LEDGER TECHNOLOGY. A distributed ledger
73 protocol and supporting infrastructure, including blockchain,
74 which uses a distributed, shared, and replicated ledger,
75 whether public or private, permissioned or permissionless, and
76 which may include the use of digital assets as a medium of
77 electronic exchange.

78 (5) ESTABLISHED PRACTICES. The practices used by a
79 decentralized unincorporated nonprofit association without
80 material change during the most recent five years of the
81 nonprofit association's existence, or if the nonprofit
82 association has existed for less than five years, during the
83 nonprofit association's entire existence.

84 (6) GOVERNING PRINCIPLES. All agreements and any



85 amendment or restatement of those agreements, including any
86 decentralized unincorporated nonprofit association agreements,
87 consensus formation algorithms, smart contracts, or enacted
88 governance proposals, which govern the purpose or operation of
89 a decentralized unincorporated nonprofit association and the
90 rights and obligations of the nonprofit association's members
91 and administrators, whether contained in a record, implied
92 from the nonprofit association's established practices, or
93 both.

94 (7) MEMBER. A person who, under the governing
95 principles of a decentralized unincorporated nonprofit
96 association, may participate in the selection of the
97 decentralized unincorporated nonprofit association's
98 administrators or the development of the policies and
99 activities of the decentralized unincorporated nonprofit
100 association.

101 (8) MEMBERSHIP INTEREST. A member's voting rights in a
102 decentralized unincorporated nonprofit association determined
103 by the decentralized unincorporated nonprofit association's
104 governing principles, including as ascertained from
105 decentralized ledger technology on which the decentralized
106 unincorporated nonprofit association relies to determine a
107 member's voting rights.

108 (9) NONPROFIT PURPOSE. Any purpose for which a
109 nonprofit corporation could be organized under Article 1, and
110 where no part of income or profit is distributable to its
111 members or administrators.

112 (10) PERSON. An individual, corporation, business

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113 trust, estate, trust, partnership, association, agency, joint
114 venture, government, governmental subdivision or
115 instrumentality, or any other legal commercial entity.

116 (11) RECORD. Information that is inscribed on a
117 tangible medium or stored in an electronic or other medium
118 that is retrievable in perceivable form.

119 (12) SMART CONTRACT. An automated transaction, as
120 defined in any substantially similar analogue or code, script,
121 or programming language relying on distributed ledger
122 technology, including blockchain, which may include
123 facilitating and instructing transfers of an asset,
124 administrating membership interest votes with respect to a
125 decentralized unincorporated nonprofit association, or issuing
126 executable instructions for these actions based on the
127 occurrence or nonoccurrence of specified conditions.

128 (13) STATE. A state of the United States, the District
129 of Columbia, the Commonwealth of Puerto Rico, or any territory
130 or insular possession subject to the jurisdiction of the
131 United States.

132 §10A-17-2.03

133 (a) The law of this state governs any decentralized
134 unincorporated nonprofit association that is formed in this
135 state.

136 (b) Each decentralized unincorporated nonprofit
137 association's governing principles shall identify the
138 jurisdiction in which the decentralized unincorporated
139 nonprofit association is formed.

140 §10A-17-2.04



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141 (a) A decentralized unincorporated nonprofit
142 association may engage in profit-making activities. Profits
143 from any activities shall be used in furtherance of, or set
144 aside for, the nonprofit association's common nonprofit
145 purpose.

146 (b) Except as provided in subsection (c), a
147 decentralized unincorporated nonprofit association may not
148 make distributions to its members or administrators.

149 (c) A decentralized unincorporated nonprofit
150 association may do all of the following:

151 (1) Pay reasonable compensation or reimburse reasonable
152 expenses to its members, administrators, and persons outside
153 of the nonprofit association for services rendered, including
154 with respect to the administration and operation of the
155 nonprofit association, which may include the provision of
156 collateral for the self-insurance of the nonprofit
157 association, voting, or participation in the nonprofit
158 association's operations and activities.

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

161 (3) Repurchase membership interests to the extent
162 authorized by the nonprofit association's governing
163 principles.

164 (4) Make distributions of property to members upon
165 winding up and termination of the decentralized unincorporated
166 nonprofit association to the extent permitted by Section
167 10A-17-2.26.

168 §10A-17-2.05



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169 (a) Unless prohibited or otherwise limited by its
170 written rules or governing documents, a decentralized
171 unincorporated nonprofit association in its name may acquire,
172 hold, encumber, or transfer an estate or interest in real or
173 personal property.

174 (b) Unless prohibited or otherwise limited by its
175 written rules or governing documents, a decentralized
176 unincorporated nonprofit association may be a legatee,
177 devisee, or beneficiary of a trust or contract.

178 (c) Real and personal property in Alabama may be
179 acquired, held, encumbered, and transferred by a decentralized
180 unincorporated nonprofit association, whether it or a member
181 has any other relationship to Alabama.

182 §10A-17-2.06

183 (a) A decentralized unincorporated nonprofit
184 association shall execute and record a statement of authority
185 to transfer an estate or interest in real property in the name
186 of the nonprofit association.

187 (b) An estate or interest in real property in the name
188 of a decentralized unincorporated nonprofit association may be
189 transferred by a person so authorized in a statement of
190 authority recorded in the office of the judge of probate of
191 the county in which the real property is located.

192 (c) A statement of authority shall set forth:

193 (1) The name of the decentralized unincorporated
194 nonprofit association;

195 (2) The address in Alabama, including the street
196 address, if any, of the decentralized unincorporated nonprofit



197 association, or, if the decentralized unincorporated nonprofit
198 association does not have an address in Alabama, its address
199 out of state;

200 (3) The name or title of a person authorized to
201 transfer an estate or interest in real property held in the
202 name of the decentralized unincorporated nonprofit
203 association; and

204 (4) The action, procedure, or vote of the decentralized
205 unincorporated nonprofit association which authorizes the
206 person to transfer the real property of the decentralized
207 unincorporated nonprofit association and which authorizes the
208 person to execute the statement of authority.

209 (d) A statement of authority shall be executed and
210 recorded in the same manner as a deed by a person who is not
211 the person authorized to transfer the estate or interest.

212 (e) The judge of probate shall collect a fee for
213 recording a statement of authority in accordance with Article
214 4 of Chapter 1.

215 (f) An amendment, including a cancellation, of a
216 statement of authority shall meet the requirements for
217 execution and recording, and be accompanied by payment of the
218 same recording fee payable to and for the judge of probate, of
219 an original statement. Unless canceled earlier, a recorded
220 statement of authority as amended is canceled by operation of
221 law five years after the date of the most recent amended
222 statement of authority.

223 (g) If the record title to real property is in the name
224 of a decentralized unincorporated nonprofit association and



225 the statement of authority is recorded in the office of the
226 judge of probate of the county in which the real property is
227 located, the authority of the person named in a statement of
228 authority is conclusive in favor of a person who gives value
229 without notice that the person lacks authority.

230 \$10A-17-2.07

231 (a) A decentralized unincorporated nonprofit
232 association is a legal entity separate from its members for
233 the purposes of determining and enforcing rights, duties, and
234 liabilities in contract and tort.

235 (b) A person is not liable for a breach of a
236 decentralized unincorporated nonprofit association's contract
237 merely because the person is a member, administrator,
238 authorized to participate in the management of the affairs of
239 the nonprofit association, or considered a member by the
240 nonprofit association.

241 (c) A person is not liable for a tortious act or
242 omission for which a decentralized unincorporated nonprofit
243 association is liable merely because the person is a member or
244 administrator of the nonprofit association, authorized to
245 participate in the management of the affairs of the nonprofit
246 association, or considered a member by the nonprofit
247 association.

248 (d) A tortious act or omission of a member,
249 administrator, or other person for which a decentralized
250 unincorporated nonprofit association is liable is not imputed
251 to a person merely because the person is a member or
252 administrator of the nonprofit association, authorized to



253 participate in the management of the affairs of the nonprofit
254 association, or considered a member by the nonprofit
255 association.

256 (e) A member, administrator, person authorized to
257 participate in the management of the affairs of the nonprofit
258 association, or person considered a member by the nonprofit
259 association may assert a claim against the decentralized
260 unincorporated nonprofit association. A decentralized
261 unincorporated nonprofit association may assert a claim
262 against a member, administrator, person authorized to
263 participate in the management of the affairs of the nonprofit
264 association, or person considered a member by the nonprofit
265 association.

266 \$10A-17-2.08

267 (a) A decentralized unincorporated nonprofit
268 association, in its own name, may institute, defend,
269 intervene, or participate in a judicial, administrative, or
270 other governmental proceeding or in an arbitration, mediation,
271 or any other form of alternative dispute resolution.

272 (b) A decentralized unincorporated nonprofit
273 association may assert a claim on behalf of its members if all
274 of the following apply:

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

277 (2) The interests the nonprofit association seeks to
278 protect are germane to the nonprofit association's purposes.

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



281 \$10A-17-2.09

282 A judgment or order against a decentralized
283 unincorporated nonprofit association is not by itself a
284 judgment or order against a member or administrator of the
285 nonprofit association.

286 \$10A-17-2.10

287 (a) A decentralized unincorporated nonprofit
288 association may deliver to the Secretary of State for filing a
289 statement appointing an agent authorized to receive service of
290 process.

291 (b) A statement appointing an agent shall set forth:

292 (1) The name of the nonprofit association;
293 (2) The address in Alabama, including the street
294 address, if any, of the decentralized unincorporated nonprofit
295 association, or, if the decentralized unincorporated nonprofit
296 association does not have an address in Alabama, its address
297 out of state; and

298 (3) The name of the person in Alabama authorized to
299 receive service of process and the person's address, including
300 the street address, in Alabama.

301 (c) A statement appointing an agent shall be signed and
302 acknowledged by a person authorized to manage the affairs of
303 the decentralized unincorporated nonprofit association. The
304 statement shall also be signed and acknowledged by the person
305 appointed agent, who thereby accepts appointment.

306 (d) The appointed agent may resign by delivering to the
307 Secretary of State for filing a resignation, and by giving
308 notice to the decentralized unincorporated nonprofit



309 association. The appointment of the agent shall terminate upon
310 the expiration of 30 days after the Secretary of State has
311 filed the resignation.

312 (e) The Secretary of State may collect a fee for filing
313 a statement appointing an agent to receive service of process,
314 an amendment, or a resignation in the amount charged for
315 filing similar documents for nonprofit corporations.

316 (f) An amendment to a statement appointing an agent to
317 receive service of process shall meet the requirements for
318 execution of an original statement.

319 §10A-17-2.11

320 In an action or proceeding against a decentralized
321 unincorporated nonprofit association, a summons and complaint
322 shall be served on the agent authorized by appointment in
323 Section 10A-17-2.10 to receive service of process, on a person
324 authorized to administer the affairs of the nonprofit
325 association, or in any manner otherwise provided in the
326 Alabama Rules of Civil Procedure. If, after reasonable efforts
327 to accomplish service through the methods provided in this
328 section, service cannot be accomplished, then service may be
329 made on a member of the nonprofit association.

330 §10A-17-2.12

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

335 §10A-17-2.13

336 Venue shall be:



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337 (1) As provided in Section 6-3-6; or
338 (2) The county in which the agent authorized to receive
339 service of process under Section 10A-17-2.10 resides.

340 §10A-17-2.14

341 (a) A decentralized unincorporated nonprofit
342 association shall have perpetual existence unless its
343 governing principles otherwise specify.

344 (b) A decentralized unincorporated nonprofit
345 association may be dissolved as follows:

346 (1) If the governing principles of the nonprofit
347 association provide a time or method for dissolution, by that
348 method.

349 (2) If the governing principles of the nonprofit
350 association do not provide a method for dissolution, by
351 approval of its members pursuant to Section 10A-17-2.20.

352 (3) If membership in the decentralized unincorporated
353 nonprofit association falls below 100 members and the
354 decentralized unincorporated nonprofit association does not
355 meet the requirements of Sections 10A-17-2.01 through
356 10A-17-2.15. In the event membership in the nonprofit
357 association falls below 100 members and the nonprofit
358 association meets the requirements of Sections 10A-17-2.01
359 through 10A-17-2.15, the entity shall automatically transition
360 to an Alabama unincorporated nonprofit association unless the
361 governing principles otherwise specify.

362 (4) By court order.

363 (c) After dissolution, a decentralized unincorporated
364 nonprofit association continues in existence until its



365 activities are wound up and terminated pursuant to Section
366 10A-17-2.26.

367 §10A-17-2.15

368 (a) (1) A person may become a member of a decentralized
369 unincorporated nonprofit association in accordance with the
370 governing principles of that decentralized unincorporated
371 nonprofit association.

372 (2) If there are no applicable governing principles, a
373 person shall be considered a member upon the purchase or
374 assumption of ownership of a membership interest.

375 (3) A person shall continue as a member absent the
376 person's suspension, dismissal, or expulsion pursuant to
377 subsection (b), resignation pursuant to Section 10A-17-2.16,
378 or the decentralized unincorporated nonprofit association's
379 dissolution and winding-up pursuant to this article.

380 (b) Subject to the governing principles of the
381 decentralized unincorporated nonprofit association, a member
382 may be suspended, dismissed, or expelled. If there are no
383 applicable governing principles, a member may be suspended,
384 dismissed, or expelled by approval of the membership in
385 accordance with Section 10A-17-2.20.

386 (c) Unless otherwise provided for in the governing
387 principles, suspension, dismissal, or expulsion of a member
388 does not relieve the member of any obligation incurred, or
389 commitment made by the member, before the suspension,
390 dismissal, or expulsion.

391 §10A-17-2.16

392 (a) (1) A member may resign as a member of a



393 decentralized unincorporated nonprofit association in
394 accordance with the governing principles of that decentralized
395 unincorporated nonprofit association.

396 (2) If there are no applicable governing principles, a
397 member shall be deemed to have resigned as a member upon the
398 disposal, whether voluntary or involuntary, of all membership
399 interests or other property or instruments that confer upon
400 the person a voting right within the nonprofit association.

401 (b) Unless otherwise provided for in the governing
402 principles, resignation of a member does not relieve the
403 member of any obligation incurred or commitment made by the
404 member before the resignation.

405 §10A-17-2.17

406 (a) Unless otherwise provided for in the governing
407 principles, a member shall not have any fiduciary duty to a
408 decentralized unincorporated nonprofit association or to any
409 other member of the decentralized unincorporated nonprofit
410 association merely by reason of being a member.

411 (b) A member acting on behalf of the decentralized
412 unincorporated nonprofit association shall discharge his or
413 her duties in a manner the member reasonably believes to be in
414 the best interest of the nonprofit association.

415 §10A-17-2.18

416 (a) A member is not an agent of a decentralized
417 unincorporated nonprofit association merely by being a member.

418 (b) A person's status as a member does not prevent or
419 restrict laws other than this article from imposing liability
420 on a decentralized unincorporated nonprofit association



421 because of a member's conduct.

422 \$10A-17-2.19

423 Except as otherwise provided in the decentralized
424 unincorporated nonprofit association's governing principles, a
425 member's interest or any right granted pursuant to the
426 governing principles is freely transferable to another person
427 through conveyance of the membership interest.

428 \$10A-17-2.20

429 (a) Except as otherwise provided in the governing
430 principles, a decentralized unincorporated nonprofit
431 association shall have the approval of a majority of the
432 membership interests participating in a vote to do any of the
433 following:

434 (1) Suspend, dismiss, or expel a member.

435 (2) Select or dismiss an administrator.

436 (3) Adopt, amend, or repeal the governing principles.

437 (4) Sell, lease, exchange, or otherwise dispose of the
438 property of the decentralized unincorporated nonprofit
439 association.

440 (5) Dissolve the decentralized unincorporated nonprofit
441 association under Section 10A-17-2.14.

442 (6) Undertake any other act outside of the ordinary
443 course of the decentralized unincorporated nonprofit
444 association's activities.

445 (7) Determine the policy and purpose of the
446 decentralized unincorporated nonprofit association.

447 (b) In order to perform any act or exercise any right
448 that the governing principles require to be approved by the

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449 membership, a decentralized unincorporated nonprofit
450 association must have the approval of the membership to act in
451 accordance with its governing principles.

452 (c) Unless otherwise provided for in the governing
453 principles, membership interest in a decentralized
454 unincorporated nonprofit association shall be calculated in
455 proportion to a member's voting rights within the nonprofit
456 association.

457 §10A-17-2.21

458 (a) A decentralized unincorporated nonprofit
459 association may provide for its governance, in whole or in
460 part, through distributed ledger technology including, but not
461 limited to, smart contracts.

462 (b) The governing principles for a decentralized
463 unincorporated nonprofit association may include, but not be
464 limited to, the following provisions:

465 (1) Specify whether any distributed ledger technology
466 used or enabled by the decentralized unincorporated nonprofit
467 association will be fully immutable or subject to change by
468 the decentralized unincorporated nonprofit association and
469 whether any distributed ledger will be fully or partially
470 public or private, including the extent of a member's access
471 to information.

472 (2) Adopt voting procedures, which may include smart
473 contracts deployed to distributed ledger technology and which
474 may provide for all of the following:

475 a. Proposals from members or administrators in the
476 decentralized unincorporated nonprofit association for



477 upgrades, modifications, or additions to software systems or
478 protocols.

479 b. Other proposed changes to the decentralized
480 unincorporated nonprofit association's governing principles.

481 c. Any other matters of governance or activities within
482 the purpose of the decentralized unincorporated nonprofit
483 association.

484 §10A-17-2.22

485 In accordance with its governing principles, a
486 decentralized unincorporated nonprofit association may do both
487 of the following:

488 (1) Adopt any reasonable algorithmic means for
489 establishing consensus for the validation of records, as well
490 as for establishing requirements, processes, and procedures
491 for conducting operations or making organizational decisions
492 with respect to the distributed ledger technology used by the
493 nonprofit association.

494 (2) In accordance with any procedure specified pursuant
495 to Section 10A-17-2.21, modify the consensus mechanism, as
496 well as the requirements, processes, and procedures or
497 substitute a new consensus mechanism, requirements, processes,
498 or procedures that comply with this state's law and the
499 governing principles of the nonprofit association.

500 §10A-17-2.23

501 (a) Unless otherwise provided for in the decentralized
502 unincorporated nonprofit association's governing principles,
503 the members of the nonprofit association may select the
504 nonprofit association's administrators in accordance with



505 Section 10A-17-2.20.

506 (b) If no administrators are selected, none of the
507 members may be considered administrators for the decentralized
508 unincorporated nonprofit association.

509 (c) No decentralized unincorporated nonprofit
510 association shall be required to have an administrator, and
511 the rights and duties of all administrators shall be
512 established as part of the authorization of authority to act
513 as an administrator.

514 (d) If in a record, the governing principles of a
515 decentralized unincorporated nonprofit association may limit
516 or eliminate the liability of an administrator to the
517 decentralized unincorporated nonprofit association or its
518 members for money damages for any action taken, or failure to
519 take any action, as an administrator except liability for any
520 of the following:

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

523 (2) An intentional infliction of harm on the nonprofit
524 association or its members.

525 (3) An intentional violation of criminal law.

526 (4) Breach of the duty of loyalty should one exist,
527 unless, following full disclosure of all material facts to the
528 nonprofit association members, the specific act or transaction
529 that would otherwise breach the duty of loyalty is authorized
530 or ratified by approval of the disinterested members pursuant
531 to Section 10A-17-2.20.

532 (5) Improper distributions.



533 \$10A-17-2.24

534 (a) Except as provided by subsection (b), on reasonable
535 notice, a member or administrator of a decentralized
536 unincorporated nonprofit association is entitled to an
537 electronic record of any record maintained by the nonprofit
538 association regarding the nonprofit association's activities,
539 financial condition, and other circumstances, to the extent
540 the information is material to the member's or administrator's
541 rights and duties under the decentralized unincorporated
542 nonprofit association's governing principles or this article.

543 (b) A decentralized unincorporated nonprofit
544 association is not obligated to provide records requested from
545 a member or administrator if access to the information is
546 contained in a record available to the member or administrator
547 in a medium available to the member, including distributed
548 ledger technology.

549 (c) (1) A decentralized unincorporated nonprofit
550 association may impose reasonable restrictions on access to
551 and use of information that may be provided under this
552 section, including by designating the information confidential
553 and imposing nondisclosure or other safeguarding obligations
554 on the recipient of the information.

555 (2) In a dispute concerning the reasonableness of a
556 restriction under this subsection, the decentralized
557 unincorporated nonprofit association shall have the burden of
558 proving reasonableness.

559 (d) A former member or administrator may have access to
560 information to which the former member or administrator was



561 entitled to as a member or administrator if all of the
562 following apply:

563 (1) The information relates to the period of time
564 during which the former member or administrator was a member
565 or administrator.

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

568 (3) The former member or administrator satisfies the
569 requirements of subsections (a) through (c) with respect to
570 the information.

571 (e) A decentralized unincorporated nonprofit
572 association shall not be obligated to collect and maintain a
573 list of members or information on an individual member,
574 including the names or addresses of members.

575 §10A-17-2.25

576 (a) Unless otherwise provided in its governing
577 principles, a decentralized unincorporated nonprofit
578 association may reimburse a member or administrator for
579 authorized expenses reasonably incurred on behalf of the
580 nonprofit association.

581 (b) A decentralized unincorporated nonprofit
582 association may indemnify a member or administrator for any
583 debt, obligation, or other liability incurred in the course of
584 the member or administrator's activities on behalf of the
585 nonprofit association. To be eligible for indemnification, an
586 administrator must have complied with the duties stated in
587 Section 10A-17-2.23. If in a record, a nonprofit association's
588 governing principles may broaden or limit this right of



589 indemnification.

590 (c) If a person is made or threatened to be made a
591 party in a proceeding based on that person's conduct in the
592 affairs of a decentralized unincorporated nonprofit
593 association, that person is entitled, upon written request to
594 the decentralized unincorporated nonprofit association,
595 including through distributed ledger technology, to receive
596 payment of or reimbursement by the nonprofit association, of
597 reasonable expenses, including attorney fees and
598 disbursements, incurred by that person in advance of the final
599 disposition of the proceeding. To be entitled to these
600 payments or advances, the person making the request shall make
601 a written affirmation that the person has a good faith belief
602 that the criteria for indemnification in subsection (b) has
603 been satisfied and that the person will repay the amounts paid
604 or reimbursed if it is determined that the criteria for
605 reimbursement has not been satisfied. No payment or
606 reimbursement under this subsection shall be made without
607 prior approval, in a record, of the disinterested members
608 under Section 10A-17-2.20.

609 (d) A decentralized unincorporated nonprofit
610 association may purchase and maintain insurance on behalf of a
611 member or administrator for liability asserted against or
612 incurred by the member or administrator in that capacity, even
613 if the decentralized unincorporated nonprofit association
614 would not have the power to indemnify or advance expenses to
615 the member or administrator against the same liability under
616 this section.



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617 (e) These rights of reimbursement, indemnification, and
618 advancement of expense apply to former members or
619 administrators for activities undertaken on behalf of the
620 decentralized unincorporated nonprofit association while they
621 were members or administrators.

622 §10A-17-2.26

623 (a) A dissolved decentralized unincorporated nonprofit
624 association shall wind up its operations and may continue
625 after dissolution only for the purpose of winding up.

626 (b) In winding up a decentralized unincorporated
627 nonprofit association, the members shall discharge the
628 decentralized unincorporated nonprofit association's debts,
629 obligations, and other liabilities, settle and close the
630 decentralized unincorporated nonprofit association's business,
631 and distribute any remaining property as follows:

632 (1) To another entity or person with similar nonprofit
633 purposes, if required by law other than this article.

634 (2) In accordance with the decentralized unincorporated
635 nonprofit association's governing principles. In the absence
636 of applicable governing principles, to the current members of
637 the decentralized unincorporated nonprofit association in
638 proportion to their membership interests.

642 (c) In winding up a decentralized unincorporated
643 nonprofit association, the members may do all of the
644 following:



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645 (1) Authorize an administrator to wind up the
646 decentralized unincorporated nonprofit association in
647 accordance with Section 10A-17-2.14. Any authorized
648 administrator shall owe the nonprofit association a duty of
649 care in the conduct or winding up of the decentralized
650 unincorporated nonprofit association to refrain from grossly
651 negligent or reckless conduct, willful or intentional
652 misconduct, or a knowing violation of the law.

653 (2) Preserve the decentralized unincorporated nonprofit
654 association's operations and property as a going concern for a
655 reasonable time.

658 (4) Transfer the decentralized unincorporated nonprofit
659 association's property.

660 (5) Settle disputes by mediation or arbitration.

661 (6) Perform other acts necessary or appropriate to the
662 winding up.

663 (d) If the members of a decentralized unincorporated
664 nonprofit association do not appoint an administrator or
665 administrators to wind up the decentralized unincorporated
666 nonprofit association, the members shall owe the decentralized
667 unincorporated nonprofit association a duty of care in the
668 conduct or winding up of the decentralized unincorporated
669 nonprofit association's operations to refrain from engaging in
670 grossly negligent or reckless conduct, willful or intentional
671 misconduct, or a knowing violation of the law.

672 §10A-17-2.27

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673 A decentralized unincorporated nonprofit association
674 may effect a merger or conversion by complying with the
675 applicable provisions of Chapter 1 and its governing
676 principles.

677 §10A-17-2.28

678 Principles of law and equity supplement this chapter
679 unless displaced by a specific provision of this chapter.

680 Section 3. This act shall become effective on October
681 1, 2026.