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A Bill

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HOUSE BILL 1533

By: Representative Gramlich

By: Senator J. Boyd

For An Act To Be Entitled

AN ACT TO CREATE THE DECENTRALIZED UNINCORPORATED
NONPROFIT ASSOCIATION ACT; AND FOR OTHER PURPOSES.

Subtitle

TO CREATE THE DECENTRALIZED
UNINCORPORATED NONPROFIT ASSOCIATION
ACT.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code Title 4, Chapter 28, is amended to add an
additional subchapter to read as follows:

Subchapter 7 – Decentralized Unincorporated Nonprofit Association Act

4-28-701. Title.

This subchapter shall be known and may be cited as the “Decentralized
Unincorporated Nonprofit Association Act”.

4-28-702. Definitions.

As used in this subchapter:

(1) “Administrator” means a member of a decentralized
unincorporated nonprofit association authorized by vote of the membership to
fulfill administrative or operational tasks;

(2) “Decentralized unincorporated nonprofit association” means
an unincorporated nonprofit association:

(A) Consisting of at least one hundred (100) members
joined by mutual consent under an agreement which may be in writing or



1 implied from conduct, for a common nonprofit purpose;

2 (B) That has elected to be organized under this
3 subchapter; and

4 (C) That is not formed under any other statute that
5 governs its organization and operation;

6 (3)(A) "Digital asset" means a representation of economic,
7 proprietary, or access rights stored in a computer readable format.

8 (B) "Digital asset" does not include any underlying asset
9 unless the asset itself is an electronic record;

10 (4) "Distributed ledger technology" means a software protocol
11 that:

12 (A) Governs the rules, operations, and communications
13 between intersection and connection points in a telecommunications network
14 and its supporting infrastructure;

15 (B) Includes the computer software, hardware, or
16 collection of computer software and hardware, which use or enable distributed
17 ledger technologies, including blockchain; and

18 (C) Uses a distributed, shared, and replicated ledger,
19 which may:

20 (i) Be public or private;

21 (ii) Be permissioned or permissionless; or

22 (iii) Include the use of a digital asset as a medium
23 of electronic exchange;

24 (5) "Distribution" means the payment of a dividend or any part
25 of the income or profit of a decentralized unincorporated nonprofit
26 association to its members or administrators;

27 (6) "Established practices" means the practices used by a
28 decentralized unincorporated nonprofit association without material change
29 during the most recent five (5) years of its existence, or if it has existed
30 for less than five (5) years, during its entire existence;

31 (7)(A) "Governing principles" means all agreements, including
32 without limitation articles of association, consensus formation algorithms,
33 or enacted governance proposals, whether in a record, implied from its
34 established practices, or in any combination thereof, that govern the purpose
35 or operation of a decentralized unincorporated nonprofit association and the
36 rights and obligations of its members and administrators.

1 (B) “Governing principles” includes any amendment or
2 restatement of the agreements constituting the governing principles of a
3 decentralized unincorporated nonprofit association;

4 (8) “Member” means a person that, under the governing principles
5 of a decentralized unincorporated nonprofit association, may participate in
6 the development of the policies and activities of the decentralized
7 unincorporated nonprofit association or the selection of administrators;

8 (9) “Membership interest” means a member’s voting right in a
9 decentralized unincorporated nonprofit association as determined by the
10 decentralized unincorporated nonprofit association’s governing principles;

11 (10) “Person” means a natural person, a partnership, whether
12 general or limited, a limited liability company, a trust, including without
13 limitation a common-law trust, business trust, statutory trust, voting trust,
14 or any other form of trust, an estate, an association, including without
15 limitation any group, organization, cotenancy, plan, board, council or
16 committee, a corporation, a government, including without limitation a
17 country, state, county, or any other governmental subdivision, agency, or
18 instrumentality, a custodian, a nominee, or any other individual or entity,
19 or series thereof, in its own capacity or any representative capacity, in
20 each case, whether domestic or foreign;

21 (11) “Record” means information that is inscribed on a tangible
22 medium or that is stored in an electronic or other medium and is retrievable
23 in a perceivable form;

24 (12) “Smart contract” means a computational process that
25 executes on distributed ledger technology used to automate transactions,
26 including without limitation:

27 (A) Facilitating or instructing transfers of assets;

28 (B) Creating and transmitting digital assets;

29 (C) Synchronizing information;

30 (D) Authenticating user rights and conveying access to
31 software applications; or

32 (E) Effectuating membership votes within an organization;
33 and

34 (13) “State” means a state of the United States, the District of
35 Columbia, Puerto Rico, the United States Virgin Islands, or any territory or
36 insular possession subject to the jurisdiction of the United States.

1
2 4-28-703. Relation to other law.

3 (a) Principles of law and equity supplement this subchapter unless
4 displaced by a particular provision of the subchapter.

5 (b) This subchapter does not repeal or modify a statute or rule for
6 organizations that do not elect to become decentralized unincorporated
7 nonprofit associations.

8
9 4-28-704. Governing law.

10 (a) The law of this state governs any decentralized unincorporated
11 nonprofit association that is formed in this state.

12 (b) A decentralized unincorporated nonprofit association's governing
13 principles shall identify the jurisdiction in which the association is
14 formed.

15
16 4-28-705. Legal entity – Perpetual existence – Powers.

17 A decentralized unincorporated nonprofit association:

18 (1) Is a legal entity distinct from its members and
19 administrators;

20 (2) Has perpetual duration unless its governing principles
21 otherwise specify; and

22 (3)(A) May engage in profit-making activities.

23 (B) Any profits under subdivision (3)(A) of this section
24 shall be used in furtherance of, or set aside for, the decentralized
25 unincorporated nonprofit association's common nonprofit purpose.

26
27 4-28-706. Distributions prohibited – Compensation and other permitted
28 payments.

29 (a) Except as otherwise provided in subsection (b) of this section, a
30 decentralized unincorporated nonprofit association shall not pay dividends or
31 distribute any part of its income or profits to its members or
32 administrators.

33 (b) A decentralized unincorporated nonprofit association may:

34 (1) Pay reasonable compensation or reimburse reasonable expenses
35 to its members, administrators, and persons outside the organization for
36 services rendered, including with respect to the administration and operation

1 of the decentralized unincorporated nonprofit association, which may include
2 without limitation the provision of collateral for the self-insurance of the
3 decentralized unincorporated nonprofit association, voting and participation;

4 (2) Confer benefits on its members or administrators in
5 conformity with its common nonprofit purpose or purposes;

6 (3) Repurchase membership interests to the extent authorized by
7 its governing principles; and

8 (4) Make distributions of property to members upon winding up
9 and termination to the extent permitted by § 4-28-728.

10
11 4-28-707. Ownership and transfer of property.

12 (a) A decentralized unincorporated nonprofit association in its own
13 name may acquire, hold, encumber, or transfer an estate or interest in real
14 or personal property.

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

17
18 4-28-708. Statement of authority as to real property – Definition.

19 (a) As used in this section, “statement of authority” means a
20 statement authorizing a person to transfer an interest in real property held
21 in the name of a decentralized unincorporated nonprofit association.

22 (b) An interest in real property held in the name of a decentralized
23 unincorporated nonprofit association may be transferred by a person
24 authorized to do so in a statement of authority recorded by the decentralized
25 unincorporated nonprofit association in the office in the county in which a
26 transfer of the property would be recorded.

27 (c) A statement of authority shall state:

28 (1) The name of the decentralized unincorporated nonprofit
29 association;

30 (2) The address in this state, including the street address, if
31 any, of the decentralized unincorporated nonprofit association or, if the
32 decentralized unincorporated nonprofit association does not have an address
33 in this state, its out-of-state address;

34 (3) That the decentralized unincorporated nonprofit association
35 is a decentralized unincorporated nonprofit association; and

36 (4) The action, procedure or vote of the decentralized

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

4 (d) A statement of authority shall be executed in the same manner as
5 an affidavit by a person who is not the person authorized to transfer the
6 estate or interest.

7 (e) A filing officer may collect a fee for recording a statement of
8 authority in the amount authorized for recording a transfer of real property.

9 (f) A record amending, revoking, or canceling a statement of authority
10 or stating that the statement is unauthorized for recording an original
11 statement may be filed.

12 (g) Unless canceled earlier, a recorded statement of authority and its
13 most recent amendment shall expire five (5) years after the date of the most
14 recent recording.

15 (h) If the record title to real property is in the name of a
16 decentralized unincorporated nonprofit association and the statement of
17 authority is recorded in the office of the county in which a transfer of real
18 property would be recorded, the authority of the person named in a statement
19 of authority under subdivision (c)(4) of this section is conclusive in favor
20 of a person who gives value without notice that the person lacks authority.

21
22 4-28-709. Liability.

23 (a)(1) A debt, obligation, or other liability of a decentralized
24 unincorporated nonprofit association is solely the debt, obligation, or other
25 liability of the decentralized unincorporated nonprofit association.

26 (2) A member or administrator is not personally liable, directly
27 or indirectly, by way of contribution or otherwise for a debt, obligation, or
28 other liability of the decentralized unincorporated nonprofit association
29 solely by reason of being or acting as a member or administrator.

30 (3) Subdivisions (a)(1) and (a)(2) of this subsection apply
31 regardless of the dissolution of the decentralized unincorporated nonprofit
32 association.

33 (b) A person's status as a member or administrator does not prevent or
34 restrict law other than this subchapter from imposing liability on the person
35 or the decentralized unincorporated nonprofit association because of the
36 person's conduct.

1 (c) The failure of a decentralized unincorporated nonprofit
2 association to observe formalities relating to the exercise of its powers or
3 administration of its activities and affairs is not grounds for imposing
4 liability on a member or administrator of the decentralized unincorporated
5 nonprofit association for a debt, obligation, or other liability of the
6 decentralized unincorporated nonprofit association.

7
8 4-28-710. Assertion and defense of claims.

9 (a) A decentralized unincorporated nonprofit association, in its own
10 name, may institute, defend, intervene, or participate in a judicial,
11 administrative, or other governmental proceeding or in an arbitration,
12 mediation, or any other form of alternative dispute resolution.

13 (b)(1) A member or administrator may assert a claim the member or
14 administrator has against the decentralized unincorporated nonprofit
15 association.

16 (2) A decentralized unincorporated nonprofit association may
17 assert a claim it has against a member or administrator.

18
19 4-28-711. Effect of judgment or order.

20 A judgment or order against a decentralized unincorporated nonprofit
21 association is not by itself a judgment or order against a member or
22 administrator.

23
24 4-28-712. Appointment of agent to receive service of process.

25 (a) A decentralized unincorporated nonprofit association may file in
26 the office of the Secretary of State a statement appointing an agent
27 authorized to receive service of process.

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

29 (1) The name of the decentralized unincorporated nonprofit
30 association; and

31 (2) The name of the person in this state authorized to receive
32 service of process and the person's address, including the street address, in
33 this state.

34 (c)(1) A statement appointing an agent shall be signed and
35 acknowledged by a person authorized by the decentralized unincorporated
36 nonprofit association.

1 (2) The statement required under subdivision (c)(1) of this
2 section shall be signed and acknowledged by the person appointed agent, who
3 thereby accepts the appointment.

4 (3) The appointed agent may resign by filing a resignation in
5 the office of the Secretary of State and giving notice to the decentralized
6 unincorporated nonprofit association.

7 (d) The Secretary of State may collect a fee for filing a statement
8 appointing an agent to receive service of process, an amendment, or a
9 resignation in the amount charged for filing similar documents.

10 (e) An amendment to or cancellation of a statement appointing an agent
11 to receive service of process shall meet the requirements for execution of an
12 original statement.

13 (f) An amendment shall be filed to update the office of the Secretary
14 of State as to any change regarding an agent authorized to receive service of
15 process within thirty (30) days of a change being made.

16
17 4-28-713. Service of process.

18 In an action or proceeding against a decentralized unincorporated
19 nonprofit association, a summons and complaint or other process shall be
20 served on an agent authorized by appointment to receive service of process,
21 any appointed administrator of the decentralized unincorporated nonprofit
22 association, or in any other manner authorized by the law of this state.

23
24 4-28-714. Claim not abated by change of members or other persons.

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

29
30 4-28-715. Venue.

31 In addition to any other applicable state laws providing venue, venue
32 of an action against a decentralized unincorporated nonprofit association may
33 be brought in this state in the county in which the decentralized
34 unincorporated nonprofit association has appointed an agent for services
35 under § 4-28-712.

1 4-28-716. Member has no agency power.

2 A member of a decentralized unincorporated nonprofit association is not
3 an agent of the decentralized unincorporated nonprofit association solely by
4 reason of being a member.

5
6 4-28-717. Member approval.

7 (a) Except as otherwise provided in the governing principles, a
8 decentralized unincorporated nonprofit association shall have the approval of
9 its members according to its governing principles to:

10 (1) Suspend, dismiss, or expel a member;

11 (2) Select or dismiss an administrator;

12 (3) Adopt, amend, or repeal the governing principles;

13 (4) Sell, lease, exchange, or otherwise dispose of all, or
14 substantially all, of the decentralized unincorporated nonprofit
15 association's property, with or without the decentralized unincorporated
16 nonprofit association's goodwill, outside the ordinary course of its
17 activities;

18 (5) Dissolve under § 4-28-727, merge under § 4-28-729, or
19 convert under § 4-28-730;

20 (6) Undertake any other act outside the ordinary course of the
21 decentralized unincorporated nonprofit association's activities; or

22 (7) Determine the policy and purposes of the decentralized
23 unincorporated nonprofit association.

24 (b) A decentralized unincorporated nonprofit association shall have
25 the approval of the members according to its governing principles to do any
26 other acts or exercise a right that the governing principles require to be
27 approved by members.

28 (c) Unless otherwise provided for in the governing principles,
29 membership interest in a decentralized unincorporated nonprofit association
30 shall be calculated in proportion to members' voting rights within the
31 decentralized unincorporated nonprofit association.

32
33 4-28-718. Utilization of distributed ledger technology.

34 (a) A decentralized unincorporated nonprofit association may provide
35 for its governance, in whole or in part, through distributed ledger
36 technology, including smart contracts.

1 (b) The governing principles for a decentralized unincorporated
2 nonprofit association may:

3 (1) Specify whether any distributed ledger technology utilized
4 or enabled by the decentralized unincorporated nonprofit association shall be
5 fully immutable or subject to change and whether any such ledger shall be
6 fully or partially public or private, including the extent of members' access
7 to information; and

8 (2) Adopt voting procedures, which may include smart contracts
9 deployed to distributed ledger technology that provide for the following:

10 (A) Proposals from administrators or members in the
11 decentralized unincorporated nonprofit association for upgrades,
12 modifications or additions to software systems or protocols;

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

15 (C) Any other matters of governance or activities within
16 the purpose of the decentralized unincorporated nonprofit association.

17
18 4-28-719. Consensus formation algorithms and governance process.

19 According to its governing principles, a decentralized unincorporated
20 nonprofit association may:

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

26 (2) According to any procedure specified under § 4-28-718,
27 modify the consensus mechanism as well as the requirements, processes, and
28 procedures, or substitute a new consensus mechanism, requirement, processes,
29 or procedures that comply with the requirements of law and the governing
30 principles of the decentralized unincorporated nonprofit association.

31
32 4-28-720. Duties to members.

33 (a) A member does not have any fiduciary duty to a decentralized
34 unincorporated nonprofit association or to any other member of the
35 decentralized unincorporated nonprofit association solely by being a member.

36 (b) A member shall discharge the duties and obligations under this

1 subchapter or under the governing principles and exercise any rights
2 consistent with the contractual obligation of good faith and fair dealing.

3
4 4-28-721. Admission, suspension, dismissal, or expulsion of members.

5 (a)(1) A person becomes a member according to the governing principles
6 of the decentralized unincorporated nonprofit association.

7 (2) If there are no applicable governing principles, a person
8 shall:

9 (A) Be considered a member upon such person's purchase or
10 assumption of a right of ownership of a membership interest or other property
11 or instruments that confers upon a person a voting right within the
12 decentralized unincorporated nonprofit association; and

13 (B) Continue as a member until the earlier of the person's
14 resignation under § 4-28-722 or expulsion under subsection (b) of this
15 section.

16 (b)(1) A member may be suspended or expelled according to the
17 governing principles of the decentralized unincorporated nonprofit
18 association.

19 (2) If there are no applicable governing principles, a person
20 may be suspended or expelled from a decentralized unincorporated nonprofit
21 association only by a vote of its members.

22 (c) Unless the governing principles provide otherwise, the suspension
23 or expulsion of a member does not relieve the member from any obligation
24 incurred or commitment made by the member before suspension or expulsion.

25
26 4-28-722. Member's resignation.

27 (a)(1) A member may resign as a member of a decentralized
28 unincorporated nonprofit association according to the governing principles.

29 (2) In the absence of applicable governing principles, a member
30 shall be deemed to have resigned as a member upon the disposal, voluntary or
31 involuntary, of all membership interest or other property or instruments that
32 confers upon the person a voting right within the decentralized
33 unincorporated nonprofit association.

34 (b) Unless a decentralized unincorporated nonprofit association's
35 governing principles provide otherwise, resignation of a member does not
36 relieve the member from any unpaid capital contribution, dues, assessments,

1 fees, or other obligation incurred or commitment made by the member before
2 resignation.

3
4 4-28-723. Membership interest transferable.

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

9
10 4-28-724. Selection of administrators – Rights and duties of
11 administrators.

12 (a) Except as otherwise provided in this subchapter or a decentralized
13 unincorporated nonprofit association's governing principles, the members may
14 select the decentralized unincorporated nonprofit association's
15 administrators according to § 4-28-717.

16 (b) If an administrator is not selected, then no member of the
17 association is an administrator.

18 (c) As there is no requirement that a decentralized unincorporated
19 nonprofit association should have administrators, there are no default
20 obligations, and the rights and duties of an administrator or administrators
21 are a result of the specific authority authorized by the decentralized
22 unincorporated nonprofit association through approval of its members
23 according to § 4-28-717 and contractual agreement with its administrator or
24 administrators.

25 (d) An administrator has no authority to act on behalf of the
26 decentralized unincorporated nonprofit association beyond the specific
27 authorization granted in the selection process.

28 (e) If in a record, the governing principles of a decentralized
29 unincorporated nonprofit association may limit or eliminate the liability of
30 an administrator to the decentralized unincorporated nonprofit association or
31 its members for money damages for any action taken, or for failure to take
32 any action, as an administrator except liability for:

33 (1) The amount of financial benefit improperly received by an
34 administrator;

35 (2) An intentional infliction of harm on the decentralized
36 unincorporated nonprofit association or its members;

1 (3) An intentional violation of criminal law;

2 (4) A breach of the duty of loyalty should one exist, unless a
3 full disclosure of all material facts, a specific act or transaction that
4 would otherwise violate the duty of loyalty by an agent be authorized by
5 approval of the disinterested members under § 4-28-717; or

6 (5) Improper distributions.

7
8 4-28-725. Rights of members and administrators to information.

9 (a) On reasonable notice, a member or administrator of a decentralized
10 unincorporated nonprofit association is entitled to an electronic record of
11 any record maintained by the decentralized unincorporated nonprofit
12 association regarding its activities, financial condition, and other
13 circumstances, to the extent the information exists and is material to the
14 member's or administrator's rights and duties under the decentralized
15 unincorporated nonprofit association's governing principles of this
16 subchapter, subject to subsection (b) of this section.

17 (b) A decentralized unincorporated nonprofit association has no
18 obligation to furnish any record maintained by the decentralized
19 unincorporated nonprofit association for record requests which the member or
20 administrator has access, including through records made available on
21 distributed ledger technology.

22 (c) A decentralized unincorporated nonprofit association may impose
23 reasonable restrictions on access to and use of information to be furnished
24 under this section, including designating the information confidential and
25 imposing nondisclosure and safeguarding obligations on the recipient.

26 (d) A former member or administrator may have access to information to
27 which the member or administrator was entitled while a member or
28 administrator if the information pertains to the period during which the
29 person was a member or administrator, the former member or administrator
30 seeks the information in good faith, and the former member or administrator
31 satisfies the requirements of subsections (a)-(c) of this section.

32 (e) A decentralized unincorporated nonprofit association has no
33 obligation to collect and maintain member listings.

34
35 4-28-726. Reimbursement – Indemnification – Advancement of expenses –
36 Insurance.

1 (a) Except as otherwise provided in a decentralized unincorporated
2 nonprofit association's governing principles, members or administrators may
3 be reimbursed for authorized expenses reasonably incurred on behalf of the
4 decentralized unincorporated nonprofit association.

5 (b)(1) A decentralized unincorporated nonprofit association may
6 indemnify a member or manager for any debt, obligation, or other liability
7 incurred during the member or administrator's activities on behalf of the
8 decentralized unincorporated nonprofit association.

9 (2) To be eligible for indemnification, an administrator shall
10 have complied with the duties stated in § 4-28-724.

11 (3) If in a record, a decentralized unincorporated nonprofit
12 association's governing principles may broaden or limit this right of
13 indemnification.

14 (c)(1) If a person is made or threatened to be made a party in a
15 proceeding based on that person's conduct of the affairs of a decentralized
16 unincorporated nonprofit association, that person is entitled, upon written
17 request to the decentralized unincorporated nonprofit association, and
18 approval, in a record, of the disinterested members under § 4-28-717 of this
19 subchapter, to receive payment of or reimbursement by the decentralized
20 unincorporated nonprofit association of reasonable expenses, including
21 attorney's fees and disbursements, incurred by that person in advance of the
22 final disposition of the proceeding.

23 (2) To be entitled to the advance payments or reimbursements
24 under subdivision (c)(1) of this section, the person making the request shall
25 make a written affirmation that the person has a good faith belief that the
26 criteria for indemnification in subsection (a) of this section have been
27 satisfied and that the person will repay the amounts paid or reimbursed if it
28 is determined that the criteria for reimbursement have not been satisfied.

29 (d) A decentralized unincorporated nonprofit association may purchase
30 and maintain insurance on behalf of a member or administrator for liability
31 asserted against or incurred by the member or administrator in that capacity,
32 whether or not the decentralized unincorporated nonprofit association would
33 have the power to indemnify or advance expenses to the member or
34 administrator against the same liability under this subchapter.

35 (e) These rights of reimbursement, indemnification, and advancement of
36 expense apply to former members or administrators for activities undertaken

1 on behalf of the decentralized unincorporated nonprofit association while
2 they were members or administrators.

3
4 4-28-727. Dissolution – Continuation of existence.

5 (a) A decentralized unincorporated nonprofit association may be
6 dissolved by any of the following methods:

7 (1) If the governing principles of the association provide a
8 time or method for dissolution by that method;

9 (2) If the governing principles of the association do not
10 provide a method for dissolution, upon approval of the members according to §
11 4-28-717;

12 (3) If membership in the organization falls below one hundred
13 (100) members; or

14 (4) By court order.

15 (b) After dissolution, a decentralized unincorporated nonprofit
16 association shall continue in existence until its activities have been wound
17 up and it is terminated under § 4-28-728.

18
19 4-28-728. Winding up and termination.

20 (a) A dissolved decentralized unincorporated nonprofit association
21 shall wind up its business and the decentralized unincorporated nonprofit
22 association continues after dissolution only for the purpose of winding up.

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

25 (1) Discharge the decentralized unincorporated nonprofit
26 association's debts, obligations, and other liabilities;

27 (2) Settle and close the decentralized unincorporated nonprofit
28 association's business; and

29 (3) Marshal and distribute any remaining property:

30 (i) As required by law other than this subchapter that
31 requires assets of a decentralized unincorporated nonprofit association to be
32 distributed to another entity or person with similar nonprofit purposes;

33 (ii) According to the decentralized unincorporated
34 nonprofit association's governing principles and in the absence of applicable
35 governing principles, to the current members of the association in proportion
36 to their membership interests; or

1 (iii) If neither subdivisions (b)(3)(i) or (b)(3)(ii) of
2 this section applies, then under the Unclaimed Property Act, § 18-28-201 et
3 seq.

4 (c) In winding up a decentralized unincorporated nonprofit
5 association, the members may:

6 (1) Appoint an administrator or administrators authorized to
7 wind up the decentralized unincorporated nonprofit association according to §
8 4-28-717;

9 (2) Preserve the decentralized unincorporated nonprofit
10 association operations and property as a going concern for a reasonable time;

11 (3) Prosecute and defend actions and proceedings, whether civil,
12 criminal, or administrative;

13 (4) Transfer the decentralized unincorporated nonprofit
14 association's property;

15 (5) Settle disputes by mediation or arbitration;

16 (6) Receive reasonable compensation for services rendered in
17 winding up the decentralized unincorporated nonprofit association; and

18 (7) Perform other acts necessary or appropriate to the winding
19 up.

20 (d) If the members of decentralized unincorporated nonprofit
21 association do not appoint an administrator or administrators to wind up the
22 decentralized unincorporated nonprofit association, the members themselves
23 shall each owe the decentralized unincorporated nonprofit association a duty
24 of care in the conduct or winding up of the decentralized unincorporated
25 nonprofit association operations to refrain from engaging in grossly
26 negligent or reckless conduct, willful or intentional misconduct, or a
27 knowing violation of the law.

28
29 4-28-729. Mergers – Definitions.

30 (a) As used in this section:

31 (1) "Constituent organization" means an organization that is
32 merged with one or more other organizations and includes the surviving
33 organization;

34 (2) "Disappearing organization" means a constituent organization
35 that is not the surviving organization;

36 (3)(A) "Organization" means a decentralized unincorporated

1 nonprofit association, an unincorporated nonprofit association, a general
2 partnership, including a limited liability partnership, a limited
3 partnership, including a limited liability limited partnership, limited
4 liability company, business, or statutory trust, a corporation, or any other
5 legal or commercial entity having a statute governing its formation and
6 operation.

7 (B) "Organization" includes a domestic or foreign
8 organization regardless of whether the organization is a for profit
9 organization; and

10 (4) "Surviving organization" means an organization into which
11 one (1) or more other organizations are merged.

12 (b) A decentralized unincorporated nonprofit association may merge
13 with any organization that is authorized by law to effect a merger with a
14 decentralized unincorporated nonprofit association.

15 (c) A merger involving a decentralized unincorporated nonprofit
16 association is subject to the following requirements:

17 (1) Each of the constituent organizations complies with its
18 governing law;

19 (2)(A) Each party to the merger shall approve a plan of merger
20 according to its governing principles.

21 (B) The plan shall be in a record.

22 (C) The plan shall include the following provisions:

23 (i) The name and form of each organization that is a
24 party to the merger;

25 (ii) The name and form of the surviving organization
26 and, if the surviving organization is to be created by the merger, a
27 statement to that effect;

28 (iii) The terms and conditions of the merger,
29 including the manner and basis for converting the interests in each
30 constituent organization into any combination of money, interests in the
31 surviving organization, and other consideration;

32 (iv) If the surviving organization is to be created
33 by the merger, the surviving organization's organizational documents that are
34 proposed to be in a record; and

35 (v) If the surviving organization is not to be
36 created by the merger, any amendments to be made by the merger to the

1 surviving organization's organizational documents that are, or are proposed
2 to be, in a record;

3 (3)(A) The plan of merger shall be approved by the members of
4 each decentralized unincorporated nonprofit association that is a constituent
5 organization in the merger.

6 (B) If a member of a decentralized unincorporated
7 nonprofit association that is a party to a merger has personal liability with
8 respect to an obligation of a constituent or a surviving organization, the
9 consent in a record of that member to the plan of merger shall also be
10 obtained;

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

16 (5) Following approval of the plan, a merger under this section
17 is effective:

18 (A) If a constituent organization is required to give
19 notice to or obtain the approval of a governmental agency or officer in order
20 to be a party to a merger, the notice has been given and the approval has
21 been obtained; and

22 (B) If the surviving organization is a decentralized
23 unincorporated nonprofit association, as specified in the plan of merger and
24 upon compliance by any constituent organization that is not a decentralized
25 unincorporated nonprofit association with any requirements of the
26 organization's governing statute, including any required filings in the
27 office of the Secretary of State; or

28 (C) If the surviving organization is not a decentralized
29 unincorporated nonprofit association, as provided by the statute governing
30 the surviving organization.

31 (d) When a merger becomes effective:

32 (1) The surviving organization continues or comes into
33 existence;

34 (2) Each constituent organization that merges into the surviving
35 organization ceases to exist as a separate entity;

36 (3) All property owned by each constituent organization that

1 ceases to exist vests in the surviving organization;

2 (4) All debts, obligations, or other liabilities of each
3 constituent organization that ceases to exist continue as debts, obligations,
4 or other liabilities of the surviving organization;

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

8 (6) Except as prohibited by other law, all of the rights,
9 privileges, immunities, powers, and purposes of each constituent organization
10 that ceases to exist vest in the surviving organization;

11 (7) Except as otherwise provided in the plan of merger, the
12 terms and conditions of the plan of merger take effect;

13 (8) The merger does not affect the personal liability, if any,
14 of a member, administrator, or manager of a constituent association for a
15 debt, liability, or obligation of the association incurred before the merger
16 is effective; and

17 (9)(A) A surviving organization that is a foreign organization
18 consents to the jurisdiction of the courts of this state to enforce any debt,
19 obligation, or other liability owed by a constituent organization, if before
20 the merger the constituent organization was subject to suit in this state on
21 the debt, obligation, or other liability.

22 (B) A surviving organization that is a foreign
23 organization and not authorized to transact business in this state shall
24 appoint the Secretary of State as its agent for service of process for the
25 purposes of enforcing a debt, obligation, or other liability under
26 subdivision (d)(9)(A) of this section.

27 (e) Property held for a charitable purpose under the law of this state
28 by a domestic or foreign organization immediately before a merger under this
29 section becomes effective may not, as a result of the merger, be diverted
30 from the objects for which it was donated, granted, or devised, unless, to
31 the extent required under the law of this state concerning cy pres or other
32 law dealing with nondiversion of charitable assets, the organization shall
33 obtain an appropriate order of the Pulaski County Circuit Court specifying
34 the disposition of the property.

35 (f)(1) A bequest, devise, gift, grant, or promise contained in a will
36 or other instrument of donation, subscription, or conveyance that is made to

1 a disappearing organization and that takes effect or remains payable after
2 the merger inures to the benefit of the surviving organization.

3 (2) A trust obligation that would govern property if transferred
4 to the disappearing entity applies to property that is instead transferred to
5 the surviving organization under this section.

6
7 4-28-730. Conversions – Definitions.

8 (a) As used in this section:

9 (1) "Conversion" means a transaction authorized by this section
10 under which an entity of one (1) type is converted into an entity of another
11 type;

12 (2) "Converted entity" means the entity that results from a
13 conversion; and

14 (3) "Converting entity" means the entity that becomes the
15 converted entity through a conversion.

16 (b) A decentralized unincorporated nonprofit association may convert
17 to any form of entity that is authorized by law to affect a conversion from a
18 decentralized unincorporated nonprofit association.

19 (c) A conversion involving a decentralized unincorporated nonprofit
20 association is subject to the following requirements:

21 (1) Each of the constituent converting organizations complies
22 with its governing principles;

23 (2)(A) The decentralized unincorporated organization, as a
24 converting entity, shall approve a plan of conversion according to its
25 governing principles.

26 (B) The plan shall be in a record and include the
27 following provisions:

28 (i) The name of the converting decentralized
29 unincorporated nonprofit association;

30 (ii) The name, jurisdiction of formation, and type
31 of entity of the converted entity;

32 (iii) The manner of converting the interest in the
33 converting decentralized unincorporated nonprofit association into interests,
34 securities, obligations, money, other property, rights to acquire interests
35 or securities, or any combination of the requirements under this section;

36 (iv) If the converted entity requires a record that

1 is filed publicly to form, organize, incorporate, or otherwise create a
2 converted entity, the converted entity's organizational documents that are
3 proposed to be in a record;

4 (v) If the converted entity does not require a
5 record that is filed publicly to form, organize, incorporate, or otherwise
6 create a converted entity, a record of the converted entities' governing
7 principles to the extent they exist;

8 (vi) The other terms and conditions of the
9 conversion; and

10 (vii) Any other provision required by the law of
11 this state or the governing principles of the converting decentralized
12 unincorporated nonprofit association;

13 (3)(A) The plan of conversion shall be approved by the members
14 of the converting decentralized unincorporated according to its governing
15 principles.

16 (B) If a member of decentralized unincorporated nonprofit
17 association that is a party to a conversion shall have personal liability
18 with respect to an obligation of a converted entity or converting entity, the
19 consent in a record of that member to the plan of conversion shall also be
20 obtained;

21 (4) Subject to the contractual rights of third parties, after a
22 plan of conversion is approved and at any time before the conversion is
23 effective, a converting entity may amend the plan or abandon the conversion
24 as provided in the plan, or except as otherwise prohibited in the plan, with
25 the same consent as was required to approve the plan; and

26 (5) Following approval of the plan, a conversion under this
27 section is effective:

28 (A) If a converted entity is required to give notice to or
29 obtain the approval of a governmental agency or officer in order to form an
30 entity, the notice has been given and the approval has been obtained; and

31 (B) If a converted entity is not required to give notice
32 or obtain the approval of a governmental agency or officer in order to form
33 an entity, as provided by the statute governing the converted entity.

34 (d) A conversion becomes effective when the converted entity comes
35 into existence.

36 (e) When a conversion becomes effective:

1 (1) The converted entity is:

2 (A) Organized under and subject to the laws of the
3 converted entity; and

4 (B) The same entity without interruption as the converting
5 entity;

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

8 (3) All debts, obligations, and other liabilities of the
9 converting entity continue as debts, obligations, and other liabilities of
10 the converted entity; and

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

13 (f) A conversion does not require the entity to wind up its affairs
14 and does not constitute or cause the dissolution of the entity.

15
16 4-28-731. Uniformity of application and construction.

17 In applying and construing this subchapter, consideration shall be
18 given to the need to promote uniformity of the law with respect to its
19 subject matter among states that enact it.

20
21 4-28-732. Effective date.

22 This subchapter takes effect on January 1, 2026.

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24 */s/Gramlich*
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