

# **One Hundred Second Legislature - First Session - 2011**

## **Introducer's Statement of Intent**

### **LB317**

---

**Chairperson: Senator Rich Pahls**

**Committee: Banking, Commerce and Insurance**

**Date of Hearing: February 22, 2011**

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB317 would enact the Nebraska Revised Uniform Unincorporated Nonprofit Association Act based on the Revised Uniform Unincorporated Nonprofit Association Act (RUUNAA) as adopted by the National Conference of Commissioners on Uniform State Laws in 2008 and recommended to the states for enactment.

With few exceptions, the hundreds of thousands of unincorporated nonprofit associations in the United States are subject to a hodgepodge of common law principles and statutes governing some of their legal aspects. RUUNAA provides a basic comprehensive legal framework governing all unincorporated nonprofit associations formed or operating in the enacting state. The act deals with the following basic issues: (1) definition of the types of organizations covered; (2) the relation of the act to other existing laws; (3) the recognition of an unincorporated nonprofit association as a legal entity and the legal implications flowing from that status; (4) the contract and tort liability of an unincorporated nonprofit association and its members and managers; (5) internal governance, fiduciary duties, and agency authority; and (6) dissolution and merger.

This is an area of the law that has long needed reform and updating. The existing state laws in the states are largely based on common law aggregate theory, which no longer is suitable for organizations. Unincorporated nonprofit associations are the only type of organization where states have not enacted modern comprehensive governing statutes.

RUUNAA makes it clear that an unincorporated nonprofit association is a legal entity, separate from its members and managers. It can own and convey interests in property and can sue and be sued in its own name.

RUUNAA provides the same personal liability protection to members and managers of an unincorporated nonprofit association formed or operating in an enacting state as does a corporation. While this is a change from the common law joint and several liability theory which is based on the aggregate theory of such associations, it comports with the reasonable expectations of creditors and other persons engaged in transactions with them.

The vast majority of unincorporated nonprofit associations operate on an informal basis. RUUNAA provides a basic set of common sense default voting and other governance rules that will be applicable unless the association has established practices or agreements to the contrary. If an association has bylaws, for example, the provisions of the bylaws and not the default rules in the act will apply to the issues covered by the bylaws.

RUUNAA contains provisions setting forth the default rules for how members of an unincorporated nonprofit association are admitted, suspended, dismissed, expelled, or can resign; duties and liabilities of members and managers; their rights to financial and other information about an unincorporated nonprofit association; limitations on distributions from the association to members and manager; and right to reimbursement, indemnification, and advancement of expenses.

RUUNAA contains provisions for dissolving and winding up an unincorporated nonprofit association. RUUNAA also authorizes unincorporated nonprofit associations to merge into other types of organizations and

for other organizations to merge into unincorporated nonprofit associations. These provisions track the procedures in corporate merger statutes. There are special provisions protecting property held for a charitable purpose or subject to trust obligations held by one of the constituent organizations in the merger.

**Principal Introducer:** \_\_\_\_\_

**Senator Danielle Conrad**