

Representative Jordan D. Teuscher proposes the following substitute bill:

DECENTRALIZED AUTONOMOUS ORGANIZATIONS

AMENDMENTS

2023 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jordan D. Teuscher

Senate Sponsor: Kirk A. Cullimore

LONG TITLE

General Description:

This bill allows a decentralized autonomous organization that has not registered as a for-profit corporate entity or a non-profit entity to be treated as the legal equivalent of a domestic limited liability company.

Highlighted Provisions:

This bill:

- ▶ enacts the Decentralized Autonomous Organization Act;
- ▶ defines terms under the act;
- ▶ establishes the requirements of a decentralized autonomous organization to be recognized by the state;
- ▶ establishes the purposes for which a decentralized autonomous organization may be formed; and
- ▶ establishes the membership requirements and rights of members of decentralized autonomous organizations.

Money Appropriated in this Bill:

None

Other Special Clauses:



26 H→ [~~This bill provides retrospective operation.~~] This bill provides a special effective date. ←H

27 **Utah Code Sections Affected:**

28 ENACTS:

- 29 48-5-101, Utah Code Annotated 1953
- 30 48-5-102, Utah Code Annotated 1953
- 31 48-5-103, Utah Code Annotated 1953
- 32 48-5-104, Utah Code Annotated 1953
- 33 48-5-105, Utah Code Annotated 1953
- 34 48-5-106, Utah Code Annotated 1953
- 35 48-5-107, Utah Code Annotated 1953
- 36 48-5-108, Utah Code Annotated 1953
- 37 48-5-109, Utah Code Annotated 1953
- 38 48-5-201, Utah Code Annotated 1953
- 39 48-5-202, Utah Code Annotated 1953
- 40 48-5-203, Utah Code Annotated 1953
- 41 48-5-204, Utah Code Annotated 1953
- 42 48-5-301, Utah Code Annotated 1953
- 43 48-5-302, Utah Code Annotated 1953
- 44 48-5-303, Utah Code Annotated 1953
- 45 48-5-304, Utah Code Annotated 1953
- 46 48-5-305, Utah Code Annotated 1953
- 47 48-5-306, Utah Code Annotated 1953
- 48 48-5-307, Utah Code Annotated 1953
- 49 48-5-401, Utah Code Annotated 1953
- 50 48-5-402, Utah Code Annotated 1953
- 51 48-5-403, Utah Code Annotated 1953
- 52 48-5-404, Utah Code Annotated 1953
- 53 48-5-405, Utah Code Annotated 1953
- 54 48-5-406, Utah Code Annotated 1953

56 *Be it enacted by the Legislature of the state of Utah:*

57 Section 1. Section **48-5-101** is enacted to read:

58 **CHAPTER 5. DECENTRALIZED AUTONOMOUS ORGANIZATION ACT**

59 **Part 1. General Provisions**

60 **48-5-101. Definitions.**

61 As used in this chapter:

62 (1) "Administrator" means a person that is appointed in a manner specified in the
63 by-laws to make decisions for specific, predefined operations of the decentralized autonomous
64 organization.

65 (2) "Asset" means an item of value, whether on-chain or off-chain.

66 (3) "By-laws" means the procedural rules and regulations that govern a decentralized
67 autonomous organization and the interaction of the decentralized autonomous organization's
68 members and participants.

69 (4) "Cryptographic proof" means a mathematical proof that verifies that a message has
70 not been tampered with or altered in any way and can be verified by a person that has access to
71 the original message and the proof.

72 (5) "Decentralized" means that decision-making is distributed among multiple persons.

73 (6) "Decentralized autonomous organization" means an organization:

74 (a) created by one or more smart contracts;

75 (b) that implements rules enabling individuals to coordinate for decentralized
76 governance of an organization; and

77 (c) that is an entity formed under this chapter.

78 (7) (a) "Developer" means a person involved in the development or maintenance of a
79 decentralized autonomous organization.

80 (b) "Developer" includes a person that provides:

81 (i) software code; or

82 (ii) design, business, legal, or ancillary support.

83 (8) (a) "Dispute resolution mechanism" means an on-chain alternative dispute
84 resolution system that enables persons to resolve disputes arising out of a decentralized
85 autonomous organization.

86 (b) "Dispute resolution mechanism" includes:

87 (i) arbitration;

88 (ii) expert determination; or

89 (iii) an on-chain alternative court system.

90 (9) "Division" means the Division of Corporations and Commercial Code.

91 (10) "Failure event" means an error in the decentralized autonomous organization's
92 software code or an exploit that:

93 (a) renders the decentralized autonomous organization inoperative; or

94 (b) fundamentally changes the expected operation of the decentralized autonomous
95 organization.

96 (11) "Graphical user interface" means a publicly accessible interface through which a
97 person interacts with computer software through visual indicator representations.

98 (12) "Hard fork" means a blockchain software upgrade that is not compatible with
99 previous versions of the blockchain software and requires all users to upgrade to the latest
100 version of the blockchain software.

101 (13) "Legal representative" means an individual appointed in the manner specified in
102 the by-laws of a decentralized autonomous organization to perform procedural functions
103 off-chain on behalf of a decentralized autonomous organization.

104 (14) "Majority chain" means the version of the blockchain accepted by more than half
105 of the blockchain's validators following a hard fork.

106 (15) "Meeting" means a synchronous or asynchronous event for the purpose of
107 discussing and acting upon decentralized autonomous organization related matters by members
108 or participants.

109 (16) (a) "Member" means a person who has governance rights in a decentralized
110 autonomous organization.

111 (b) "Member" does not include an individual that has involuntarily received a token
112 with governance rights, unless that person has chosen to participate in governance by
113 undertaking a governance behavior, on-chain or off-chain, for the decentralized autonomous
114 organization.

115 (17) "Minority chain" means the version of the chain that is not the majority chain
116 following a hard fork.

117 (18) "Off-chain" means any action that is not on-chain.

118 (19) "On-chain" means any action that is recorded and verified on a blockchain.

119 (20) "On-chain contribution" refers to any token segregated and locked in one of the
120 decentralized autonomous organization's smart contracts for the purpose of member buy-in to
121 the decentralized autonomous organization and the provision of withdrawable capital.

122 (21) "Organizer" means a person that submits the certificate of filing as required in
123 Section [48-5-201](#).

124 (22) "Participant" means a person that:

125 (a) is not a member of a decentralized autonomous organization; and

126 (b) holds or interacts with a token of a decentralized autonomous organization.

127 (23) "Permissionless blockchain" means a publicly distributed ledger that allows a
128 person to transact and produce blocks in accordance with the blockchain protocol, in which the
129 validity of the block is independent of the identity of the user.

130 (24) "Public address" means a unique, durable identifier that an individual can transact
131 with on a permissionless blockchain.

132 (25) "Public forum" means a freely accessible online environment that is commonly
133 used for the exercise of speech and public debate.

134 (26) "Public signal" means a declaration authorized by the decentralized autonomous
135 organization in a public forum.

136 (27) "Quality assurance" means a security review of the software code of the
137 decentralized autonomous organization in accordance with industry standards.

138 (28) "Redeem" means to exchange a token for the value that the token represents.

139 (29) "Smart contract" means software code that:

140 (a) is deployed on a permissionless blockchain;

141 (b) consists of a set of predefined instructions executed in a distributed manner by the
142 nodes of an underlying blockchain network; and

143 (c) produces a change on the blockchain network.

144 (30) "Token" means a record on a permissionless blockchain that represents an asset,
145 participation right, or other entitlement.

146 (31) "Transaction" means a new entry in a permissionless blockchain, including the
147 recording of a change in ownership of an asset or participation in a decentralized autonomous
148 organization.

149 Section 2. Section **48-5-102** is enacted to read:

150 **48-5-102. Governing document hierarchy -- Governing law.**

151 A decentralized autonomous organization shall be governed by the following, listed in
152 order of primacy:

153 (1) this act;

154 (2) the by-laws of the decentralized autonomous organization;

155 (3) if this act and a decentralized autonomous organization's by-laws are silent, the
156 provisions of Chapter 3a, Utah Revised Uniform Limited Liability Company Act; and

157 (4) principles of law and equity.

158 Section 3. Section **48-5-103** is enacted to read:

159 **48-5-103. Powers of the division.**

160 (1) (a) The division may make, amend, or rescind a rule, form, or order when necessary
161 to carry out this chapter.

162 (b) The division shall make rules in accordance with Title 63G, Chapter 3, Utah
163 Administrative Rulemaking Act.

164 (2) The division may by rule:

165 (a) provide the form and content of a registration requirement required under this
166 chapter;

167 (b) provide the method of determining whether formation requirements described in
168 Section [48-5-201](#) have been met and when to issue a certificate of organization; and

169 (c) identify industry standards for determining whether the decentralized autonomous
170 organization has undergone security review for quality assurance.

171 Section 4. Section **48-5-104** is enacted to read:

172 **48-5-104. Legal personality.**

173 A decentralized autonomous organization that meets the requirements of this act:

174 (1) shall be deemed a legal entity separate and distinct from the decentralized
175 autonomous organization's members;

176 (2) has the capacity to sue and be sued in the decentralized autonomous organization's
177 own name and the power to do all things necessary or convenient to carry on the decentralized
178 autonomous organization's activities and affairs;

179 (3) shall meet the decentralized autonomous organization's liabilities through the
180 decentralized autonomous organization's assets;

181 (4) may have any lawful purpose; and

182 (5) has perpetual duration.

183 Section 5. Section **48-5-105** is enacted to read:

184 **48-5-105. Permitted names.**

185 (1) (a) The name of a limited liability decentralized autonomous organization shall
186 contain the words limited liability decentralized autonomous organization or limited
187 decentralized autonomous organization or the abbreviation L.L.D., LLD, L.D., or LD.

188 (b) Limited may be abbreviated as Ltd., and decentralized autonomous organization
189 may be abbreviated as DAO.

190 (2) Except as authorized by Subsection (3), the name of a decentralized autonomous
191 organization shall be distinguishable as defined in Subsection (4) upon the records of the
192 division from:

193 (a) the actual name, reserved name, or fictitious or assumed name of any entity
194 registered with the division; or

195 (b) any tradename, trademark, or service mark registered with the division.

196 (3) (a) A decentralized autonomous organization may apply to the division for approval
197 to reserve a name that is not distinguishable upon the division's records from one or more of
198 the names described in Subsection (2).

199 (b) The division shall approve the name for which the decentralized autonomous
200 organization applies under Subsection (3)(a) if:

201 (i) the other person with a name that is not distinguishable from the name under which
202 the applicant desires to file:

203 (A) consents to the filing in writing; and

204 (B) files a form approved by the division to change the person's name to a name that is
205 distinguishable from the name of the applicant; or

206 (ii) the applicant delivers to the division a certified copy of the final judgment of a
207 court of competent jurisdiction establishing the applicant's right to use the name in this state.

208 (4) A name is distinguishable from other names, trademarks, and service marks
209 registered with the division if the name contains one or more different words, letters, or
210 numerals from other names upon the division's records.

211 (5) The following differences are not distinguishing:

- 212 (a) the term:
- 213 (i) decentralized autonomous organization;
- 214 (ii) DAO;
- 215 (iii) limited liability decentralized autonomous organization;
- 216 (iv) L.L.D. or L.L.DAO.; or
- 217 (v) L.D. or L.DAO.;
- 218 (b) an abbreviation of a word listed in Subsection (5)(a);
- 219 (c) the presence or absence of the words or symbols of the words "the," "and," "a," or
- 220 "plus";
- 221 (d) differences in punctuation and special characters;
- 222 (e) differences in capitalization; or
- 223 (f) differences in singular and plural forms of words.
- 224 (6) The division may not approve for filing a name that implies that a decentralized
- 225 autonomous organization is an agency of this state or any of the state's political subdivisions, if
- 226 the decentralized autonomous organization is not actually such a legally established agency or
- 227 subdivision.
- 228 (7) The authorization to reserve or register a decentralized autonomous organization
- 229 name as granted by the division does not:
- 230 (a) abrogate or limit the law governing unfair competition or unfair trade practices;
- 231 (b) derogate from the common law, the principles of equity, or the statutes of this state
- 232 or of the United States with respect to the right to acquire and protect names and trademarks; or
- 233 (c) create an exclusive right in geographic or generic terms contained within a name.
- 234 (8) The name of a decentralized autonomous organization may not contain:
- 235 (a) the term:
- 236 (i) association;
- 237 (ii) corporation;
- 238 (iii) incorporated;
- 239 (iv) partnership;
- 240 (v) limited liability company;
- 241 (vi) limited partnership; or
- 242 (vii) L.P.;

243 (b) any word or abbreviation that is of like import to the terms listed in Subsection
244 (8)(a);

245 (c) without the written consent of the United States Olympic Committee, the words:

246 (i) Olympic;

247 (ii) Olympiad; or

248 (iii) Citius Altius Fortius;

249 (d) without the written consent of the Division of Consumer Protection issued in
250 accordance with Section 13-34-114, the terms:

251 (i) university;

252 (ii) college; or

253 (iii) institute or institution; or

254 (e) the number sequence 911.

255 (9) A person, other than a decentralized autonomous organization formed under this
256 chapter or another decentralized autonomous organization that is authorized to transact
257 business in this state, may not use in the person's name in this state the term:

258 (a) limited liability decentralized autonomous organization;

259 (b) limited decentralized autonomous organization;

260 (c) L.L.DAO. or L.L.D.; or

261 (d) L.DAO. or L.D.

262 Section 6. Section **48-5-106** is enacted to read:

263 **48-5-106. Registered agent.**

264 Each decentralized autonomous organization shall designate a registered agent in this
265 state in accordance with Subsection 16-17-203(1) and maintain a registered agent in the state.

266 Section 7. Section **48-5-107** is enacted to read:

267 **48-5-107. Fees.**

268 Unless otherwise provided by statute, the division shall charge and collect a fee for
269 services established by the division in accordance with Section 63J-1-504 including fees:

270 (1) for issuing a certified copy of any document, instrument, or paper relating to a
271 decentralized autonomous organization; and

272 (2) for affixing the seal to a certified copy described in Subsection (1).

273 Section 8. Section **48-5-108** is enacted to read:

274 **48-5-108. Certificates issued by the division.**

275 (1) Any person may apply to the division for:

276 (a) a certificate of existence for a decentralized autonomous organization; or

277 (b) a certificate that sets forth any facts of record in the division.

278 (2) A certificate of existence or certificate of authorization sets forth:

279 (a) the decentralized autonomous organization's name;

280 (b) that the decentralized autonomous organization is recognized under the law of this
281 state;

282 (c) the date of the decentralized autonomous organization's formation;

283 (d) that articles of dissolution have not been filed by the division; and

284 (e) other facts of record in the division that may be requested by the applicant.

285 (3) Subject to any qualification stated in the certificate, a certificate issued by the
286 division may be relied upon as conclusive evidence of the facts set forth in the certificate.

287 Section 9. Section **48-5-109** is enacted to read:

288 **48-5-109. Electronic documents.**

289 (1) Subject to Section [48-5-107](#), the division shall by rule permit a writing required or
290 permitted to be filed with the division under this chapter:

291 (a) to be delivered, mailed, or filed:

292 (i) in an electronic medium; or

293 (ii) by electronic transmission; or

294 (b) to be signed by photographic, electronic, or other means prescribed by rule, except
295 that a writing signed in an electronic medium shall be signed by electronic signature in
296 accordance with Title 46, Chapter 4, Uniform Electronic Transactions Act.

297 (2) The division may by rule provide for any writing required or permitted to be
298 prepared, delivered, or mailed by the division under this chapter to be prepared, delivered, or
299 mailed:

300 (a) in an electronic medium; or

301 (b) by electronic transmission.

302 Section 10. Section **48-5-201** is enacted to read:

303 **Part 2. Formation**

304 **48-5-201. Formation requirements.**

305 (1) (a) One or more persons may act as organizers to form a decentralized autonomous
306 organization by delivering to the division for filing a certificate of organization.

307 (b) At least one of the organizers of a decentralized autonomous organization shall be
308 an individual.

309 (2) (a) A certificate of organization shall provide:

310 (i) the name of the decentralized autonomous organization, which shall comply with
311 Section [48-3a-108](#);

312 (ii) the name of an organizer that is an individual;

313 (iii) the street and mailing address of the organizer described in Subsection (2)(a)(ii);

314 (iv) the name and address of the legal representative; and

315 (v) the information required by Subsection [16-17-203\(1\)](#).

316 (b) An organizer may request that the information provided in Subsections (2)(a)(ii)
317 and (iii) is redacted by the division before any public disclosure of the filing.

318 (3) A decentralized autonomous organization shall submit evidence to the division that
319 the decentralized autonomous organization has complied with the following requirements:

320 (a) the decentralized autonomous organization is deployed on a permissionless
321 blockchain;

322 (b) the decentralized autonomous organization has a unique public address through
323 which an individual can review and monitor the decentralized autonomous organization's
324 transactions;

325 (c) the software code of the decentralized autonomous organization is available in a
326 public forum for any person to review;

327 (d) the software code of the decentralized autonomous organization has undergone
328 quality assurance;

329 (e) the decentralized autonomous organization has a graphical user interface that:

330 (i) allows a person to read the value of the key variables of the decentralized
331 autonomous organization's smart contracts;

332 (ii) allows a person to monitor all transactions originating from, or addressed to, the
333 decentralized autonomous organization's smart contracts;

334 (iii) specifies the restrictions on a member's ability to redeem tokens;

335 (iv) makes available the decentralized autonomous organization's by-laws; and

- 336 (v) displays the mechanism to contact the administrator of the decentralized
337 autonomous organization;
- 338 (f) the governance system of the decentralized autonomous organization is
339 decentralized;
- 340 (g) the decentralized autonomous organization has at least one member;
- 341 (h) (i) there is a publicly specified communication mechanism that allows a person to
342 contact the registered agent of the decentralized autonomous organization and provide legally
343 recognized service; and
- 344 (ii) a member or administrator of the decentralized autonomous organization is able to
345 access the contents of this communication mechanism; and
- 346 (i) the decentralized autonomous organization describes or provides a dispute
347 resolution mechanism that is:
- 348 (i) binding on the decentralized autonomous organization, the members, and
349 participants of the decentralized autonomous organization; and
- 350 (ii) able to resolve disputes with third parties capable of settlement by alternative
351 dispute resolution.
- 352 (4) Notwithstanding the requirements of Subsection (3)(e)(iv), a decentralized
353 autonomous organization may redact sensitive information from the by-laws before making the
354 by-laws available, if those redactions are necessary to protect the privacy of individual
355 members or participants in the decentralized autonomous organization.
- 356 (5) A decentralized autonomous organization is formed when the decentralized
357 autonomous organization's certificate of organization becomes effective and the decentralized
358 autonomous organization submits the evidence required in Subsection (3).
- 359 (6) Upon formation, the decentralized autonomous organization shall have limited
360 liability, subject to the provisions of Section [48-5-202](#).
- 361 (7) A decentralized autonomous organization may request a certificate of organization
362 from the division to signify that the decentralized autonomous organization has complied with
363 the requirements for legal personality under this act.
- 364 Section 11. Section **48-5-202** is enacted to read:
- 365 **48-5-202. Limited liability.**
- 366 (1) Except as set forth in Subsections (2) and (3), a member:

367 (a) may only be liable for the on-chain contributions that the member has committed to
368 the decentralized autonomous organization;

369 (b) may not be held personally liable for any excess liability after the decentralized
370 autonomous organization's assets have been exhausted;

371 (c) may not be held personally liable for any obligation incurred by the decentralized
372 autonomous organization; and

373 (d) may not be held personally liable, in the member's capacity as a member, for the
374 wrongful act or omission of any other member of the decentralized autonomous organization.

375 (2) If a decentralized autonomous organization refuses to comply with an enforceable
376 judgment, order, or award entered against the decentralized autonomous organization, the
377 members who voted against compliance may be liable for any monetary payments ordered in
378 the judgment, order, or award in proportion to the member's share of governance rights in the
379 decentralized autonomous organization.

380 (3) Subsections (1) and (2) do not affect the personal liability of a member in tort for a
381 member's own wrongful act or omission.

382 Section 12. Section **48-5-203** is enacted to read:

383 **48-5-203. By-laws.**

384 (1) A decentralized autonomous organization shall adopt by-laws that establish internal
385 organization and procedures for the decentralized autonomous organization.

386 (2) The by-laws shall be set out in plain terms.

387 (3) The bylaws of a decentralized autonomous organization may contain any provision
388 for managing the entity and regulating the affairs of the decentralized autonomous organization
389 that is not inconsistent with law.

390 Section 13. Section **48-5-204** is enacted to read:

391 **48-5-204. Annual report to the division.**

392 (1) A decentralized autonomous organization shall deliver to the division for filing an
393 annual report that states:

394 (a) the name of the decentralized autonomous organization; and

395 (b) the information required by Subsection [16-17-203\(1\)](#).

396 (2) Information in the annual report must be current as of the date the report is signed
397 by the decentralized autonomous organization.

398 (3) Every 12 months after the decentralized autonomous organization has been issued a
399 certificate of organization, the decentralized autonomous organization shall submit the annual
400 report described in Subsection (1) to the division.

401 Section 14. Section **48-5-301** is enacted to read:

402 **Part 3. Members**

403 **48-5-301. Classes of participation rights -- Membership.**

404 (1) A decentralized autonomous organization's by-laws may create multiple classes of
405 member participation rights.

406 (2) Where the decentralized autonomous organization has tokens providing governance
407 powers to the token holder, the token holder shall be considered a member of the decentralized
408 autonomous organization:

409 (a) from the time the ownership of the tokens is established to be in the possession of
410 an address; or

411 (b) from the time when ownership is first acknowledged by the token holder through an
412 on-chain interaction with the decentralized autonomous organization.

413 (3) This section does not apply in the event of a hard fork.

414 Section 15. Section **48-5-302** is enacted to read:

415 **48-5-302. Voting rights.**

416 (1) The by-laws shall set out the distribution of voting rights for the classes of member
417 participation rights in a decentralized autonomous organization.

418 (2) The method by which these voting rights are computed and distributed shall be set
419 out in the by-laws.

420 Section 16. Section **48-5-303** is enacted to read:

421 **48-5-303. Proxies.**

422 (1) A member may be represented by a proxy.

423 (2) The by-laws of a decentralized autonomous organization may establish the
424 requirements for representation by proxy.

425 (3) A proxy may exercise all rights of a member.

426 Section 17. Section **48-5-304** is enacted to read:

427 **48-5-304. Minority rights protection.**

428 The decentralized autonomous organization shall state in the by-laws whether the

429 decentralized autonomous organization provides minority rights protection.

430 Section 18. Section **48-5-305** is enacted to read:

431 **48-5-305. Administrators.**

432 (1) Unless mandated in the decentralized autonomous organization's by-laws, a
433 decentralized autonomous organization is not required to have an administrator, including a
434 board of directors or a trustee.

435 (2) In the absence of a provision requiring administrators, all the powers and tasks of
436 an administrator shall be vested in the decentralized autonomous organization members as a
437 class.

438 (3) The voting mechanism for nominating and appointing an administrator shall be set
439 out in the decentralized autonomous organization's by-laws.

440 Section 19. Section **48-5-306** is enacted to read:

441 **48-5-306. Legal representation.**

442 (1) A decentralized autonomous organization shall retain a legal representative to
443 undertake tasks that cannot be achieved on-chain.

444 (2) Legal representation of the decentralized autonomous organization shall be carried
445 out by the legal representative in the manner provided in the by-laws, as evidenced by an
446 authorization displayed on a public forum, and verifiable by cryptographic proof.

447 (3) The legal representative may undertake and execute any and all acts and contracts
448 included within the scope of such authorization.

449 (4) The legal representative may not be required to reside in Utah.

450 (5) A legal representative may not be personally liable for acts performed on behalf of
451 the decentralized autonomous organization.

452 Section 20. Section **48-5-307** is enacted to read:

453 **48-5-307. No implicit fiduciary status.**

454 A developer, member, participant, or legal representative of a decentralized
455 autonomous organization may not be imputed to have fiduciary duties towards each other or
456 third parties solely on account of their role, unless the developer, member, participant, or legal
457 representative:

458 (1) explicitly holds themselves out as a fiduciary; or

459 (2) stipulates to assume a fiduciary status as provided in the decentralized autonomous

460 organization's by-laws.

461 Section 21. Section **48-5-401** is enacted to read:

462 **Part 4. Miscellaneous Provisions**

463 **48-5-401. Asset subscription and payment.**

464 (1) No minimum capital requirements may apply to a decentralized autonomous
465 organization recognized by this act.

466 (2) If the decentralized autonomous organization wishes to maintain a minimum
467 amount of capital, the by-laws of the decentralized autonomous organization shall specify the
468 rules for subscription and payment.

469 (3) The by-laws shall provide the rules for exiting the decentralized autonomous
470 organization that address the consequences of voluntary and involuntary member and
471 participant exit on subscriptions and payments made by the member or participant.

472 (4) No member may compel the dissolution of the decentralized autonomous
473 organization for failure to return the member's on-chain contribution.

474 Section 22. Section **48-5-402** is enacted to read:

475 **48-5-402. Meetings.**

476 (1) A decentralized autonomous organization may hold meetings as provided in the
477 decentralized autonomous organization's by-laws.

478 (2) Unless explicitly specified in the by-laws, meetings are not required to be in person.

479 (3) If the by-laws include a meeting requirement, the by-laws shall include an explicit
480 and transparent mechanism of giving notice of meetings to administrators, members, or
481 participants, and a defined time period for deliberating upon proposals submitted by an
482 administrator, member, or participant.

483 (4) Notice of any required meeting shall be communicated through a graphical user
484 interface.

485 (5) The quorum and majority requirements for meetings of a decentralized autonomous
486 organization's administrators, members, or participants shall be specified in the by-laws.

487 Section 23. Section **48-5-403** is enacted to read:

488 **48-5-403. Contentious forks in the underlying blockchain.**

489 (1) Except as provided in this section, in the event of a hard fork in the underlying
490 permissionless blockchain:

491 (a) the legal representation of the decentralized autonomous organization remains on
492 the majority chain; and

493 (b) any off-chain assets shall belong to the decentralized autonomous organization on
494 the majority chain.

495 (2) (a) A decentralized autonomous organization may choose to maintain legal
496 presence on a minority chain if the decentralized autonomous organization expresses an intent
497 to do so by public signal.

498 (b) If the decentralized autonomous organization expresses an intent by public signal to
499 maintain legal presence on a minority chain, any off-chain assets shall belong to the
500 decentralized autonomous organization on the selected minority chain.

501 (3) The decentralized autonomous organization may liquidate the decentralized
502 autonomous organization's on-chain assets after a hard fork to move those assets to the chosen
503 chain.

504 (4) The decentralized autonomous organization may split into multiple legal entities
505 after a hard fork, each on a separate chain, after public signal of an intent to do so, provided
506 there is a definitive distribution of off-chain assets between the majority and minority chain.

507 Section 24. Section **48-5-404** is enacted to read:

508 **48-5-404. Restructuring.**

509 (1) When a decentralized autonomous organization is restructured, whether through
510 modification, upgrade, or migration, the decentralized autonomous organization's legal
511 personality and limited liability is retained only to the extent that:

512 (a) the new software code of the decentralized autonomous organization fulfills all the
513 formation requirements of Section [48-5-201](#); and

514 (b) where the decentralized autonomous organization has to be associated with a new
515 unique public address, proper notice is provided by way of public signal.

516 (2) A decentralized autonomous organization that is restructured in compliance with
517 Subsection (1) inherits the rights and obligations of the original decentralized autonomous
518 organization as a successor.

519 Section 25. Section **48-5-405** is enacted to read:

520 **48-5-405. Failure event.**

521 (1) In the case of a failure event, legal personality and limited liability are maintained

522 to the extent necessary to protect decentralized autonomous organization members and
523 participants from personal liability.

524 (2) A failure event may trigger liability on the person deploying or upgrading the
525 decentralized autonomous organization if that person:

- 526 (a) acted in bad faith; or
- 527 (b) engaged in gross negligence.

528 Section 26. Section **48-5-406** is enacted to read:

529 **48-5-406. Taxation.**

530 (1) A decentralized autonomous organization recognized by this act shall be eligible to
531 elect the decentralized autonomous organization's classification for federal tax purposes.

532 (2) (a) Unless otherwise elected under Subsection (1), a decentralized autonomous
533 organization recognized by this act shall be treated as a pass-through entity for tax purposes,
534 with no entity-level tax accruing to the decentralized autonomous organization.

535 (b) Any realized gains shall pass through to the decentralized autonomous
536 organization's members in proportion to their token holdings.

537 (3) Where a member is not a taxable entity, the realized gains allocated to such
538 members shall pass to the first taxable person.

539 ~~Ĥ→ [Section 27. Retrospective operation.~~

540 ~~—— Section 48-5-406 has retrospective operation for a taxable year beginning on or after~~
541 ~~January 1, 2023.] Section 27. Effective date.~~

541a **(1) Except as provided in Subsection (2), this bill takes effect on January 1, 2024.**

541b **(2) Section 48-5-406 takes effect for a taxable year beginning on or after January 1,**
541c **2024.** ←Ĥ