

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:

None

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 **48-5-301**, Utah Code Annotated 1953
- 42 **48-5-302**, Utah Code Annotated 1953
- 43 **48-5-303**, Utah Code Annotated 1953
- 44 **48-5-304**, Utah Code Annotated 1953
- 45 **48-5-305**, Utah Code Annotated 1953
- 46 **48-5-306**, Utah Code Annotated 1953
- 47 **48-5-307**, Utah Code Annotated 1953
- 48 **48-5-401**, Utah Code Annotated 1953
- 49 **48-5-402**, Utah Code Annotated 1953
- 50 **48-5-403**, Utah Code Annotated 1953
- 51 **48-5-404**, Utah Code Annotated 1953
- 52 **48-5-405**, Utah Code Annotated 1953
- 53 **48-5-406**, Utah Code Annotated 1953

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

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

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

58 **Part 1. General Provisions**

59 **48-5-101. Definitions.**60 As used in this chapter:61 (1) "Administrator" means a person that is appointed in a manner specified in the
62 by-laws to make decisions for specific, predefined operations of the decentralized autonomous
63 organization.64 (2) "Asset" means an item of value, whether on-chain or off-chain.65 (3) "By-laws" means the procedural rules and regulations that govern a decentralized
66 autonomous organization and the interaction of the decentralized autonomous organization's
67 members and participants.68 (4) "Cryptographic proof" means a mathematical proof, using a cryptographic hash
69 function, that verifies that a message has not been tampered with or altered in any way and can
70 be verified by a person that has access to the original message and the proof.71 (5) "Decentralized" means that decision-making is distributed among multiple persons.72 (6) "Decentralized autonomous organization" means an organization:73 (a) created by one or more smart contracts;74 (b) that implements rules enabling individuals to coordinate for decentralized
75 governance of an organization; and76 (c) that is an entity formed under this chapter.77 (7) (a) "Developer" means a person involved in the development or maintenance of a
78 decentralized autonomous organization.79 (b) "Developer" includes a person that provides:80 (i) software code; or81 (ii) design, business, legal, or ancillary support.82 (8) (a) "Dispute resolution mechanism" means an on-chain alternative dispute
83 resolution system that enables persons to resolve disputes arising out of a decentralized
84 autonomous organization.85 (b) "Dispute resolution mechanism" includes:86 (i) arbitration;87 (ii) expert determination; or88 (iii) an on-chain alternative court system.89 (9) "Division" means the Division of Corporations and Commercial Code.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

121 (21) "Participant" means a person that:

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

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

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

127 (23) "Public address" means a unique, durable identifier that an individual can transact
128 with on a permissionless blockchain.

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

131 (25) "Public signal" means a declaration authorized by the decentralized autonomous
132 organization in a public forum.

133 (26) "Quality assurance" means a security review of the software code of the
134 decentralized autonomous organization in accordance with industry standards.

135 (27) "Redeem" means to exchange a token for the value that the token represents.

136 (28) "Smart contract" means software code that:

137 (a) is deployed on a permissionless blockchain;

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

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

141 (29) "Token" means a record on a permissionless blockchain that represents an asset,
142 participation right, or other entitlement.

143 (30) "Transaction" means a new entry in a permissionless blockchain, including the
144 recording of a change in ownership of an asset or participation in a decentralized autonomous
145 organization.

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

147 **48-5-102. Governing document hierarchy -- Governing law.**

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

150 (1) this act;

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

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

154 (4) principles of law and equity.

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

156 **48-5-103. Powers of the division.**

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

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

161 (2) The division may by rule:

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

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

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

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

169 **48-5-104. Legal personality.**

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

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

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

176 (3) shall meet the decentralized autonomous organization's liabilities through the
177 decentralized autonomous organization's assets;

178 (4) may have any lawful purpose; and

179 (5) has perpetual duration.

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

181 **48-5-105. Permitted names.**

182 (1) (a) The name of a limited liability decentralized autonomous organization shall

183 contain the words limited liability decentralized autonomous organization or limited
184 decentralized autonomous organization or the abbreviation L.L.D., LLD, L.D., or LD.

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

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

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

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

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

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

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

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

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

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

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

208 (5) The following differences are not distinguishing:

209 (a) the term:

210 (i) decentralized autonomous organization;

211 (ii) DAO;

212 (iii) limited liability decentralized autonomous organization;

213 (iv) L.L.D. or L.L.DAO.; or

- 214 (v) L.D. or L.DAO.;
- 215 (b) an abbreviation of a word listed in Subsection (5)(a);
- 216 (c) the presence or absence of the words or symbols of the words "the," "and," "a," or
- 217 "plus";
- 218 (d) differences in punctuation and special characters;
- 219 (e) differences in capitalization; or
- 220 (f) differences in singular and plural forms of words.
- 221 (6) The division may not approve for filing a name that implies that a decentralized
- 222 autonomous organization is an agency of this state or any of the state's political subdivisions, if
- 223 the decentralized autonomous organization is not actually such a legally established agency or
- 224 subdivision.
- 225 (7) The authorization to reserve or register a decentralized autonomous organization
- 226 name as granted by the division does not:
- 227 (a) abrogate or limit the law governing unfair competition or unfair trade practices;
- 228 (b) derogate from the common law, the principles of equity, or the statutes of this state
- 229 or of the United States with respect to the right to acquire and protect names and trademarks; or
- 230 (c) create an exclusive right in geographic or generic terms contained within a name.
- 231 (8) The name of a decentralized autonomous organization may not contain:
- 232 (a) the term:
- 233 (i) association;
- 234 (ii) corporation;
- 235 (iii) incorporated;
- 236 (iv) partnership;
- 237 (v) limited partnership; or
- 238 (vi) L.P.;
- 239 (b) any word or abbreviation that is of like import to the terms listed in Subsection
- 240 (8)(a);
- 241 (c) without the written consent of the United States Olympic Committee, the words:
- 242 (i) Olympic;
- 243 (ii) Olympiad; or
- 244 (iii) Citius Altius Fortius;

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

- 247 (i) university;
- 248 (ii) college; or
- 249 (iii) institute or institution; or
- 250 (e) the number sequence 911.

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

- 254 (a) limited liability decentralized autonomous organization;
- 255 (b) limited decentralized autonomous organization;
- 256 (c) L.L.DAO. or L.L.D.; or
- 257 (d) L.DAO. or L.D.

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

259 **48-5-106. Registered agent.**

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

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

263 **48-5-107. Fees.**

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

- 266 (a) for issuing a certified copy of any document, instrument, or paper relating to a
267 decentralized autonomous organization; and
- 268 (b) for affixing the seal to a certified copy described in Subsection (1)(a).

269 (2) (a) The division shall provide 24-hour processing of any item under this section
270 upon request.

271 (b) The division shall charge and collect additional fees established by the division in
272 accordance with Section 63J-1-504 for 24-hour processing service provided under Subsection
273 (2)(a).

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

275 **48-5-108. Certificates issued by the division.**

- 276 (1) Any person may apply to the division for:
- 277 (a) a certificate of existence for a decentralized autonomous organization; or
- 278 (b) a certificate that sets forth any facts of record in the division.
- 279 (2) A certificate of existence or certificate of authorization sets forth:
- 280 (a) the decentralized autonomous organization's name;
- 281 (b) that the decentralized autonomous organization is recognized under the law of this
- 282 state;
- 283 (c) the date of the decentralized autonomous organization's formation;
- 284 (d) that articles of dissolution have not been filed by the division; and
- 285 (e) other facts of record in the division that may be requested by the applicant.
- 286 (3) Subject to any qualification stated in the certificate, a certificate issued by the
- 287 division may be relied upon as conclusive evidence of the facts set forth in the certificate.

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

48-5-109. Electronic documents.

- 290 (1) Subject to Section [48-5-107](#), the division shall by rule permit a writing required or
 - 291 permitted to be filed with the division under this chapter:
 - 292 (a) to be delivered, mailed, or filed:
 - 293 (i) in an electronic medium; or
 - 294 (ii) by electronic transmission; or
 - 295 (b) to be signed by photographic, electronic, or other means prescribed by rule, except
 - 296 that a writing signed in an electronic medium shall be signed by electronic signature in
 - 297 accordance with Title 46, Chapter 4, Uniform Electronic Transactions Act.
 - 298 (2) The division may by rule provide for any writing required or permitted to be
 - 299 prepared, delivered, or mailed by the division under this chapter to be prepared, delivered, or
 - 300 mailed:
 - 301 (a) in an electronic medium; or
 - 302 (b) by electronic transmission.
- Section 10. Section **48-5-201** is enacted to read:
- Part 2. Formation**
- 48-5-201. Formation requirements.**
- 305 (1) A decentralized autonomous organization shall benefit from limited liability and
 - 306

307 legal personality as provided in this chapter, by meeting the following requirements:
308 (a) the decentralized autonomous organization shall be deployed on a permissionless
309 blockchain;
310 (b) the decentralized autonomous organization shall provide a unique public address
311 through which an individual can review and monitor the decentralized autonomous
312 organization's transactions;
313 (c) the software code of the decentralized autonomous organization shall be available
314 in a public forum for any person to review;
315 (d) the software code of the decentralized autonomous organization shall have
316 undergone quality assurance;
317 (e) the decentralized autonomous organization shall provide a graphical user interface
318 that:
319 (i) allows a person to read the value of the key variables of the decentralized
320 autonomous organization's smart contracts;
321 (ii) allows a person to monitor all transactions originating from, or addressed to, the
322 decentralized autonomous organization's smart contracts;
323 (iii) specifies the restrictions on a member's ability to redeem tokens;
324 (iv) makes available the decentralized autonomous organization's by-laws; and
325 (v) displays the mechanism to contact the administrator of the decentralized
326 autonomous organization;
327 (f) the governance system of the decentralized autonomous organization shall be
328 decentralized;
329 (g) the decentralized autonomous organization shall have at least one member at any
330 given time;
331 (h) (i) there shall be a publicly specified communication mechanism that allows a
332 person to contact the registered agent of the decentralized autonomous organization and
333 provide legally recognized service; and
334 (ii) a member or administrator of the decentralized autonomous organization shall be
335 able to access the contents of this communication mechanism; and
336 (i) the decentralized autonomous organization shall refer to or provide a dispute
337 resolution mechanism that is:

- 338 (i) binding on the decentralized autonomous organization, the members, and
339 participants of the decentralized autonomous organization; and
- 340 (ii) able to resolve disputes with third parties capable of settlement by alternative
341 dispute resolution.
- 342 (2) Notwithstanding the requirements of Subsection (1)(e)(iv), a decentralized
343 autonomous organization may redact sensitive information from the by-laws before making
344 them available, if those redactions are necessary to protect the privacy of individual members
345 or participants in the decentralized autonomous organization.
- 346 (3) Upon meeting the formation requirements in Subsection (1), the decentralized
347 autonomous organization shall have limited liability, subject to the provisions of Section
348 [48-5-202](#).
- 349 (4) A decentralized autonomous organization may request a certificate of organization
350 from the division to signify that the decentralized autonomous organization has complied with
351 the requirements for legal personality under this act.
- 352 Section 11. Section **48-5-202** is enacted to read:
- 353 **48-5-202. Limited liability.**
- 354 (1) Except as set forth in Subsections (2) and (3), a member:
- 355 (a) may only be liable for the on-chain contributions that the member has committed to
356 the decentralized autonomous organization;
- 357 (b) may not be held personally liable for any excess liability after the decentralized
358 autonomous organization's assets have been exhausted;
- 359 (c) may not be held personally liable for any obligation incurred by the decentralized
360 autonomous organization; and
- 361 (d) may not be held personally liable, in the member's capacity as a member, for the
362 wrongful act or omission of any other member of the decentralized autonomous organization.
- 363 (2) If a decentralized autonomous organization refuses to comply with an enforceable
364 judgment, order, or award entered against the decentralized autonomous organization, the
365 members who voted against compliance may be liable for any monetary payments ordered in
366 the judgment, order, or award in proportion to the member's share of governance rights in the
367 decentralized autonomous organization.
- 368 (3) Subsections (1) and (2) do not affect the personal liability of a member in tort for a

369 member's own wrongful act or omission.

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

371 **48-5-203. By-laws.**

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

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

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

378 Section 13. Section **48-5-301** is enacted to read:

379 **Part 3. Members**

380 **48-5-301. Classes of participation rights -- Membership.**

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

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

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

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

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

391 Section 14. Section **48-5-302** is enacted to read:

392 **48-5-302. Voting rights.**

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

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

397 Section 15. Section **48-5-303** is enacted to read:

398 **48-5-303. Proxies.**

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

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

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

403 Section 16. Section **48-5-304** is enacted to read:

404 **48-5-304. Minority rights protection.**

405 The decentralized autonomous organization shall state in the by-laws whether the
406 decentralized autonomous organization provides minority rights protection.

407 Section 17. Section **48-5-305** is enacted to read:

408 **48-5-305. Administrators.**

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

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

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

417 Section 18. Section **48-5-306** is enacted to read:

418 **48-5-306. Legal representation.**

419 (1) A decentralized autonomous organization may elect to retain a legal representative
420 to undertake tasks that cannot be achieved on-chain.

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

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

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

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

429 Section 19. Section **48-5-307** is enacted to read:

430 **48-5-307. No implicit fiduciary status.**

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

435 (1) explicitly holds themselves out as a fiduciary; or
436 (2) stipulates to assume a fiduciary status as provided in the decentralized autonomous
437 organization's by-laws.

438 Section 20. Section **48-5-401** is enacted to read:

439 **Part 4. Miscellaneous Provisions**

440 **48-5-401. Asset subscription and payment.**

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

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

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

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

451 Section 21. Section **48-5-402** is enacted to read:

452 **48-5-402. Meetings.**

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

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

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

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

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

464 Section 22. Section **48-5-403** is enacted to read:

465 **48-5-403. Contentious forks in the underlying blockchain.**

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

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

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

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

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

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

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

484 Section 23. Section **48-5-404** is enacted to read:

485 **48-5-404. Restructuring.**

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

489 (a) the new software code of the decentralized autonomous organization fulfills all the
490 formation requirements of Section 201; and

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

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

496 Section 24. Section **48-5-405** is enacted to read:

497 **48-5-405. Failure event.**

498 (1) In the case of a failure, event legal personality and limited liability are maintained
499 to the extent necessary to protect decentralized autonomous organization members and
500 participants from personal liability.

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

503 (a) acted in bad faith; or

504 (b) engaged in gross negligence.

505 Section 25. Section **48-5-406** is enacted to read:

506 **48-5-406. Taxation.**

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

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

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

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