**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          This bill provides retrospective operation.
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
55
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             Section 27.  **Retrospective operation.**

540             Section 48-5-406 has retrospective operation for a taxable year beginning on or after

541    January 1, 2023.