

SENATE BILL NO. _____ HOUSE BILL NO. _____

A BILL to amend the Code of Virginia by adding in Title 13.1 a chapter numbered 15, containing articles numbered 1 through 5, consisting of sections numbered 13.1-1300 through 13.1-1319, relating to corporations; limited liability decentralized autonomous organizations.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Title 13.1 a chapter numbered 15, containing articles numbered 1 through 5, consisting of sections numbered 13.1-1300 through 13.1-1319, as follows:

CHAPTER 15.

LIMITED LIABILITY DECENTRALIZED AUTONOMOUS ORGANIZATION ACT.

Article 1.

General Provisions.

§ 13.1-1300. Short title.

This chapter shall be known as the Limited Liability Decentralized Autonomous Organization Act.

§ 13.1-1301. Definitions.

As used in this chapter, unless the context requires a different meaning:

"Blockchain" means a digital ledger or database that is chronological, consensus based, decentralized, and mathematically verified in nature.

"Bylaws" means rules and regulations adopted by the LLD that govern its operations, management, participant rights and interests, amendment procedures, dispute resolution, and include the information described in § 13.1-1308.

"Commission" means the State Corporation Commission.

"Dissenting participant" means a participant that votes against using LLD assets to satisfy a judgment or other obligation.

"Governance token" means a digital unit, digital asset, or digital security signifying a participant interest in an LLD. Ownership of a governance token may or may not signify on-blockchain contributions of digital assets or capital to an LLD.

"Hard fork" means a divergence in the blockchain protocol creating alternative chains that may affect the LLD's governance or assets. "Hard fork" may include a blockchain software upgrade that is not compatible with previous versions of the blockchain software and requires all participants to upgrade to the latest version of the blockchain software.

"Legal representative" means a person or entity authorized to act on behalf of the LLD in the Commonwealth for off-blockchain legal and administrative matters.

"LLD" or "Limited Liability Decentralized Autonomous Organization" means a legal entity formed under the provisions of this chapter operates through decentralized governance using blockchain technology and smart contracts that execute decentralized decision-making mechanisms.

"On-blockchain contribution" means any contribution of assets or value made to the LLD through blockchain transactions or smart contracts. Making an "on-blockchain contribution" may or may not signify the ownership of a participant interest in an LLD.

"Participant" means a person that has governance rights through a participant interest in an LLD. "Participant" does not include a person that has involuntarily received governance tokens, unless that person has chosen to participate in the LLD in a manner consistent with its bylaws. A person is considered a "participant" from the time the person's ownership of governance tokens is established.

"Participant interest" means a participant's ownership share in an LLD as signified by the ownership of governance tokens or otherwise signified as specified in the LLD's bylaws.

"Smart contract" means an automated transaction, as defined in § 59.1-501.2, or any substantially similar analogue, that is comprised of code, script, or programming language that executes the terms of an agreement and that may include taking custody of and transferring an asset, administering participant interest votes with respect to a decentralized autonomous organization, or issuing executable instructions for these actions, based on the occurrence or nonoccurrence of specified conditions.

§ 13.1-1302. Relation to Virginia Limited Liability Company Act.

A. Nothing in this chapter shall be construed as repealing or modifying any statute or rule that applies to a limited liability company that is organized under the Virginia Limited Liability Company Act (§ 13.1-1000 et seq.) that does not elect to become an LLD by amending its articles of organization to include a statement consistent with this section and adopting bylaws consistent with the provisions of this chapter.

B. To the extent not inconsistent with the provisions of this chapter, provisions of the Virginia Limited Liability Company Act (§ 13.1-1000 et seq.) may apply, including provisions related to indemnification, amendments, mergers, and conversions.

§ 13.1-1303. Status as Limited Liability Decentralized Autonomous Organization; statement required.

A. An LLD is a distinct legal entity with bylaws that contain a statement that the company is operating as an LLD. The bylaws shall designate an operator of record, which may be a person or entity, with fiduciary duties to the organization pursuant to (x-ref).

B. An LLD shall include the following statement within its bylaws and operating agreement, and any limited liability company electing to become a LLD pursuant to (x-ref) shall include the following statement as an amendment to its articles of organization:

THE RIGHTS OF PARTICIPANTS OF A LIMITED LIABILITY DECENTRALIZED AUTONOMOUS ORGANIZATION MAY DIFFER MATERIALLY FROM THE RIGHTS OF PARTICIPANTS OF OTHER LIMITED LIABILITY COMPANIES. THE LIMITED LIABILITY DECENTRALIZED AUTONOMOUS ORGANIZATION ACT, THE BYLAWS, THE OPERATING AGREEMENT, OR ANY UNDERLYING SMART CONTRACTS OF A LIMITED LIABILITY DECENTRALIZED AUTONOMOUS ORGANIZATION MAY DEFINE, REDUCE, OR ELIMINATE FIDUCIARY DUTIES AND MAY RESTRICT THE TRANSFER OF OWNERSHIP INTERESTS, WITHDRAWAL OR RESIGNATION FROM THE LIMITED LIABILITY DECENTRALIZED AUTONOMOUS ORGANIZATION, RETURN OF CAPITAL CONTRIBUTIONS, AND DISSOLUTION OF THE LIMITED LIABILITY DECENTRALIZED AUTONOMOUS ORGANIZATION.

Article 2.

Formation.

§ 13.1-1304. Articles of formation.

A. Any person or entity may form an LLD by filing articles of formation with the Commission, which shall set forth:

1. A name for the LLD that satisfies the requirements of § 13.1-1305;

2. A statement that the organization is an LLD pursuant to § 13.1-1303;

3. A statement of the intent to utilize decentralized governance and smart contracts or to manage, facilitate, or operate the LLD and the process by which participants select, design, or otherwise decide on the operations or provisions of any smart contract used in the operation of the LLD;

4. The name and post office address, including the street and number, if any, of the LLD's legal representative

5. The public blockchain address or addresses used for governance and transactions of the LLD; and

6. Initial bylaws that include a description of the DAO's governance structure, including management, participant roles, voting rights, and smart contract auditability.

B. No participant of an LLD shall have a vested property right resulting from any provision of the articles of formation.

C. If the Commission finds that the articles of formation comply with the requirements of this section and that all required fees have been paid, it shall issue a certificate of formation to the LLD.

§ 13.1-1305. Name.

A. A limited liability decentralized autonomous organization name shall contain its abbreviation, "LLD," to denote its status as a limited liability decentralized autonomous organization.

B. The name of an LLD shall be distinguishable upon the records of the Commission from the name of any entity registered with the Commission or any trademark or service mark registered with the Commission.

C. The Commission shall not approve for filing a name that implies that an LLD is an agency of the Commonwealth or any of its political subdivisions.

§ 13.1-1306. Amendment of articles of formation.

A. An LLD may amend its articles of formation at any time to add or change a provision that is required or permitted or to delete a provision not required in the articles.

B. An amendment to the articles of organization is required when (i) there is a change in the name of the LLD, (ii) any significant identifying or operating information has changed, or (iii) the LLD's smart contracts have been removed or replaced.

C. To amend its articles of formation, an LLD shall file with the Commission articles of amendment setting forth:

1. The name of the LLD;

2. The text of each amendment adopted;

3. The date of each amendment's adoption; and

4. A statement that the amendment was adopted by a vote of the participants or upon the execution of a smart contract or blockchain mechanism, as the case may be.

If the Commission finds that the articles of amendment comply with the requirements of this chapter and that all required fees have been paid, it shall issue a certificate of amendment.

§ 13.1-1307. Legal representative.

A. An LLD shall maintain a legal representative located in the Commonwealth for the purposes of off-blockchain legal and administrative obligations.

B. Legal representation of the LLD shall be carried out by the legal representative in the manner provided in the bylaws and as evidenced by authorization displayed through a publicly accessible format. The legal representative may undertake and execute any and all acts included within the scope of authorization in the bylaws.

C. Service of process on the LLD shall be made through the legal representative.

D. A legal representative shall not be personally liable for acts performed on behalf of the LLD.

Article 3.

Governance and Participation.

§ 13.1-1308. Bylaws.

A. An LLD shall adopt bylaws that set forth the following aspects of the LLD's governance and procedures for the LLD's:

1. Relations among participants and relations between participants and the LLD;
2. Rights and duties under this chapter of a participant of a LLD;
3. Activities of the LLD and the conduct of those activities;
4. Right and voting rights of participants;
5. Transferability of participant interests and withdrawal of participants;
6. Methods for making distributions to participants that withdraw or upon dissolution of the LLD;
7. Methods for making amendments to the LLD's articles of formation;
8. The means and conditions for amending the bylaws, operating agreement, or any smart contracts applicable to governance of an LLD;
9. Procedures for amendments and upgrades to smart contracts that relate to operation rather than governance of the LLD;
10. Procedures for addressing hard forks;
11. Legal representation; and
12. Methods for dispute resolution.

B. The bylaws may contain any provision for managing the LLD and regulating its affairs that is not inconsistent with the provisions of this chapter or other applicable law.

C. To the extent permitted by law, the bylaws may permit redaction of participant information in public filings, provided that the legal representative of the LLD maintains full records.

D. Any smart contracts applicable to governance of the LLD shall be consistent with the bylaws. In the case of a conflict between the bylaws and any applicable smart contracts, the provisions of the bylaws shall prevail unless expressly overridden.

§ 13.1-1309. Operating agreement.

A. To the extent that the articles of formation, bylaws, or any applicable smart contracts do not otherwise provide for a matter described in this chapter, the operation of an LLD may be supplemented by an operating agreement.

B. Any operating agreement applicable to governance of the LLD shall be consistent with the bylaws. In the case of a conflict between the bylaws and an operating agreement, the provisions of the bylaws shall prevail unless expressly overridden.

C. Any smart contracts applicable to governance of the LLD shall be consistent with the LLD's operating agreement, if applicable. In the case of a conflict between the operating agreement and any applicable smart contracts, the provisions of the operating agreement shall prevail unless expressly overridden.

§ 13.1-1310. Smart Contracts.

A. Any smart contracts applicable to governance of the LLD shall be consistent with the bylaws and any applicable operating agreement. In the case of a conflict between the bylaws or operating agreement and any applicable smart contracts, the provisions of the bylaws or operating agreement shall prevail.

B. No provision of a smart contract applicable to governance or operation of an LLD shall be designed or applied to override any provision of the bylaws or operating agreement, if applicable.

C. Amendments to smart contracts shall only be made pursuant to proposal, voting, and execution provisions specified in the bylaws pursuant to § 13.1-1308.

D. Hard forks that occur in the execution of smart contracts, adoption of changes to a smart contract, or as part of the underlying blockchain protocols of the LLD shall be address according to procedures specified in the bylaws pursuant to § 13.1-1308.

§ 13.1-1311. Management of limited liability decentralized autonomous organization.

A. Management of an LLD shall be vested in its participants or smart contracts, as provided in the articles of formation and bylaws.

B. Unless otherwise provided in the articles of formation, bylaws or operating agreement, the participants of an LLD shall vote in proportion to their contribution of digital assets to the LLD or

ownership of governance tokens offered by the LLD, as adjusted from time to time, and a majority vote of the participants of an LLD shall consist of the vote or other approval of participants having a majority share of the voting power of all participants.

C. Unless otherwise provided in the articles of formation, bylaws or operating agreement, any action required or permitted to be taken by the participants of an LLD may be taken upon a majority vote of the participants.

D. Unless otherwise provided in the articles of organization, bylaws, or operating agreement, the participants of an LLD may take action permitted or required to be taken by the participants without a meeting, without prior notice, and without a vote provided that a consent in writing setting forth the action has been signed by participants that have at least the minimum number of votes that would be necessary to authorize or take such action at a meeting. A consent transmitted by a participant by electronic transmission shall be deemed to be signed for the purposes of this section. Unless otherwise provided in the articles of organization, bylaws, or operating agreement, on any matter that is to be voted on by participants, the participants may vote in person or by proxy.

E. The articles of formation, bylaws, or operating agreement may provide for classes or groups of participants having relative rights, powers, and duties and may make provision for the future creation of additional classes or groups of participants having such relative rights, powers, and duties as may from time to time be established, including rights, powers, and duties senior to existing classes and groups of participants.

F. The articles of formation, bylaws, operating agreement, or any applicable smart contracts may provide that a dissenting participant's rights with respect to a participant interest shall be available for any class or group of participants in connection with any amendment of an operating agreement, bylaws, or applicable smart contract in which the LLD is a party, any conversion of the LLD to another business form, any transfer to or domestication in any other jurisdiction by the LLD, or the sale of all or substantially all of the LLD's assets.

§ 13.1-1312. Participant interests.

210 A. Participant interests shall be determined by ownership of governance tokens and as otherwise
211 provided in the bylaws.

212 B. Transferring a participant interest may result in corresponding changes in participants' rights
213 and obligations, as described in the bylaws, operating agreement, or any applicable smart contracts.

214 C. Unless otherwise provided in the bylaws, operating agreement, or any applicable smart
215 contracts, a participant interest shall not indicate a fiduciary duty to the LLD or any participant of the LLD
216 except that the ownership of a participant interest shall be subject to the implied contractual covenant of
217 good faith and fair dealing.

218 **§ 13.1-1313. Transferring participation interest; withdrawal of participant.**

219 A. A participant may only transfer a participation interest or withdraw from an LLD in accordance
220 with the terms set forth in the bylaws, operating agreement, or an applicable smart contract.

221 B. No participant of an LLD may have the LLD dissolved for a failure to return the participant's
222 contribution to capital.

223 C. Unless otherwise specified by the LLD's bylaws, operating agreement, or an applicable smart
224 contract provide otherwise, a withdrawn participant forfeits all participant interests in the LLD, including
225 any governance or economic rights.

226 **§ 13.1-1314. Legal entity; limited liability.**

227 A. An LLD shall be deemed a legal entity separate and distinct from the LLD's participants. An
228 LLD shall have the capacity to sue and be sued in the LLD's name and shall have the power to do all
229 things necessary or convenient to carry on the LLD's organization and affairs.

230 B. No participant shall be personally liable for the debts, obligations, or liabilities of the LLD
231 except to the extent of their on-blockchain contributions to the LLD.

232 C. An LLD shall meet its liabilities through the LLD's assets. Except as provided in subsection D,
233 no participant shall be held personally liable for (i) any excess liability after the LLD's assets have been
234 exhausted, (ii) any obligation incurred by the LLD, or (iii) the wrongful act or omission of any other
235 participant of the LLD.

D. If a judgment or order is entered against the LLD and the LLD does not have sufficient assets to satisfy the judgment or order, dissenting participants may be liable proportionally to the value of their participant interests. Liability under this section shall be limited to the dissenting participant's on-blockchain contributions and shall not exceed such amount.

E. The provisions of this section shall not be construed to absolve the personal liability of a participant in tort for the participant's own wrongful act or omission.

Article 4.

Dissolution.

§ 13.1-1315. Dissolution.

A. An LLD organized under this chapter shall be dissolved upon the occurrence of any of the following:

1. The expiration of the fixed period for the duration of the LLD expires;
2. The vote of the majority of participant of an LLD;
3. At the time, or upon the occurrence of events, specified in an underlying smart contract or as specified in the bylaws or operating agreement; or
4. By court order

B. Upon dissolution, the LLD shall liquidate assets, satisfy creditors, and distribute remaining value to participants as described in the bylaws.

C. Upon dissolution, the legal representative shall file a certificate of termination with the Commission.

Article 5.

Miscellaneous.

§ 13.1-1316. Annual report to the Commission.

An LLD shall deliver to the Commission for filing an annual report that states the name of the LLD, the name and address of the legal representative, and all proposals, votes, and amendments made to the articles of formation, bylaws, operating agreement, and any underlying smart contracts related to governance or operation of the LLD during the preceding year.

§ 13.1-1317. Records and transparency.

A. An LLD shall maintain the following records that shall be available for inspection by participants and the legal representative:

1. The articles of formation, bylaws, operating agreement, and any underlying smart contracts related to governance or operation of the LLD;

2. Proposals and votes related to the articles of formation, bylaws, operating agreement, or any underlying smart contracts;

3. Governance token holdings of participants;

4. Hard forks and resulting changes made to the LLD's blockchain protocol or any underlying smart contracts; and

5. Transactions involving the sale or transfer of LLD assets, including those automated through smart contracts.

B. The Commission shall maintain records related to LLD filings, the name and address of an LLD's legal representative, any amendments to filing submitted to the Commission, and any records or reports relating to a violation by an LLD of the provisions of this chapter or any regulations promulgated by the Commission to effectuate the purposes of chapter.

C. No participant or legal representative shall have an obligation to furnish any information concerning the LLD's activities or other information that is available on an open blockchain network.

§ 13.1-1318. Taxation.

A. An LLD recognized by this chapter shall be classified as a Limited Liability Company for tax purposes and subject to the provisions of ____ (x-ref title 58?).

B. For the purposes of taxation, an LLD shall allocate the distributive share of income, gain, loss, deduction, and credit derived from the LLD's activities to each participant of the LLD in proportion to the participant's interest in the LLD as evidenced by the ownership of governance tokens.

§ 13.1-1319. Commission to issue regulations.

The Commission shall promulgate regulations and issue guidance as necessary to fulfill the purposes of this chapter, including by (i) providing a form and method of submission for the articles of

formation of an LLD, (ii) providing the method of determining whether LLD formation requirements described in this chapter have been met and the method for subsequently issuing a certificate of formation, (iii) identifying industry standards for the operation of LLDs, (iv) issuing regulations for security reviews and quality assurance as related to the operations of an LLD, and (v) forms and procedures related to dissolution and winding up of an LLD. The Commission may also establish fees for the administration of filings related to LLDs, including a fee for filing the articles of formation.

2. That the State Corporation Commission shall promulgate regulations to implement the provisions of act as provided in § 13.1-1319 of the Code of Virginia, as created by this act, to be effective within 280 days of its enactment and shall revise such regulations periodically thereafter.

3. That the provisions of the first enactment of this act shall become effective on January 1, 2027.

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