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HOUSE BILL NO. 1784

Offered January 11, 2023

Prefiled January 10, 2023

A BILL to amend and reenact § 13.1-514 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 13.1-514.3 and by adding in Title 13.1 a chapter numbered 15, containing articles numbered 1 through 5, consisting of sections numbered 13.1-1300 through 13.1-1315, relating to securities; digital token exemption; decentralized autonomous organizations.

Patrons—Kilgore, Marshall and Williams

Referred to Committee on Commerce and Energy

Be it enacted by the General Assembly of Virginia:

1. That § 13.1-514 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding a section numbered 13.1-514.3 and by adding in Title 13.1 a chapter numbered 15, containing articles numbered 1 through 5, consisting of sections numbered 13.1-1300 through 13.1-1315, as follows:

§ 13.1-514. Exemptions.

A. The following securities are exempted from the securities registration requirements of this chapter:

1. Any security (including a revenue obligation) issued or guaranteed by the United States, any state, any political subdivision of a state or any agency or corporate or other instrumentality of one or more of the foregoing; or any certificate of deposit for any of the foregoing;

2. Any security issued or guaranteed by Canada, any Canadian province, any political subdivision of any such province, any agency or corporate or other instrumentality of one or more of the foregoing or any other foreign government with which the United States currently maintains diplomatic relations, if the security is recognized as a valid obligation by such issuer or guarantor;

3. Any security issued by and representing an interest in or a debt of, or guaranteed by, the International Bank for Reconstruction and Development, or any national bank, or any bank or trust company organized under the laws of any state or trust subsidiary organized under the provisions of Article 3 (§ 6.2-1047 et seq.) of Chapter 10 of Title 6.2;

4. Any security issued by and representing an interest in or a debt of, or guaranteed by, any federal savings and loan association or savings bank, or by any savings and loan association or savings bank which is organized under the laws of this Commonwealth;

5. Any security issued or guaranteed by an insurance company licensed to transact insurance business in this Commonwealth;

6. Any security issued by any credit union, industrial loan association or consumer finance company which is organized under the laws of this Commonwealth and is supervised and examined by the Commission;

7. Any security issued or guaranteed by any railroad, other common carrier or public service company supervised as to its rates and the issuance of its securities by a governmental authority of the United States, any state, Canada or any Canadian province;

8. Any security which is listed or approved for listing upon notice of issuance on the New York Stock Exchange or the American Stock Exchange or any other security of the same issuer which is of senior or substantially equal rank; any security called for by subscription rights or warrants admitted to trading in any of said exchanges; or any warrant or right to subscribe to any of the foregoing securities;

9. Any commercial paper which arises out of a current transaction or the proceeds of which have been or are to be used for current transactions, and which evidences an obligation to pay cash within nine months after the date of issuance, exclusive of days of grace, or any renewal thereof which is likewise limited, or any guaranty of such paper or of any such renewal;

10. Any security issued in connection with an employee's stock purchase, savings, pension, profit-sharing or similar benefit plan. The Commission may by rule or order, as to any security issued pursuant to such plan, specify or designate persons eligible to participate in such plan;

11. Any security issued by a cooperative association organized as a corporation under the laws of this Commonwealth;

12. Any security listed on an exchange registered with the U.S. Securities and Exchange Commission or quoted on an automated quotation system operated by a national securities association registered with the U.S. Securities and Exchange Commission and approved by regulations of the State Corporation Commission;

13. Any security issued by any issuer organized under the laws of any foreign country and approved

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59 by rule or regulation of the Commission.

60 B. The following transactions are exempted from the securities, broker-dealer and agent registration
61 requirements of this chapter except as expressly provided in this subsection:

62 1. Any isolated transaction by the owner or pledgee of a security, whether effected through a
63 broker-dealer or not, which is not directly or indirectly for the benefit of the issuer;

64 2. Any nonissuer distribution by a registered broker-dealer and its registered agent of a security that
65 has been outstanding in the hands of the public for the past five years, if the issuer in each of the past
66 three fiscal years has lawfully paid dividends on its common stock aggregating at least four percent of
67 its current market price;

68 3. Any transaction by a registered broker-dealer and its registered agent pursuant to an unsolicited
69 order or offer to buy;

70 4. Any transaction in a bond or other evidence of indebtedness secured by a real or chattel mortgage
71 or deed of trust or by an agreement for the sale of real estate or chattels, if the entire indebtedness
72 secured thereby is offered and sold as a unit;

73 5. Any transaction in his official capacity by a receiver, trustee in bankruptcy or other judicially
74 appointed officer selling securities pursuant to court order;

75 6. Any offer or sale to a corporation, investment company or pension or profit-sharing trust or to a
76 broker-dealer;

77 7. a. Any sale of its securities by an issuer or any sale of securities by a registered broker-dealer and
78 its registered agent acting on behalf of an issuer if, after the sale, such issuer has not more than 35
79 security holders, and if its securities have not been offered to the general public by advertisement or
80 solicitation; or

81 b. To the extent the Commission by rule or order permits, any sale of its securities by an issuer or
82 any sale of securities by a registered broker-dealer and its registered agent acting on behalf of an issuer
83 to not more than 35 persons in the Commonwealth during any period of 12 consecutive months, whether
84 or not the issuer or any purchaser is then present in the Commonwealth, if the issuer or broker-dealer
85 reasonably believes that all the purchasers in the Commonwealth are purchasing for investment, and if
86 the securities have not been offered to the general public by advertisement or general solicitation. The
87 Commission may, by rule or order, as to any security or transaction or any type of security or
88 transaction, withdraw or further condition this exemption, increase or decrease the number of purchasers
89 permitted, or waive the condition relating to their investment intent. The Commission may assess and
90 collect in connection with any filing pursuant to this exemption a nonrefundable fee not to exceed \$250.

91 With respect to this subdivision 7, and except to the extent the Commission by rule or order may
92 otherwise permit, the number of security holders of an issuer or the number of purchasers from an
93 issuer, as the case may be, shall not be deemed to include the security holders of any other corporation,
94 partnership, limited liability company, unincorporated association or trust unless it was organized to raise
95 capital for the issuer. Notwithstanding the provisions of subdivision 15, the merger or consolidation of
96 corporations, partnerships, limited liability companies, unincorporated associations or other entities shall
97 be a violation of this chapter if the surviving or new entity has more than 35 security holders or
98 purchasers and all the securities of the parties thereto were issued under this exemption, unless all of the
99 parties thereto have been engaged in transacting business for more than two years prior to the merger or
100 consolidation;

101 8. Any transaction pursuant to an offer to existing security holders of the issuer including holders of
102 transferable warrants issued to existing security holders and exercisable within 90 days of their issuance,
103 if either (i) no commission or other remuneration (other than a standby commission) is paid or given
104 directly or indirectly for soliciting any security holder in this Commonwealth or (ii) the issuer first
105 notifies the Commission in writing of the terms of the offer and the Commission does not by order
106 disallow the exemption within five full business days after the date of the receipt of the notice;

107 9. Any offer (but not a sale) of a security for which registration statements have been filed, but are
108 not effective, under both this chapter and the Securities Act of 1933; but this exemption shall not apply
109 while a stop order is in effect or, after notice to the issuer, while a proceeding or examination looking
110 toward such an order is pending under either act;

111 10. The issuance of not more than three shares of common stock to one or more of the incorporators
112 of a corporation and the initial transfer thereof;

113 11. Sales of an issue of bonds, aggregating \$150,000 or less, secured by a first lien deed of trust on
114 realty situated in Virginia, to 30 persons or less who are residents of Virginia;

115 12. Any offer or sale of any interest in any partnership, corporation, association or other entity
116 created solely to provide residential housing located in the Commonwealth, provided that such offer or
117 sale is by the issuer or by a real estate broker or real estate agent duly licensed in Virginia;

118 13. The Commission is authorized to create by rule a limited offering exemption, the purpose of
119 which shall be to further the objectives of compatibility with similar exemptions from federal securities
120 regulation and uniformity among the states; providing that such rule shall not exempt broker-dealers or

agents from the registration requirements of this chapter, except in the case of an agent of the issuer who either (i) receives no sales commission directly or indirectly for offering or selling the securities or (ii) effects transactions in a security exempt from registration under the Securities Act of 1933 pursuant to rules and regulations promulgated under § 4(2) thereof. Any filing made with the Commission pursuant to any exemption created under this subdivision shall be accompanied by a \$250 fee;

14. The issuance of any security dividend, whether the corporation distributing the dividend is the issuer of the security or not, if nothing of value is given by stockholders for the distribution other than the surrender of a right to a cash dividend where the stockholder can elect to take a dividend in cash or in a security;

15. Any transaction incident to a right of conversion or a statutory or judicially approved reclassification, recapitalization, reorganization, quasi-reorganization, stock split, reverse stock split, merger, consolidation, sale of assets, or exchange of securities;

16. Any offer or sale of a security issued by a Virginia church if the offer and sale are only to its members and the security is offered and sold only by its members who are Virginia residents and who do not receive remuneration or compensation directly or indirectly for offering or selling the security;

17. Any offer or sale of securities issued by a professional business entity (as defined in subsection A of § 13.1-1102) to a person licensed or otherwise legally authorized to render within this Commonwealth the same professional services (as defined in subsection A of § 13.1-1102) rendered by the professional business entity. Notwithstanding the foregoing, nothing in this subdivision shall be deemed to provide that shares of stock, partnership or membership interests or other representations of ownership in a professional business entity are securities except to the extent otherwise provided by subsection A of this section;

18. Any offer that is communicated on the Internet, World Wide Web or similar proprietary or common carrier electronic system and that is in compliance with requirements prescribed by rule or order of the Commission;

19. To the extent the Commission by rule or order permits, any offer or sale to an accredited investor, as defined by the Commission, if the issuer reasonably believes before the sale that the accredited investor, either alone or with the accredited investor's representative, has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the prospective investment. The Commission may assess and collect in connection with any filing pursuant to this exemption a nonrefundable fee not to exceed \$250;

20. Any transaction by a bank pursuant to an unsolicited offer or order to buy or sell any security, provided such transaction is not effected by an employee of the bank who is also an employee of a broker-dealer;

21. To the extent the Commission by rule or order permits, any security issued by an entity if:

a. The offering of the security is conducted in accordance with § 3(a)(11) of the Securities Act of 1933 and Rule 147 adopted under the Securities Act of 1933 or the U.S. Securities and Exchange Commission's Rule 147A;

b. The offer and sale of the security are made only to residents of Virginia. However, for an offering conducted in accordance with the U.S. Securities and Exchange Commission's Rule 147A, the offer may be made accessible to residents outside of Virginia provided that the sale of the security is made only to residents of Virginia;

c. The aggregate price of securities in an offering under this exemption does not exceed \$2 million, which sum the Commission, by rule or order, may increase or decrease;

d. The total consideration paid by any purchaser of securities in an offering under this exemption does not exceed \$10,000, unless the purchaser is an accredited investor as defined by Rule 501 of the U.S. Securities and Exchange Commission's Regulation D (17 C.F.R. § 230.501). The Commission, by rule or order, may increase or decrease such limit on the total consideration to be paid by any purchaser of securities in an offering under this exemption;

e. No compensation is paid to employees, agents, or other persons for the solicitation of, or based on the sale of, securities in connection with an offering of securities under this exemption to any person who is not registered as a broker-dealer or agent, except to the extent permitted by rule or order of the Commission;

f. Neither the issuer nor any person related to the issuer is subject to disqualification as established by the Commission by rule or order; and

g. The security is sold in an offering conducted in compliance with any conditions established by rule or order of the Commission, which may include:

(1) Restrictions on the nature of the issuer;

(2) Limitations on the number and manner of offerings;

(3) Disclosures required to be provided to investors, including disclosures of risk factors related to the issuer and the offering;

(4) Requirements that all proceeds received from purchasers be placed in escrow in a depository institution located in the Commonwealth until the minimum amount of the offering is raised;

(5) Filings with the Commission of notices and other materials related to the offering;

(6) Requirements regarding the preparation and submission of the issuer's financial statements, including (i) the form and content of such statements and (ii) whether such statements are required to be audited or reviewed by an independent certified public accountant in accordance with generally accepted accounting principles; and

(7) Requirements that the entity issuing the security is formed, organized, or existing under the laws of the Commonwealth. However, for an offering conducted in accordance with the U.S. Securities and Exchange Commission's Rule 147A, the entity issuing the security may be formed or organized outside the Commonwealth, provided that the entity has its principal place of business in the Commonwealth and satisfies at least one of the doing business requirements in 17 C.F.R. § 230.147A (c) 2.

The Commission may assess and collect in connection with any filing pursuant to this exemption a nonrefundable fee in an amount to be set by the Commission by rule or order, provided such amount shall not exceed \$500;

22. Any offer or sale of securities conducted in accordance with Tier 2 of federal Regulation A (17 CFR 230.251 to 230.263) promulgated under § 3(b)(2) of the Securities Act of 1933 (U.S. Securities and Exchange Commission Release No. 33-9741, 80 Fed. Reg. 21806) to the extent such securities are preempted from the registration requirements of this chapter pursuant to Tier 2 of federal Regulation A. The Commission shall by rule or order prescribe any filings with the Commission of notices, renewals, and other materials. The Commission may assess and collect in connection with any filing pursuant to this exemption a nonrefundable filing fee not to exceed \$500. The Commission shall provide information on its website regarding the differences between the exemption provided pursuant to this subdivision and the exemption provided pursuant to subdivision 21; and

23. Any nonissuer distribution by or through a registered broker-dealer and its registered agent of a security that is included in an electronic exchange, marketplace, system, or disclosure repository, which exchange, marketplace, system, or disclosure repository (i) makes information freely available to the public, (ii) is registered under the Securities Exchange Act of 1934 or rules promulgated thereunder, or (iii) is an Alternative Trading System regulated by the U.S. Securities and Exchange Commission, and is approved by regulations of the State Corporation Commission; and

24. Any transaction by an issuer or seller of digital tokens as provided in subsection B of § 13.1-514.3 or by a decentralized autonomous organization as defined in Chapter 15 (§ 13.1-1300 et seq.).

C. In any proceeding under this chapter, the burden of proving an exemption shall be upon the person claiming it.

§ 13.1-514.3. Digital tokens exemption.

A. As used in this section:

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

"Consumptive" means the circumstance whereby a token is provided in exchange for the receipt of or access to goods, services, or content.

"Digital token" means a unit that is (i) digitally native; (ii) created (a) in response to the verification or collection of a specified number of transactions related to a digital ledger or database; (b) by deploying computer code to a digital ledger or database, which may include a blockchain, that allows for the creation of digital tokens or other units; or (c) using any combination of the methods described in clauses (a) and (b); (iii) recorded to a digital ledger or database; and (iv) capable of being traded or transferred between persons without an intermediary or custodian of value.

B. An issuer or seller of a digital token shall be exempt from the securities registration requirements of this chapter if:

1. The primary purpose of the digital token is consumptive;

2. The issuer or seller of the digital token did not market the token to the initial buyer as a financial investment; and

3. At least one of the following is satisfied: (i) the issuer or seller reasonably believed that the token was sold to the initial buyer for a consumptive purpose; (ii) the digital token can be used for a consumptive purpose at or near the time of sale; (iii) the initial buyer of the digital token is prohibited by the issuer or seller from reselling the digital token until it can be used for a consumptive purpose; or (iv) the issuer or seller takes other reasonable precautions to prevent an initial buyer from purchasing the digital token as a financial investment.

C. An issuer or seller that is engaged in the business of affecting or attempting to affect the purchase, sale, or transfer of digital tokens shall file a notice of intent with the Commission before the issuer or seller may qualify for an exemption under this section. If the information contained in the notice of intent becomes inaccurate in any material respect at any time, the issuer or seller shall file an

amendment to the notice with the Commission within 30 days of the change.

D. Nothing in this section shall be construed to suggest that the use of a digital token for a consumptive purpose requires any form of registration, notice of intent, or any other license, certification, or notice.

E. No issuer or seller of a digital token shall be presumed to have violated this section solely by reason of the issuer's or seller's participation in the business of affecting or attempting to affect the purchase, sale, or transfer of any digital token or virtual currency, as defined in § 6.2-818.1. No presumption shall arise that an issuer's or seller's securities offerings permitted under this chapter shall be integrated with an issuer's or seller's digital token offering permitted under this section.

F. The Commission may promulgate rules as necessary to implement the provisions of this section.

CHAPTER 15.

VIRGINIA DECENTRALIZED AUTONOMOUS ORGANIZATION ACT.

Article 1.

General Purposes.

§ 13.1-1300. Short title.

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

§ 13.1-1301. Definitions.

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

"Articles of organization" means all documents constituting, at any particular time, the articles of organization of a decentralized autonomous organization. "Articles of organization" includes the original articles of organization, the original certificate of an organization issued by the State Corporation Commission, and all amendments to the articles of organization. When the articles of organization have been restated pursuant to any articles of restatement, amendment, domestication, or merger, the "articles of organization" shall include only the restated articles of organization without the articles of restatement, amendment, domestication, or merger.

"Blockchain" has the same meaning as provided in § 13.1-514.3.

"Decentralized autonomous organization" or "DAO" means a limited liability company organized under this chapter. All domestic and foreign decentralized autonomous organizations operating in the Commonwealth shall be subject to the provisions of this chapter.

"Digital asset" means an electronic representation of economic, proprietary, or access rights that is stored in a computer readable format and is either a digital consumer asset, digital security, virtual currency, or digital token as defined in § 13.1-514.3.

"Digital consumer asset" means a digital asset that is used or bought primarily for consumptive, personal, or household purposes.

"Governance token" means a digital unit, digital asset, or digital security signifying a membership interest in a decentralized autonomous organization. Ownership of a governance token may or may not signify contribution of digital assets or capital to a decentralized autonomous organization.

"Membership interest" means a member's ownership share in a member-managed, decentralized autonomous organization, which may be defined in the DAO's articles of organization, smart contract, or operating agreement. A "membership interest" may also be characterized as a digital security or digital consumer asset if designated as such in the DAO's articles of organization, smart contract, or operating agreement.

"Operating agreement" means an agreement of the members as to the affairs of a decentralized autonomous organization and the conduct of its business, or a writing or agreement of a decentralized autonomous organization with one member that satisfies the requirements of subdivision A 2 of § 13.1-1023.

"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 membership 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.

"Virtual currency" has the same meaning as provided in § 6.2-818.1.

§ 13.1-1302. Application of Virginia Limited Liability Company Act.

A. The Virginia Limited Liability Company Act (§ 13.1-1000 et seq.) shall apply to decentralized autonomous organizations to the extent that such application is not inconsistent with the provisions of this chapter.

B. 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 a decentralized autonomous organization.

§ 13.1-1303. Election of status as decentralized autonomous organization.

305 A. A decentralized autonomous organization is a limited liability company with articles of
306 organization that contain a statement that the company is operating as a decentralized autonomous
307 organization. –

308 B. A limited liability company formed under the Virginia Limited Liability Company Act (§ 13.1-1000
309 et seq.) may elect to convert to a decentralized autonomous organization by amending its articles of
310 organization to include a statement consistent with this section.

311 C. Either within its articles of organization or operating agreement, if applicable, a limited liability
312 company electing to convert to a decentralized autonomous organization shall include the following
313 notice:

314 THE RIGHTS OF MEMBERS OF A DECENTRALIZED AUTONOMOUS ORGANIZATION MAY
315 DIFFER MATERIALLY FROM THE RIGHTS OF MEMBERS IN OTHER LIMITED LIABILITY
316 COMPANIES. THE VIRGINIA DECENTRALIZED AUTONOMOUS ORGANIZATION ACT, THE
317 ARTICLES OF ORGANIZATION, THE OPERATING AGREEMENT, OR ANY UNDERLYING SMART
318 CONTRACTS OF A DECENTRALIZED AUTONOMOUS ORGANIZATION MAY DEFINE, REDUCE,
319 OR ELIMINATE FIDUCIARY DUTIES AND MAY RESTRICT THE TRANSFER OF OWNERSHIP
320 INTERESTS, WITHDRAWAL OR RESIGNATION FROM THE DECENTRALIZED AUTONOMOUS
321 ORGANIZATION, RETURN OF CAPITAL CONTRIBUTIONS, AND DISSOLUTION OF THE
322 DECENTRALIZED AUTONOMOUS ORGANIZATION.

323 Article 2.
324 Formation.

325 **§ 13.1-1304. Purposes.**

326 Every decentralized autonomous organization formed under this chapter shall have the purpose of
327 engaging in any lawful business, purpose, or activity, whether or not such business, purpose, or activity
328 is carried on for profit, except as otherwise provided by the law of the Commonwealth, unless a more
329 limited purpose is set forth in the articles of organization.

330 **§ 13.1-1305. Organizers.**

331 One or more persons may act as organizers of a decentralized autonomous organization by signing
332 and delivering the articles of organization to the State Corporation Commission for filing. An organizer
333 need not be a member of the organization after formation has occurred.

334 **§ 13.1-1306. Articles of organization.**

335 A. The articles of organization shall set forth:

336 1. A name for the decentralized autonomous organization that satisfies the requirements of
337 § 13.1-1307;

338 2. A statement that the organization is a decentralized autonomous organization pursuant to
339 § 13.1-1303;

340 3. A statement of the intent to utilize smart contracts or to manage, facilitate, or operate the
341 decentralized autonomous organization, if applicable, and the process by which members select, design,
342 or otherwise decide on the operations or provisions of any smart contract used in the operation of the
343 decentralized autonomous organization; and

344 4. The post office address, including the street and number, if any, of the decentralized autonomous
345 organization's registered agent within the Commonwealth.

346 B. The articles of organization and any smart contracts for a decentralized autonomous organization
347 may set forth any other matter that under this chapter is permitted to be set forth in an operating
348 agreement of a decentralized autonomous organization, including:

349 1. Relations among the members of a DAO and relations between members and the DAO;

350 2. Rights and duties under this chapter of a member of a DAO;

351 3. Activities of the DAO and the conduct of those activities;

352 4. The means and conditions for amending an operating agreement;

353 5. Rights and voting rights of members;

354 6. Transferability of membership interests;

355 7. Withdrawal of membership;

356 8. Distributions to members prior to dissolution;

357 9. Amendments to the articles of organization; and

358 10. Procedures for removing or replacing any smart contracts.

359 C. If the State Corporation Commission finds that the articles of organization comply with the
360 requirements of law and that all required fees have been paid, it shall issue a certificate of organization
361 to the DAO.

362 **§ 13.1-1307. Name.**

363 A. A decentralized autonomous organization name shall contain the words "decentralized
364 autonomous organization" or its abbreviation, "DAO" or "DAO LLC," to denote its status as a
365 decentralized autonomous organization.

366 B. No decentralized autonomous organization name shall contain:

1. Any word, abbreviation, or combination of characters that states or implies that the decentralized autonomous organization is a corporation, a limited partnership, a registered limited liability partnership, or a protected series of a series limited liability company; or

2. Any word or phrase the use of which is prohibited by law for such organization.

§ 13.1-1308. Amendment of articles of organization.

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

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

C. To amend its articles of organization, a decentralized autonomous organization shall file with the State Corporation Commission articles of amendment setting forth:

1. The name of the decentralized autonomous organization;

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 members or at the behest of the managing algorithm, as the case may be.

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

D. No amendment to the articles of organization shall affect a cause of action existing against or in favor of the decentralized autonomous organization, a proceeding to which the decentralized autonomous organization is a party, or the existing rights of persons other than the members of the decentralized autonomous organization. No amendment changing the name of a decentralized autonomous organization shall abate a proceeding brought by or against the decentralized autonomous organization in its former name.

E. No member of a decentralized autonomous organization shall have a vested property right resulting from any provision of the articles of organization.

Article 3.

Relationships and Rights of Members.

§ 13.1-1309. Operating agreement.

To the extent the articles of organization or the smart contract do not otherwise provide for a matter described in § 13.1-1306, the operation of a decentralized autonomous organization may be supplemented by an operating agreement.

§ 13.1-1310. Management of decentralized autonomous organization.

A. Management of a decentralized autonomous organization shall be vested in its members or smart contracts, as provided in the articles of organization or operating agreement.

B. Unless otherwise provided in this chapter, in the articles of organization, or in an operating agreement, the members of a decentralized autonomous organization shall vote in proportion to their contribution of digital assets to the decentralized autonomous organization or ownership of digital governance tokens offered by the decentralized autonomous organization, as adjusted from time to time, and a majority vote of the members of a decentralized autonomous organization shall consist of the vote or other approval of members having a majority share of the voting power of all members.

C. Unless otherwise provided in this chapter, in the articles of organization, or in an operating agreement, any action required or permitted to be taken by the members of a decentralized autonomous organization may be taken upon a majority vote of the members.

D. Unless otherwise provided in the articles of organization or an operating agreement, the members of a decentralized autonomous organization may take action permitted or required to be taken by the members without a meeting, without prior notice, and without a vote if a consent in writing setting forth the action so taken shall be signed by members having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting. A consent transmitted by a member by electronic transmission shall be deemed to be signed for the purposes of this section. Unless otherwise provided in the articles of organization or an operating agreement, on any matter that is to be voted on by members, the members may vote in person or by proxy.

E. The articles of organization or an operating agreement may provide for classes or groups of members having such relative rights, powers, and duties as the articles of organization or an operating agreement may provide and may make provision for the future creation, in the manner provided in the articles of organization or an operating agreement, of additional classes or groups of members having such relative rights, powers, and duties as may from time to time be established, including rights,

428 powers, and duties senior to existing classes and groups of members.

429 *F. The articles of organization, the operating agreement, the smart contract, or the plan of merger*
430 *may provide that dissenters' rights with respect to a membership interest shall be available for any class*
431 *or group of members in connection with any amendment of an operating agreement, any merger in*
432 *which the decentralized autonomous organization is a party, any conversion of the decentralized*
433 *autonomous organization to another business form, any transfer to or domestication in any other*
434 *jurisdiction by the decentralized autonomous organization, or the sale of all or substantially all of the*
435 *decentralized autonomous organization's assets.*

436 **§ 13.1-1311. Standards of conduct for members.**

437 *Unless otherwise provided for in the articles of organization or operating agreement, no member of*
438 *a decentralized autonomous organization shall have a fiduciary duty to the organization or any member*
439 *except that the members shall be subject to the implied contractual covenant of good faith and fair*
440 *dealing.*

441 **§ 13.1-1312. Information and records.**

442 *No member shall have the right to separately inspect or copy records of a decentralized autonomous*
443 *organization, and no organization shall have an obligation to furnish any information concerning the*
444 *organization's activities, financial condition, or other circumstances to the extent the information is*
445 *available on an open blockchain.*

446 **§ 13.1-1313. Withdrawal of members.**

447 *A. A member may only withdraw from a decentralized autonomous organization in accordance with*
448 *the terms set forth in the articles of organization, the smart contract, or, if applicable, the operating*
449 *agreement.*

450 *B. No member of a decentralized autonomous organization may have the organization dissolved for a*
451 *failure to return the member's contribution to capital.*

452 *C. Unless the organization's articles of organization, smart contract, or operating agreement provide*
453 *otherwise, a withdrawn member forfeits all membership interests in the decentralized autonomous*
454 *organization, including any governance or economic rights.*

455 *Article 4.*

456 *Dissolution.*

457 **§ 13.1-1314. Dissolution.**

458 *A. A decentralized autonomous organization organized under this chapter shall be dissolved upon the*
459 *occurrence of any of the following:*

460 *1. The fixed period for the duration of the organization expires;*

461 *2. The vote of the majority of members of a member-managed decentralized autonomous*
462 *organization;*

463 *3. At the time, or upon the occurrence of events, specified in the underlying smart contract or as*
464 *specified in the articles of organization or operating agreement;*

465 *4. The order of the State Corporation Commission, if the decentralized autonomous organization is*
466 *deemed to no longer perform a lawful purpose.*

467 *B. As soon as possible following the occurrence of any of the events specified in subsection A, the*
468 *organization shall execute a statement of intent to dissolve in the form prescribed by the State*
469 *Corporation Commission.*

470 *Article 5.*

471 *Miscellaneous.*

472 **§ 13.1-1315. Precedence of statements of authority.**

473 *The articles of organization and the operating agreement of a decentralized autonomous organization*
474 *are effective statements of authority. Where the underlying articles of organization and operating*
475 *agreement are in conflict, the articles of organization shall preempt any conflicting provisions. Where*
476 *the underlying articles of organization and smart contract are in conflict, the smart contract shall*
477 *preempt any conflicting provisions, except as relates to § 13.1-1303 and subsection A of § 13.1-1306.*

478 **2. That the State Corporation Commission (the Commission) shall develop a form and submission**
479 **process for an issuer or seller that is engaged in the business of affecting or attempting to affect**
480 **the purchase, sale, or transfer of digital tokens to file a notice of intent with the Commission**
481 **pursuant to subsection C of § 13.1-514.3 of the Code of Virginia, as created by this act, and the**
482 **Commission shall make such form easily available on its website.**