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HOUSE BILL NO. 1796

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on Communications, Technology and Innovation on January 27, 2025)

(Patron Prior to Substitute—Delegate Helmer)

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 13.1-1313, relating to corporations; 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 13.1-1313, as follows:

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 an entity that is a decentralized autonomous organization. "Articles of organization" includes the original articles of organization, the original certificate of an organization issued by the 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, "articles of organization" shall include only the restated articles of organization without the articles of restatement, amendment, domestication, or merger.

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

"Commission" means the State Corporation Commission.

"Decentralized autonomous organization" or "DAO" means a distinct legal entity, organized under this chapter, that operates through blockchain-based governance frameworks, incorporating self-executing smart contracts and decentralized decision-making mechanisms.

"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.

"Digital consumer asset" means a digital asset that is used or bought primarily for consumptive, personal, or household purposes. "Consumptive" means the circumstance whereby a digital token is provided in exchange for the receipt of or access to goods, services, or content.

"Digital token" means a digital unit that is:

1. Created (i) in response to the verification or collection of a specified number of transactions relating to a digital ledger or database; (ii) 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 (iii) using any combination of the methods described in clauses (i) and (ii);

2. Recorded to a digital ledger or database, which may include a blockchain; and

3. Capable of being traded or transferred between persons without an intermediary or custodian of value.

"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

HOUSE SUBSTITUTE

HB1796H1

1/27/25 11:27

60 agreement and that may include taking custody of and transferring an asset, administering membership  
 61 interest votes with respect to a decentralized autonomous organization, or issuing executable instructions for  
 62 these actions, based on the occurrence or nonoccurrence of specified conditions.

63 **§ 13.1-1302. Application of Virginia Limited Liability Company Act.**

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

67 B. Nothing in this chapter shall be construed as repealing or modifying any statute or rule that applies to  
 68 a limited liability company that is organized under the Virginia Limited Liability Company Act (§ 13.1-1000  
 69 et seq.) that does not elect to become a decentralized autonomous organization.

70 **§ 13.1-1303. Election of status as decentralized autonomous organization.**

71 A. A decentralized autonomous organization is a distinct legal entity with articles of organization that  
 72 contain a statement that the company is operating as a decentralized autonomous organization. The articles  
 73 of organization shall designate an operator of record, which may be a person or entity, with fiduciary duties  
 74 to the organization.

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

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

80 **THE RIGHTS OF MEMBERS OF A DECENTRALIZED AUTONOMOUS ORGANIZATION MAY**  
 81 **DIFFER MATERIALLY FROM THE RIGHTS OF MEMBERS OF OTHER LIMITED LIABILITY**  
 82 **COMPANIES. THE VIRGINIA DECENTRALIZED AUTONOMOUS ORGANIZATION ACT, THE**  
 83 **ARTICLES OF ORGANIZATION, THE OPERATING AGREEMENT, OR ANY UNDERLYING SMART**  
 84 **CONTRACTS OF A DECENTRALIZED AUTONOMOUS ORGANIZATION MAY DEFINE, REDUCE, OR**  
 85 **ELIMINATE FIDUCIARY DUTIES AND MAY RESTRICT THE TRANSFER OF OWNERSHIP INTERESTS,**  
 86 **WITHDRAWAL OR RESIGNATION FROM THE DECENTRALIZED AUTONOMOUS ORGANIZATION,**  
 87 **RETURN OF CAPITAL CONTRIBUTIONS, AND DISSOLUTION OF THE DECENTRALIZED**  
 88 **AUTONOMOUS ORGANIZATION.**

89 **Article 2.**  
 90 **Formation.**

91 **§ 13.1-1304. Articles of organization.**

92 A. The articles of organization shall set forth:

- 93 1. A name for the decentralized autonomous organization that satisfies the requirements of § 13.1-1305;
- 94 2. A statement that the organization is a decentralized autonomous organization pursuant to § 13.1-1303;
- 95 3. A statement of the intent to utilize smart contracts or to manage, facilitate, or operate the decentralized  
 96 autonomous organization, if applicable, and the process by which members select, design, or otherwise  
 97 decide on the operations or provisions of any smart contract used in the operation of the decentralized  
 98 autonomous organization;

99 4. The post office address, including the street and number, if any, of the decentralized autonomous  
 100 organization's registered office, the name of the city or county in which it is located, the name of its initial  
 101 registered agent at that office, and whether the agent is (i) an individual who is a resident of Virginia and one  
 102 of the following: a member or manager of the DAO, a member or manager of a limited liability company that  
 103 is a member or manager of the DAO, an officer or director of a corporation that is a member or manager of  
 104 the DAO, a general partner of a general or limited partnership that is a member or manager of the DAO, a  
 105 trustee of a trust that is a member or manager of the DAO, or a member of the Virginia State Bar or (ii) a  
 106 domestic or foreign stock or nonstock corporation, limited liability company, or registered limited liability  
 107 partnership authorized to transact business in the Commonwealth; and

108 5. A description of the DAO's governance structure, including member roles, voting rights, and smart  
 109 contract auditability.

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

- 113 1. Relations among the members of a DAO and relations between members and the DAO;
- 114 2. Rights and duties under this chapter of a member of a DAO;
- 115 3. Activities of the DAO and the conduct of those activities;
- 116 4. The means and conditions for amending an operating agreement;
- 117 5. Rights and voting rights of members;
- 118 6. Transferability of membership interests;
- 119 7. Withdrawal of membership;
- 120 8. Distributions to members prior to dissolution;
- 121 9. Amendments to the articles of organization; and

122 10. Procedures for removing or replacing any smart contracts.  
123 C. If the Commission finds that the articles of organization comply with the requirements of this chapter  
124 and that all required fees have been paid, it shall issue a certificate of organization to the DAO.

125 **§ 13.1-1305. Name.**

126 A decentralized autonomous organization name shall contain the words "decentralized autonomous  
127 organization" or its abbreviation, "DAO" or "DAO LLC," to denote its status as a decentralized autonomous  
128 organization.

129 **§ 13.1-1306. Amendment of articles of organization.**

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

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

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

- 139 1. The name of the decentralized autonomous organization;
- 140 2. The text of each amendment adopted;
- 141 3. The date of each amendment's adoption; and
- 142 4. A statement that the amendment was adopted by a vote of the members or at the behest of the managing  
143 algorithm, as the case may be.

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

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

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

154 Article 3.  
155 Relationships and Rights of Members.

156 **§ 13.1-1307. Operating agreement.**

157 To the extent that the articles of organization or the smart contract do not otherwise provide for a matter  
158 described in § 13.1-1304, the operation of a decentralized autonomous organization may be supplemented by  
159 an operating agreement.

160 **§ 13.1-1308. Management of decentralized autonomous organization.**

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

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

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

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

180 E. The articles of organization or an operating agreement may provide for classes or groups of members  
181 having such relative rights, powers, and duties as the articles of organization or an operating agreement may  
182 provide and may make provision for the future creation, in the manner provided in the articles of

183 organization or an operating agreement, of additional classes or groups of members having such relative  
184 rights, powers, and duties as may from time to time be established, including rights, powers, and duties  
185 senior to existing classes and groups of members.

186 F. The articles of organization, the operating agreement, the smart contract, or the plan of merger may  
187 provide that dissenters' rights with respect to a membership interest shall be available for any class or group  
188 of members in connection with any amendment of an operating agreement, any merger in which the  
189 decentralized autonomous organization is a party, any conversion of the decentralized autonomous  
190 organization to another business form, any transfer to or domestication in any other jurisdiction by the  
191 decentralized autonomous organization, or the sale of all or substantially all of the decentralized autonomous  
192 organization's assets.

193 **§ 13.1-1309. Standards of conduct for members.**

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

197 **§ 13.1-1310. Information and records.**

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

202 **§ 13.1-1311. Withdrawal of members.**

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

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

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

210 Article 4.

211 Dissolution.

212 **§ 13.1-1312. Dissolution.**

213 A decentralized autonomous organization organized under this chapter shall be dissolved upon the  
214 occurrence of any of the following:

215 1. The expiration of the fixed period for the duration of the organization expires;

216 2. The vote of the majority of members of a member-managed decentralized autonomous organization; or

217 3. At the time, or upon the occurrence of events, specified in the underlying smart contract or as specified  
218 in the articles of organization or operating agreement.

219 Article 5.

220 Miscellaneous.

221 **§ 13.1-1313. Precedence of statements of authority.**

222 The articles of organization and the operating agreement of a decentralized autonomous organization are  
223 effective statements of authority. Where the underlying articles of organization and operating agreement are  
224 in conflict, the articles of organization shall preempt any conflicting provisions. Where the underlying  
225 articles of organization and smart contract are in conflict, the articles of organization shall preempt any  
226 conflicting provisions.

227 **2. That the provisions of this act shall become effective on July 1, 2026.**