

Sec. 1. 11 V.S.A. chapter 25, subchapter 12 is added to read:

Subchapter 12. Blockchain-Based Limited Liability Companies

§ 4171. DEFINITIONS

As used in this section:

(1) “Blockchain technology” means a mathematically secured, chronological, and decentralized consensus ledger or database, whether maintained via Internet interaction, peer-to-peer network, or otherwise.

(2) “Participant” means:

(A) each person that has a partial or complete copy of the decentralized consensus ledger or databased utilized by the blockchain technology, or otherwise participates in the validation processes of such ledger or database;

(B) each person in control of any digital asset native to the blockchain technology; and

(C) each person that makes a material contribution to the protocols.

(3) “Protocols” mean the designated regulatory model of the software that governs the rules, operations, and communication between nodes on the network utilized by the participants.

(4) “Virtual currency” means a digital representation of value that:

(A) is used as a medium of exchange, unit of account, or store of value; and

(B) is not legal tender, whether or not denominated in legal tender.

§ 4172. ELECTION

A limited liability company organized pursuant to this title for the purpose of operating a business that utilizes blockchain technology for a material portion of its business activities may elect to be a blockchain-based limited liability company (BLLC) by:

(1) specifying in its articles of organization that it elects to be a BLLC; and

(2) meeting the requirements in subdivision 4173(2) and section 4174 of this title.

§ 4173. AUTHORITY; REQUIREMENTS

Notwithstanding any provision of this chapter to the contrary:

(1) A BLLC may provide for its governance, in whole or in part, through blockchain technology.

(2) The operating agreement for a BLLC may:

(A) ~~architecture~~ provide a summary description of the project being operated by the BLLC [not sure what his means?];

(B) specify whether the blockchain technology on which the BLLC is based will be fully decentralized, partially decentralized, or private ledger or database , including the extent of participants' access to information and read and write permissions with respect to protocols;

(C) specify whether the BLLC has issued, or intends to issue, any virtual currency and the function such virtual currency will have in the operation of the BLLC;

(D) adopt voting procedures, which may include smart contracts carried out on the blockchain technology, to address:

(i) proposals from managers, members, or other groups of participants in the BLLC for upgrades or modifications to software systems, protocols, or both;

(ii) other proposed changes to the BLLC operating agreement; or

(iii) any other matter of governance or activities within the purpose of the BLLC;

(E) adopt protocols to respond to system security breaches or other unauthorized actions that affect the integrity of the blockchain technology on which the BLLC is based;

(F) designate the core developers, if any, for the protocols and the mechanism for modifying membership in this group;

(G) provide how a person becomes a member of the BLLC;

(H) specify the rights and obligations of each group of participants within the BLLC, including which participants shall be entitled to the rights and obligations of members and managers;

(I) specify the scope and extent to which limited liability and agency authority apply to any participants or group of participants involved in the BLLC;

(J) adopt rules that incentivize the use of renewable energy by any mining pool operator; and

(K) specify whether the BLLC intends to comply with any nationally or internationally-recognized blockchain code of governance in effect at such time.

§ 4174. PRESENCE; DIGITAL BUSINESS ENTITY TAX EXEMPTION

(a) A BLLC shall ~~maintain a physical presence within this State or~~ conduct some or all of its activities within this State, ~~or both.~~

(b) A BLLC that qualifies as and elects to be taxed as a digital business entity for the taxable year shall not be subject to the tax imposed by 32 V.S.A. § 5832.

§ 4175. MULTIPLE ROLES OF MEMBERS AND MANAGERS

(a) A member or manager of a BLLC may interact with the BLLC in multiple roles, including as a member, manager, developer, node, miner, or participant in the BLLC, or as a trader and holder of the currency in its own account and for the account of others, provided such member or manager complies with any applicable fiduciary duties.

(b) The activities of a member or manager who interacts with the BLLC through multiple roles are not deemed to take place in this State solely because of the BLLC is organized in this State.

§ 4176. CONSENSUS FORMATION ALGORITHMS

In its governance, a BLLC may adopt any reasonable algorithmic means for accomplishing the consensus process for validating records conducting operations, or making organizational decisions on the blockchain technology used by the BLLC, and may, in accordance with any procedure specified pursuant to section 4173 of this title, provide for the modification of this consensus process or the substitution of a new process that complies with the requirements of law and the governance provisions of the BLLC.

§ 4177. SCOPE OF SUBCHAPTER; OTHER LAW

Except as expressly provided otherwise, this subchapter does not exempt a BLLC from any other judicial, statutory, or regulatory provision of Vermont law or federal law, including State and federal securities laws. In any case not provided for in this subchapter the provisions of the Vermont Limited Liability Company Act govern.