

2023 Tennessee Code

Title 48 - CORPORATIONS AND ASSOCIATIONS (§§ 48-1-101 — 48-250-115)

LIMITED LIABILITY COMPANIES (§§ 48-201-101 — 48-250-115)

Chapter 250 - BLOCKCHAINS (§§ 48-250-101 — 48-250-115)

Section 48-250-103 - Decentralized organization status

Universal Citation:

TN Code § 48-250-103 (2023)

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- **(a)** A decentralized organization is a limited liability company whose articles of organization contain a statement that the company is a decentralized organization as described in subsection (c).
- **(b)** A limited liability company formed under the Tennessee Revised Limited Liability Company Act, compiled in chapter 249 of this title, may convert to a decentralized organization by amending its articles of organization to include the statement described in subsection (c).
- **(c)** A statement in substantially the following form must appear conspicuously in the articles of organization of a decentralized organization:

NOTICE OF RESTRICTIONS ON DUTIES AND TRANSFERS

The rights of members in a decentralized organization may differ materially from the rights of members in other limited liability companies. The Tennessee Decentralized Organization Supplement, underlying smart contracts, articles of organization, and operating agreement, if applicable, of a decentralized organization may define, reduce, or eliminate fiduciary duties and may restrict the withdrawal or resignation from the decentralized organization, or the transfer of ownership interests, return of capital contributions, or dissolution of the decentralized organization.

- **(d)** The registered name for a decentralized organization must include wording or abbreviation to denote its status as a decentralized organization, specifically "DO", "DAO", "DO LLC.", or "DAO LLC.".
- **(e)** A statement in the articles of organization may define the decentralized organization as either a member-managed decentralized organization or a smart contract-managed decentralized organization. If the type of decentralized organization is not provided for in the articles of organization, then the limited liability company is presumed to be a member-managed decentralized organization.

Universal Citation:

TN Code § 48-250-104 (2023)

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- **(a)** A person may form a decentralized organization by having at least one (1) member sign and deliver one (1) original and one (1) exact or conformed copy of the articles of organization to the secretary of state for filing. The person forming the decentralized organization does not need to be a member of the organization.
 - **(b)** A decentralized organization must have and continuously maintain in this state a registered agent as provided in § 48-249-109.
 - **(c)** A decentralized organization may form and operate for a lawful purpose, regardless of whether for profit.
 - **(d)** A smart contract-managed decentralized organization may only form under this chapter if the underlying smart contracts are able to be amended.
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- **(a)** The articles of organization of a decentralized organization must:
 - **(1)** Include a statement that the organization is a decentralized organization, pursuant to § 48-250-103;
 - **(2)** Set forth the matters required by this chapter; and
 - **(3)** Include a publicly available identifier of a smart contract directly used to manage, facilitate, or operate the decentralized organization.
 - **(b)** Except as otherwise provided in this chapter, the articles of organization and the smart contracts for a decentralized organization govern the following:
 - **(1)** Relations among the members and between the members and the decentralized organization;
 - **(2)** Rights and duties under this chapter of a person in that person's capacity as a member;
 - **(3)** Activities of the decentralized organization and the conduct of those activities;
 - **(4)** Means and conditions for amending the operating agreement;
 - **(5)** Rights and voting rights of members;
 - **(6)** Transferability of membership interests;
 - **(7)** Withdrawal of membership;
 - **(8)** Distributions to members prior to dissolution;
 - **(9)** Amendment of the articles of organization;
 - **(10)** Procedures for amending applicable smart contracts; and
 - **(11)** All other aspects of the decentralized organization.

Articles of organization must be amended when:

- **(1)** There is a change in the name of the decentralized organization;
- **(2)** There is a false or erroneous statement in the articles of organization; or
- **(3)** The decentralized organization's smart contracts have been amended.

If the articles of organization or smart contract do not provide for a matter described in § 48-250-105, then the operation of a decentralized organization may be supplemented by an operating agreement.

Unless otherwise provided in the articles of organization or operating agreement, management of a decentralized organization is vested in:

- **(1)** The organization's members, if member-managed; or
- **(2)** The smart contract, if smart contract-managed.

Unless otherwise provided for in the articles of organization or operating agreement, a member of a decentralized organization does not have a fiduciary duty to the organization or another member; except, that the member is subject to the implied contractual covenant of good faith and fair dealing.

For purposes of §§ 48-250-112 and 48-250-113, and unless otherwise provided for in the articles of organization, smart contract, or operating agreement:

- **(1)** Membership interests in a member-managed decentralized organization are calculated by dividing a member's contribution of digital assets to the organization divided by the total amount of digital assets contributed to the organization at the time of a vote;
- **(2)** If members do not contribute digital assets to an organization as a prerequisite to becoming a member, each member possesses one (1) membership interest and is entitled to one (1) vote; and
- **(3)** A quorum requires no less than a majority of membership interests entitled to vote.

A member does not have a right under this chapter to separately inspect or copy records of a decentralized organization, and the organization does not have an obligation to furnish information concerning the organization's activities, financial condition, or other circumstances to the extent the information is available on publicly available distributed ledger technology.

- **(a)** A member may only disassociate from a decentralized organization in accordance with the terms set forth in the articles of organization, the smart contracts, or, if applicable, the operating agreement.
- **(b)** A member of a decentralized organization is not able to have the organization dissolved for a failure to return the member's contribution to capital.
- **(c)** Unless the organization's articles of organization, smart contracts, or operating agreement provide otherwise, a disassociated member forfeits all membership interests in the decentralized organization, including governance or economic rights.
- **(a)** A decentralized organization is dissolved upon the occurrence of the following:
 - **(1)** The period fixed for the duration of the organization expires;
 - **(2)** By vote of the majority of the members of a member-managed decentralized organization;
 - **(3)** At the time or upon the occurrence of events specified in the underlying smart contracts, or articles of organization, or operating agreement;
 - **(4)** The decentralized organization failed to approve proposals or take actions for a period of one (1) year; or
 - **(5)** By order of the secretary of state, if the decentralized organization is deemed to no longer perform a lawful purpose.
- **(b)** As soon as possible following the occurrence of an event specified in subsection (a), the organization must execute a statement of intent to dissolve in the form prescribed by the secretary of state.
- **(a)** The articles of organization and the operating agreement of a decentralized organization are effective as statements of authority.
- **(b)** If the articles of organization and operating agreement conflict, then the articles of organization control.
- **(c)** If the articles of organization and smart contract conflict, then the smart contract controls, except for provisions that comply with §§ 48-250-104 and 48-250-105(a) and (b).

The secretary of state shall not issue a certificate of authority for a decentralized organization based outside of the United States or its territories.

Added by 2022 Tenn. Acts, ch. 852, s 1, eff. 4/20/2022.

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