



DECENTRALIZED AUTONOMOUS ORGANIZATIONS REGULATION

Regulation 003-22

Adopted by the Zone Authority Commission

[Date of Adoption]

PREAMBLE

- (1) Whereas the Green Earth Zone aims to offer all engaged in peaceful trade a safe haven for legal digital commerce;
- (2) Whereas existing regulations designed for traditional transactions are not optimally suited for the advent of technically innovative forms of commerce;
- (3) Whereas Decentralized Autonomous Organizations (DAOs) have emerged as a mechanism for community participation that through collaboration of effort or capital seeks to plan and execute a project.
- (4) Whereas many DAOs have been created as entities without a formal traditional entity structure and therefore default to a general partnership without the protection of limited liability.
- (5) Whereas Title II, Chapter 1 of the Zone Civil Ordinance gives the Zone Authority Commission the power to adopt regulations in a manner consistent with the GEZ Administrative Procedures Regulation 001-22.
- (6) Therefore this Regulation provides a framework for the formation and operation of DAOs as a type of Limited Liability Company under Title VII, Chapter 7 of the Zone Civil Ordinance, or as a type of Unincorporated Nonprofit Association under Title VII, Chapter 9 of the Zone Civil Ordinance.

SECTION 101. SHORT TITLE

This Regulation may be cited as the "Green Earth Zone Decentralized Autonomous Organization Regulation."



SECTION 102. DEFINITIONS. In this regulation:

1. "Blockchain" has the meaning provided in Section 102(a) of the Digital Assets Regulation.
2. "Decentralized autonomous organization" means either a decentralized autonomous unincorporated non profit association organized under this Regulation or a limited liability decentralized autonomous organization organized under this Regulation.
3. "Decentralized autonomous unincorporated nonprofit association", "DAO UNA" means a decentralized autonomous organization organized as an unincorporated nonprofit association.
4. "Digital asset" has the meaning provided in Section 102(b) of the Digital Assets Regulation.
5. "Limited liability decentralized autonomous organization", "DAO LLC", or "LAO" means a decentralized autonomous organization organized under this Regulation as a limited liability company and subject to Zone Civil Code Title VII, Ch. 7.
6. "Majority of the members" means more than fifty percent (50%) of the membership interests eligible to participate in a vote or any membership interests required pursuant to the decentralized autonomous organization's certificate of organization, governing principles or operating agreement.

For the purposes of a DAO LLC, a person dissociated as a member as set forth in Zone Civil Code Title VII, Ch. 7 § 410 shall not be included for the purposes of calculating the majority of the members;

7. "Membership interest" means a member's ownership right in a decentralized autonomous organization, which may be determined by the organization's certificate of organization, governing principles or operating agreement or ascertainable from a blockchain on which the organization relies to determine a member's ownership right.
8. "Open blockchain" means a blockchain that is publicly accessible and its ledger of transactions is transparent;



9. "Smart contract" means an automated transaction, as defined in Zone Civil Code Title VIII Chapter 1§ 2(2), or any substantially similar analogue, or code, script or programming language relying on a blockchain which may include taking custody of and transferring an asset, administrating 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.

SECTION 103. APPLICATION OF GREEN EARTH ZONE LIMITED LIABILITY COMPANY ACT AND UNINCORPORATED NONPROFIT ASSOCIATIONS ACT.

(a) This Regulation will be interpreted as applying to DAO LLCs and DAO UNAs to the broadest extent possible under the Zone Civil Code Title VII, Chapter 7 and the Zone Civil Code Title VII, Chapter 9 and the powers provided to the Zone Secretary by Article 2 of the GEZ Administrative Procedures Regulation 001-22.

(b) This Regulation does not repeal or modify any statute or rule of law that applies to (i) a limited liability company that is organized under Zone Civil Code Title VII, Chapter 7 that is not a decentralized autonomous organization, or (ii) an unincorporated nonprofit association organized under the Zone Civil Code, Title VII, Chapter 9 that is not a decentralized autonomous organization.

SECTION 104. DEFINITION AND ELECTION OF DECENTRALIZED AUTONOMOUS ORGANIZATION STATUS.

(a) A decentralized autonomous organization is either (i) a limited liability company or (ii) an unincorporated nonprofit association whose certificate of organization, operating agreement or governing principles contain a statement that the company is a decentralized autonomous organization as described in subsection (c) of this section.

(b) A limited liability company formed under Zone Civil Code Title VII, Ch. 7 § 101 through § 1102, or an unincorporated nonprofit association formed under Zone Civil Code Title VII, Ch. 9 may convert to a decentralized autonomous organization by amending its certificate of



organization, operating agreement or governing principles to include the statement required by subsections (a) and (c) of this section and Section 106.

(c) A statement in substantially the following form shall appear conspicuously in the certificate of organization, governing principles, or operating agreement, if applicable, in a decentralized autonomous organization:

NOTICE OF RESTRICTIONS ON DUTIES AND TRANSFERS

The rights of members in a decentralized autonomous organization may differ materially from the rights of members in other limited liability companies or unincorporated nonprofit associations. The Green Earth Zone Decentralized Autonomous Organization Regulation, underlying smart contracts, certificate of organization, governing principles and/or operating agreement, if applicable, of a decentralized autonomous organization may define, reduce, or eliminate fiduciary duties and may restrict transfer of ownership interests, withdrawal, or resignation from the decentralized autonomous organization, return of capital contributions and dissolution of the decentralized autonomous organization.

(d) The registered name for a decentralized autonomous organization shall include wording or abbreviation to denote its status as a decentralized autonomous organization, specifically "DAO LLC" or "DAO UNA".

(e) A statement in the certificate of organization or governing principles shall establish how the decentralized autonomous organization shall be managed by the members, including to what extent the management will be conducted algorithmically.

SECTION 105. FORMATION

(a) Any person may form a DAO LLC by:



- (1) Applying for and obtaining a digital identifier in the manner prescribed by the Zone Authority for each of its members;
 - (2) Fulfilling all other requirements for limited liability companies in Zone Civil Code, Title VII, Ch. 7, Section. 201.
 - (3) A statement in substantially the form described in Section 104(c).
 - (4) A publicly available identifier of any smart contract directly used to manage, facilitate, or operate the decentralized autonomous organization.
- (b) To be deemed residents of the Zone, DAO UNAs must submit a form in a manner prescribed by the Zone Authority containing:
- (1) The name of the DAO UNA;
 - (2) Digital identifiers issued by the Zone Authority of all members;
 - (3) Contact information, including for the registered agent, if one is selected in accordance with section 29 of Zone Civil Code, Title VII, Ch. 9.
 - (4) A statement in substantially the form described in Section 104(c)
 - (5) A publicly available identifier of any smart contract directly used to manage, facilitate, or operate the decentralized autonomous organization.
- (c) All decentralized autonomous organizations are required to annually update the Zone Authority with any changes to information previously reported to the Zone Authority.
- (d) If the certificate of organization filed for DAO LLCs, or the form submitted for DAO UNAs pursuant to this Section 105, does not include a publicly available identifier as required by Section 106(b), the person filing shall have thirty (30) days to provide the publicly available identifier to the Zone Secretary. If the publicly available identifier is not provided



within thirty (30) days, the the Zone Secretary shall dissolve the decentralized autonomous organization.

(e) A decentralized autonomous organization that fails to report the digital identifiers of all of its members may be subject to an Authority fine. In the event of fraudulent or deliberately misleading reports on behalf of a DAO LLC or DAO UNA, it will result in loss of limited liability protection and may lead to dissolution of the decentralized autonomous organization.

SECTION 106. CERTIFICATE OF ORGANIZATION OR GOVERNING PRINCIPLES.

(a) Under this regulation:

- (1) For the purposes of DAO LLCs, the certificate of organization shall include a statement that the organization is a decentralized autonomous organization, pursuant to Section 104 and shall set forth the matters required by Zone Civil Code Title VII Ch. 7 § 201.
- (2) For the purposes of DAO UNAs, the governing principles of a decentralized autonomous organization shall include a statement that the organization is a decentralized autonomous organization, pursuant to Section 104 and shall set forth the matters required by Zone Civil Code Title VII Ch. 9.

(b) In addition to the requirements of subsection (a) of this section, the certificate of organization or governing principles shall include a publicly available identifier of any smart contract directly used to manage, facilitate, or operate the decentralized autonomous organization.

(c) Except as otherwise provided in this Regulation, the certificate of organization, governing principles, including smart contracts, as appropriate, for a decentralized autonomous organization shall govern all of the following:



- (1) Relations among the members and between the members and the decentralized autonomous organization;
- (2) Rights and duties under this Regulation of a person in their capacity as a member;
- (3) Activities of the decentralized autonomous 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 certificate of organization or governing principles;
- (10) Procedures for updating, modifying or otherwise revising the organization's smart contracts;
- (11) Dispute resolution pursuant to Title IX of the Zone Civil Code or in the manner prescribed by the Zone Authority as applicable;
- (12) All other aspects of the decentralized autonomous organization.

SECTION 107. AMENDMENT OR RESTATEMENT OF CERTIFICATE OF ORGANIZATION OR GOVERNING PRINCIPLES.

- (a) Certificate of organization or governing principles shall be amended when:





- (1) There is a change in the name of the decentralized autonomous organization;
- (2) There is a false or erroneous statement in the certificate of organization or governing principles; or
- (3) The decentralized autonomous organization's smart contracts have been updated or changed in a manner which affects the provisions of Section 106.

(b) Notwithstanding the foregoing, any updates or changes to the smart contract which affect the provisions of Section 106 shall be available with a publicly available identifier, and its members shall be notified of such updates or changes to the smart contract. Decentralized autonomous organizations may determine whether these changes significantly affect the provisions of Section 106 and therefore to amend the certificate of organization or governing principles, or to deliver notification to its members of these changes or updates to the smart contract.

SECTION 108. OPERATING AGREEMENT.

To the extent the certificate of organization, governing principles or smart contract do not otherwise provide for a matter described in Section 106, the obligations, rights and duties of the members and operation of a decentralized autonomous organization may be supplemented by an operating agreement. An operating agreement may be a smart contract.

SECTION 109. MANAGEMENT AND MEETINGS

- (a) Management of a decentralized autonomous organization shall be vested in its members or the members and any applicable smart contracts. All smart contracts utilized by a decentralized autonomous organization shall be capable of being updated, modified or otherwise upgraded.
- (b) For the purposes of a DAO UNA, the lack of appointment of a manager will not be understood as all members being managers, nor will members acquire the fiduciary duties of such manager in such cases.



(c) For DAO LLCs and DAO UNAs:

- (1) Meetings, for purposes of the laws and regulations of the Zone, may involve asynchronous participation in which communications and votes are held over an extended period of time in a manner consistent with the certificate of organization, operating agreement, or governing principles, as appropriate.

SECTION 110. STANDARDS OF CONDUCT FOR MEMBERS.

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

SECTION 111. MEMBERSHIP INTERESTS FOR MEMBER MANAGED DECENTRALIZED AUTONOMOUS ORGANIZATIONS; VOTING.

(a) For purposes of Sections 113 and 114 and unless otherwise provided for in the certificate of organization, governing principles, smart contract or operating agreement:

- (1) Membership interests in a decentralized autonomous organization shall be calculated by dividing a member's contribution of digital assets to the organization by the total amount of digital assets contributed to the organization at the time of a vote; or
- (2) If all members have not contributed digital assets to an organization as a prerequisite to becoming a member, each member shall possess one (1) membership interest and be entitled to one (1) vote;

SECTION 112. RIGHT OF MEMBERS, MANAGERS AND DISSOCIATED MEMBERS TO INFORMATION.



To the extent the information is available on an open blockchain, members and dissociated members shall have no right under Zone Civil Code Title VII Ch. 7 § 410 or Zone Civil Code Title VII Ch. 9 Section 24 to separately inspect or copy records of a decentralized autonomous organization and the organization shall have no obligation to furnish any information to members concerning the organization's activities, financial condition, or other circumstances.

SECTION 113. WITHDRAWAL OF MEMBERS.

(a) Except as specified in subsection (d) of this section, a member may only withdraw from a decentralized autonomous organization in accordance with the terms set forth in the certificate of organization, governing principles, the smart contracts or, the operating agreement.

(b) A member of a decentralized autonomous organization may not have the organization dissolved for a failure to return the members' contribution to capital.

(c) Unless the organization's certificate of organization, governing principles, smart contracts or operating agreement provide otherwise, a withdrawn member forfeits all membership interests in the decentralized autonomous organization, including any governance or economic rights.

(d) Where the certificate of organization, governing principles operating agreement and smart contracts for a decentralized autonomous organization do not specify the manner by which a person:

- (1) Becomes a member of a decentralized autonomous organization, a person shall be considered a member if the person purchases or otherwise assumes a right of ownership of a membership interest or other property that confers upon the person a voting or economic right within the decentralized autonomous organization;
- (2) Withdraws membership from a decentralized autonomous organization, the person shall cease to be a member if the person transfers, sells or alienates all membership interests or other property that confers upon the person a voting or economic right



within the decentralized autonomous organization and retains no further right of ownership therein.

SECTION 114. DISSOLUTION.

(a) Unless the organization's certificate of organization, governing principles, smart contracts or operating agreement provide otherwise, a decentralized autonomous organization organized under this Regulation shall be dissolved upon the occurrence of any of the following events:

- 1) The period fixed for the duration of the organization expires;
- 2) By vote of the majority of the members of a decentralized autonomous organization pursuant to the definition provided in Section 102(6);
- 3) At the time or upon the occurrence of events specified in the underlying smart contracts or as specified in the certificate of organization, governing principles or operating agreement;
- 4) The decentralized autonomous organization has failed to approve any proposals or take any actions for a period of one (1) year;
- 5) The decentralized autonomous organization no longer performs a lawful purpose or is no longer under the control of at least one (1) natural person;
- 6) Where all members of the decentralized autonomous organization have withdrawn in accordance with Section 113.

(b) As soon as possible following the occurrence of any of the events specified in subsection (a) of this section causing the dissolution of a decentralized autonomous organization, the organization shall execute a statement of intent to dissolve in the form prescribed by the Zone secretary.



(c) Any interested party may petition a court of competent jurisdiction for dissolution of a decentralized autonomous organization upon the occurrence of any of the events specified in subsection (a) of this section and upon finding the occurrence of one (1) or more of the events specified in subsection (a) of this section the court shall enter an order dissolving the decentralized autonomous organization.

SECTION 115. MISCELLANEOUS.

The certificate of organization, governing principles and the operating agreement of a decentralized autonomous organization are effective as statements of authority. Where the underlying certificate of organization, governing principles and operating agreement are in conflict, the certificate of organization or governing principles shall preempt any conflicting provisions. Where the underlying certificate of organization, governing principles and smart contract are in conflict, the smart contract shall preempt any conflicting provisions of the certificate of organization, governing principles, except as it relates to Section 104 and Section 106(a) and (b).

SECTION 116. FOREIGN DECENTRALIZED AUTONOMOUS ORGANIZATION.

The Zone Secretary shall not issue a certificate of authority for a foreign decentralized autonomous organization.

SECTION 117. DISTRIBUTIONS PROHIBITED; COMPENSATIONS AND OTHER PERMITTED PAYMENTS

For the purposes of DAO UNAs, distributions of profit shall be prohibited pursuant Civil Code Title VII Ch 9. Section 25. Notwithstanding, a DAO UNA's governing principles may define how compensation and payments are permitted, pursuant to Civil Code Title VII Ch. 9 Section 25(b), which details compensations, and other permitted payments. This includes, but is not limited to, payments and compensations for potential staking and the assumption of risk in regard to the staking of a token being held in relation to the DAO UNA governance, and which shall not be construed as a distribution of profits to the members pursuant to Title VII Ch 9. Section 25.