VitaDAO-backed Investment Fund Specification & Implementation

Members of the Longevity working group approached the Legal working group asking about forming a special-purpose vehicle (“SPV”) for making investments and holding shares of companies for VitaDAO.

Legal recommended forming a Wyoming LLC to serve as an independently-managed fund (see fund formation proposal summary deck here) which VitaDAO invests into.

The process for forming the LLC is simple and as follows:

1. Filling out the online form and paying the $49 fee.
2. Waiting 1 business day.
3. Operating agreement, subscription agreement, and other enabling documents will be provided by legal.

Legal recommended forming a Wyoming LLC for these reasons:

1. A separate legal entity mitigates legal risk by segregating the investment from the DAO because it distinguishes VitaDAO, which is not an investment fund, from The DAO, which was.
2. WY is a crypto-friendly jurisdiction with crypto-enabling securities laws, banking laws, and corporate laws favorable to an SPV created by a DAO;
3. WY law provides for DAO LLCs, which empower the SPV to tokenize into a sub-DAO if it so desired
4. A WY LLC is orders of magnitude cheaper and easier to set up than a Cayman company (the most popular alternative)

The relationship between VitaDAO and the LLC is as follows:

1. The fund is a manager-managed LLC. The managers, which may be natural persons or corporations, receive fees for managing the fund’s investments.
2. Legal proposes a management fee sufficient to pay for the formation of the fund and the annual registered agent fees, e.g. a one-time management fee of 0.1%, plus a performance fee sufficient to incentivize and reward the managers, e.g. a performance fee of 8% charged at every liquidity moment for a portfolio investment. In contrast, the standard fund fee structure is a 2% annual management fee and a 20% carried interest.
3. VitaDAO is a member of the LLC, with membership purchased through investment, so VitaDAO is an investor in the LLC.
4. VitaDAO does not control the LLC, which is independently managed by the LLC’s managers.
   VitaDAO is an investor in the LLC, formed for the purpose of making investments and holding shares of companies for its investors. The LLC could take on additional investors other than VitaDAO.

   Why:
   Independent governance of the fund (separate from governance of the DAO)

is important for securities law analysis of VITA token.
If the fund is directly controlled by VitaDAO, then VITA is likely to be considered a security
But VitaDAO, as the keystone investor in the fund, will of course have substantial influence over the fund
The fund managers will have fiduciary duties to its investor, so they will act in its best interest as required by law
In this way, even though the fund is independently governed it is still a key part of VitaDAO and the dao itself does not put its token holders at risk

5. The LLC SPV, though independently managed, serves the interests of VitaDAO as an investor/member of the fund -- that's its fiduciary duty!
6. The proposed fund manager is: Laurence Ion (through his LLC)
7. The proposed General Counsel is Jesse Hudson, hired via Laurence's LLC