



FlamingoDAO: Web3 Research

Research by: [Fateh Singh Mann](#)

Primary Research Sources

- Website: [Flamingo DAO](#), [LAO](#)
- Launch Announcements: [Flamingo DAO](#), [LAO](#)
- Twitter: [Flamingo DAO](#), [LAO](#)
- [Flamingo DAO's NFT Gallery](#)
- [Modern Finance](#) episode featuring Flamingo DAO founders
- 'This Week in Startups' episode featuring Aaron Wright

Background

- **What is a DAO** (Decentralized Autonomous Organizations)?
 - The concept, first explored in 2013 in articles by [Daniel Larmer](#) and [Vitalik Buterin](#) (co-founder of Ethereum), begins with the premise that corporations are a way to organize human activity under a set of rules and objectives that were defined inside contracts. To interpret and enforce these contracts, traditional corporations depend upon a hierarchical management structure.
 - DAOs are organizations where this hierarchical management structure is replaced with software. They operate through 'smart contracts', while objectives, rules and transaction records are encoded in a blockchain, replacing the need for any centralized authorities. In theory, DAOs would have the following benefits:
 - Reduced costs by automating actions through smart contracts
 - Increased trust amongst all stakeholders due to the radical transparency ensured via the stakeholders
 - A sense of ownership that makes contributors feel more financially and psychologically incentivized to support peers, uplift the work of others, and do their best work than a traditional worker.
- **The Story of the First DAO**
 - In May 2016, a few members from the Ethereum team founded the first DAO (confusingly named 'The DAO') to operate as a VC in the blockchain and crypto space.
 - The DAO raised funds by issuing tokens in exchange for ETH. This was a massive success, gathering almost \$150M in funds.
 - Due to a now infamous [technical flaw](#), one or more hackers were able to steal nearly \$70M. In a highly controversial move, Ethereum hard forked to send the hacked funds to an account available to the original owners.
 -

SEC also found that The DAO tokens were securities and therefore subject to the federal securities laws. Any tokens related to the ownership interest of a for-profit DAO must trade on registered exchanges, unless they are exempt, to protect investors and to make sure they receive appropriate disclosures.

- Unsurprisingly, the DAO folded up shortly afterwards. However, interest in DAOs was far from over, and the experiments would continue.

Company History and Key People

• Open Law (Now Tribute Labs):

- In June 2017, the founding team behind Flamingo DAO first banded together to found OpenLaw- a [Ricardian Contracting system](#) to help create contracts that could be interpreted by humans and machines. The latter was important, as it enabled the contract to be cryptographically signed, verified and stored on the blockchain. Thus, OpenLaw could help serve as a bridge between traditional legal regimes and the emerging world of Crypto.
- The idea for a Ricardian Contracting system had emerged from some research founder Aaron Wright (a lawyer by training) had been conducting on Blockchains and Regulation, which eventually led to the publishing of the book "[Blockchain and the Rule of Law](#)".
- The Open Law team began experimenting with various use cases for their tooling, such as real-time transmission of taxes, before deciding that the best application for them was to help the emerging ecosystem of DAOs set up a legal structure to comply with US Securities Law.
 - This was important because the [first DAO, launched in May 2016](#), had been a spectacular failure, not just because of the famous hack that had cost \$70M before being reversed, but because of an SEC ruling that stated that the DAO and its investors may have been in violation of SEC law. Thus, later DAOs operating under the same model would operate under significant regulatory uncertainty.

Note: As of September 2021, Open Law was [rebranded as Tribute labs](#), an organization whose express purpose was to help DAOs operate legally in the US.

• LAO:

- To better understand the precise products that DAOs would need, they began launching DAOs in an effort to 'eat their own dog food'. The first significant such organization was the LAO.
- Short for 'Limited Liability Autonomous Organization', it was launched in April 2020, as a limited liability entity (to comply with securities laws). Members could join by purchasing 'LAO Units' in exchange for a certain amount of ether. The funds collected would be invested in blockchain-based projects in exchange for tokenized stock or utility tokens. All governance and execution (e.g., voting, funding, funds transfer etc.) would happen via smart contracts. In total, the project raised ~\$5M.
- The second project the LAO invested in [Superrare](#)- the now famous marketplace for Digital Art and NFTs. Soon, members began discussions about whether the LAO should only invest at the project, platform or infrastructure level in the NFT space (eg. in marketplaces like or technical tools), or should it also buy individual pieces of art? They decided to do both, and launch a new investment vehicle focused on the NFT space called Flamingo DAO.
- The LAO has since become a DAO incubator and began spawning off other DAOs for focused investments in certain areas. As of this date, it has launched 6 different DAOs with a total of \$200M in ETH in contributed capital at the time of investing, with 2 more being announced soon:
 - [Flamingo DAO](#)
 - [Neptune DAO](#) (DeFi)
 - [Neon DAO](#) (Metaverse).
 - [Red DAO](#) (digital fashion)
 - [ReadyPlayer DAO](#) (gaming)
 - [Museo](#) (NFT-native museum, art collection)

- **Flamingo DAO:**

- Flamingo was launched in Oct 2020. It was funded with the sale of 'Flamingo Units' which raised about 6,000 ETH (\$6M at the time) with a similar structure as the LAO.
- In February 2021, the Flamingo DAO bought a Crypto Alien Punk for \$750,000.

- **Key People:**

- [Aaron Wright](#): A lawyer, academic and tech entrepreneur who sold a company to Wikia in 2007. He played a small role in the founding of Ethereum. His subsequent research on how blockchains and law intersect led to the [publication of a book](#), memorializing the initial set of ideas that would lead to the founding of Open Law.
- [Priyanka Desai](#): A lawyer by training, joined Aaron at OpenLaw in 2017 where she is now VP of operations. Also a prominent member of Flamingo.

Mechanics

- **Membership:**

- For compliance reasons, Flamingo membership is limited to US accredited investors only, with a cap of 100 members.
- Originally, members joined by purchasing 'Flamingo Units' in blocks of 100,000 for 60 ETH, representing 1% of the voting rights and 1% pro-rata rights. The maximum share any member could have is 9%. Importantly, this is not a token and is not trade-able or transferable, unless otherwise agreed to by a majority of the members (the exact nature of the majority- relative versus absolute, is unclear).
- Existing members can decide when and if to open new memberships for a limited period. Aaron stated on ['This week in startups'](#) that the current cost for new members is ~3,000 ETH. New members join by diluting the equity of existing shareholders. Unlike traditional investment firms, where new members only get proceeds from future investments, new members of Flamingo DAO get proceeds from all investments made by Flamingo throughout its life.
- Flamingo DAO has a large number of outstanding applications. New members are carefully approved by evaluating their expertise in the NFT space.

- **Investing Process**

- The company interacts on discord and through bi-weekly calls, where they discuss potential new investments and trends.
- To preserve privacy and to prevent front running, Members periodically do a [Moloch-style vote](#) on whether they should allocate a portion of Flamingo's assets (about 20%) into a side pocket. The purchase of assets takes place from here.
- Existing members nominate a project or an NFT for funding through a portal called 'The dApp'. Once nominated, Members vote on whether to support the proposal or not.
- Currently, the members are evaluating two different ways to proceed with liquidity events ([such as the sale of an autoglyph](#) by Sotheby's)- distributing the funds to members on a pro-rata basis, or to create tradable tokens that represents the interest from the proceeds.
- So far, any member that wishes for some liquidity has simply sold a part of his share in Flamingo DAO to another member (upon approval from other members). If multiple members seek liquidity at once, the majority of the members will decide on how said liquidity will be achieved.

- **Voting System**

- Voting is primarily facilitated by blockchain-based smart contracts. All voting records are recorded to the Ethereum blockchain.
- Voting Rights are on a pro-rata requirement. Decisions are made on a rough consensus with no quorum requirement, i.e., members aren't required to vote, and there is no minimum number of votes required for a proposal to be evaluated.

- Voting rights can also be delegated to another member for a particular issue. Delegating voting does not lead to impact a members right to the proceeds.
- Aside for voting on purchases, Members may also submit proposals and votes on the structure and form of Flamingo DAO and/or other strategic decisions- such as how to handle liquidity, to launch a Flamingo DAO token, etc.

● Rage Quitting

- Members at any point can choose to withdraw their capital and leave Flamingo should they wish- a process called 'rage quitting'. This gives members a sense of security while joining the DAO and an ability to vote with their feet.
- After each proposal is voted on, members are given time to 'rage quit' if they disagree with the outcome.
- Members that rage quit are given a share from any undeployed capital. They are also entitled to receive proceeds from any investments made by Flamingo DAO prior to the member's withdrawal of capital to the extent permitted by law or the terms of an investment (e.g., if Flamingo makes an investment in a security with transfer restrictions, Flamingo will be the record holder until those restrictions lift). The terms of how and when these proceeds are transferred to members that rage quit aren't clear in the governance document.

□ *Note: The [Flamingo DAO governance document](#) doesn't make any mention of a rage quitting member's entitlement to investment proceeds. The point above has been taken from the [LAO governance document](#), which founder Aaron Wright notes is identical to that for the Flamingo DAO.*

- **Miscellaneous:** All administrative and operating activities- such as setting up the legal structuring, maintenance of the software (called dApp where decision making and governance occurs) and smart contracts, community support, tax and compliance, etc.

Business Model & Secret Sauce

● Activities

- To purchase NFTs and, if relevant, convert them into fractionalized works, including famously, the [Alien CryptoPunk for ~\\$750,000](#)
- Invest in core NFT infrastructure and projects. The Flamingo DAO has invested in at [least 10 such projects \(according to crunchbase\)](#), such as participating in a \$23M round for [OpenSea](#), the peer-to-peer marketplace for crypto collectibles and non-fungible tokens, and a \$15M round for [nameless](#), the developer of an API software for the issuance, testing, and sale of NFTs.
- Commission new work and drop new NFTs from artists such as [Joy](#) and [Hackato](#).
- Invest in Digital Artists through their respective community or social token.
- Curates acquired works to create digital museum and [gallery showings](#).
- Find ways to evolve and further monetize existing assets. For eg. after acquiring the rights for the Alien CryptoPunk, they created [a social media account](#), giving its own personality, turning it into a 3D being, created zoom skins for it, and manifested it in metaverses, and even launched [a DAO with it](#). An obvious end point for this might be virtual celebrities (such as virtual pop star [Miquela](#))

● Portfolio:

- The Flamingo DAO began with \$6M of ether. Over time, they have acquired over 1,300 NFTs ([source](#)) including hundreds of cryptopunks (Flamingo DAO is the #3 holder of CryptoPunks), five rare auto-glyphs, NFTs by digital artists and stakes in prominent Web3 startups like OpenSea.
- While subject to volatility and not easy to estimate, the Flamingo DAO currently values its holdings at \$1B (source: Aaron mentions this at the 54-minute mark on the [Boardroom Governance Podcast](#), 11/8/21)

● Economics

- **Revenue stream**

- Sales of Digital Assets and investments: this includes assets acquired previously as well as new NFTs dropped in collaboration with artists
- Sale of Tokens to new members: Flamingo currently has about 70 members, which can go up to a hundred members based on the original charter of the organization. As noted earlier in the section on mechanics, existing members decide when and if to open new memberships, and the price for each member to join. It is up currently to [3000 ETH](#) for 100,000 units from 60 ETH at launch, a 2000x increase in USD terms (accounting for the 40x increase in value of ETH).
- As this is an extremely nascent space, expect lots more revenue opportunities opening up, which may include monetization of digital museums and gallery showings, creating a community or a DAO around existing NFTs, etc.

○ **Cost structure**

- Fees for a service provider (OpenLaw, now Tribute Labs) to carry out legal structuring, DAO tooling to deal with administrative and compliance issues, community support etc. These start at a [2% annual fee](#) on contributed capital which comes down to [~0.7% after 5 years](#). (Source- This week in Startups- [the LAO's contributed capital](#), and [an explanation of the 2% annual fee](#)).
- Open Law does not charge a carry - the members make their own decisions and Flamingo DAO doesn't have investment authority
- "In addition to the fee schedule outlined above, the service provider will be entitled to a fee of 2% of the gross proceeds of any sale it facilitates of an NFT previously acquired by Flamingo, as well as, if the service provider fractionalizes ownership interest in an NFT acquired by Flamingo, 2% of those ownership interests in the NFT." (Source: [website](#))
- Marketplace commissions, such as 2.5% for OpenSea.

● **Competitive Advantages**

Caveat: Flamingo DAO, and DAOs in general, have a highly limited operating history, that too in a crypto bull market, and it may be premature to draw conclusions.

While the vectors of competition are not well-defined yet, Flamingo DAO is likely to compete for investment opportunities with other DAOs on the one hand, and VCs and traditional investors on the other.

- Ability to identify new deals and opportunities: In a highly dynamic, fragmented industry with individuals spread all across the globe, scouting the landscape and identifying deals is far more challenging than a centralized/concentrated world, such as investing in Silicon Valley Startups. This may be the most important skill for an investment vehicle looking to take advantage of the rapidly evolving industry dynamics and long tail of NFT projects.
 - Flamingo DAO versus VCs:
 - The 'hive mind' and flatter org structure of Flamingo DAO - with a network 70+ digital asset experts from diverse backgrounds - is better suited to identifying opportunities in a rapidly evolving ecosystem, as compared to traditional investment setups.
 - Flamingo DAO versus other DAOs:
 - Flamingo has a high quality member base with a long history of exposure in the blockchain and NFT ecosystem. This sets it apart from most DAOs, though competitors such as [Pleasr DAO](#) have also curated a high quality member base. This is further bolstered by a [high quality network of 'curators'](#) that assist Flamingo in identifying trends and emerging opportunities, but don't make any purchasing decisions.
 - Unlike many of its competitors, Flamingo DAO is a relatively tight knight group of 70-odd individuals, with a likely much higher participation rate (Aaron Wright quoted 60% [in this podcast](#)) as the average rate across all DAOs in the LAO network. However, it is much smaller than some of its peers such as [Fingerprints DAO](#) (250 members), which maybe better at uncovering the long tail of projects. Time will tell us more about the likely trade-off between size of a DAO and the participation rate of its members, and how that can be offset by governance

○

Goodwill, reputation and community: The nascent NFT and crypto industry is highly idealistic and purpose-driven, and the right reputation and community will lead to valuable deal flow.

- Versus VCs: This is another area where DAOs, with the combined network of all their members and an ethos that matches the ecosystem, likely have an advantage over traditional investor peers.
- Versus other DAOs: Flamingo is the most prominent, oldest and largest DAO. Called the Medici of NFTs, it was the only DAO featured in Fortune's list of the 50 [most influential people in NFTs](#). Reputation drives their ability to attract a network of [high-quality curators](#) that assist their members.
- Speed and Flexibility:
 - The DAO structure is optimized for speed and flexibility. Recently, the LAO launched a new DAO called [Neptune DAO](#) which took 40 minutes to close a \$20 million vehicle where a VC would have taken 3 to 6 months.
 - VCs are constrained in the set of activities they can perform, while DAOs can add to the value of their holdings in interesting ways and find additional methods to monetize. For example, DAOs can start new DAOs of their most popular NFTs, monetize their assets in digital museums, etc.
- Skin-in-the Game:
 - Flamingo DAO is member-directed and members have the authority to vote on and make investments, minimizing any principal-agent conflicts.
- Compliance-First Approach:
 - NFTs are an emerging investment space that authorities don't yet know how to regulate. Flamingo DAO, due to its affiliation with Tribute Labs, has been conservative in its structuring as a "wrapped DAO" to meet regulatory compliance, and it's lawyer founder Aaron Wright, is best suited to navigate the evolving regulatory environment.

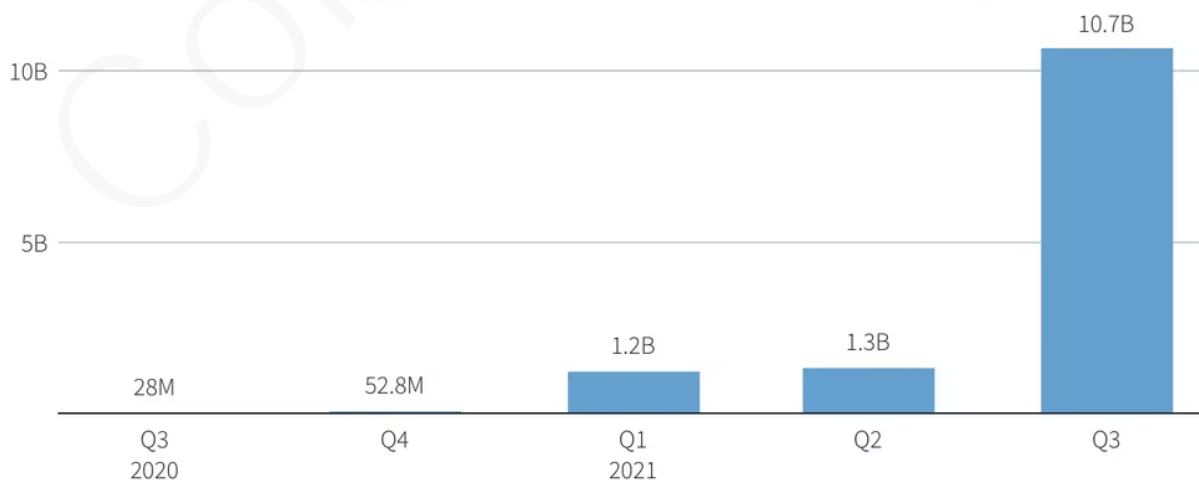
Competitive Position

• Industry

- NFTs are a nascent industry that have seen spectacular growth over the past one year, reaching \$10.7 B in Q3 of 2021

NFT sales surge to \$10.7 billion in Q3 - DappRadar

Quarterly non-fungible token sales volumes across multiple blockchains, in U.S. dollars



Note: DappRadar is a company which tracks on-chain NFT sales across multiple blockchains including Ethereum, Flow, Wax, and BSC.
Source: DappRadar

- Interest in NFTs is on the rise - celebrities, investors, individuals, and other DAOs are coming together to bid for new art pieces and projects. Some prominent 'collector' and 'investor DAO's include [Pleasr DAO](#) and

[Fingerprints DAO](#). Further, DAOs often coming together on a one-off basis to purchase a single NFT, such as the [Constitution DAO](#), and some of them become permanent (e.g., Pleasr DAO).

- The barrier to entry in the space is very low, and is becoming lower still, as tools and infrastructure to get DAOs off the ground get built, and we get laws such as the recent [Wyoming Bill](#) that eliminates some of the regulatory uncertainty around DAOs.

- **Position within the industry**

- Flamingo is the oldest and largest DAO vehicle for NFTs, and that too is only a little over a year old. The industry is very nascent.
- Biggest risk(s) to competitive position
 - **NFT Market Crash:**
 - Even the most bullish investors/collectors concede that NFTs may currently be in the throes of a speculative mania - a large number of current NFTs will turn out to be worthless.
 - **Ethereum Price Collapse:**
 - All of Flamingo's reserve assets are held in Ether. A fall in the price of Ether may limit the resources they have access to.
 - **Innovation in DAO Governance and formation:**
 - To comply with regulatory requirements, Flamingo DAO requires only accredited members in the US and has a maximum limit of 99. This may disadvantage it from competing with more global teams with larger memberships (though there may be a [Dunbar's number limit](#) for optimal effectiveness of investment DAOs)
 - It could be argued that DAOs tend to become exclusionary due to the high price of admission and limited number of memberships, which may have adverse effects while exploring an investment space with long-tail characteristics
 - Flamingo DAO powers its backend through service provider [OpenLaw](#), run by Flamingo DAO members Aaron and Priya Desai. Given the rapid evolution of the space, better tooling may emerge, which Flamingo DAO could theoretically be reluctant to deploy given economic interests in Open Law (Note: this is likely mitigated per the [fee terms](#) - members have the right to terminate the services of the service provider at any time).
 - **Entry of Players with Deeper Pockets:**
 - Right now the NFT industry may be too small for capital to be a moat. However, should it evolve and become a larger industry, this may change. Flamingo and other DAOs may face elevated competition from players with larger, deeper pools of capital.

Useful Resources

Title	Type	What You Will Learn (140 Characters)	URL (Must be https://)
Breaking down Rivian's IPO & \$100B valuation + DAO deep dive with OpenLaw's Aaron Wright	Podcast	Understand how DAOs work, and what sets them apart from traditional investors and VCs	https://podcasts.apple.com/in/podcast/breaking-down-rivians-ipo-%24100b-valuation-dao-deep/id315114957?i=1000541545298
Aaron Wright: On The Rise of DAOs and Blockchain Governance.	Podcast	An exploration on the concept of DAOs and the next frontiers of corporate governance	https://podcasts.apple.com/in/podcast/aaron-wright-on-the-rise-daos-and-blockchain-governance/id1513064579?i=1000541116194
Flamingo DAO – What You Should Know About	Podcast	The past, present and future of Flamingo and the LAO network of DAOs	https://podcasts.apple.com/in/podcast/flamingo-dao-

Aaron Wright: The LAO – DAOs From a Legal Perspective	Podcast	The governance system and legal perspectives about the DAO	https://podcasts.apple.com/in/podcast/aaron-wright-the-lao-daos-from-a-legal-perspective/id792338939?i=1000506647650
Collector Spotlight: Chris, Flamingo DAO member	Podcast	A prominent Flamingo DAO member dives deep into NFTs.	https://podcasts.apple.com/us/podcast/collector-spotlight-chris-flamingo-dao-member/id1580998139?i=1000534559851
Bootstrapping a Decentralized Autonomous Corporation: Part I	Article	Vitalik Buterin's foundational articles that first explored the concept of a DAO in detail.	https://bitcoinmagazine.com/technical/bootstrapping-a-decentralized-autonomous-corporation-part-i-1379644274
The Story of the DAO — Its History and Consequences	Article	The story of The First DAO, its spectacular rise and fall, and lessons learned.	https://medium.com/swlh/the-story-of-the-dao-its-history-and-consequences-71e6a8a551ee
Voting Options in DAOs	Article	A deep dive into different types of voting mechanisms in DAOs	https://medium.com/daostack/voting-options-in-daos-b86e5c69a3e3
DAOs: Absorbing the Internet	Article	A deep exploration into the concept of DAOs that assumes zero knowledge.	https://www.readthegeneralist.com/briefing/dao
Blockchain and the Law: The Rule of Code	Book	Aaron Wright's deep dive into the subjects of blockchain and regulation.	https://www.amazon.com/Blockchain-Law-Rule-Primavera-Filippi/dp/0674241592

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