**Introduction**

Our new corporate structure for LegalBlock Hacknet is a cooperative association. All users will collectively own the network, no one user or group of users will be able to control the management or direction of the network. Our sample bylaws would be registered in Colorado which follows the Uniform Limited Cooperative Association Act (“ULCAA”). The ULCAA has been adopted in six states (Utah, Colorado, Nebraska, Oklahoma, Kentucky, Vermont) and the District of Columbia. Our model can be used in any of these jurisdictions. This corporate structure would allow for a decentralized democratic system of governance, the influx of capital during the development stage, and shared ownership of the network. These are the two most important challenges currently faced by new blockchain ventures.

**Governance Model**

        Our corporate structure is designed to allow all token holders to receive one vote on all governance issues. This is one vote per person on the network irrespective of their stake. We have utilized this structure to prevent parties who own a larger percentage of the tokens from controlling the network at the expense of smaller owners. The voting method can be handled in many different ways. The voting process can exist either on chain or off chain.

        The coop will make use of the concept of liquid democracy. For each vote on governance issues, all members of the coop will have the option to either vote directly or assign their vote to someone else on the network. This allows for members of the network to vote on issues where they are knowledgeable and assign their vote when they lack the proper experience.

        Our corporate structure does have a Board of Directors, and they will need to appoint officers. This is a statutory requirement under the ULCAA. This is an important requirement as the officers will be responsible for any filing requirements of the coop and will be available to answer service of process. However, the Directors and officers will practically be beholden to the voting members of the coop. They will only have the limited authority to conduct administrative functions that are required by statute, such as annual filings. They will not have the authority to make any managerial decisions; this will ultimately fall on the coop owners who will have the ultimate power to vote on all decisions. Our structure allows for directors and officers to be compensated based on the performance of the network.

        Prior to the network going live, the developers will be the only members of the coop and will be able to make the decisions on the direction of the network. Once the network launches, the influx of token holders will allow for the developers to seamlessly hand over control.

**Capital Raising**

        While our structure does not specifically address the issue of how to raise capital, our coop model does allow for the use of a simple agreement for future tokens (SAFT) or a similar investment vehicle. A SAFT is an agreement by which an investor can purchase rights to a token before the launch of the network. Here, investors would be purchasing the rights from the coop we have created. Upon the launch of the network, the investors would receive their tokens and then would become part of the cooperative association. They will have the same power as every other member of the coop.

        The issue with a SAFT is that this increases the possibility that the tokens will be considered securities by the SEC. The SEC has recently issued subpoenas to companies that have used SAFTs claiming that they are in violation of securities regulation. It is clear that the SEC does not look favorably on SAFTs. While the SEC validly fears that many SAFTs are operating as unregulated securities, we think it is important for blockchain companies to be able to raise capital.

        Our idea is to lobby the SEC to create safe harbor provisions for capital raising in the cryptocurrency space. This would be similar to rules they have made in the past with respect to Private Placement Restrictions, and Equity Crowdfunding. Right now, the SEC is trying to shut down SAFT agreements, and they are hostile to cryptocurrency as a whole. We think it is important for the SEC to create guiding principles so that they can keep bad actors out of this space while allowing for the advancement of innovative technology.