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# Table of Contents

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**Disclaimer**.....2

**Governance**.....3

**Best Practises**.....6



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# Disclaimer

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This litepaper (the “**Litepaper**”) has been created in order to serve as a guide for the existing and future members (the “**Members**”) of Fat Cats Decentralized Autonomous Organization (the “**DAO**”).

The DAO is designed to sustainably develop a diversified portfolio of crypto-assets and accrue value for its Members. At the time of the DAO’s inception it was felt that it resembles a mere club or society (such as a collectors club or the like) whereby Members choose to come together virtually to engage in a common set of interests. The sole fact that substantial funds or NFT-assets amongst others could be involved does not diminish nor diverge from the hobbyist nature of the DAO. Many of the Members share a common passion for the nascent space of blockchain games and digital art, while others also share a deep desire to explore new forms of decentralized governance.

At the time of drawing-up this Whitepaper, it is clear that a significant lack of legal framework exists to assist with the formation and governance of DAOs in general. As such, it should be understood by all who freely choose to engage with the DAO that Fat Cats is not an incorporated entity and has no legal personality, nor standing in any jurisdiction or domicile. Moreover, any natural or legal persons or entities that purport to represent the DAO in any capacity have no legal ability to do so and cannot be held liable in any way or form for the actions of the DAO and its Members. This is of course not stated as an exoneration of any individual or group who choose to engage in or commit any criminal activity (such as fraud, theft, etc.).

As the space in which the DAO will be active is a new and experimental one it should go without saying that all Members should understand that it is speculative in nature and thus carries inherent risks. In addition, there are numerous bad actors in this space who are intentionally trying to scam others out of their funds. Though none of this diminishes the passion and enthusiasm of the DAO and the Member ought to remain cautious and vigilant at all times.

Nothing stated herein shall be construed as financial or investment advice and all who choose to participate in and engage with the DAO are to speak to their relevant (financial, tax, etc.) advisors. For the record, the DAO is in no way being formed to assist anyone with any form of tax evasion or avoidance. It is expected that everyone participating in and engaging with the DAO will endeavor, to the best of their abilities, to be in compliance with their relevant tax codes and the rules set out by the relevant tax authorities. For the record, the DAO does not provide investment advice with respect to the funds held by the DAO.

It is the DAO’s intention, to the best of its abilities, to keep abreast of the current legal codes and take guidance from the best practices that are being developed in this new and experimental space.



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## Governance

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**The Council of Claw:** The DAO will be represented by The Council of Claw, which will consist of five Councilors. One of the five Council positions will always be maintained by Dylan Shub in perpetuity, i.e. he will not come up for election. The Council's primary function will be to oversee market analysis, formulate proposals to be voted on by the Members, act as trustees, appoint and oversee management, propose compensation and oversee accounting. Councilors will be expected to make themselves regularly available for Board meetings.

The Council can only validly deliberate and resolve if at least five Councilors are present at the beginning of the meeting. If the attendance quorum required by this article has not been reached, a new Council meeting shall be convened with the same agenda no sooner than two days and no later than four days after the previous meeting. The new and second meeting of the Council may validly deliberate and resolve provided a majority of Councilors are present or represented.

Councilors may only be validly represented by other Councilors, it being understood that a proxy may only be granted in writing and for a single meeting of the Council and that each Councilor may only represent one other Councilor.

Unless stated otherwise, the Council will resolve by seeking consensus regarding the decision at hand. If no consensus can be reached, the Council shall resolve by simple majority of the votes, except in the case of a vote of no confidence, as mentioned below.

If at a meeting of the Council it appears that a decision cannot be taken with regard to a proposal due to a tie vote, the matter shall be further discussed amongst the Councilors after expiry of a cooling-off and reflection period of one day following the date of the meeting.

Then, on the second day following the date of said first meeting, a second meeting of the Council shall be convened (where consensus shall again be sought) at which said decision shall once again be deliberated upon by the Council.

In the event of a repeat of the tie vote on the proposed decision at the second meeting of the Council, the proposal shall be referred to the general vote of the Members which shall be convened in accordance with the below-mentioned protocols. The Members will at that point be entitled to resolve on the proposal by a simple majority of the votes cast (ie 50% plus one) in accordance with the below-mentioned protocols.

**Electing Councilors:** No later than one week after Fat Cats sells out a nomination process will begin whereby Fat Cat Members can submit themselves for nomination. Candidates will be expected to submit to KYC verification by the Fat Cat management team. Four candidates will be elected using the weighted voting system whereby the candidates who receive the most proportional votes will be elected to the Council.



Thereafter every four months one of the Councilors will come up for reelection starting with the Councilor who received the highest number of votes and so on. At that time a vote will take place asking the Members a simple yes or no if they are happy with the relevant Councilor. Should 50% plus one vote 'yes' the Councilor's mandate is renewed. Should the vote be 'no' the nomination process will begin again. Any Member can submit themselves for nomination and go through a KYC verification process with the Fat Cat management team. An election will take place with all verified candidates one week after the previous no vote. Here too the ranked-choice voting system will be used. Should one candidate receive 50% plus one or more votes they will be appointed to the Council. Should no candidate receive a majority then a runoff will take place two days later between the top two candidates.

Should a Councilor choose to resign, be mentally or physically unfit to continue their mandate or disappear for more than four days, whereafter a reasonable effort has been made by the remaining Councilors to locate the missing Councilor, the nomination process will begin again to elect a replacement. Furthermore, should three Councilors bring a vote of no confidence against the competency of another Councilor the election process will begin again however the Councilor in question may not stand for election for a period of six months. In a situation whereby three of the Councilors feel another Councilor or anyone in a management position is engaged in fraud, theft or sabotage against the DAO, they may immediately revoke the custodial powers of said person(s). Additionally, an independent tribunal of three non-DAO members who have both legal and gaming experience will be proposed and voted on. The Tribunal's job will be to review evidence collected and its findings will be made public to the DAO once complete. The Council will then put forward proposals to work out a reasonable recourse and if and when necessary contact the relevant authorities. Liability insurance will be provided by the DAO for every councilor.

**Voting:** All DAO voting will be done via Snapshot; this includes meetings of the Council with the exception of the fraud, theft and sabotage clause stated above. Any Member may bring a vote proposal to the Council who will then decide whether to make it a formal vote. In addition any Member has the right to put forward a proposal on snapshot. Should 10% or more of the Members agree with the proposal the Council will issue a formal vote. A formal vote will require that a date be set for the amendment to be voted on that is no less than two days and no more than four days after the amendment was requested. An announcement will be made in the relevant Discord channel. As Snapshot allows for many types of voting it will be up to the Council to decide the most appropriate format for a vote such as single choice voting or quadratic voting.



**General Voting Process of The Members:** every vote will run for no less than one day and no more than a week. In order to hold a vote validly a quorum is required. In the case of the general vote of the Members the quorum is met when 20% plus one of outstanding Fat Cats have voted. Fat Cats held by the DAO bank will not be counted towards any voting total. Should the necessary quorum not be met by the Members, the voting process will begin again no less than one day and no more than three days thereafter. In case the quorum of the general vote by the Members is not met at the revote, then the proposal will pass with 50% plus one of the total number of votes cast at this revote. The NFT space is however evolving at a rapid pace and often decisions need to be made quickly. The Council will thus strive to get a clear ideological mandate from the Members so that they can govern according to the majority's interests. Whenever a matter is not deemed to be time sensitive or part of regular day to day operations, a formal vote must occur.

**Escrowed Funds:** All liquid funds will be held in a basket of stable coins and other crypto assets as the Members see fit. In the case of time sensitive decisions the Council may spend up to 20% of all escrowed funds. With regard to NFTs, the Council may sell no more than 10% of the DAO's holdings without prior approval of the Members. Once complete they will then transfer the remaining funds and NFT assets to the appropriate custodial accounts.

**Communication:** the DAO will maintain a Discord server with channels for all verified Fat Cat holders. There will be a voting channel for Members to discuss proposals and a lounge for general discussions. In addition, there will be an announcement channel and a Council channel where Members will have view permissions. The Discord is a privilege and not a right as such the Council reserves the right in extreme cases to ban Members from the Discord however, they will not take said decision lightly. Members will always have access to Snapshot.

**Security:** A general vote may not be proposed to change the following: a vote of no confidence may only be proposed by the Council; should the DAO ever elect to distribute dividends or funds from the sale of any of its assets; all distributions will be prorata to Members' holdings; and that 3 of the 5 Councilors are required to sign Treasury & Escrow transactions.



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## Best Practices

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The crypto space is experimenting with new and exciting technologies and is only just beginning to develop best practices for governance, security, etc. This DAO will strive to be a leader in this regard.

**Right of first refusal:** This DAO believes in forging a strong community, taking care of its own, and creating amazing opportunities for its Members! To that end Members will always be presented with job opportunities first prior to seeking out external parties.

**Transparency:** A full and up-to-date list of the DAO's holdings will be maintained on the DAO's official website. <https://www.fatcats.art> Additionally, all Snapshot votes will be viewable by the public. The Council and those in management positions will always make the Members aware of any conflicts of interest they may have as soon as such conflict of interest arises. In the case a conflict of interest arises at the Council, the non-conflicted Councilors will at their discretion decide whether the conflicted Councilor(s) may vote on the proposal at hand. Anyone applying for any job with the DAO or for nomination to The Council shall disclose said information, as well.

**Custody:** Whenever possible Gnosis safe multi-signature wallets, or another reputable option, will be used. The wallet will require three of the Councillors to sign off on. Whenever new Councilors are elected the multi-signature wallets will be updated with the current list of Councilors and new custodial accounts will be set up and the assets transferred at the DAO's expense. The principal email address(s) will be managed by the Fat Cats management team. Whenever possible and prudent to do so, assets will be divided over multiple accounts provided there is no significant advantage to having all the assets under one account. The Council will be expected to keep up to date with the best security protocols available.

*This document was last updated on the 5th of April 2022*

