



# Localized Ownership and DAOs

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In 2019 our local coffee shop Barrington Coffee on Congress St in Fort Point (Boston) announced they were closing and a retail Santander Bank location would be taking its place. I reached out to the owner of the building out of protest but was met with predictable indifference. Barrington was THE local meetup spot for nearly a decade where you were guaranteed to run into neighbors on a regular basis. The owner of the building was a REIT operating out of New Jersey. I know if the partner at that firm happened to live on that street, or even better if he lived on that street and owned the building personally, he would have found creative ways to keep Barrington in the neighborhood.

In Boston many day cares are owned and operated by investment groups or publicly traded companies like Bright Horizons. These locations charge dramatically higher rates than their locally owned counterparts. In cities where birth rates are down and the costs for young families are high, particularly for real estate, prioritizing local day care ownership helps control local costs. It's also better for the cultivation of more local business owners.

There is precedence for placing restrictions on ownership without disrupting capitalism. Law firms must be owned solely by lawyers. This policy has been in place for 100+ years in various forms and is there to prevent conflicts of interest (Rule 5.4 ([https://www.americanbar.org/groups/professional\\_responsibility/publications/model\\_rules\\_of\\_professional\\_conduct/rule\\_5\\_4\\_professional\\_independence\\_of\\_a\\_lawyer/](https://www.americanbar.org/groups/professional_responsibility/publications/model_rules_of_professional_conduct/rule_5_4_professional_independence_of_a_lawyer/))). This has been loosened in recent years to allow tech companies to explore the legal field.

Major sports teams also prefer local ownership to protect teams from short term profit motivations. When former Celtics owner Jim Pallotta owned the Italian soccer team AS Roma, he earned the nickname the "King of Capital Gains" ("Il Re delle Plusvalenze") for routinely discovering and then selling top talent. Private equity is now allowed to own minority non-voting stakes in major sports but must do so under strict guidelines.

One approach that can give communities a natural advantage over large competing corporate interests is the use of DAOs – Decentralized Autonomous Organizations. If setting up a partnership or LLC is like drafting a handwritten letter, setting up a DAO is like sending an email. It's the internet native version of an equity partnership.

This DAO evolution is valuable because the internet is extremely effective at mobilizing around a cause. GoFundMe pages can raise millions overnight, but those are purely philanthropic. What we are missing is a contemporary internet ready policy framework that will unlock DAOs for mainstream uses, like quickly raising money to buy community businesses to keep them local.

When the next neighborhood bookstore owner retires, a local community DAO can be set up to buy the business to keep it in the community. An LLC, co-op, or traditional partnership would be too slow to react and would not gain the needed attention. If you are skeptical that this would work at scale, consider that Vanguard (\$10 trillion in AUM) is low cost precisely because it is collectively owned by its investors.

DAOs operate within cryptocurrency frameworks. Much of the collective cynicism around crypto is due to early proof of concept projects morphing into extremely valuable and volatile meme assets. One of the last major DAO examples was when a group raised \$47m from 17,000 people over one week in an attempt to buy a copy of the US Constitution in a Sotheby's auction.

Today crypto is maturing to the point that USD stablecoin legislation is actively being passed. While we're in this period of pouring the policy foundation, DAOs have a real shot at maturing into a new equity ownership tool that would greatly benefit smaller investors. This is particularly useful in an era where IPO numbers have been low and non-accredited investors (90+% of the population) are legally prevented from participating in private markets. A mature DAO framework would allow people to grow their equity in something other than their house and mega cap public stocks. It's even better if they get the opportunity to own a piece of their community in the process.

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