

How Cooley Automated \$30B In Fund Formation Investments

By Sarah Martinson

Law360 (May 17, 2023, 1:46 PM EDT) -- A few years ago at Cooley LLP, private investment fund formations required investors to fill out 100-page agreements and paralegals to manually enter all the data in spreadsheets.

Jordan Silber, partner at Cooley, told Law360 Pulse in a recent interview that investors and paralegals would both make mistakes. Often, legal issues tied to investments wouldn't be spotted until hours before a fund was supposed to close.

Silber said that in 2017, after spending 16 years in the fund formation space, he got tired of investors angry over the 11th-hour problems, so he created Vanilla, the firm's fund formation platform.

"The light bulb went on in my head, like someone has to solve this, and the way to do this is in the cloud," he said.

To date, more than 450 funds have raised more than \$30 billion in private investments from more than 17,000 investors on Vanilla's platform, according to Cooley's website.

Vanilla works like tax form preparation platform TurboTax, where investors answer questions one at a time and their answers determine the next question in the series, according to Silber.

The first time investors use Vanilla to invest in a fund it takes them about 15 to 20 minutes to answer all the required questions, Silber said. After investors have put their information into Vanilla, their data is saved and can be used to invest in other funds on the platform.

"When [investors] come back the second time, and they realize they can click this button that says, 'Use data from previous fund,' and do it in two minutes, that is the real magic moment," he said.

Vanilla, which has 17 million lines of code, was built by outside software developers who were supervised by Cooley's coding team and information technology experts, according to Silber. Cooley allows its customers to use the Vanilla platform at no extra cost.

Silber said the most challenging part of creating Vanilla was making a complicated process easy for



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investors by getting the ordering of questions right and having the system send alerts when legal issues arise.

"There's a lot of branching, and at various points, it's always thinking about what's come before, in terms of what question to ask next, and whether to alert people because we're now on a legally dangerous branch," he said.

Vanilla was officially launched in 2019, months before the COVID-19 pandemic began. Silber said that because of the pandemic and the increase in remote work, the firm had to enlarge Vanilla more quickly than it had originally planned.

The firm planned to close 10 to 20 funds on Vanilla in 2020 and ended up closing around 150, according to Silber.

One of the benefits of the platform is that it makes it easier to spot legal issues, like if an investor is sanctioned, Silber said.

After Russia invaded Ukraine in 2022 and the U.S. added Russian oligarchs to its sanctions list, Vanilla made it easy to check if any investors were now sanctioned, he said.

"We've developed technology where that investor list can be run with periodicity again and again," Silber said. "If your bank is demanding that you run it every seven days, we'll run it every seven days for you, and we'll give you an all-clear or an alert that you have a sanctioned party."

--Editing by Karin Roberts.