# FINITE VENTURES

Andrew A. Schwartz*

*The law endows corporations and other business organizations with the awesome power of perpetual life—unless the charter expressly provides for a certain duration, such as ten years. But does anyone ever actually choose limited life? Why would they?*

*This article reveals that limited-life business entities—finite ventures—play a significant and underappreciated role in modern commerce. Private equity and venture capital funds, SPACs, and insurance syndicates are all organized with a limited lifespan.*

*Their motivation? This article claims that limited life is a valuable, but often overlooked, tool for ameliorating agency costs: the managers of a finite venture know they must produce results by the end of the term—their future career prospects depend on it—so they have an incentive to be diligent and loyal.*

*Even so, limited life has drawbacks—and perpetual life has benefits of its own—so the trick is to know when to use it. To guide decision-makers, this article identifies key factors that weigh in favor of or against finite structure. It closes by proposing novel applications of limited life as a tool of corporate governance—inviting scholars and practitioners alike to rethink the assumption of corporate immortality.*



---

* Laurence W. DeMuth Chair of Business Law, University of Colorado Law School. For comments on prior drafts and discussions on the topic, I thank Jordan Barry, Wendy Couture, Landon Glover, Assaf Hamdani, Sharon Hannes, Monica Haymond, Ehud Kamar, Scott Kupor, Alicia Karspeck, Kobi Kastiel, Ann Lipton, Avi Loewenstein, Yoav Lurie, Jared Mayer, Amanda Parsons, Guzmán Rodríguez, Allison Schwartz, and Dave Sturts, as well as those who participated in the BYU Law Winter Deals Conference, the National Business Law Scholars Conference, the Federalist Society Annual Faculty Conference, and a workshop at the University of Colorado Law School. For research assistance, I thank Hannah Loiselle, Michelle Penn, and AnnaKatherine Wherren, and for editorial assistance, I thank Kelly Ilseng.

## I. INTRODUCTION

Mortality is mandatory for you and me—but optional for corporations, which are endowed by law with the awesome power of perpetual existence.[1] Yet this is merely a default rule. A corporation (or other business organization) can easily be given a

[1] *E.g.*, DEL. CODE ANN. tit. 8, § 102(b)(5) (2025) ("[T]he corporation shall have perpetual existence . . . ."); *see* Andrew A. Schwartz, *The Perpetual Corporation*, 80 GEO. WASH. L. REV. 764, 766 (2012) [hereinafter Schwartz, *The Perpetual Corporation*].

limited lifespan—just by saying so in the charter.[2]

And in fact, this happens all the time. Limited-life companies—*finite ventures*—are all around us.[3] Even so, prior commentators (including yours truly) have largely overlooked this possibility,[4] focusing instead on the assumption of corporate perpetuity.[5] This leaves a significant gap in the literature, which the present work aims to fill.

Major players in the modern economy have organized themselves as finite ventures, that is, business entities with a fixed term of existence. Private equity ("PE") and venture capital ("VC") funds, for instance, are typically structured as limited partnerships with ten-year lifespans. A successful PE or VC firm will manage multiple overlapping funds, each with a distinct ten-year term and known by its "vintage" year.[6] Special Purpose Acquisition Companies ("SPACs") are similar, though their life spans are just two years.[7] Lloyd's of London, meanwhile, organizes its insurance

---

[2] *E.g.*, DEL. CODE ANN. tit. 8, § 102(b)(5) (2025) ("[T]he certificate of incorporation may [contain a] . . . provision limiting the duration of the corporation's existence to a specified date; otherwise, the corporation shall have perpetual existence . . . .").

[3] A word on terminology. This article uses the phrase "limited life" to describe entities that are legally and expressly bound to expire. I also adopt the term "finite" as a thematic shorthand—emphasizing the intentional choice to build organizations with an end date. This piece contributes to my broader inquiry into what I call "temporal governance": the legal design of organizational time, from open-ended perpetuity to expressly finite terms. My prior work on temporal governance includes Andrew A. Schwartz, *Corporate Legacy*, 5 HARV. BUS. L. REV. 237 (2015); Andrew A. Schwartz, *The Corporate Preference for Trade Secret*, 74 OHIO ST. L.J. 623, 624 (2013); and Schwartz, *The Perpetual Corporation*.

[4] *See infra* Part III.A (discussing the sparse prior literature).

[5] *E.g.*, In re Trados Inc., 73 A.3d 17, 37 (Del. Ch. 2013) ("A Delaware corporation, by default, has a perpetual existence [with] permanent capital [and] perpetual life . . ."); Zachary A. Gubler, *The Neoclassical View of Corporate Fiduciary Duty Law*, 91 U. CHI. L. REV. 165, 202–17 (2024) (describing the "Perpetual Entity Model" of the corporation); Lynn A. Stout, *The Corporation as Time Machine: Intergenerational Equity, Intergenerational Efficiency, and the Corporate Form*, 38 SEATTLE U. L. REV. 685, 694 (2015) (describing "perpetual life" as a "fundamental characteristic of corporate entities"); Andrew A. Schwartz, *The Perpetual Corporation*, 80 GEO. WASH. L. REV. 764, 773 (2012) (calling "perpetual existence" a "defining attribute of the corporation"); *cf.* Michal Barzuza & Eric Talley, *Long-Term Bias*, 2020 COLUM. BUS. L. REV. 104, 128-31 (2020) (discussing *Trados*).

[6] *See infra* Part IV.A.1(a)-(b).

[7] *See infra* Part IV.A.1(c).

business into syndicates with three-year terms.[8]

The first contribution of this article is to collect these, and other, disparate examples and present them as a cohesive category of organizational form: the finite venture.

Finite ventures are not mere curiosities. They play an essential role in economic life, especially in areas of innovation, risk-taking, and capital allocation.[9] They are used to fund new ideas, test uncertain technologies, and pursue time-bound business opportunities.[10] In this way, finite ventures are a central part of modern capitalism—but they have received little sustained attention in legal scholarship. This article seeks to remedy that oversight.

Why would one choose to organize a business as a finite venture, rather than rely on the default of perpetual life? The answer—the second contribution of the present work—is that limited life adds value because it serves to constrain the agency costs inherent in the separation of ownership and control.[11]

Once investors contribute capital to a company, the managers control the entity and its assets—and there is a real danger that they will abuse this power for personal gain. Managers might slack off, purchase a corporate jet, or pay themselves exorbitant salaries. This is the problem of agency costs, and it's a fundamental issue.

Limited life helps mitigate agency costs. Managers are given control of the entity and its assets, but only for a limited time, not in perpetuity. As the clock runs out, investors will demand results. If managers have squandered the capital with nothing to show for it, potential future investors will be hesitant to trust them, and their careers may well be over. But if positive results follow, they will have no trouble securing new and attractive positions after the entity terminates. Knowing all this in advance, managers are motivated to be diligent and loyal.

The prior literature has identified multiple methods for constraining agency costs, including fiduciary duties, monitoring, the

---

[8] *See infra* Part IV.A.2(c).

[9] *See infra* Part IV.

[10] *Id.*

[11] *See generally* ADOLF A. BERLE & GARDINER C. MEANS, THE MODERN CORPORATION AND PRIVATE PROPERTY 112–16 (1932) (explaining "the divergence of interest between ownership and control").

threat of hostile takeovers, and mandatory disclosure.[12] This article contends that limited life is one more tool to serve this same purpose, and should be considered more broadly as a complement—or even an alternative—to these well-known methods.

This dynamic is evident in private equity and venture capital, where firms must raise new ten-year funds every couple of years. This holds managers' feet to the fire and encourages them to work hard for their investors, as they know their results will be scrutinized at the end of each fund's lifespan. The investors trust them, but they also want to see strong financial returns before they commit to the next fund. Hence limited life at private equity and venture capital funds serves as a valuable tool for reducing agency costs.[13]

There are downsides to limited life. Most notably, firms lose the benefits of perpetual existence, including the ability to lock in capital indefinitely.[14] However, every method for controlling agency costs has its own drawbacks: mandatory disclosure is costly; fiduciary duty enforcement is imperfect; hostile takeovers can result in layoffs. There is no free lunch, and the optimal mix of agency-cost-minimizing tools will depend on the context. My argument is that limited life should be included in the mix.

The value of limited life as a way to limit agency costs has been observed in the context of private equity and venture capital funds,[15] but its broader utility across all types of business associations

---

[12] *E.g.*, Paul G. Mahoney, *Mandatory Disclosure as a Solution to Agency Problems*, 62 U. CHI. L. REV. 1047, 1051 (1995).

[13] *See, e.g.*, LARRY E. RIBSTEIN, THE RISE OF THE UNCORPORATION (2010); Ronald J. Gilson, *Engineering A Venture Capital Market: Lessons from the American Experience*, 55 STAN. L. REV. 1067, 1077 (2003); Kobi J. Kastiel & Yaron Nili, *The Rise of Private Equity Continuation Funds*, 172 U. PA. L. REV. 1601, 1611 (2024) ("The limited duration of private equity funds . . . creates incentives to refrain from opportunistic behavior.").

[14] *See* Margaret M. Blair, *Locking in Capital: What Corporate Law Achieved for Business Organizers in the Nineteenth Century*, 51 UCLA L. REV. 387, 387 (2003) ("[The] ability to lock in capital . . . generally help[s] promote and protect the interests of shareholders as a group by making it possible for the entity to invest in long-term, highly specific investments."); Lynn A. Stout, *On the Nature of Corporations*, 2005 U. ILL. L. REV. 253, 253 (2005) ("[T]he nature of the corporation can be better understood by focusing on [its] capacity to 'lock in' equity investors' initial capital contributions . . . .").

[15] *See, e.g.*, RIBSTEIN, *supra* note 13; Kastiel & Nili, *supra* note 13 ("The

has not been recognized—until now. Charting a new course in the literature, this article explores the value of limiting the life of business entities, discusses the tensions that come along with it, provides examples of finite ventures in the real world, and examines additional, previously unknown, ways to use the finite structure.

The article proceeds as follows: Part II describes the two alternatives for the duration of a legal entity—limited life and perpetual existence—and explains how fiduciary duties differ in each context. In a perpetual entity, the goal is long-term value creation. In a finite venture, the goal is to deliver results within the set term.

Part III presents the core thesis: Limited life is a useful and broadly applicable tool to constrain agency costs. It can be used alone or in combination with other methods to address this issue.

Part III also explores the drawbacks of limited life, arguing that the optimal structure requires balancing several factors. Some of these factors favor limited life, such as a finite or time-limited purpose and the possession of assets that are themselves limited in life (e.g., a patent). Other factors point in the direction of perpetual life, including significant final-period problems and holding perpetual assets (e.g., a trade secret).

Part IV presents examples of finite ventures in practice. The leading examples are various investment vehicles, such as venture capital and private equity funds. These are typically organized as limited partnerships with ten-year lifespans. SPACs have lifespans of around two years, by which time they must either find an acquisition or close down and return their capital to the investors. Beyond investment vehicles, there are various types of "ventures"—business organizations with a clear and finite project—that are often organized with limited life, including expeditions and insurance (most famously at Lloyd's of London).

Finally, Part V explores the untapped potential of finite structure for business organizations, looking beyond the world as it currently stands to suggest new contractual possibilities and opportunities for value creation. Among other things, it introduces the idea of a "single-IP company," created to exploit a single

limited duration of private equity funds . . . creates incentives to refrain from opportunistic behavior. . . . This constant need to raise capital exposes private equity funds to frequent reputational pressures and to the disciplinary power of capital markets.")

intellectual property asset, such as a patent, with a lifespan that mirrors the asset's limited duration.

Just as we routinely consider capital structure, voting rights, and regulatory status when designing organizations, so too should we take seriously the dimension of time. My aim is not to reject perpetuity across the board, but to surface and analyze how duration—like other governance features—can be structured to serve particular ends. Legal time is not destiny, but design. As this article will show, there are contexts in which a finite form may better align incentives, discipline managers, and achieve the mission than the traditional presumption of immortality.

In prior work, I briefly mused on the potential value of limited life—but did not pursue it.[16] This article picks up that thread and explores its theoretical and practical importance for business organizations.[17] I begin by showing that legal duration is a fundamental aspect of corporate governance.

## II. LEGAL DURATION

This Part sets out the legal framework governing the duration of business entities and introduces the two basic alternatives: perpetual life and limited life. As we shall see, the default rule is perpetual existence—meaning that, in theory, a corporation or other legal entity may live forever. But this is not a requirement. If the incorporator or organizer so desires, the charter may include an express time limit. In

[16] Schwartz, *The Perpetual Corporation*, *supra* note 3, at 806, 811–12.

[17] Beyond business associations, limited life is also employed at nonprofit organizations and government agencies. One example of the former is Focused Research Organizations. *See About FROs*, CONVERGENT RESEARCH, https://www.convergentresearch.org/about-fros [https://perma.cc/AV7L-VHQE] (last visited May 19, 2025). Another example is spend-down foundations, led by the Gates Foundation, the largest in the country, which will "close its doors permanently" on December 31, 2045. Bill Gates, *My New Deadline: 20 Years to Give Away Virtually All My Wealth*, GATES NOTES (May 8, 2025), https://www.gatesnotes.com/work/save-lives/reader/20-years-to-give-away-virtually-all-my-wealth [https://perma.cc/NK2N-LK2G]. Examples of the latter are public authorities and government agencies in the numerous states that have enacted a sunset law. *See, e.g.*, COLO. REV. STAT. § 24-34-104 ("[E]stablishing a system for the repeal, continuation, or reestablishment of regulatory agencies . . . ."); Dan R. Price, *Sunset Legislation in the United States*, 30 BAYLOR L. REV. 401 (1978). In future work, I plan to explore limited life in these and other contexts.

that case, the entity will not persist in perpetuity but rather will cease to exist when the hourglass runs out.

### A. *Perpetual Life*

Corporations and other business associations are seen by the law as legal persons. Unlike human beings, however, a legal person can live forever.

A corporation—the paradigmatic business entity—is an artificial person, conjured into existence by the filing of a certificate of incorporation with the secretary of state of Delaware or any other jurisdiction.[18] The certificate of incorporation[19] confers broad powers on the corporation, including the power to contract, own property, bring suit, lend money, and more.[20]

The paramount power, perhaps, is perpetual existence.[21] The influential Delaware General Corporation Law, for example, states that corporations "shall have perpetual existence,"[22] and similar provisions appear in other state corporate codes.[23] Thus, unlike

[18] *E.g.*, DEL. CODE ANN. tit. 8, § 106 (2025) ("Upon the filing with the Secretary of State of the certificate of incorporation [the company] shall, from the date of such filing, be and constitute a body corporate, by the name set forth in the certificate . . . ."); COLO. REV. STAT. § 7-102-103(a) (2024) ("A corporation is incorporated when the articles of incorporation are filed by the secretary of state . . . ."). *See also, e.g.*, DEL. CODE ANN. tit. 8, § 102(a)-(b) (2025) (setting forth the mandatory (a) and optional (b) contents of a certificate of incorporation); COLO. REV. STAT. § 7-102-102(1)–(2) (2024). The process is essentially the same for any other type of business organization, such as a limited liability company; DEL. CODE ANN. tit. 6, § 18-201(a) (2025) ("In order to form a limited liability company, 1 or more authorized persons must execute a certificate of formation. The certificate of formation shall be filed in the office of the Secretary of State . . . .").

[19] Some states use the term "articles of incorporation." *E.g.*, 805 ILL. COMP. STAT. 5/2.15 (2025). The term "charter" is also used interchangeably.

[20] DEL. CODE ANN. tit. 8, § 122(1)-(17) (2025).

[21] DEL. CODE ANN. tit. 8, § 102(b)(5) (2025) ("[T]he corporation shall have perpetual existence . . . ."); *see* Schwartz, *The Perpetual Corporation*, *supra* note 3, at 773-74 (2012); *cf.* Schwartz, *Corporate Legacy*, *supra* note 3 at 256, 262 ("Immortality is impossible, and yet we yearn for it."; "By creating a corporation with perpetual life, a mortal human can, in a sense, live forever through that entity.").

[22] DEL. CODE ANN. tit. 8, §§ 102(b)(5), 122(1) (establishing the corporation's right to "perpetual succession").

[23] *E.g.*, 805 ILL. COMP. STAT. 5/3.10(a) (2025) (establishing the right to "perpetual succession"); COLO. REV. STAT. § 7-103-102 (2024).

human beings, corporations are endowed with the awesome power of perpetual life.[24]

In practice, this power is more theoretical than real. Almost all "perpetual" corporations are liquidated, dissolved, or merged out of existence eventually. Yet some do live forever, or at least for centuries, such as the Hudson Bay Company (incorporated in 1670) or Harvard University (incorporated in 1636)—but these are rare.[25] In reality, the average corporate lifespan is closer to that of a house pet than an immortal being.[26]

Beyond corporations, other forms of business organizations, such as limited liability companies ("LLCs") and limited partnerships, are also granted perpetual life by default.[27] For example, Maryland law provides that a statutory trust "[s]hall have perpetual existence" unless otherwise specified.[28] Similarly, Pennsylvania law states that "[a] limited partnership has perpetual duration."[29] Delaware's LLC statute states the rule in a roundabout way: "A limited liability company is dissolved [a]t the time specified in a limited liability company agreement, but if no such time is set forth in the limited liability company agreement, then the limited liability company shall have a perpetual existence."[30]

The power of perpetual life is hugely consequential as a matter of corporate law, as I explained in prior work. In *The Perpetual Corporation*, I sought to explain the legal source for the widely shared and accepted idea that corporations are meant to pursue results "over the long run," not this week or this quarter or even this year.[31] I argued that it is the perpetual nature of a corporation that generates

---

[24] *See* Schwartz, *Corporate Legacy*, *supra* note 3, at 262.

[25] Schwartz, *The Perpetual Corporation*, *supra* note 3, at 807.

[26] *See infra* text accompanying note 85.

[27] *E.g.*, CAL. CORP. CODE § 17701.04 ("A limited liability company has perpetual duration."); UNIF. LTD. P'SHIP. ACT § 110(c) (UNIF. L. COMM'N 2013) ("A limited partnership has perpetual duration.").

[28] MD. CODE ANN., CORPS. & ASS'NS. § 12-202(a)(1) (West 2022).

[29] 15 PA. STAT. AND CONS. STAT. § 8620(c) (West 2016); *accord* UNIF. LTD. P'SHIP. ACT § 110(c) (UNIF. L. COMM'N 2013) ("A limited partnership has perpetual duration.").

[30] DEL. CODE ANN. tit. 6, § 18-801(a)(1) (West 2025).

[31] Schwartz, *Perpetual Corporation*, *supra* note 3, at 777–79 ("Among scholars, courts, and legislators, there exists a broad consensus that the ultimate objective of the business corporation is 'long-run profitability and shareholder gain,' as opposed to current profits . . . .").

"an implicit mandate to invest for the distant future,"[32] in the manner befitting an "immortal being."[33]

This argument was subsequently endorsed by the Delaware Court of Chancery in the "landmark"[34] *Trados* decision, which expressly cited and relied on *The Perpetual Corporation*.[35] Under *Trados* and its progeny,[36] corporate directors have a fiduciary duty to maximize the value of the corporation over the long term. The source of this duty is the corporate attribute of perpetual existence:

> A Delaware corporation, by default, has a perpetual existence. Equity capital, by default, is permanent capital. In terms of the standard of conduct, the duty of loyalty therefore mandates that directors maximize the value of the corporation over the long-term for the benefit of the providers of equity capital, as warranted for an entity with perpetual life in which the residual claimants have locked in their investment.[37]

---

[32] *Id.* at 777, 812 ("[T]he long-term orientation of the corporation derives directly from the perpetual existence endowed on it by statute and charter.").

[33] *Trs. of Dartmouth Coll. v. Woodward*, 17 U.S. (4 Wheat.) 518, 636 (1819) (Marshall, C.J.) (explaining that the corporate form allows "a perpetual succession of individuals" to act "like one immortal being").

[34] Sujeet Indap, *Venture Capitalists Should Pay More Heed to the Common Good*, FIN. TIMES (May 30, 2017), https://www.ft.com/content/9f2579c2-3f54-11e7-82b6-896b95f30f58 [https://perma.cc/EKL8-6UAB]; Rob R. Carlson, *Five Delaware Cases All Venture Capital Players Should Know*, SIDLEY AUSTIN LLP (June 27, 2024) https://ma-litigation.sidley.com/2024/06/five-delaware-cases-all-venture-capital-players-should-know/ [https://perma.cc/Q9DL-FTYS] ("*Trados* is regarded as a landmark decision involving the venture capital space."); BOARDROOM GOVERNANCE: Vice Chancellor J. Travis Laster of the Delaware Court of Chancery: Ten Years of *Trados*, A Discussion of Fiduciary Duties (Spotify, Feb. 26, 2024) (describing *Trados* as "a landmark decision").

[35] In re Trados Inc., 73 A.3d 17, 37 n.5 (Del. Ch. 2013) (citing Schwartz, *The Perpetual Corporation*, *supra* note 3, at 777–83).

[36] *E.g.*, In re Rural/Metro Corp., 88 A.3d 54, 80 n.4 (Del. Ch. 2014) (citing Schwartz, *The Perpetual Corporation*, at 777-83); *See* In re Orchard Enterprises, 88 A.3d 1, 34-35 n.21 (Del. Ch. 2014).

[37] *In re Trados*, 73 A.3d at 37 (citing Schwartz, *The Perpetual Corporation*, *supra* note 3, at 777– 83).

As a normative matter, investing from "the perspective of immortality" can be both privately profitable as well as prosocial, as I have explained:[38]

> [A]n immortal entity should invest with a longer time horizon and lower discount rate than a mortal ever would. These features offer fundamental advantages to the immortal investor, as they allow it to invest in illiquid and volatile assets, see opportunities where mortals would not, and cooperate reliably with others. Beyond these private benefits, immortal investing is also in the public interest as immortal investors can be expected to value the future and act as a steward for natural resources.[39]

As a matter of law, this means that the legal rule of perpetual existence gives rise to a distinctive fiduciary obligation: directors of a perpetual corporation are duty-bound to take a long-term view. But this line of reasoning applies only where the entity is, in fact, perpetual—a default that can be altered with a few words in the charter, as the next section explains.

### B. *Limited Life*

Under early state corporate codes, corporations were required to state a fixed term—often no more than twenty years—in their charters.[40] These antebellum statutes, in other words, only authorized finite ventures.[41]

This limitation was lifted in the late nineteenth century, when modern corporate codes began to permit perpetual

---

[38] Schwartz, *The Perpetual Corporation*, *supra* note 3, at 808.

[39] *Id.* at 766, 783–805 (2012).

[40] *E.g.*, JAMES D. COX & THOMAS L. HAZEN, BUSINESS ORGANIZATIONS LAW 56 (5th ed. 2020) (relaying that an 1811 New York statute ("Act Relative to Incorporations for Manufacturing Purposes") limited corporate existence to twenty years).

[41] Some foreign jurisdictions, such as Uruguay, retain this practice today. *See* Sociedades Comerciales [Business Companies Act] art. 15, § 159(2) (Uru.) ("Companies shall be dissolved: As a result of the expiration of their term.").

existence.[42] Yet even under these modern statutes, perpetual life is just the default and the corporate lifespan can be limited simply by adding a few words to the charter.

The Delaware General Corporation Law, for instance, provides that a certificate of incorporation "may" include a "provision limiting the duration of the corporation's existence to a specified date."[43] If a date is specified, the entity will automatically expire on that date; if nothing is mentioned, the default is perpetual existence.[44] This isn't distinctive to Delaware; it is generally true across all states.[45]

Thus, it is easy to create a finite venture. A certificate of incorporation might state:

> *The duration of the corporation shall be [X] years.*
>
> or

---

[42] COX & HAZEN, *supra* note 40, at 56–59. One state, and a number of other countries, still follow the older practice of limiting the life of all corporations. In Louisiana, which follows the civil law tradition, the maximum duration for a corporation is fifty years. LA. STAT. ANN. § 12:964 (2025). As for foreign jurisdictions: in Uruguay, for instance, the articles of incorporation must provide a term of no more than thirty years, at which point the company will be dissolved. Although the legal status of a dissolved company can be reactivated by a shareholder vote, dissenting shareholders can demand to be cashed out at that point. SOCIEDADES COMERCIALES [BUSINESS COMPANIES ACT] ch. 1, § 2, art. 15 (Uru.) (certificate must include a term); *id.* at ch. 1, § 13(2), art. 159(2) (companies shall be dissolved at the expiration of their term); *id.* at ch. 1, § 13(2), art. 166 (reactivation of a dissolved company.). Beyond this note, I leave the comparative analysis for future work.

[43] DEL. CODE ANN. tit. 8, § 102(b)(5) (2025); *see also, id.* § 122(1) (corporations have the power of "perpetual succession . . . unless a limited period of duration is stated in its certificate of incorporation").

[44] *E.g. id.* § 122(1) (corporations have the power of "perpetual succession . . . unless a limited period of duration is stated in its certificate of incorporation").

[45] *E.g.*, COLO. REV. STAT. ANN § 7-103-102(1) (2024) ("Unless otherwise provided in the articles of incorporation, every corporation has perpetual duration . . . ."); N.Y. BUS. CORP. LAW § 402(a)(9) (McKinney 2025) ("[A certificate of incorporation] shall set forth . . . [t]he duration of the corporation if other than perpetual."). Louisiana is the exception. LA. STAT. ANN. § 12:964 (2025) ("The period of duration of the corporation shall be fifty years, subject, however, to the right of the stockholders and the members to dissolve the corporation prior to the expiration of said period . . . .").

*The corporation shall cease to exist on [date].*

or

*The corporation's existence shall terminate on the [Nth] anniversary of the date of incorporation.*

Because the certificate of incorporation defines the corporation,[46] language like this would place a legally binding termination date for the corporate existence.

A limited-life clause would have a substantial legal effect on the fiduciary duties owed by corporate directors. Recall from Part II.A that directors of a perpetual corporation have a legal duty to manage with a long-term perspective.[47] As discussed, the long-term-value-maximization rule is a consequence of the corporate attribute of perpetual existence,[48] and so it would not apply to a limited-life company.[49]

For a finite venture, the proper objective is to maximize value in light of the termination date, not "over the long term."[50] A director's fiduciary duty at a limited life corporation is not to act from the perspective of an immortal being, but rather to maximize value before time runs out.[51] This might sometimes necessitate acting more quickly or on less information and deliberation than would be appropriate for a perpetual corporation.[52]

---

[46] Trs. of Dartmouth Coll. v. Woodward, 17 U.S. (4 Wheat.) 518, 636 (1819) (Marshall, C.J.) ("[A corporation possesses] only those properties which the charter of its creation confers upon it . . . .").

[47] *See supra* text accompanying notes 34-39.

[48] *See supra* text accompanying notes 34-39.

[49] A complete analysis of the fiduciary obligations to a finite venture, as compared to a perpetual one, is beyond the scope of this article and may be addressed in future work. The discussion here is just an introduction to that issue.

[50] John Mark Zeberkiewicz & Brian T.M. Mammarella, *The Nature of Fiduciary Duties Owed to Limited-Life Corporations*, A.B.A. BUS. L. TODAY, Dec. 13, 2023, at 2.

[51] *Id.* ("[D]irectors of limited-life corporations must strive to deliver what they believe to be the corporation's terminal value . . . before the termination date arrives rather than under the freedom of a perpetual time horizon."); *id.* at 4 ("[T]he duty is to maximize value within a specified time horizon . . . .").

[52] *Id.* at 3–4 (arguing that, in the context of a SPAC with a limited life of

A finite venture will ordinarily expire on its termination date, but it is a simple matter to extend its life. The charter can be amended to push back the termination date—or to eliminate it altogether and grant perpetual existence. Alternatively, a limited-life company can be merged into another entity with a longer, or perpetual, life. Vitally, all of these changes typically require the assent of the investors—amendments to the certificate of incorporation require a shareholder vote[53]—and cannot be accomplished solely by management. This feature is essential to the agency-cost-reducing function of limited life, discussed below in Part III.B.

Finally, while the most straightforward way to limit duration is by charter provision, there are alternatives that have a similar practical effect.[54] One way is for the charter to require that an entity finance itself only through instruments with a limited life.

Beyond the charter, the life of an entity can be limited through contract. This is indeed the practice for private equity and venture capital funds.[55] The industry-standard model limited partnership agreement (LPA)—the key contract between the investors in, and the managers of, a given PE/VC fund—provides that the fund "will be dissolved" and "liquidated" upon "the expiration of the Term," which is typically stated as ten years (extendable by two years).[56]

Hence, it can be done. The default rule is perpetual life, but it is a simple matter to create a limited life entity simply by adding a few words to the charter. Yet just because one could doesn't mean that one should—and we have already seen that perpetual life yields significant benefits both for the company and the broad public.[57] So,

---

two years or less, "acting quickly" should not be viewed as careless "rushing" but rather as consistent with the fiduciary duties owed to a limited-life company).

[53] DEL. CODE ANN. tit. 8, § 242(b) (2025).

[54] A full discussion of the differences between the various ways to impose limited is beyond the scope of this article and is slated be addressed in future work.

[55] *See infra* text accompanying note 123.

[56] INSTITUTIONAL LTD. PARTNERS ASS'N, THE ILPA MODEL LIMITED PARTNERSHIP AGREEMENT (WHOLE-OF-FUND WATERFALL) 62–63 (2020), https://ilpa.org/wp-content/uploads/2020/07/ILPA-Model-Limited-Partnership-Agreement-Whole-of-Fund-Waterfall-July-2020.pdf [https://perma.cc/5V84-V6AD].

[57] *Supra* Part II.A; Schwartz, *The Perpetual Corporation*, *supra* note 3, at 783–805.

why would anyone ever form a finite venture?

The remainder of this article takes up this question. I begin that discussion in Part II, where I explore the benefits, and costs, of limited life, and begin mapping out factors that would make a limited life more or less attractive to a corporation than a perpetual life.

## III. LIMITED LIFE AND ITS VALUE

This Part presents the central claim of the article: that limited life is a valuable and broadly applicable governance tool to constrain the agency costs inherent in business organizations. Section A reviews the sparse prior literature on this topic. Section B develops the affirmative case for limited life, while Section C explores its drawbacks. Section D then offers a set of factors to guide the choice between limited and perpetual life for any given organization.

### A. *Prior Literature*

The concept of limited life and its relationship to agency costs has been recognized in the specific context of private equity and venture capital funds.[58] Outside those spheres, however, the academic literature is notably sparse.

Prior to this piece, the only scholar to have given significant attention to finite ventures appears to be Shann Turnbull. In a 1973 article, *Time Limited Corporations*, and follow-up work, Turnbull proposed that business corporations generally be stripped of their perpetual existence and instead operated on a fixed term.[59]

Turnbull's driving concern was what he called "corporate imperialism"—the ability of foreign corporations to control and profit from land and other resources that, in his view, rightfully belonged to the domestic public.[60] Hailing from Down Under, his

---

[58] *See, e.g.*, RIBSTEIN, *supra* note 13, at 3; Gilson, *supra* note 13, at 1069; Kastiel & Nili, *supra* note 13, at 1611 ("The limited duration of private equity funds . . . creates incentives to refrain from opportunistic behavior.").

[59] Shann Turnbull, *Time-Limited Corporations*, 9 ABACUS 28, 28 (1973).

[60] *Id.* at 31, 35 (observing that "countries like Canada and Australia [have a] particularly pressing current problem over the extent of foreign ownership and control in their countries[,]" and that "[t]he adoption of time-limited corporations would . . . provide a basis for eliminating foreign influence . . . ."); Shann Turnbull,

leading example was the Australian subsidiary of General Motors, incorporated in 1926, which generated huge profits over the decades and returned them to its US-based parent company.[61]

To address this perceived problem of corporate imperialism, Turnbull proposed that foreign corporations be subject to a mandatory transition of ownership and control. Under his plan, shareholder rights—such as to dividends, capital, and votes—would gradually transfer to a "public trustee" over a fixed period, typically fifty years.[62] After twenty-five years, the public trustee would hold a majority stake; after fifty, it would hold all rights.[63] The idea was to strike a balance: allow foreign investment for a time but ensure eventual local ownership.[64]

Turnbull's model is provocative, but not relevant here. More appropriate are discussions of how limited life operates in the private equity and venture capital contexts, where it has been occasionally recognized as a tool for mitigating agency costs. That literature is reviewed more fully below in Part IV.A.1–2. The present article builds on those insights and extends the concept far beyond the confines of the PE/VC world.

### B. *Limited Life Constrains Agency Costs*

The key function of limited life is that it constrains the agency costs inherent in business associations. These agency costs are inevitable whenever an entity is managed by someone other than its owner, as I have previously explained:

> Corporate law provides that the business and affairs of the corporation are to be managed by or under the direction of a board of directors. As a result, the shareholders, who have invested capital in the

*Re-Inventing Corporations*, 10 HUMAN SYS. MGMT. 169, 176 (1991) ("The present concept of the corporation, with its perpetual property rights, creates unknown, uncontrolled and unlimited foreign claims to a nation's wealth and sovereignty.").

[61] Turnbull, *Time-Limited Corporations*, *supra* note 59, at 37.

[62] *Id.* at 34 (1973).

[63] *Id.*

[64] Turnbull, *Re-Inventing Corporations*, *supra* note 60, at 176 (A time-limited company could "attract [] foreign investment but on a basis in which foreign ownership and control did not last forever.").

> corporation, have no control over its day-to-day operations or long-term policies. Rather, the board, whose collective equity share in the company is often quite small, has the ultimate authority over the corporation . . . . Control by a small group of board members is the only realistic alternative. But it comes at a cost: the cost of agency. [65]

In a perpetual entity, managers know that the investors' capital is permanently under their control and can never be extracted.[66] This gives them considerable opportunity to use the company's assets to benefit themselves.[67] In other words, perpetual existence, by its nature, exacerbates agency costs.[68]

By contrast, the managers of a finite venture must return investors' capital and show their work after a set period of time. If they did well, the original investors will be keen to back their next venture, and new ones may also join. But if management squanders the investors' money with little to show for it, they will have a hard time getting financed in the future. Knowing all this in advance, managers are powerfully motivated to work hard and loyally for the investors' benefit. This is how limited life directly constrains agency costs.

To put the argument more fully: The separation of ownership and control is valuable, as it allows investors with capital (who may not be great managers) to join together with talented managers (who may lack capital). Investors therefore want to give managers freedom to operate, rather than tell them precisely what to do. People invest in Nvidia because they think Jensen Huang is good at making and selling silicon chips; it would be silly to tell him which type of silicon to use, or how to price the chips.

Similarly, investors in PE or VC funds (the limited partners) want the manager (the PE/VC firm, acting as general partner) to use their experience and expertise to find great companies to invest in.

---

[65] Schwartz, *The Perpetual Corporation*, *supra* note 3, at 808–09.

[66] Blair, *supra* note 14, at 387.

[67] *Id.* ("[T]his ability to [permanently] lock in capital has occasionally led to abuses . . . .").

[68] Brian Galle, *The Quick (Spending) and the Dead: The Agency Costs of Forever Philanthropy*, 74 VAND. L. REV. 757, 762 (2021) ("'[A]gency costs' . . . are vastly larger in long-lived organizations."); Schwartz, *The Perpetual Corporation*, *supra* note 3, at 808–12.

It would be counterproductive for investors to tell the general partner which companies to select. The whole point is to give the general partner discretion to make that call.

At the same time, investors are rationally concerned about agency costs: that the managers might use investors' money to benefit themselves, rather than the investors. Managers might slack off, build themselves fancy offices, buy a corporate jet, or even just steal the money. A variety of mechanisms have been developed to address this concern. Corporate law provides that managers owe a fiduciary duty of loyalty to the shareholders; the threat of hostile takeovers keeps managers working hard to keep the share price up; performance-based compensation aligns the interests of management with that of the investors; fund managers are given specific mandates with lots of constraints.

To this list, we can now add limited life. As discussed above in Part II.B, a finite term can be included in the charter or set by contract, and that limited lifespan will serve to constrain agency costs. Limited life helps in two ways: by reducing the opportunity for self-dealing and by limiting its potential harm.

By giving managers a fixed window of time to deliver results, limited life narrows the opportunity for wasteful or self-serving behavior. Managers can't endlessly run the meter or build themselves ever-nicer offices. Investors know that when the term ends, the managers will have to show their results; they won't have perpetuity to mess around with their money.[69]

This idea parallels the concept of "staged financing," a well-known method in venture capital.[70] In staged financing, the VC fund doesn't provide a startup company with all the money it will need to operate and grow the business indefinitely. Rather, the VC fund invests only enough for the company to run for a year or two, at which point the VC managers will review the results before providing another dollop of funds.[71]

---

[69] RIBSTEIN, *supra* note 13, at 223 (The limited term of PE funds "force[s] managers periodically to face the judgment of the capital markets . . . .").

[70] Paul A. Gompers, *Optimal Investment, Monitoring, and the Staging of Venture Capital*, 50 J. FIN. 1461, 1463–67 (1995).

[71] *Id.* at 1465 ("[V]enture capitalists use staged investment to periodically evaluate a firm's progress."); Galle, *The Quick (Spending) and the Dead, supra* note 68,

Staged financing is a widely used tool for limiting agency costs in the VC industry[72]—and it works in a manner akin to limited life. Often there are specific milestones that the manager must achieve before it will get the next investment.[73] Staged financing keeps the manager "on a 'tight leash' and reduce[es] potential losses."[74] By forcing managers to show their results at the end of the corporate lifespan, limited life serves the same purpose.

Limited life thus acts as a sort of bond on the part of management to give investors confidence that they can be trusted—for the managers are promising to come back after a set time and show what they have accomplished. This encourages investors to part with their money and even pay a higher price than they would otherwise. Everyone knows that the managers' future opportunities hinge on their performance in this one, and this induces hustle and diligence on their part.

Implicit in this logic is the assumption that managers are "repeat players" who plan to seek future employment or funding. If they are only operating this one company, and have no plans to later seek employment, then the mechanism of limited life doesn't really work to constrain agency costs. Indeed, it may be exacerbated due to the so-called "final period problem" discussed in the next Section.

In practice, however, almost all managers of finite ventures are repeat players. Very few people work for a short time and then retire. This dynamic is especially clear in the PE/VC world, where firms raise new funds every few years. To raise the next one, they must demonstrate success in the prior fund.

---

at 768–69 ("Staged financing allows the funder to demand satisfactory performance in period one before the agent can receive another round of funding in period two. . . . Research in the for-profit setting finds that an agent who has access to 'free cash flows,' or money that is not conditioned on her satisfactory performance, exhibits considerably more opportunistic behavior and rather less effective performance.").

[72] Galle, *The Quick (Spending) and the Dead*, *supra* note 68, at 768 ("Without this source of leverage [provided by staged financing], the agent might opportunistically use the funder's money for her own purposes . . . .").

[73] Gilson, *supra* note 13, at 1073 ("The initial venture capital investment usually will be insufficient to fund the portfolio company's entire business plan. Accordingly, investment will be 'staged.' A particular investment round will provide only the capital the business plan projects as necessary to achieve specified milestones set out in the business plan.").

[74] Gompers, *supra* note 70, at 1462.

Other tools can also reduce agency costs, but limited life is a particularly simple and elegant one. Disclosure is expensive; monitoring is burdensome. Limited life, by contrast, is low-cost and straightforward. A single clause in the charter or contract is all you need.

### C. *The Drawbacks of Limited Life*

As with other methods of addressing agency costs, limited life has its downsides, which we will now consider. Afterward, we'll weigh these costs against the benefits of limited life. As we shall see, limited life won't be optimal in every context, but it should be viewed as another arrow in the quiver to address agency costs.

The most fundamental drawback of limited life is that the entity loses the benefits of perpetual existence. As discussed above,[75] managers of a perpetual entity can use the locked-in capital to create "long-lived and specialized physical assets, information and control systems, [and] specialized knowledge and routines."[76]

Consider a semiconductor fabrication plant (a "fab"), which might take five years to construct and cost ten billion dollars.[77] A perpetual entity might reasonably undertake such a project, as it will reap the rewards over the long-term, but that isn't possible for a finite venture. Beyond physical assets, any company built around a valuable, enduring brand—think Coca-Cola (founded 1892) or Louis Vuitton (1854)—would benefit from perpetual life to support and sustain long-term brand equity.

More broadly, limited life would be a hindrance for most operating companies that require long-term investments or wish to build any sort of lasting infrastructure. For these entities, perpetual existence is the better choice.[78]

Perpetual life also supports and encourages pro-social behavior, in that it requires the managers to make decisions based

---

[75] *Supra* Part II.A.

[76] Blair, *supra* note 14, at 387.

[77] *How a Semiconductor Facility Works*, INTEL, https://www.intel.com/content/www/us/en/newsroom/tech101/manufacturing-101-how-semiconductor-factory-works.html (on file with Columbia Business Law Review) ("A typical fab . . . costs about $10 billion and takes three to five years and 6,000 construction workers to complete.").

[78] Consistent with this idea, we will see in Part IV.A that the capital-light industry of PE/VC is where limited life has made its biggest impact.

on a long time horizon and low discount rate.[79] Limited life, by contrast, tends to foster "short-termism"—an approach widely criticized in academic and policy circles.[80] On the other hand, the normative preference for long-termism is not universal,[81] and there are times that we should live in the moment, rather than make long-term plans and investments.

Beyond losing the benefits of perpetual life, there are additional drawbacks to limited life. Perhaps most importantly, a limited life entity will necessarily face the "final period" problem. The idea is that management might act opportunistically when the company's end is near. They might come in late every day for the final month or sell the company's assets and pocket the cash. They might spend their final months on activities that benefit their next venture, such as pursuing an advanced degree, even if that does little to help the current firm.

It may also be harder to attract and retain employees when a company is known to have a set expiration date.[82] All else equal, workers presumably prefer to work for a company that has some measure of permanence, rather than for one that is destined to disappear. This concern is heightened as the deadline approaches; it is hard to imagine someone taking a job at a company two weeks before it is set to terminate.

On the other hand, the notion that employees expect to remain with a single company for decades is outdated. The median tenure for U.S. employees has hovered around three or four years since the 1980s.[83] Only about one-third of employees actually stay with

---

[79] Schwartz, *The Perpetual Corporation*, *supra* note 3, at 797–804.

[80] Lucian A. Bebchuk, *The Myth That Insulating Boards Serves Long-Term Value*, 113 COLUM. L. REV. 1637, 1640–41, 1647–48 (2013) (observing "the prominence and diversity" of those who have expressed concern over "short-termism," including notable judges, academics, and institutional investors).

[81] *E.g.*, Barzuza & Talley, *Long-Term Bias*, *supra* note 5, at 190 (expressing "skeptic[ism] about the desirability of unalloyed long-termist frames").

[82] *Cf.* Samuel Rodriques, *Three Learnings About Focused Research Organizations*, SUBSTACK: ACCELERATING BIOLOGY (May 6, 2023), https://calvinball.substack.com/p/three-learnings-about-focused-research [https://perma.cc/2W4N-LDUW] ("We have often been asked questions like 'who would join the FRO [a type of limited-life nonprofit] knowing that it will spin down in 5 years.'").

[83] BUREAU OF LAB. STAT., U.S. DEP'T OF LAB., EMPLOYEE TENURE IN

a single employer for a decade or more.[84] Thus, hiring challenges at finite ventures may be less severe than intuition suggests.

Finally, even companies with perpetual charters are at risk of going out of business at any time. About half of all new businesses don't survive beyond five years, and only a quarter make it to their fifteenth birthday.[85] Startup companies typically have just one or two years of "runway" before funding runs out, making their lifespan precarious in practice.[86]

These firms nonetheless succeed in attracting talent, so this concern that limited-life companies will find it hard to hire is not as strong as it seems at first blush. Even so, this remains a drawback to limited life and, all else equal, a finite venture may have to pay higher compensation than a perpetual entity. Indeed, there is a nascent literature on how to effectively hire and retain talented employees at limited life entities,[87] though a full discussion will be deferred for future work.

### D. *Choosing Between Limited and Perpetual Life*

Limited life and perpetual life each have their pros and cons.

---

2024 (Sept. 26, 2024) ("The median number of years that wage and salary workers had been with their current employer was 3.9 years in January 2024 . . . ."); BUREAU OF LAB. STAT., U.S. DEP'T OF LAB., EMPLOYEE TENURE IN 2000 (Aug. 29, 2000) ("The median number of years that wage and salary workers had been with their current employer . . . was 3.5 years in February 2000 . . . ."); BUREAU OF LAB. STAT., U.S. DEP'T OF LAB., EMPLOYEE TENURE IN THE MID-1990S (Jan. 30, 1997) (3.5 years in 1983; 3.6 years in 1991).

[84] BUREAU OF LAB. STAT., U.S. DEP'T OF LAB., EMPLOYEE TENURE IN 2024 (Sept. 26, 2024) (33.3% in 2014; 30.2% in 2024); BUREAU OF LAB. STAT., U.S. DEP'T OF LAB., EMPLOYEE TENURE IN THE MID-1990S (Jan. 30, 1997) (31.9% in 1983; 30.5% in 1996).

[85] BUREAU OF LAB. STAT., U.S. DEP'T OF LAB, ESTABLISHMENT AGE AND SURVIVAL DATA tbl.7, https://www.bls.gov/bdm/us_age_naics_00_table7.txt [https://perma.cc/F538-X3U9] (last visited Oct. 16, 2024).

[86] Rodriques, *supra* note 82.

[87] *See, e.g.*, THEODORA LURIE, ATLANTIC INSIGHTS: OPERATING FOR LIMITED LIFE 39–53 (2018) (Limited life foundation report describing "policies that would sustain staff engagement and preserve morale, even as the work concluded and people were increasingly focused on their post-Atlantic futures[,]" including "retention strategies, severance packages, notice periods, and preparation for career post-Atlantic.").

Perpetual existence allows for capital lock-in and a long-term time horizon—features that are both privately profitable and socially beneficial. Yet it also exacerbates agency costs. Limited life, by contrast, cabins agency costs but forfeits the benefits of perpetuity—most notably capital lock-in.[88] Sometimes, then, limited life will be the better choice; other times, perpetual life will prevail.

Which to choose will depend on the context. This Section accordingly enumerates key factors to help determine whether a given business would be better off organized as a limited-life or perpetual entity.[89]

The factors listed below are truly factors, not elements. By this I mean that there is no single factor that must be found to select limited life or perpetuity; a confluence of several factors could decide the question. At the same time, a powerful showing on one single factor might rule the day. All relevant considerations should be weighed and balanced, using judgment as to their relative importance, both in general and in a particular instance.

This Section begins with five factors that favor limited life, and then presents three that favor perpetual existence. Looking ahead, the discussion in Part IV will apply these factors to explain why certain types of companies and organizations are structured as finite ventures. That analysis will further clarify the factors and their relationship to one another.

### 1. *Factors favoring limited life*

There are at least five major factors that would favor the use of a finite structure: (a) the company is particularly susceptible to agency costs; (b) those agency costs, if they materialize, would cause significant harm; (c) the company is meant to serve a finite or time-limited purpose; (d) the company's assets have a limited life; and (e) the company can be efficiently liquidated. Let us take each in turn.

---

[88] *See generally* Schwartz, *The Perpetual Corporation*, *supra* note 3, at 773–77 (discussing capital lock-in and its relationship to perpetual corporate existence).

[89] It bears remembering that limited life is just one tool among many to address agency costs; it may be used in concert with, or as a substitute for, other mechanisms.

a. Highly susceptible to agency costs

Agency costs are ubiquitous among business associations, but some are more vulnerable than others.[90] When, for whatever reason, a given company, or type of company, is particularly prone to agency costs, that weighs in favor of adopting a limited lifespan as a way to help cabin those costs. In contrast, when a company is relatively less susceptible to agency costs, limited life would not be as necessary.

Some types of business are more susceptible than others. A company with a broad scope of business, such as a conglomerate, is more exposed to agency costs than a company with a narrowly defined purpose. Investment vehicles are likewise more fertile ground for agency misbehavior than are operating companies. At an operating company, there is typically a specific product or business plan in place, giving investors a firm understanding of what the managers plan to do with their money. Investment vehicles are much more flexible and discretionary: they might invest in this or that, maybe this year, maybe next. In such cases, limited life can play a critical role in aligning incentives.

At any organization, the risk of agency costs also depends on what other safeguards are in place, such as mandatory disclosure (as in publicly traded companies) or equity compensation (as in startups). Where other tools are lacking or ineffective, limited life deserves close consideration.

b. Significant harm from agency costs

In addition to likelihood, one must consider magnitude. If agency costs, should they arise, would inflict significant harm, that too favors limited life. On the other hand, if agency costs could be capped, then limited life may not be needed.

As in other areas of law—such as the "Learned Hand Formula" for negligence[91]—these first two factors are interrelated. In *United States v. Carroll Towing*, Judge Learned Hand famously

---

[90] FRANK EASTERBROOK & DANIEL FISCHEL, THE ECONOMIC STRUCTURE OF CORPORATE LAW 9–11 (1991).

[91] George P. Fletcher, *Fairness and Utility in Tort Theory*, 85 HARV. L. REV. 537, 571 (1972).

suggested that the duty of care depends on multiplying the probability of harm by its potential severity.[92]

So too here: The key question is the expected magnitude of agency costs—i.e., harm, multiplied by likelihood. A 5% chance of catastrophic agency costs may justify limited life; a 5% chance of modest agency costs likely would not. Even so, I have separated the two considerations for clarity of exposition and would recommend the same approach in practice.

c. Finite or time-limited purpose

A third factor favoring limited life is a finite or limited-time corporate purpose. Examples include a one-off event (such as the Olympic Games),[93] the production of a play or movie, or a construction project. Each of these has a natural endpoint and is therefore well suited to limited life.

That said, even finite projects may benefit from capital lock-in. For instance, rather than forming a new entity for each production, a theater company might operate as a perpetual entity, using the same stage repeatedly. In such cases, the long-term gains from lock-in may outweigh the benefits of finite duration.

d. Limited-life assets

When a company's key assets are themselves of limited duration, that may favor a limited life structure.

This may apply to physical assets—like perishable inventory

---

[92] Richard A. Posner, *A Theory of Negligence*, 1 J. LEGAL STUD. 29, 32 (1972) (describing United States v. Carroll Towing Co., 159 F.2d 169, 173 (2d Cir. 1947)); Gabriel Weil, *Efficiency, Fairness, and the Externalization of Reasonable Risks: The Problem with the Learned Hand Formula*, 75 S.C. L. REV. 155, 156 (2023) ("Expected harm is calculated by multiplying the probability of injury by the magnitude of the injury.").

[93] *See* Andrew Smith, *Leveraging Sport Mega-Events: New Model or Convenient Justification*?, 6 J. POL'Y RSCH. TOURISM, LEISURE & EVENTS 15, 24 (2014) ("Event agencies" that direct "temporally contained" "mega-events," such as the Olympics or Commonwealth Games, "are often limited life organizations . . . ."); John Lauermann, *Temporary Projects, Durable Outcomes: Urban Development through Failed Olympic Bids?*, 53 URBAN STUD. 1885, 1889 (2015) ("Sports 'mega-events' (such as the Olympics) . . . are planned through a series of temporary, fixed-term or limited-life institutions.").

or batteries that will lose their charge—but it is most salient for intellectual property (IP) assets with time-bound legal protections. Patents, for example, typically last twenty years,[94] while copyrights endure for the life of the author plus seventy years.[95]

A company whose primary asset is a time-limited patent is a strong candidate for limited life. The managers would be firmly focused on exploiting the full value of that patent during its fleeting moment of validity, providing investors with the highest possible return from that asset.

e. Efficient liquidation

Where a firm's assets can be liquidated efficiently—quickly and for full price—limited life becomes more attractive. Where liquidation is difficult or value-destructive, perpetual life would be preferable.

Liquidation value depends in part on whether assets are re-deployable by other firms. Generic assets—such as office furniture or standard IT systems—can be resold at full value.[96] But "firm-specific" assets—such as bespoke machinery or branded materials—rarely fetch such returns.[97] To the extent that a company's assets are re-deployable, and therefore easy to liquidate, they may be good candidates for limited life. On the other hand, companies with valuable assets that are firm-specific might be better off perpetual.

IP assets vary on this dimension. Patents, trademarks, and copyrights are often easily transferable and valuable at auction. Trade secrets, by contrast, are difficult to price and sell. So, a firm built around a trade secret is probably best organized with perpetual life; while one whose key asset is a patent may be a good candidate

---

[94] 35 U.S.C. § 154(a)(2).

[95] 17 U.S.C. § 302(a).

[96] Andrei Shleifer & Robert W. Vishny, *Liquidation Value and Debt Capacity: A Market Equilibrium Approach*, 47 J. FIN. 1343, 1343 ("assets which are redeployable—have alternative uses—. . . have high liquidation values") (citing Oliver E. Williamson, *Corporate Finance and Corporate Governance*, 43 J. FIN. 567 (1988)).

[97] *Id.* at 1344 ("[M]ost assets in the world are quite specialized and, therefore, are not redeployable[;]" such "assets are often illiquid, i.e., fetch prices below values in best use when liquidated . . . .").

for limited life.

Commercial real estate, especially standardized spaces like hotels or warehouses, is relatively easy to liquidate, suggesting limited life. Highly specialized facilities (like a factory built to produce one item) are not, suggesting perpetual life.

Tax consequences also matter. Asset sales may trigger realization events and associated taxes. However, strategic planning may help mitigate these effects and improve the attractiveness of liquidation.

2. *Factors favoring perpetual life*

a. High value of capital lock-in

When capital lock-in is highly valuable, a perpetual entity is typically preferable. Lock-in refers to the corporate power to retain invested capital indefinitely, which makes it possible "to build lasting institutions" and to make long-term investments in durable assets, institutional knowledge, and reputation.[98]

But capital lock-in is impossible for a finite venture.[99] By definition, the capital belongs to the entity for a limited time; when the termination date arrives, the capital will be distributed to its investors. As such, an entity must be endowed with perpetual life to truly achieve capital lock-in and its attendant benefits.

For example, consider a factory. If each investor could yank out his aliquot share of the factory at will—take home a couple of bricks or half of a machine— the factory will never be built. But if the shareholders' capital is locked-in to a corporation for perpetuity, then the corporation's factory is in no danger of being pulled apart, to everyone's benefit.

Brand-focused companies illustrate the same point. Coca-Cola, for example, has spent lavishly over the course of more than a century to establish and promote its brand of sweet carbonated

[98] Blair, *supra* note 14, at 387.

[99] A finite venture with a very long term, such as 200 years, might act as essentially the same as a perpetual entity, at least until it nears the termination date.

water.[100] This spending has repaid itself many times over—but only because the company has lasted so long. If Coca-Cola's charter called for it to terminate after twenty or fifty years, it might not have been able to reap the full rewards of its ubiquitous advertising—and indeed would probably not have gone to such lengths in the first place. Perpetual life is a key aspect of Coca-Cola's tremendous success.

In short, where capital lock-in is essential to a firm's success, perpetual life is likely the better choice—and this single factor may outweigh all others. And such is the case for operating companies of all kinds, which must invest in long-lived assets, whether tangible, such as a factory, or intangible, such as a brand or reputation.

Thus, perpetual life is often the best choice for an operating company, whether a high-tech startup or a local pizza parlor. In contrast, entities that merely buy and sell assets—such as investment funds—are better suited to limited life.

b. Perpetual assets

Where a firm's key assets are themselves perpetual, that supports the use of a perpetual entity.

The clearest example of a perpetual asset is land.[101] A farm or timber company may need perpetual life to preserve continuity. For some landholders, such as miners, the land is important but gets 'used up,' so it is not really a perpetual asset to them, and perpetual life is less appropriate.

Sometimes, the physical location of a company's office or facility is vital, as in the City of London, which is only one square mile. In such cases, perpetual existence would seem ideal. More commonly, it would seem that the parcel of land underneath the office is not an essential asset.

---

[100] Tefi Alonso, *How Coca-Cola Became One of the Most Successful Brands in History*, CASCADE (Sep. 5, 2024), https://www.cascade.app/studies/how-coca-cola-became-successful [https://perma.cc/QT4W-HVAN].

[101] Turnbull, *Time-Limited Corporations*, *supra* note 59, at 39 ("Land ownership represents a . . . non-wasting asset."). While it is true that tectonic plates constantly alter the shape of the earth, this happens over the course of thousands and millions of years. For present purposes, and with the exception of certain hotspots like in Hawaii, we can treat the earth as perpetual and unchanging in its physical features.

Apart from land, very few physical assets are perpetual, due to the fundamental law of nature known as the Second Law of Thermodynamics, which holds that the universe tends toward disorder.[102] If you drop a wine glass on the floor, it will shatter—but if you drop some shards of glass on the floor, they will not spontaneously organize into a wine glass.

Because of this Second Law, physical assets will generally break down and degrade over time, rather than persist in perpetuity.[103] A tractor is slowly breaking down over time, and does not spontaneously repair itself. Every building is slowly falling down. Only a few physical assets—like gold or diamonds—resist this decay. The upshot is that tangible assets, apart from land, are generally non-perpetual.

Intangible assets, by contrast, can be perpetual, and this includes contract rights and some forms of IP. Trademarks[104] and trade secrets,[105] for example, can be maintained forever under current law.[106] When a company holds perpetual assets like these, it suggests that a perpetual entity would be best.[107] The Coca-Cola Company, whose key assets are its trademark and its secret formula, provides the paradigmatic case. Similarly, a university's reputation—another intangible asset—can persist across generations and serves as a strong reason to organize perpetually.

---

[102] *See Second Law of Thermodynamics,* ENCYCLOPEDIA BRITANNICA https://www.britannica.com/science/second-law-of-thermodynamics (on file with Columbia Business Law Review) (last visited Sep. 26, 2025).

[103] Turnbull, *Re-Inventing Corporations*, *supra* note 60, at 178 ("As all productive assets wear out, all investments in productive assets have a limited life.").

[104] *Importation Control Under Tariff Act Section 526: Trademark Privileges and Antitrust Policy*, 67 YALE L.J. 1110, 1130 n.42 (1958) ("[T]rademarks extend in perpetuity . . . .").

[105] United States v. Dubilier Condenser Corp., 289 U.S. 178, 186 (1933) ("He may keep his invention secret and reap its fruits indefinitely."); Nova Chems., Inc. v. Sekisui Plastics Co., 579 F.3d 319, 327 (3d Cir. 2009) ("Unlike a patent monopoly, trade secret protections are theoretically unlimited in duration, lasting as long as the information remains a trade secret.").

[106] A patent, by contrast, has a short, limited life of only twenty years. *See supra* Part III.D.1.d.

[107] *Accord* Schwartz, *The Corporate Preference for Trade Secret*, *supra* note 16, at 624, 659–60 ("[C]orporations, thanks to their [perpetual nature], should prefer trade secrecy to patent protection.").

Still, the perpetuity of such assets depends on legal rules.[108] Under current law, trademarks and trade secrets may be held in perpetuity, and copyrights are "quasi-perpetual," since they can last for more than a century.[109] But this is all at the mercy of the legislature, which can shorten any of these terms by statute, at any time.[110] A state could, for example, announce that trade secrets are to be revealed to the public after twenty years of use.[111] Or Congress could limit the life of a trademark to fifty years.[112] Such changes would turn perpetual assets into wasting ones and might justify a limited life structure.

All that said, this concern seems largely theoretical. The legal rule that trademarks and trade secrets are perpetual is centuries old and has not been altered since its inception. And as for copyright, the only changes have been in the direction of longer terms. The original Copyright Act of 1790 granted just fourteen years of protection, renewable for another fourteen, but Congress has lengthened this term repeatedly, never once cutting it down.[113]

---

[108] *Cf.* Andrew A. Schwartz, *The Patent Office Meets the Poison Pill: Why Legal Methods Cannot Be Patented*, 20 HARV. J.L. & TECH. 333, 357–58 (2007) (contending that the concept of 'invention' in patent law is rooted in the physical laws of nature, and the positive law of any given jurisdiction is irrelevant).

[109] Alex Eaton-Salners, DVD Copy Control Association v. Bunner*: Freedom of Speech and Trade Secrets*, 19 BERKELEY TECH. L.J. 269, 288 n.3 (2004). The term of a copyright is the life of the author plus seventy years, or ninety-five years for a work made for hire. 17 U.S.C. § 302(a), (c).

[110] Some scholars would encourage them to do just that, on the grounds that perpetual IP can be antisocial. *E.g.*, Camilla A. Hrdy & Mark A. Lemley, *Abandoning Trade Secrets*, 73 STAN. L. REV. 1, 13–15 (2021) (contending that the perpetual nature of trade secret "raises a problem for public welfare"); David S. Levine, *Secrecy and Unaccountability: Trade Secrets in Our Public Infrastructure*, 59 FLA. L. REV. 135, 140 (2007) ("When private firms provide public infrastructure, commercial trade secrecy should be discarded (at least in its pure form) and give way to more transparency and accountability.").

[111] Presumably the statute would give existing trade-secret holders, like Coca-Cola, twenty more years of exclusivity.

[112] *Cf.* Turnbull, *Time Limited Corporations*, *supra* note 59, at 28 (advocating for a fifty-year term for all corporations).

[113] Congress amended the Copyright Act in 1831 (forty-two years max) and 1909 (fifty-six years max). Restatement of the Law, Copyright § 52 (A.L.I. 2023). Congress additionally amended the Copyright Act in 1976 (life of the author plus fifty years) and 1998 (life of the author plus seventy years). 17 U.S.C.S. § 302 (LexisNexis, LEXIS through Pub. L. No. 119–59).

In sum, firms built around perpetual assets—land, trademarks, trade secrets, reputational capital—are good candidates for perpetual life.

c. Significant final-period problems

All finite ventures must eventually wind down. As that end approaches, they will necessarily face the so-called "final period" problem.[114] The idea is that if a corporate manager knows that he is about to lose his job, he loses all fear of reprimand or demotion—and agency costs rise in response.[115]

A vivid illustration comes from *The Office* episode "Branch Closing."[116] In the episode, Dunder Mifflin's board of directors decides to close the Scranton branch office that is the subject of the show. When word gets out, the employees slack off, and one of them starts selling off the company's electronics and furniture for cash, pocketing the proceeds.[117]

One real world example is a bank on the verge of failure.[118] Managers might gamble on high-risk assets in a last-ditch effort to preserve their jobs, exposing depositors and stakeholders to

---

[114] John C. Coffee, Jr., *Reforming the Securities Class Action: An Essay on Deterrence and Its Implementation*, 106 COLUM. L. REV. 1534, 1554 (2006).

[115] Robert Prentice, *Whither Securities Regulation? Some Behavioral Observations Regarding Proposals for Its Future*, 51 DUKE L.J. 1397, 1426 n.132 (2002) ("The traditional economic assumption is that managers' interests are aligned with those of corporate owners, but this ceases to be the case in a 'final period' scenario when managers fear that they are about to lose their jobs and will not be able to secure comparable jobs in the labor market."); Mitu Gulati, *When Corporate Managers Fear a Good Thing Is Coming to an End: The Case of Interim Nondisclosure*, 46 UCLA L. REV. 675, 694–95 (1999) ("The final-period problem arises when a corporate manager fears that he is about to lose his job and either does not want to, or does not think he will be able to, obtain another job as good as his present one. . . . When a manager perceives himself to be in a final-period situation, he will no longer be disciplined by the fear of reputational sanctions on the managerial labor market—by hypothesis, the manager assumes that he will be exiting that market. [Hence the mangers will] act entirely in his self-interest in order to obtain the maximum private payoff before permanently departing from the managerial scene.").

[116] THE OFFICE: *Branch Closing* (NBC television broadcast, aired Nov. 9, 2006).

[117] *Id.*

[118] Gulati, *supra* note 115, at 695.

unjustified risks.[119]

Perpetual corporations face final period problems only in exceptional contexts, such as bankruptcy[120] or a hostile takeover.[121] Limited life firms face them by design. Thus, if final-period problems are expected to be significant, perpetual life may be preferable. The point of limited life is to limit agency costs but, in this regard, it raises them.[122]

It is hard to predict in the abstract how costly the final period problem will be in any given case. At a company where the managers will be looking for a new job after the old one terminates, their reputational interests would, to some extent, ameliorate the problem.

Ultimately, the relevance of final-period problems varies case by case. Sometimes, the governance benefits of limited life outweigh the end-stage risks; other times, they do not. It is a matter of balance and judgment.

## IV. FINITE VENTURES

Limited life is a powerful tool to minimize agency costs and create a superior organizational form. It will not always be optimal, but there are opportunities to use it strategically to generate efficient governance.

---

[119] *Id.* ("[M]anagers of banks . . . might be driven to invest all of their banks' assets in high-risk securities (that have only a small chance of quickly producing the large returns that would be required to preserve the existence of the banks and hence the managers' jobs), even if the banks' stakeholders (such as the depositors) would prefer safer investments.").

[120] Bankruptcy law prohibits fraudulent transfers in part to address the final period problem. *See* 11 U.S.C. § 548 (deeming as void all transactions designed to "hinder, delay, or defraud" a party's creditors); Means v. Dowd, 128 U.S. 273, 281 (1888).

[121] Gulati, *supra* note 115, at 695 ("[U]nder threat of a hostile takeover, incumbent managers of the target company might overinvest in fighting off the predator company, even if the target company's shareholders want the takeover to be completed.").

[122] Lee Harris, *A Critical Theory of Private Equity*, 35 DEL. J. CORP. L. 259, 280 (2010) ("[L]imited duration terms might also increase the likelihood of other, perhaps more severe, agency problems. For instance, limited duration terms might be directly related to the amount of time fund managers devote to the fund. The shorter the time left under the term, the less attention fund managers will allocate to the fund.").

So, what happens in practice? Do incorporators ever actually impose limited life on their organizations? Yes, they do. In fact, finite ventures play a major role in the economy and even dominate certain industries.

As I explain in this Part, private equity funds and venture capital funds—which collectively control trillions of dollars as well as vital technology and real estate assets—are typically organized as limited partnerships with a ten-year term. One of the world's largest insurers, Lloyd's of London, is not actually an insurance company but rather a series of annual ventures, each with a three-year lifespan.[123] Other examples abound, including expeditions and other ventures, as this Part will describe.

### A. *Investment Vehicles*

Investment vehicles come in many forms—closed-end funds, hedge funds, pension funds, and more. But some of the most important and fastest growing include limited life as a defining attribute: private equity funds, venture capital funds, and SPACs. For PE and VC firms, the standard practice is to organize investors into a sequence of funds, each with a ten-year lifespan. SPACs, by contrast, are designed to complete their mission—a corporate acquisition—in just two years.[124]

Given the factors described above in Part III.D, this widespread use of limited life makes good sense. These investment vehicles check many of the boxes favoring limited life, including that they are particularly susceptible to significant agency costs.[125] To address those concerns, it makes sense to invest through a limited life vehicle, and thereby require a fund manager to show her work after a certain point.

In a typical scenario, when an investor entrusts a large sum to a manager, the latter might easily divert a little money into her own pocket. More subtly, managers of an investment vehicle have

---

[123] NAT'L ASS'N OF INS. COMM'RS SURPLUS LINES (E) TASK FORCE, LLOYD'S: A REVIEW BY U.S. STATE INSURANCE REGULATORS 5 (1998).

[124] Zeberkiewicz & Mammarella, *The Nature of Fiduciary Duties Owed to Limited-Life Corporations*, *supra* note 50, at 3 ("SPACs . . . typically must dissolve within eighteen to twenty-four months after the corporation's initial public offering.").

[125] *See supra* Part III.D.1.a–b.

much more freedom than they would with an operating company, simply because the task is much vaguer. It's not about going to the office and doing X, Y, or Z; it is conducting research, meeting people, and thinking carefully. Taking a long lunch or a midday walk might be in the interest of the fund and its investors—or it might just be agency costs. It's very hard to tell.

Another factor weighing in favor of limited life is that the bread-and-butter of these vehicles is a finite and relatively short-term endeavor.[126] The goal is to find a company, build or fix it up, and sell it off.

Efficient liquidation[127] also comes into play. PE and VC funds are generally expected to cash out within the designated term—and often do—but not always. Funds may generally be extended by a few years and, in recent years, we have seen the emergence of "continuation funds" that stretch things out even longer.[128] But the tradition is for the fund to completely liquidate by the termination date.

On the other side of the ledger, there's little reason to favor perpetual life. These funds don't need to lock in capital to build a factory or establish a brand.[129] Their assets are intangible securities and while you might expect final period problems, the serial nature of fund formation—raising the next fund while still managing the current one—helps align incentives. Everyone knows the scoreboard will be read again soon.

In light of all this, it makes sense that investment vehicles like PE and VC funds are generally organized as finite ventures.

There are exceptions. Some very well-established managers—with long and outstanding track records—are viewed by investors as sufficiently reliable to merit longer terms, even perpetuity. For example, the venerable VC firm Sequoia Capital, which has demonstrated success across decades and generations of leadership, recently shifted from a limited-life fund model to a perpetual one.[130] Famed hedge fund manager Bill Ackman has

---

[126] *See supra* Part III.D.1.c.

[127] *See supra* Part III.D.1.d.

[128] *See* Kastiel & Nili, *supra* note 13.

[129] *Supra* Part III.D.2.a.

[130] Roelof Botha, *The Sequoia Capital Fund: Patient Capital for Building*

announced a perpetual fund to be listed on the New York Stock Exchange.[131] And Berkshire Hathaway, led by the legendary Warren Buffett, has operated for decades as a perpetual investment vehicle.[132]

But these are exceptions that prove the rule. Only a handful of managers—those with decades of experience and stellar reputations—can credibly persuade investors that agency costs are negligible at their firms. For the vast majority of PE or VC funds, the model remains the same: A limited partnership with a ten-year term. This structure gives the manager a fixed window of control over investors' capital—and a powerful incentive to deliver results. Her career will consist of a series of ten-year funds, and she can only raise the next one if the last one went well.

The remainder of this Section discusses PE, VC, and SPACs in greater detail.

### 1. *Private Equity Funds*

The private equity market is a vast and influential

*Enduring Companies* (Oct. 26, 2021), https://sequoiacap.com/article/the-sequoia-fund-patient-capital-for-building-enduring-companies/ [https://perma.cc/67N7-5YGK] ("Moving forward, our LPs will invest into The Sequoia Capital Fund, an open-ended liquid portfolio made up of public positions in a selection of our enduring companies. The Sequoia Capital Fund will in turn allocate capital to a series of closed-end sub funds for venture investments at every stage from inception to IPO. Proceeds from these venture investments will flow back into The Sequoia Capital Fund in a continuous feedback loop. Investments will no longer have 'expiration dates.' Our sole focus will be to grow value for our companies and limited partners over the long run. *This new structure removes all artificial time horizons* on how long we can partner with companies.") (emphasis supplied).

[131] Svea Herbst-Bayliss, *Ackman Launches Cheaper Hedge Fund Aimed at Wider Investor Pool*, REUTERS (Feb. 7, 2024), https://www.reuters.com/business/investor-ackmans-pershing-square-launches-new-fund-aimed-us-retail-investors-2024-02-07/ [https://perma.cc/M5ZB-QRFZ] ("The new fund [Pershing Square USA] will be structured as a closed-end fund that raises money through an initial public offering and then its shares will trade on the exchange.").

[132] Robin Hartill, *Berkshire Hathaway: Overview, History, and Investments*, MOTLEY FOOL (Oct. 9, 2025, at 17:46 ET), https://www.fool.com/investing/how-to-invest/famous-investors/berkshire-hathaway/ [https://perma.cc/8KMB-VH6S].

component of the contemporary economy, with private equity funds controlling more than $10 trillion in assets in recent years.[133] For context, the value of the S&P 500 is roughly $60 trillion (and some of the top PE firms, including Apollo, Blackrock, and KKR, are themselves part of the S&P 500).[134]

As used here, a "private equity" fund is an investment vehicle open only to accredited investors, rather than the broad public.[135] Under the federal securities laws, anyone may invest in publicly traded mutual funds or ETFs, which are subject to a stringent regulatory regime and mandatory disclosures. But funds that are not open to the public and accept capital solely from "accredited" investors—institutional investors or wealthy individuals—are exempt from many of these requirements.[136] These are private equity funds.[137]

---

[133] MCKINSEY & CO., PRIVATE MARKETS: A SLOWER ERA (2024) ("Private markets assets under management totaled $13.1 trillion as of June 30, 2023 . . . .").

[134] *S&P 500 Index Stocks List*, STOCK ANALYSIS, https://stockanalysis.com/list/sp-500-stocks/ [https://perma.cc/6XUB-TZSG ] (last visited Jan. 9, 2026).

[135] *Accord* John Morley, *The Separation of Funds and Managers: A Theory of Investment Fund Structure and Regulation*, 123 YALE L. J. 1228, 1235–36 (2014) ("'Private equity' funds sell only to wealthy individuals and institutions and therefore do not register with the SEC or comply with the ICA [Investment Company Act].").

[136] 15 U.S.C. § 77d(a)(5); 17 C.F.R. §§ 230.501(a)(5), 230.215; *see* Andrew A. Schwartz, *Crowdfunding Securities*, 88 NOTRE DAME L. REV. 1457, 1473–74 (2013) (explaining the accredited investor exemption).

[137] Private equity funds come in several flavors. The most famous, and the focus of this subsection, are the "buyout" funds that buy large or controlling stakes in established companies, including publicly traded ones. Morley, *supra* note 135, at 1236; s*ee, e.g.*, Cara Lombardo et al., *Walgreens Is in Talks To Go Private In Buyout*, WALL ST. J. (Dec. 11, 2024), https://www.wsj.com/business/deals/walgreens-sycamore-partners-private-equity-deal-5d14c920?gaa [https://perma.cc/S4UX-4PSN] ("Walgreens is in talks to sell itself to a private-equity firm in a deal that would take the pharmacy chain off the public market"). Other types of private equity funds invest in real estate or distressed debt. Morley, *supra* note 135, at 1236. Venture capital funds come within my definition of PE, and VC is sometimes considered a branch of PE. *See, e.g.*, JOSH LERNER ET AL., VENTURE CAPITAL AND PRIVATE EQUITY: A CASEBOOK 2 (3d. ed. 2005) (including both venture capital and buyouts as within the broader field of "private equity"); Kastiel & Nili, *supra* note 13;

Investors in private equity funds—often endowments, pension funds, and wealthy families—are rationally concerned that their chosen PE firm might act opportunistically, for instance by using the investors' money to prop up the firm's prior investments, or by simply collecting fees while doing little of value.[138] This is a classic agency problem. To mitigate agency costs and opportunism—and thereby induce the investors to part with their money—the PE industry has developed a suite of governance mechanisms and contractual safeguards. Foremost among them: PE firms raise capital through a series of limited-life entities, rather than a single perpetual fund.[139]

Typically, a PE fund is structured as a limited partnership (LP) in which the investors are limited partners—meaning that they cannot manage the entity—and the PE firm serves as the general partner, with authority over fund management.[140] The constitutive document, the limited partnership agreement (LPA), is a long and detailed document that governs the entity and establishes the rights and obligations of the investors and the PE firm.[141]

Under the LPA, investors pay PE firms in two ways: First, through an annual management fee, usually 2% of committed capital or assets under management.[142] Second, through a share of the profits—typically 20%—earned over the life of the fund, known as

---

Morley, *supra* note 135, at 1236 (2014). Even so, VC is often considered distinctive, and so I will discuss it separately in the next Subsection.

[138] Matthew T. Wansley, *Moonshots*, 2022 COLUM. BUS. L. REV. 859, 889 (2023) ("As VC funds have grown in size, VCs' management fees have risen proportionally, but their expenses have risen more slowly due to economies of scale. LPs fear that VCs will raise larger-than-optimal funds to increase the annual management fees and live off the fees. This fear is well-founded.").

[139] There are exceptions to this rule, including Berkshire Hathaway. See *supra* text accompanying notes 130–132.

[140] LERNER ET AL., *supra* note 137, at 64; Kastiel & Nili, *supra* note 13, at 1608 ("Virtually all private equity funds organize their funds as limited partnerships . . . .").

[141] Kastiel & Nili, *supra* note 13, at 1609; Harris, *supra* note 122, at 275.

[142] Victor Fleischer, *Two and Twenty: Taxing Partnership Profits in Private Equity Funds*, 83 N.Y.U. L. REV. 1, 3 (2008) ("Private equity fund managers . . . industry standard package is 'two and twenty.' The 'two' refers to an annual management fee of two percent of the capital that investors have committed to the fund. The 'twenty' refers to a twenty percent share of the future profits of the fund; this profits interest is also known as the 'promote,' 'carry,' or 'carried interest.'").

"carried interest."[143]

Crucially, the LPA provides that the fund shall have a limited term, typically ten years.[144] Extensions are permitted, but only to a point—commonly one year at the general partner's election, and a second year only with investor consent.[145] Here is the model clause, as drafted by the leading industry organization:

> Term. The term of the Fund commenced on the Initial Closing Date and the Fund shall continue, unless the Fund is sooner dissolved in accordance with this Agreement, until the [tenth] anniversary of the Initial Closing Date, provided that, unless the Fund is sooner dissolved in accordance with this Agreement, the term of the Fund may be extended by the General Partner for up to two successive periods of one year, with (i) the first such extension requiring the prior written consent of the Advisory Committee, and (ii) the second such extension requiring the prior written consent of a Majority in Interest (such term, including any such extensions,

---

[143] *Id.*

[144] STEPHANIE R. BRESLOW & PHYLLIS A. SCHWARTZ, PRIVATE EQUITY FUNDS: FORMATION AND OPERATION § 2:18.1 (2011) ("A standard private equity term ends on the tenth anniversary of the final closing of the sale of partnership interest by the fund."); LERNER ET AL., *supra* note 137, at 65–66 ("Private equity partnerships almost always have a life of about ten years."); INST. LTD. PARTNERS ASS'N, MODEL LIMITED PARTNERSHIP AGREEMENT § 18.1 ("Term. The term of the Fund . . . shall continue . . . until the [tenth] anniversary of the Initial Closing Date . . . .") ("[tenth]" in original).

[145] LERNER ET AL., *supra* note 137, at 65–66; William A. Sahlman, *The Structure and Governance of Venture-Capital Organizations*, 27 J. FIN. ECON. 473, 490 (1990); INST. LTD. PARTNERS ASS'N, MODEL LIMITED PARTNERSHIP AGREEMENT § 18.1 ("[T]he term of the Fund may be extended by the General Partner for up to two successive periods of one year, with (i) the first such extension requiring the prior written consent of the Advisory Committee, and (ii) the second such extension requiring the prior written consent of a Majority in Interest . . . ."); *see also* Kastiel & Nili, *supra* note 13, at 1609 ("The limited partner advisory committee [is] typically comprised of a few LP representatives whose primary functions are reviewing conflicts of interest and waiving restrictions in the LPA.").

being referred to as the "Term").[146]

While the fund is limited-life, the PE firm itself is generally organized with perpetual duration. Thus, a PE firm that wants to stay in business for more than a decade must raise successive funds every few years, each in its own limited-life vehicle. A successful firm seeks to manage multiple overlapping funds at the same time, each with a different "vintage" year.

Importantly, a firm can only raise a new fund if its previous one performed well (or is trending in that direction). This creates a strong reputational incentive for PE managers to work diligently and loyally on behalf of investors. The limited-life structure is not incidental—it is instrumental in controlling agency costs, as prior scholarship has recognized:

> Private-equity management firms periodically raise capital for new funds, usually every three to five years. This system has the advantage of permitting investors in earlier funds to observe the private-equity group's performance over time and to choose whether to invest in later funds based on the private-equity firm's prior performance. Furthermore, each fund has a limited life, so the general partners must raise new funds to continue investing. In order to raise new funds, they are under great pressure to demonstrate good performance for their existing funds.[147]

---

[146] INST. LTD. PARTNERS ASS'N, MODEL LIMITED PARTNERSHIP AGREEMENT § 18.1.

[147] Ronald W. Masulis & Randall S. Thomas, *Does Private Equity Create Wealth? The Effects of Private Equity and Derivatives on Corporate Governance*, 76 U. CHI. L. REV. 219, 222 (2009); *accord, e.g.*, Kastiel & Nili, *supra* note 13, at 1611–12 ("The limited duration of private equity funds . . . creates incentives to refrain from opportunistic behavior. In such funds, the GP has full control over the management of the fund's assets, but only for a finite period. The limited duration forces the GP to raise new capital periodically. This constant need to raise capital exposes private equity funds to frequent reputational pressures and to the disciplinary power of capital markets. GPs that engage in opportunistic behavior or fail to establish a positive track record could face greater difficulty and

The PE industry's embrace of limited-life funds is thus a leading example of this article's core thesis: limited life can be used to constrain agency costs.

This centrality of limited life in private equity has been challenged by the emergence of so-called "continuation funds," as discussed in recent work by Kobi Kastiel and Yaron Nili.[148] These funds respond to the problem that "selling private equity assets when the term of the fund ends, typically within ten years, may not always be optimal."[149] This might happen when a portfolio company is underperforming in the short run, or if market conditions are temporarily unfavorable.[150]

In such cases, the private equity firm "can establish a continuation fund to acquire one or more portfolio companies from the legacy fund."[151] This allows general partners "to continue holding assets for an extended period until these assets reach their full potential," while giving investors "the choice of either taking liquidity . . . or rolling their investments into the continuation fund."[152]

These are the advantages of continuation funds. On the other side of the scale, however, the concept directly undermines

increased costs in raising capital."); Harris, *supra* note 122, at 279–80 ("The success of one fund, over the period prescribed by the liquidation term, enables fund managers to raise money for another fund. The ten-year term gives investors a yard-stick to measure fund managers' performance when deciding whether to reinvest. . . . Since funds generally share the same liquidation provision—a ten-year term—investors at-large can relatively easily sort through performance indicators when investigating, comparing, and selecting among different fund managers. Thus the liquidation provision, under this view, gives fund managers a charged incentive to perform well . . . .").

[148] Kastiel & Nili, *supra* note 13.

[149] *Id.* at 1615, 1617–18 (2024) ("The increasing use of continuation funds is often motivated by the conviction that companies can generate higher value beyond the typical fund's lifespan.").

[150] *Id.* at 1618; Maria Armental, *Fundraisers Split on Private-Equity Outlook*, WALL ST. J. (July 5, 2024, at 06:30 ET) https://www.wsj.com/articles/private-equitys-diverging-dealmaking-and-fundraising-outlooks-058cb820 (on file with the Columbia Business Law Review) ("The [PE] firm had expected to exit from the investments after a few years, but since it seemed the period would be much longer, it decided to put them in a continuation fund . . . .").

[151] Kastiel & Nili, *supra* note 13, at 1615.

[152] *Id.* at 1618.

the core limited-life nature of private equity funds which, as discussed, serves to constrain agency costs. Kastiel and Nili are accordingly skeptical of continuation funds[153] and report that they "face unusual investor resistance."[154]

Their concern that continuation funds can be harmful to private equity investors is directly premised on the core insight advanced here, which they recognize and endorse, that limited life is a key method for constraining agency costs in private equity investment.[155] And the industry understands this too: Continuation funds are not organized with perpetual life, but just a limited term, typically six years or less.[156]

In short, private equity demonstrates how limited life can be harnessed to align incentives and discipline agents.

### 2. *Venture Capital Funds*

Startup companies have the potential to grow into large, profitable companies, but they require "venture" capital to get things off the ground. Institutional investors and wealthy individuals are willing to provide this capital, but they are not experts at evaluating early-stage ventures. Instead, they invest through a specialized intermediary, known as a venture capital ("VC") firm, skilled in the art of selecting promising startup companies and helping them grow into large enterprises.[157]

Venture capital plays a major role in our economy, with hundreds of billions of dollars under management. Many of the most prominent companies of the modern era, including Google, Facebook, Airbnb, Uber, and WhatsApp, were VC-backed. One reason for the VC industry's outsized success, I submit, is its

---

[153] *Id.* at 1655, 1658 (analyzing continuation funds as a "market failure" and suggesting that "some safeguards [such as regulation or a voting mechanism] may be needed").

[154] *Id.* at 1605–07.

[155] *Id.* at 1611–12.

[156] *Id.* at 1616.

[157] TOM NICHOLAS, VC: AN AMERICAN HISTORY 2 (2019); *see also id.* at 11–39 (discussing the "striking parallels" between modern VCs and nineteenth-century New England "whaling agents," who "intermediated between the wealthy individuals who supplied funds and the captains and crews who undertook voyages" as far as the South Pacific).

consistent reliance on limited-life funds.

The limited life VC fund has been the industry standard ever since the first VC firms were created in the middle of the twentieth century. The original VC fund, American Research and Development Corp. ("ARD") was founded in Boston in 1946 as a perpetual closed-end fund and traded publicly.[158] Over the next decade, a handful of other VC funds adopted the same model. That changed in 1958, when Silicon Valley-based Draper, Gaither, and Anderson ("DGA") introduced a new form: a limited partnership with a limited lifespan—five years in that original fund.[159]

At that time, most funds were still organized as "either closed-end funds or small business investment companies (SBICs), federally guaranteed risk-capital pools that proliferated during the 1960s."[160] But beginning in the 1970s, limited partnerships grew in popularity. By the 1990s—when VC volumes exploded—the limited-life LP became "the dominant organizational form."[161] These days, practically every VC fund is organized as an LP with a ten-year term.[162]

As in private equity, the VC firm is bound to an LPA, which the literature views as "the crucial mechanism for limiting the behavior of venture capitalists."[163] Under the LPA, a VC firm usually receives two types of compensation: First, a management fee

---

[158] *Id.* at 117; PAUL GOMPERS & JOSH LERNER, THE VENTURE CAPITAL CYCLE 8 (2d ed. 2004).

[159] NICHOLAS, *supra* note 157, at 154, 156 (2019).

[160] GOMPERS & LERNER, *supra* note 158, at 8; *see id.* ("The annual flow of money into new venture funds during these years never exceeded a few hundred million dollars and was usually much less.").

[161] *Id.* at 10.

[162] Elizabeth Pollman, *Startup Governance*, 168 U. PA. L. REV. 155, 172 (2019) ("VC[] funds [are] organized as limited partnerships . . . [with] a fixed term, typically ten years . . . ."); J. Brad Bernthal, *The Evolution of Entrepreneurial Finance: A New Typology*, 2018 B.Y.U. L. REV. 773, 843 (2018) ("Traditional VC-fund limited partnership agreements prescribe that a fund's monies must be returned to limited partners within a fixed (typically ten-to-twelve-year) time horizon."); Jean-Noël Barrot, *Investor Horizon and the Life Cycle of Innovative Firms: Evidence from Venture Capital*, 63 MGMT. SCI. 3021, 3021 (2017) ("Virtually all VC and private equity funds share this contractual form.").

[163] GOMPERS & LERNER, *supra* note 158, at 65; *id.* at 29 ("[T]he covenants and restrictions in the partnership contract are critical in determining the general partners' behavior . . . .").

(typically 2%) on an annual basis. Second, a share (typically 20%) of the total profits generated over the life of the limited partnership in the form of carried interest.[164] The potential for large carried interest aligns the VC firm's incentives with those of investors.[165]

The LPA also imposes a limited lifespan, usually ten years, with modest extension rights.[166] VC firms must therefore raise new funds every few years.[167] A successful firm will manage multiple staggered funds at once, each with a distinct vintage year.[168] And, as before, a firm can only raise a new fund if the previous ones performed credibly.

This serial fundraising discipline is central to how VC funds control agency costs.[169] As some commentators put it: "'[T]he venture capitalist cannot keep the money forever,' and knows he will be called to account at a certain date."[170] When trying to raise money for a new fund, whether from old investors or new ones, the VC firm's performance on the prior ones will be carefully scrutinized.[171]

---

[164] NICHOLAS, *supra* note 157, at 156.

[165] Wansley, *supra* note 138, at 889 ("In theory, the carried interest should overcome the agency problem by motivating the VCs to maximize the fund's profits. To some extent, it does.").

[166] NICHOLAS, *supra* note 157, at 2 ("seven to ten years"); GOMPERS & LERNER, *supra* note 158, at 13 ("ten- to thirteen-year life")); Bernthal, *supra* note 162, at 843 n.276 ("Most funds have two automatic one-year extensions. Beyond that, funds are extended with the permission of limited partners."); D. Gordon Smith, *The Exit Structure of Venture Capital*, 53 UCLA L. REV. 315, 345 (2005) ("Most venture capital funds have a fixed life, usually ten years with an option to extend for a period up to three years."); William A. Sahlman, *supra* note 145, at 490.

[167] GOMPERS & LERNER, *supra* note 158, at 378.

[168] NICHOLAS, *supra* note 157, at 2; *see* MAHENDRA RAMSINGHANI, THE BUSINESS OF VENTURE CAPITAL 149 (3d ed. 2021) (clarifying the term "vintage" in this context).

[169] Barrot, *supra* note 162, at 3021 ("VC funds generally have an investment lifetime of 10 years, which is fixed ex ante. . . . This contractual structure is the equilibrium outcome of an agency problem, which balances the need for the GP to have a sufficiently long investment horizon with the need for the LPs to avoid being held up by the GP once they have committed to invest."); Wansley, *supra* note 138, at 889 ("[T]he limited life of the fund is a critical part of the LP's strategy to solve the monitoring problem").

[170] Usha Rodrigues & Mike Stegemoller, *Exit, Voice, and Reputation: The Evolution of SPACs*, 37 DEL. J. CORP. L. 849, 898 (2013).

[171] Wansley, *supra* note 138, at 889 (2023) ("LPs mitigate the risk" the

This keeps the VC firm on the straight and narrow, working hard and staying focused on generating attractive returns for its investors, as Ronald Gilson and others have recognized:

> The venture capital fund's fixed term, together with the operation of the reputation market, responds to this agency cost problem. The fund's fixed term assures that at some point the market will measure the GP's performance, making readily observable the extent to which the GP's investment decisions favored increased risk over expected return. A GP's track record, as revealed by the performance of its previous funds, is the GP's principal tool for persuading investors to invest in successor funds. Thus, the limited partnership's fixed term assures that opportunistic behavior by the GP with respect to either venture capital fund investment decisions or portfolio company operating decisions will be punished through the reputation market when it seeks to raise the successor funds that justify the GP's investment in skill and experience in the first place.[172]

The LPA includes other mechanisms designed to limit agency costs, including the terms of compensation, requirements that the VC firm devote a certain amount of time to the fund, caps on the amount of money that can be invested in any one portfolio company, and requirements that the managers personally invest a certain amount in the fund.[173] The investors demand a variety of covenants and restrictions in order to incentivize and control their

agency problem of VCs cause by "rais[ing] larger-than-optimal funds to increase the annual management fees and live off the fees . . . [b]y requiring VCs to liquidate their funds within ten years so that the LPs can assess their performance. LPs can decide not to invest again with VCs who didn't deliver sufficient returns.").

[172] Gilson, *supra* note 13, at 1090; *accord, e.g.*, Bernard S. Black & Ronald J. Gilson, *Venture Capital and the Structure of Capital Markets: Banks Versus Stock Markets*, 47 J. FIN. ECON. 243, 254–57 (1998).

[173] Rodrigues & Stegemoller, *supra* note 170, at 864.

agents (the fund managers).[174]

Some of these contractual restrictions come from upstream mandates on the investors themselves. For example, a public pension fund that has a policy against investing in fossil fuels might demand that the limited partnership agreement include a similar restriction. Additionally, investors often want the fund to limit its investments to a specific geographic area or industry, such as AI-related startups in the United States. Limitations like these are commonly found in partnership agreements, in part because the investors have certain asset allocation targets, and so, they want the fund to narrow its aims.

Standing above all those covenants, however, is limited life. For VC investors, the fact that each fund is bound to a set term of years is "the ultimate tool for aligning the interests of the agent and principal."[175] If one fund succeeds, the VC firm "can capitalize on the reputation of their prior achievements, and generate larger follow-on funds."[176] Indeed, there is "an implicit contract" that existing investors in a successful VC fund are expected to participate in future vintages organized by the firm.[177]

On the flipside, "[i]f venture capital firms in their first fund have shown no returns, they will find it difficult to raise new money," and will ultimately go out of business.[178] "The need to terminate each fund imposes a healthy discipline" and ameliorates the agency problem inherent in the form.[179]

In short, the VC industry deploys limited life as a structural solution to the agency problem.

### 3. *SPACs*

A Special Purpose Acquisition Company (SPAC) is a public company with no operations and a singular goal: to identify and

---

[174] GOMPERS & LERNER, *supra* note 158, at 78 tbl.4.1 (listing fourteen types of covenants and reporting on how frequently they are used).

[175] Sahlman, *supra* note 145, at 501.

[176] Rodrigues & Stegemoller, *supra* note 170, at 863 (2013).

[177] Black & Gilson, *supra* note 172, at 256.

[178] GOMPERS & LERNER, *supra* note 158, at 380.

[179] *Id.* at 23.

acquire a private company.[180] The process is a sort of "backdoor" route to a public listing: The SPAC first goes public through an IPO, and then merges a private company into itself, changing its name to that of the private company. The result is that the private company is now publicly listed without going through the traditional IPO process.[181]

Most notably for present purposes, a SPAC is a finite venture whose charter provides for a limited period to complete the acquisition.[182] Two years is the market standard.[183] If a SPAC fails to complete a merger within the period stated in the charter, it "must liquidate and distribute the funds in the trust to its public shareholders," plus accrued interest.[184]

---

[180] *In re* MultiPlan Corp. S'holders Litig., 268 A.3d 784, 793 (Del. Ch. 2022) ("A SPAC—also called a blank check company—is a publicly traded company that raises capital through an initial public offering to realize a single goal: merge with a private company and take it public. Unlike most companies that go public, a SPAC has no operations and its assets are effectively limited to its IPO proceeds."); Michael Klausner et al., *A Sober Look at SPACs*, 39 YALE J. REG. 228, 237 (2022).

[181] Klausner et al., *supra* note 180, at 230.

[182] *E.g.*, Churchill Cap. Corp. III, Prospectus (Form 424(b)(4)) 94 (Feb. 13, 2020), https://www.sec.gov/Archives/edgar/data/1793229/000110465920022036/tv538207_424b4.htm [https://perma.cc/B828-GQRY] ("Our amended and restated certificate of incorporation provides that we will have only the time of the completion window [24 months] to complete our initial business combination.") (Churchill was the SPAC at issue in the seminal *Multiplan* case cited *supra* note 180.).

[183] *In re MultiPlan Corp. S'holders Litig.*, 268 A.3d at 794 (describing "24 months after the IPO" as "market standard"); Churchill Cap. Corp. III, Prospectus (Form 424(b)(4)) F-8 (Feb. 13, 2020) ("If the Company is unable to complete a Business Combination within 24 months from the closing of the Proposed Public Offering (or 27 months from the closing of the Proposed Public Offering if the Company has an executed letter of intent, agreement in principle or definitive agreement for a Business Combination within 24 months from the closing of the Proposed Public Offering) . . . , the Company will [] cease all operations except for the purpose of winding up . . . .").

[184] Klausner et al., *supra* note 180, at 237; *In re MultiPlan Corp. S'holders Litig.*, 268 A.3d at 795 (If the sponsor "failed to consummate a merger within the completion window, the company would liquidate and the funds in the trust would be returned. Each Class A stockholder would receive their pro rata share of the 'aggregate amount then on deposit in the trust account, including interest.'").

SPACs have been around for a couple of decades,[185] and there was an explosion of SPAC listings in 2020-21.[186] Many of those boom-time offerings wiped out their investors, however, and the market has since slowed to a trickle.[187] One reason for these poor outcomes is that the standard structure creates a clear financial incentive for SPAC managers to pursue any merger—even one that is bad for the shareholders.

This misalignment is a result of the way that the manager (known as the "sponsor"[188]) is compensated. To give the sponsor "skin in the game," it receives a block (usually 20%) of the shares in the SPAC, for a nominal price. This block is known as a "promote" or "founders shares," and it is designed to align the sponsor's interest with those of the public shareholders.[189] If the sponsor finds a valuable target to acquire, the founders shares will be valuable. But if no target is found, or if the shareholders reject the proposed deal, the promote is worth nothing.[190]

While well intentioned, founder shares have a fundamental

---

[185] *See* Rodrigues & Stegemoller, *supra* note 170, at 888.

[186] *In re MultiPlan Corp. S'holders Litig.*, 268 A.3d at 793 ("In 2013, ten SPACs went public, raising a total of $1.4 billion. By 2019, SPAC IPOs numbered 59, with $13.6 billion raised. Those figures more than quadrupled and sextupled, respectively, in 2020, when 248 SPAC IPOs raised a total of $83.4 billion."); Klausner et al., *supra* note 180, at 230 (2022) ("In both 2020 and 2021 (through November), SPAC IPOs accounted for more than half of total IPOs, and among firms that went public in those years, SPAC mergers accounted for roughly 22% and 34%, respectively.").

[187] Paul Clarke, *Spacs Flop in 2023 as 40% of IPOs Fail to Find a Target*, FIN. NEWS (Dec. 20, 2023), https://www.fnlondon.com/articles/spac-ipos-fail-find-target-20231220 [https://perma.cc/4ZF4-E2KN] ("The flurry of Spacs reached a peak in 2021, with a frenzy of launches raising a record $172bn. But 40% of the 690 Spacs launched that year have now been liquidated, according to data provider Dealogic. Just 29% completed an M&A deal, and a further 17% announced they had found a target.").

[188] *In re MultiPlan Corp. S'holders Litig.,* 268 A.3d at 793.

[189] *Id.* at 794, 813. Sponsors also typically receive an option to purchase warrants in the SPAC. *Id.* at 794.

[190] *Id.* at 791, 794 (Del. Ch. 2022) ("If the SPAC entered into a business combination within its two-year completion window, the founder shares would convert into common shares upon closing. But if no transaction was completed, the SPAC would liquidate—leaving the founder shares worthless. Public stockholders, on the other hand, would receive back the full value of their investment with interest.").

flaw. They create an incentive for the sponsor to complete a deal—any deal—lest their stake expire worthless. As a result, the sponsor may well pursue a merger "that will be a losing proposition for shareholders."[191] This causes a textbook agency problem: the sponsor stands to gain even where the shareholders stand to lose.[192]

Imposing limited life on SPACs makes good sense in light of the factors favoring limited duration enumerated above in Part III.D. SPACs have a finite and specific purpose[193]—to find an acquisition partner—a task that reasonably should be concluded within a year or two.[194] They are also highly susceptible to significant agency costs,[195] given the misalignment incentives created by founders shares.[196] SPACs can also be efficiently liquidated,[197] since their only asset is the IPO cash held in trust.

Against limited life, there is the problem of the final period.[198] SPACs are, in a sense, one long final period, so the problem is significant. But even so, the factors favoring limited life appear to carry greater weight.

In short, limited life helps to ameliorate agency costs at SPACs, just as it does in other contexts. The two-year lifespan of a SPAC should encourage diligence and loyalty on the part of sponsors who plan to raise another SPAC in the future. Existing and potential investors will be able to see, within two years, whether a given sponsor is skilled at identifying targets and negotiating favorable deals. Hence, the sponsor has every incentive to do just that.

---

[191] Klausner et al., *supra* note 180, at 234.

[192] *In re MultiPlan Corp. S'holders Litig.*, 268 A.3d at 810–11 (identifying a "misalignment of interests" because the founders shares "would be worthless if Churchill did not complete a deal . . .").

[193] *See* Part III.D.1.c.

[194] *Cf.* Zeberkiewicz & Mammarella, *supra* note 50, ("For that reason, although 'rushing' is often used as a pejorative by stockholder plaintiffs challenging directors' consideration of a merger, acting with appropriate speed may often be precisely what SPAC directors' fiduciary duties require of them.").

[195] *See* Part III.D.1.a-b.

[196] *See In re* Hennessy Cap. Acquisition Corp. IV S'holder Litig., 318 A.3d 306, 319 (Del. Ch. 2024) (noting that "[b]reach of fiduciary duty claims against SPAC fiduciaries have [] proliferated in the Court of Chancery").

[197] *See* Part III.D.1.e.

[198] *See* Part III.D.2.c.

### B. *Ventures*

Limited life is often used for ventures of various types. By "venture," I mean a focused business operation with a clear and finite goal, such as hosting the 2026 World Cup or constructing a skyscraper.

Looking back to the factors from Part III.D, ventures are particularly well-suited to limited life, as they are defined by their finite purpose.[199] A venture is not open-ended like a typical operating company; it exists to accomplish one specific thing. By the same token, ventures do not require perpetual assets, nor is there an especially high value to capital lock-in.[200] All of this suggests that limited life will often be the better option for ventures, at least in theory.

In practice, many real-world ventures are indeed organized with limited life. This section will consider two archetypical forms of ventures that are—or historically have been—structured as limited-life companies: expeditions and insurance. Even so, as will be explored, some ventures may benefit from perpetual existence.

#### 1. *Expeditions*

The simplest way to finance an expedition—by which I mean a voyage undertaken by a profit-seeking group[201]—is on a one-off basis.[202] Investors pool their money and the ship sets sail; when it returns, the bounty is sold off and the proceeds distributed. Once the expedition concludes, the investors have "the option, but never an obligation, to reinvest in a subsequent" expedition.[203] The life of

---

[199] *See supra* Part III.D.1.c.

[200] *See supra* Part III.D.2.a.-b.

[201] *Cf. Expedition*, OXFORD ENG. DICTIONARY, https://www.oed.com/dictionary/expedition_n?tab=meaning_and_use#5051191 [https://perma.cc/DJ3T-GU97] (last visited Nov. 1, 2025) ("A journey, voyage, or excursion made for some definite purpose.").

[202] Giuseppe Dari-Mattiacci et al., *The Emergence of the Corporate Form*, 33 J. L. ECON. & ORG. 193, 196, 205 (2017) ("The first Dutch and English voyages to Asia [circa 1600] were organized as separate, individual expeditions, investors committing their capital for one trip at a time.").

[203] *Id.* at 205; *cf.* WILLIAM SHAKESPEARE, THE MERCHANT OF VENICE act 1, sc. 1, l. 42. (Antonio, a Venetian merchant, discusses his investments in in a

the expedition is limited, not by a set term of years, but by the bounded arc of the voyage itself.

As of 1600, this single-voyage model was the standard practice of both the Dutch East India Company (VOC) and the English East India Company (EIC).[204] This makes sense, given the factors enumerated in Part III.D. An expedition sailing halfway around the world is at serious risk of agency costs.[205] The investors are far away, the ocean is vast, and the temptation for the captain and crew to go rogue is very real.[206] The venture is by definition finite in scope,[207] and the goods acquired—cotton, spices, or whatever else can be wrested from the tropics—are easy to liquidate as soon as the ship hits the wharf.[208] These conditions favor limited life, so the VOC and EIC financed each expedition on a standalone basis—at least at first.[209]

It turned out, however, that capital lock-in was rather important for trading in the East Indies (Indonesia and Southeast Asia). To succeed, these companies had to build forts, maintain fleets, and assert themselves militarily—none of which could be done with one-off expeditions and revolving investors.[210] After all, no rational group would pay for a warship that primarily benefits the next group of investors.[211]

The solution was to convert limited-life ventures into a perpetual form. The Dutch got there first: In 1612, new legislation gave the VOC perpetual life and permanently locked-in its investors' capital.[212] This enabled the company to build fortified outposts, dominate shipping routes, and secure a long-term competitive

diversified set of trading expeditions: "My ventures are not in one [ship] bottom trusted . . . .").

[204] Dari-Mattiacci et al., *supra* note 202, at 205.

[205] *See supra* Part III.D.1.a.

[206] *See supra* Part III.D.1.b.

[207] *See supra* Part III.D.1.c.

[208] *See supra* Part III.D.1.d; Dari-Mattiacci et al., *supra* note 202, at 204 ("Upon its return, the accounts were more or less literally settled on the quayside, partners inspecting the cargo and dividing the profits.").

[209] Dari-Mattiacci et al., *supra* note 202, at 204.

[210] *Id.* at 221–22.

[211] *Id.* at 210 ("Any spending now pushed down profits for present shareholders, whereas the benefits would be reaped by investors in the follow-up 10-year account.").

[212] *Id.* at 211.

advantage.[213] Thanks to these investments, the Dutch greatly outperformed their counterparts in England and elsewhere.[214]

The English ultimately transformed the EIC into a perpetual entity—but not until 1657, a half-century behind the Dutch.[215] From that point forward, the EIC's financial performance improved dramatically.[216] Even so, the VOC, thanks to its first-mover advantage, remained the dominant trading force in the region for 200 years.[217]

The clearest modern analog to the VOC and EIC is space exploration. And here, too, the dominant choice is perpetual life. This seems sensible. Space ventures rely on long-term assets—launch pads, reusable rockets, specialized IP, and technical know-how—all of which are designed to serve multiple missions.[218] You don't build a moon base for a single sojourn.

But that's just how it turned out for the VOC, EIC, and SpaceX under their particular circumstances. In other settings, it may still be optimal to organize expeditions as limited-life ventures—defined by the scope of a single journey, not by indefinite ambitions.

### 2. *Insurance*

Insurance is another venture type where limited life is used

---

[213] *Id.* at 221–22.

[214] *Id.* at 214 ("The [Dutch East India]'s organizational model was highly effective. During the 17th century, the company outperformed all its European competitors sending more ships to Asia than all of them taken together (Figure 1), also dominating in terms of tonnage (Figure A1) and manpower (Figure A2).").

[215] *Id.* at 219–20 ("[In] 1657, the EIC replicated the strategy that the VOC had adopted almost 50 years earlier . . . .").

[216] *Id.* at 214 ("[The EIC's] relative performance improved after 1657, when it also gained a permanent capital.").

[217] *Id.* ("By 1795, five years before its de facto liquidation, the VOC had sent 4,785 ships and carried 3.4 million tons in the Asian trade, whereas the EIC had only managed 2,690 ships totaling 1.4 million tons. An impressive 59%, in some decades rising to more than 70%, of all the Europeans travelling to Asia during the VOC's two centuries of existence sailed with the company. This is remarkable for such a small country.").

[218] Andy Pasztor, *SpaceX Lofts Commercial Satellite with Reused Rocket in Historic Flight*, WALL ST. J. (Mar. 30, 2017), https://www.wsj.com/articles/spacex-lofts-commercial-satellite-with-reused-rocket-in-historic-flight-1490914549?gaa_ [https://perma.cc/U7WR-TJMU].

to good effect. The business model is to receive a premium in exchange for taking on a certain risk for a certain period. Since the risk is finite, it stands to reason that insurance vehicles might be as well—and in fact, some are. The most notable example is Lloyd's of London, founded in 1680 and still perhaps the most famous name in insurance today.[219]

Strictly speaking, Lloyd's of London is not actually an insurance company. It is a marketplace—an organized bazaar, really—where investors (known as 'Names') band together in syndicates to underwrite insurance policies.[220] And each syndicate is a finite venture with a three-year lifespan.[221]

During that period, premiums are collected and passed through to the syndicate, starting in the "year of account" and continuing for two more calendar years.[222] At the end of three years, the syndicate shuts down and settles its accounts.

When a syndicate terminates, it follows a process known as "reinsurance to close," whereby one syndicate reinsures all of its outstanding risks with a new syndicate, and then distributes profits to the Names.[223] The Names from the old syndicate are free to

---

[219] The Titanic was insured by Lloyd's of London. *Lloyd's and the Titanic*, LLOYD'S, https://www.lloyds.com/about-lloyds/history/catastophes-and-claims/titanic [https://perma.cc/Y3JA-FN9L] (last visited Oct. 30, 2025).

[220] EXAMINATION TEAM TO THE SURPLUS LINES (E) TASK FORCE, LLOYD'S: A REVIEW BY U.S. STATE INSURANCE REGULATORS 4 (1998) ("Lloyd's is a market, not an insurer."); *Our Market*, LLOYDS, https://www.lloyds.com/about-lloyds/our-market [https://perma.cc/78E7-8X37] ("Lloyd's is the world's specialist insurance and reinsurance market . . . where Lloyd's underwriters join together as syndicates and where syndicates join together to underwrite risks . . . .") (last visited Oct. 30, 2025).

[221] NAT'L ASS'N OF INS. COMM'RS SURPLUS LINES (E) TASK FORCE, LLOYD'S: A REVIEW BY U.S. STATE INSURANCE REGULATORS, *supra* note 123, at 5 ("Lloyd's utilizes a three-year accounting cycle . . . each syndicate underwriting-year is a separate annual venture."); Turnbull, *supra* note 59, at 29 ("The best known limited life investment partnerships today are the Lloyd's of London insurance underwriting syndicates, which are dissolved and reformed every three years to quantify the value of the outstanding business.").

[222] NAT'L ASS'N OF INS. COMM'RS SURPLUS LINES (E) TASK FORCE, LLOYD'S: A REVIEW BY U.S. STATE INSURANCE REGULATORS, *supra* note 117, at 23.

[223] *Id.* at 5 ("Lloyd's utilizes a three-year accounting cycle that typically ends through a Reinsurance To Close (RITC) mechanism. In an RITC scenario,

participate in the new syndicate, and they often do so. Vitally, however, the Names are not obliged to participate. The limited-life syndicate in which the Names invested in no longer exists; they are free to move on to other things.

The enduring success of Lloyd's—over 300 years and counting—suggests that limited life is not just workable in the insurance context. It may in fact be preferable.

## V. NEW FRONTIERS FOR FINITE VENTURES

Part IV described a number of ways that limited life is used in practice. This final Part looks beyond what is known and conceives of novel contexts and situations where a finite structure may be used to good effect. Note that these ideas are merely sketched in this Part—future work will be needed to fully flesh them out.

### A. *Contractual Innovation*

Limited life can be incorporated into business contracts where appropriate. Given its utility as a constraint on opportunism, limited life may be used alongside—or instead of—other contractual mechanisms. This gives drafters more flexibility to construct an efficient and well-calibrated agreement.

Consider the limited partnership agreement (LPA) in private

---

one or more new underwriting syndicates, formed by Members of Lloyd's in a succeeding year, reinsure the outstanding liabilities of the original syndicate three years after inception."); Tom Baker, *Uncertainty > Risk: Lessons for Legal Thought from the Insurance Runoff Market*, 62 B.C. L. REV. 59, 70–71 (2021) ("At the end of three years (the year in which policies were sold plus two years), a syndicate would close by reinsuring with a new syndicate all the risks that had not already run off and declaring and distributing the profit (or loss) to its members. This process became known as 'reinsurance to close,' and the new syndicate that offered the reinsurance to close often included some or all of the same underwriters and Names as the closing syndicate. The original syndicate retained a formal contractual relationship with the merchants it insured, but the reinsurance-to-close transaction assigned all the responsibilities for that relationship to the new syndicate. As long as that new syndicate fulfilled those responsibilities, the merchants who purchased insurance from Lloyd's syndicates could safely remain oblivious to the opening and closing of the syndicates that issued the policies sold at Lloyd's.").

equity and venture capital, the foundational contract between investors and fund managers. A typical LPA includes multiple provisions aimed at aligning incentives, including a defined mandate (or, investment policy) and a limited life of ten years. The former might limit the fund to "U.S.-based AI startups" or "sustainable agriculture," while the latter gives the manager just ten years to deliver results.[224]

Though often treated as boilerplate, these terms can function as substitutes. A fund with a broad mandate might adopt a shorter term, while a fund with a narrow mandate might adopt or be granted a longer term. One could even imagine a perpetual fund constrained by a highly specific mandate—or the opposite.

These design choices reflect a balancing act, and some combinations may better mitigate agency costs than the current norm, which would inspire investors to pay a higher fee, all else equal. Moreover, this example only considers two dimensions—the mandate and the lifespan—but there are many other terms that could likewise be considered in conjunction with those two.

The possibilities are endless. Once limited life is understood as a design tool, contract drafters will surely find new ways to incorporate it across a wide array of agreements.

### B. *Corporate Reorganization*

As discussed above in Part III.D, some business lines are better suited to finite structure, while others warrant perpetual life. That insight can be operationalized to create value. Rather than choosing one structure for the whole firm, it may be useful to break the business into parts. Firms might reorganize—via spin-offs, restructurings, or asset sales—into a tailored mix of finite and perpetual entities.

Recall, for instance, that when a business owns assets of enduring value—like trademarks, trade secrets, or brand goodwill—it likely belongs in a perpetual structure.[225] If it holds wasting

---

[224] INSTITUTIONAL LIMITED PARTNERS ASSOCIATION, THE ILPA MODEL LIMITED PARTNERSHIP AGREEMENT (WHOLE-OF-FUND WATERFALL) [July 2020] § 2.2 (requiring fund to invest "in accordance with the Investment Policy"); *id.* at Sched. 2 (defining the Investment Policy); *id.* § 18.1 (ten-year term).

[225] *See supra* Part III.D.2.b.

assets—like patents, mineral rights, or time-bound concessions—a finite vehicle may be more appropriate.[226]

Some firms hold both perpetual and wasting assets. In such cases, it may make sense to split them up. A perpetual parent can house evergreen operations, while a finite subsidiary executes a defined strategy tied to expiring assets. This lets the firm manage risk, incentive structure, and capital expectations more precisely.

One could even form a finite venture around a single piece of time-bound IP, such as a patent. The company would be set to terminate when the patent term expires. Managers of such a "single-IP company" would be highly motivated to maximize profits for that patent, knowing there is no backup and no extensions.

These are just a few examples; the minds of the corporate bar are sure to come up with many more, once they see the value of limited life.

### C. *Projects and Productions*

Another promising domain for limited life is the project-based firm: organizations that exist to complete a specific production or deliver a single project. These include real estate developments, film productions, infrastructure builds, and large-scale events like the Olympics.[227] In many such cases, the entity has no need to outlive the project itself.

This category of projects and productions is rather broad, and so is the opportunity to employ limited life. For example, creative endeavors, such as a film, can be organized with limited life. A finite venture, with a term of ten years, can be organized to produce and market a movie, as well as distribute it in theaters, via streaming, et cetera. After seven or eight years, the value of the movie would be quite well established.

By the tenth year, the managers will know, with confidence, if they have a film with good prospects that should remain popular for years to come (*e.g.*, *Frozen* (2013)), or if they have pretty much gotten all the value out of the film (*e.g.*, *Turbo* (2013))—or anywhere else within that spectrum. Regardless of where a given film falls within the extremes, the clarity makes it possible to liquidate the

[226] *See supra* Parts III.D.1.d.

[227] *See also supra* Part IV.A.2.b.

company—sell the rights to the movie—rather efficiently, which is a factor favoring limited life.[228]

Similarly, a live play or musical, or an art installation, can be organized as a finite venture with a certain duration (e.g. three years). Most such shows would probably close down for business reasons well before the entity is set to terminate. But for popular shows, the very fact that the show will close down on a certain date may well give an added boost to ticket sales, especially as that date approaches. And for very popular shows, the charter can be amended to extend the life of the entity, or even convert to perpetual existence.

More broadly, this is fertile ground for experimentation. Where the business model has a clear endpoint, the entity's legal duration can—and arguably should—match.

### D. *Finite Subsidiaries*

A perpetual corporation may find it useful to organize a subsidiary with a limited lifespan. A finite subsidiary can serve at least two valuable purposes: (1) Promote entrepreneurial activity within the firm and (2) offer a compromise with an activist shareholder.

#### 1. *Promote Entrepreneurial Activity*

A company might organize a limited-life subsidiary to achieve a specific, bounded business goal.

Imagine, for example, that Ford Motor Co. wants to develop ultra-lightweight tires. It could assign a team of engineers to the task or form a new division, but the diffusion of focus and accountability present a risk. The engineers might tinker indefinitely without delivering results.

Alternatively, Ford could charter a subsidiary with a three-year lifespan. The engineers know that time is finite—they have to deliver or disappear. The project either yields a new tire or ends, full stop.[229] If successful, the engineers might expect Ford to back another limited-life venture—or they might attract outside interest for having built something tangible under pressure.

---

[228] *See supra* Part III.D.1.e.

[229] If an extension is needed, Ford can amend its certificate or merge the subsidiary into another one.

This approach addresses a classic corporate governance problem identified by Henry Manne decades ago: The difficulty of rewarding entrepreneurial initiative within large, salaried organizations.[230] As Manne observed, even bonus systems tend to be formulaic and tied to firm-wide outcomes, rather than individual contributions.[231] His controversial solution—legalize insider trading—was meant to give in-house entrepreneurs a path to wealth commensurate with their innovations.[232]

That solution was never adopted, but there are other strategies to address the problem. A more orthodox remedy is to let the intrapreneur run a finite subsidiary, with an equity stake in lieu of a conventional salary. If the idea works, the venture will be valuable and the intrapreneur will reap the gains.[233] If not, the subsidiary sunsets—and the employee returns to the mothership or moves on.

As in other contexts, a limited-life structure can also facilitate upfront funding. Because the project is finite, the parent company knows it won't be asked to re-up year after year. There's an implicit promise: the structure will spend this money, try the project, and then wrap it up. Unlike an ordinary subsidiary, or even a business division, a finite subsidiary will not come back to the parent company for additional funding in the future.

This model fits especially well with "skunkworks" initiatives—where a group of employees are given time and money away from the central management to develop revolutionary technologies and ideas.[234] A finite subsidiary can give them space to

---

[230] *See* Henry G. Manne, *In Defense of Insider Trading*, HARV. BUS. REV. 113, 116 (Nov.–Dec. 1966).

[231] *Id.* at 117.

[232] *Id.* at 118 ("[T]rading in the stock market on inside information provides a reward system, and is the only effective device for the entrepreneur who is employed by a large corporation."); *id.* at 118–19 ("Individuals can, in effect, sell their own ideas without the necessity of having large amounts of capital available. The increase in stock price, though not perfect, will provide as accurate a gauge of the value of the innovation as can be found . . . .").

[233] *Id.* at 119 ("For the true entrepreneur, the possibility of great riches will elicit more risk-taking activities and enterprise than will the possibility of smaller though more certain gain.").

[234] Peter S. Menell, *Economic Analysis of Network Effects and Intellectual Property*, 34 BERKELEY TECH. L.J. 219, 240 n.47 (2019) ("[A] 'skunkworks' project brings together a small group of highly skilled researchers to pursue radical innovations.").

roam, while shielding the parent company from perpetual commitments.

Consider General Motors' 2016 acquisition of Cruise Automation, a startup working on self-driving cars, at a cost of roughly $600 million.[235] Rather than folding it into the General Motors bureaucracy, the company allowed Cruise to operate independently in San Francisco.[236] It was, essentially, a skunkworks, and General Motors promised the employees bonus incentives tied to clear milestones.[237]

This sort of incentive pay was one way to constrain agency costs at Cruise and encourage its managers to work hard. Had General Motors gone a step further and formalized Cruise as a limited-life subsidiary—with a ten-year horizon, for example—the incentives could have been even sharper. A looming deadline might have galvanized the team to crack the autonomous vehicle code. That's not to say it would have worked, but it might have helped.

In the end, General Motors shut Cruise down in 2024, nine years after the acquisition.[238] Perhaps that was destiny. Nonetheless, had Cruise been structured as a finite venture from the outset, everyone would have known precisely when the clock would run out—and acted accordingly.

### 2. *Compromise with Activist*

A finite subsidiary can also facilitate a constructive compromise between a public company and an activist shareholder.

---

[235] *See General Motors Co.*, Annual Report (Form 10-K) (Feb. 7, 2017) 4, 62 ("The deal consideration at closing was $581 million . . . ."); Gautham Nagash & Mike Ramsey, *GM Gives Its Self-Driving Effort a Push*, WALL ST. J. (Mar. 12, 2016), http://www.wsj.com/articles/gm-to-acquire-autonomous-vehicle-technology-developer-1457704950? [https://perma.cc/U5L7-UQXP].

[236] Christopher Otts & Stephen Nakrosis, *General Motors Scraps Cruise Robotaxi Program*, WALL ST. J. (Dec. 12, 2024), https://www.wsj.com/business/autos/general-motors-scraps-cruise-robotaxi-program-ea3298a8 [https://perma.cc/KL9N-SRBZ]; *see also General Motors Co.*, Annual Report (Form 10-K), *supra* note 235 (GM's "principal executive offices" are in Detroit).

[237] *General Motors Co.*, Annual Report (Form 10-K) at 62; *see also* Nagash & Ramsey, *supra* note 235 (reporting a price of more than $1 billion, which apparently included for anticipated retention and incentive compensation).

[238] Otts & Nakrosis, *supra* note 236.

Activists often urge companies to divest or spin off particular business units. Management, wary of fire-sale pricing and strategic dismemberment, may resist. Even when they agree, the process can be rushed and value-destroying, since potential buyers know the seller is under pressure.

Hence, it would be beneficial for the company to have some time to determine the best approach to addressing the business unit in question, while the activist, understandably, would prefer some assurance that the company will in fact try to unlock the value of the business unit through a sale or similar exit.

This article suggests a novel solution to this recurring problem: The company can place the contested business unit in a finite subsidiary—say, with a five-year lifespan. This gives management time to find the right buyer or strategy, while giving the activist assurance that the matter will not be shelved indefinitely.

This is, in effect, the playbook of private equity: acquire, improve, exit—all within a fixed term. The public company can even hire from the private equity talent pool to run the subsidiary, tapping their expertise in finite-horizon operations. Unlike traditional managers who optimize for the long haul, these professionals are trained to work against the clock.

## VI. CONCLUSION

Prior literature has largely overlooked the value of limited life as a governance tool in business organizations. This article has sought to correct that omission—defining the concept, identifying its virtues, and suggesting new applications.

Like board oversight or mandatory disclosure, limited life is another lever to reduce agency costs. It creates a natural deadline, focuses incentives, and facilitates exit. Perpetual life may remain the default—and rightly so—but it should not be the only option. Limited life deserves a more prominent place in the corporate governance toolkit.

Perhaps now it will.