

## Introduction:

Greetings, Arbitrum Community,

We propose the establishment of the Arbitrum Venture Initiative (AVI), dedicated to strategically deploying capital through funding VC funds, providing debt facilities, and setting up royalty and revenue share agreements within the Arbitrum ecosystem. This initiative aims to adapt our funding model to support scalable, strategic growth beyond traditional grants.

## Problem Statement:

The current grants-only based funding model limits our ability to engage in large-scale, strategic investments necessary for substantial ecosystem development. The flexibility to allocate resources strategically brings key opportunities to address the evolving needs of the ecosystem and builders.

There is a need for a more diversified investment approach to bolster long-term growth and ROI. This will also align incentives more closely with desired outcomes for ecosystem development. By incorporating elements such as equity/quasi-equity investments or revenue-sharing mechanisms (agreements), the organization can better incentivize stakeholders to contribute to growth and innovation while ensuring accountability and, most importantly, alignment of interest.

## Background:

I'm involved as a contributor in the RnDAO venture builder program. We received funding from Arbitrum thanks to the plurality labs program.

As part of the program, I am leading a Research Fellowship to bring more strategic capabilities to the Arbitrum DAO. This scope involves researching and publishing how Arbitrum and similar ecosystems support entrepreneurial communities of builders, while also understanding the associated challenges.

Furthermore, we have been structuring an approach to leverage Arbitrum capital towards supporting builders and ventures that run the protocol. This has been challenging, and the current grants initiatives is limited to no strings attached grants without additional pathways for value to accrue back to the DAO.

An initial review indicate that the following initiatives and entities will benefit from more strategic capital alignment: EVM Capital, "The No Cap, No equity accelerator", The Gaming cluster, The New Grants Initiatives of Plurality Labs, etc

## Objective:

The AVI aims to boost ecosystem growth through strategic investments in venture capital funds and leveraging Arbitrum's capabilities for managing debt facilities, royalties, and revenue-sharing structures. This approach enhances Arbitrum's ROI, supports scalable and sustainable ecosystem development, and diversifies revenue streams beyond sequencer fees while fostering growth.

## Budget and Governance:

We request an initial budget of USD 1.8 million to develop the executive layer and legal infrastructure, with USD 50k allocated for preliminary setup. The remaining funds will be held in a multisig wallet, governed by the DAO, with disbursements based on pre-agreed milestones. Voting yes on this proposal would grant our team access to these 50k only, allowing us to conduct further consultations and produce a detailed plan with milestones.

## Operational Initiative:

- **Investment Strategy:** Focus on identifying and funding VC funds with a proven track record and alignment with Arbitrum's strategic interests as well as more bespoke instruments deeply aligned with Arbitrum's Strategy. This involves thorough due diligence to assess the investment funds' performance, investment thesis, portfolio composition, and alignment with Arbitrum's goals and values. Additionally, the strategy may involve more bespoke instruments tailored to Arbitrum's specific strategic priorities. Those can include a range of structured financial products designed to achieve specific targeted outcomes aligned with Arbitrum's long-term strategy.
- **Supporting Facilities:** Dept, Revenue Sharing, Royalties policies, Initiatives and deal negotiations. To facilitate effective investment activities, supporting facilities such as departments dedicated to investment analysis, deal sourcing, and portfolio management are essential. Revenue sharing and royalties policies and Initiatives provide mechanisms for distributing returns generated from investments among stakeholders, including investors, portfolio companies, and the community. Deal negotiations involving structuring investment agreements, negotiating terms, and ensuring alignment of interests between Arbitrum and all investment partners. These facilities play a critical role in enabling efficient and transparent investment operations while maximizing value creation and mitigating risks.
- **Governance and Oversight:** Implement a governance Initiative ensuring accountability, transparency, and community alignment. Establish clear roles and responsibilities, decision-making processes, and reporting mechanisms to oversee investment activities. Governance structures (investment committees, advisory boards) and oversight bodies including internal or external stakeholders to represent different and diverse perspectives and interests. Transparency measures - regular reporting on investment performance, risk management procedures, and compliance with ethical and

regulatory standards, to enhance trust and confidence among stakeholders. Community engagement and consultation mechanisms to ensure that investment decisions align with broader interests in the ecosystem, fostering inclusivity and alignment of goals.

#### Community Engagement and Transparency:

We commit to maintaining open lines of communication, seeking community feedback, and providing regular updates to ensure transparency and community involvement.

#### Team Introduction:

Arbitrum DAO already has world class thinkers among its delegates, when it comes to solving this problem, however there are significant capacity limitations. Augmenting it with fresh talent is critical to speeding up execution and producing optimal outcomes.

- Lino: 3x founder, 15 years of experience in developing startup ecosystems and specifically through development VC instruments.
- Konstantina: MSc in Investment Banking and Securities from the London School of Business and Finance, ca Head of Equity Financial Instruments in a EUR 1.3 billion Fund of Funds, focusing on Venture Capital ecosystem development.
- Victor: A serial entrepreneur and the head of D10X for Citi Ventures, where he's brought a multitude of major success cases around blockchain and AI innovations in the financial services industry
- Paul: Entrepreneur with 7 exits worth \$4.7B and later head of Singtel Ventures.

#### Alignment with Arbitrum's Strategic Goals:

The formation of the AVI aims to be explicitly aligned with the strategic objectives. While developing a multidimensional approach to ROI, commitment to the ecosystem's growth, and alignment with VC best practices ensure that this venture arm extends beyond typical treasury deployment. It is tailored to foster significant, strategic development within the Arbitrum ecosystem, leveraging the unique skills and insights of our team members.

#### Consultations and Collaborative Efforts:

To ensure the AVI aligns with community needs and industry standards, we have engaged with various stakeholders within and outside the Arbitrum community. These consultations include discussions with experienced venture capitalists, crypto industry experts, and key Arbitrum DAO delegates to gather insights and ensure our strategy complements the ecosystem's overarching goals. Our ongoing collaborative approach is designed to refine our strategy, ensuring it remains effective, transparent, and community-driven.

#### Conclusion:

With AVI, we aim to diversify our investment approach, driving sustainable growth and innovation within the Arbitrum ecosystem. We look forward to your feedback and collaboration on this transformative journey.

Warm regards,

Lino

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