BIT AI

Build a Foundation for Web3 AI to Secure Future Growth of BIT

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Contents

Executive Summary

What Is AI DAO? The advance of AI/ML-based technologies, such as deep learning, has enabled a wide range of applications in recent years. According to PWC, by 2030, artificial intelligence could contribute up to $15.7 trillion to the global economy. Traditional Web2-based approach for creating and managing the life cycles of AI models and applications is facing serious growth challenges as the cost to train these models has risen rapidly in recent times. To take advantage of the synergy between AI and DAO-based design, AI DAO aims to enable a revolutionary new way for AI development and governance to sustain the rapid growth of AI in the coming years. AI DAO is a unique framework with the following components: *decentralized AI governance, decentralized AI finance (AI Fi), decentralized AI community, and an open AI value co-creation process.*

BIT AI: The planned endeavor is to integrate AI and ML with the BIT ecosystem and lay a foundation of AI for the growth of BIT and its stakeholder community. AI DAO is an effort with great, if not the greatest, potential to bring value to the BIT ecosystem on many fronts. It achieves this by opening up the horizon of one of the fastest-growing industry sectors (AI/ML) to the broad BIT ecosystem.

AI DAO comprises an investment instrument (AI Fi) for decentralized and early-stage AI startups/projects focusing on value creation for BIT. The main AI venture DAO under the AI DAO framework is a sector-specific DAO that identifies and invests in AI projects with significant value to the BIT ecosystem and its stakeholder community. Further, AI DAO will enlarge the talent pool of well-trained builders in AI and Web3 for BIT. The BIT ecosystem can benefit from such a talent pool and builder community.

To summarize, AI DAO for BIT offers unique values to the BIT ecosystem and brings a critical missing piece to the existing portfolio of BitDAO. It offers

an unmatched opportunity to empower the BIT ecosystem to be the leader of Web3 AI in the coming years.

Highlighted Benefits

- Benefits to the BIT ecosystem: BIT AI-supported projects may extend the use of BIT tokens. These projects will leverage the existing Layer 2 (Mantle Network) and create synergistic opportunities with other efforts to grow the BIT environment. AI/ML is a new dimension that can be integrated with almost all the existing areas of Web3 and blockchains (e.g., NFTs, Web3 games, Metaverse, DeFi, SocialFi, GameFi, security, and education). The BIT AI factory and instantiated AI DAOs for the supported AI projects will be deployed over the Mantle Network.

- Attracting external investments: Despite the economic downturn, AI startup funding defies gravity. The focus of BIT AI creates opportunities for the BIT ecosystem to attract potential new capital sources. In other words, the key success of BIT AI is ensured by the boom of AI. Using the venture DAO model, BIT AI aims to enlarge BitDAO's investment in Web3 AI.

- Usable AI/ML tools and infrastructure for the BIT community: BIT AI will create AI artifacts and ML infrastructure that can be adopted by the BIT community, for instance, AI-based tools for usable wallet security, ML-based services for DeFi, smart airdrop solution based on AI, AI for games, etc. The AI infrastructure will be integrated with the Mantle Network.

- Growth of the BIT builder community: The community-driven approach of BIT AI will grow the overall community of BIT, in particular, adding a global community of Web3 AI to BIT. The overarching objective is to create the largest Web3 AI community powered by the BIT ecosystem.

- Contributing to the BIT token economy: An objective of BIT AI is to integrate BIT tokens with the token designs of the AI projects supported by the main venture DAO. Web3 AI can build a corps of potential backers and users, which will contribute to the growth of the BIT token economy by increasing its utility.

- New knowledge for the BIT stakeholders and decision makers: AI-based analytics can generate new knowledge for the BIT stakeholders and de-

cision makers (e.g., ML-based profiling of investors and their behaviors, ML-based trend analysis).

Budget proposal: The budget request to BitDAO for twenty-seven months is a total of $50M, where $48M will be reserved for funding selected AI/ML projects and/or early-stage Web3 AI startups that are aligned with the growth objective of BIT. The requested fund will be released in five time periods (phases): $2M (phase 1: foundation phase), $12M (phase 2: six months), $12M (phase 3: six months), $12M (phase 4: six months), $12M (phase 5: six months). The AI venture DAO is expected to be self-sustainable after the five phases. The initial investment by BitDAO is $2M.

As part of the plan, BitDAO will receive 70M AI DAO governance tokens (separate from the tokens minted by the AI venture DAO) [1].

This document describes BIT AI, a proposal for BIT to create a foundation for Web3 AI. Please refer to the AI DAO white paper on details of AI DAO.

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[1] BitDAO will receive minted tokens from the AI venture DAO to represent BitDAO's stake and share in the venture DAO. The extra 70M AI DAO governance tokens (7% of a fixed total of 1,000M AI DAO governance tokens) is a specific deal for the key AI DAO partners.

1 BIT AI

BIT AI is set up to bridge two major industries of computing that have the most potential to transform the global digital world in the coming years, Web3 and AI. The mission is to make AI development and ownership globally decentralized. BIT AI provides a DAO-based approach to AI and ML in contrast with the current landscape dominated by a few big tech companies.

1.1 What Is the Scope of BIT AI?

BIT AI focuses on a decentralized and community-oriented process for managing the AI value chains and the life cycles of AI models. The DAO-based framework is geared toward AI's viral and sustainable growth. BIT AI contains three main thrust areas, *decentralized AI governance, decentralized finance for AI (AI Fi), and AI community focusing on human capital for AI.*

1.1.1 AI Fi

BIT AI is set up as a venture DAO to support flexible funding models for Web3 AI. The venture DAO is tasked to invest in purpose-built AI DAOs and AI projects. It aims to support Web3 AI projects with high growth potential or projects that will deeply impact the Web3 community and the BIT ecosystem. For BIT AI, the instantiated DAOs will be deployed over the Mantle Network.

Conceptually, BIT AI is a platform for AI Fi. It provides an environment for experimenting with decentralized finance innovation and tokenomics to fund and support AI projects. It offers an agile and transparent DAO-based process for AI finance. It potentially lowers the barrier for small and early-stage AI

teams to create AI innovations. As a main benefit of the BitDAO investment, AI Fi will be powered by the BIT token ecosystem, for example, investment and trade of AI tokens through the BIT tokens.

1.1.2 Decentralized AI Governance

Compared with the existing practice of AI governance, the value propositions of AI DAO and BIT AI are:

- *Automation of business process for AI projects/startups (using both on-chain and off-chain artifacts).*

- *Customizable DAO templates as a service specifically tailored for AI/ML services (deployed on the Mantle Network).*

- *Access to the global community of AI/ML specialists and experts.*

- *Standardization and optimization of AI/ML infrastructure for Web3 AI training and model serving.*

- *AI Fi through the main AI venture DAO and AI DAO treasury.*

- *Deep integration of ML workflows like service delivery and data acquisition with tokenomics.*

- *Decentralized and DAO-based governance of ML artifacts (e.g., data, models, codes, applications) and life-cycle management.*

Essentially, BIT AI defines a new space of AI operations under the context of Web3. For Web3 AI projects, BIT AI provides a foundation to support the needs of computing and operational resources.

1.1.3 A Global Community for Web3 AI

BIT AI is a decentralized community where its members are incentivized to collaborate with one another to drive value in AI. BIT AI aims to be the largest blockchain community for Web3 AI (powered by the Mantle Network and the BIT ecosystem). Its mission is to attract AI specialists and experts worldwide to work together as a community to create better AI models and applications
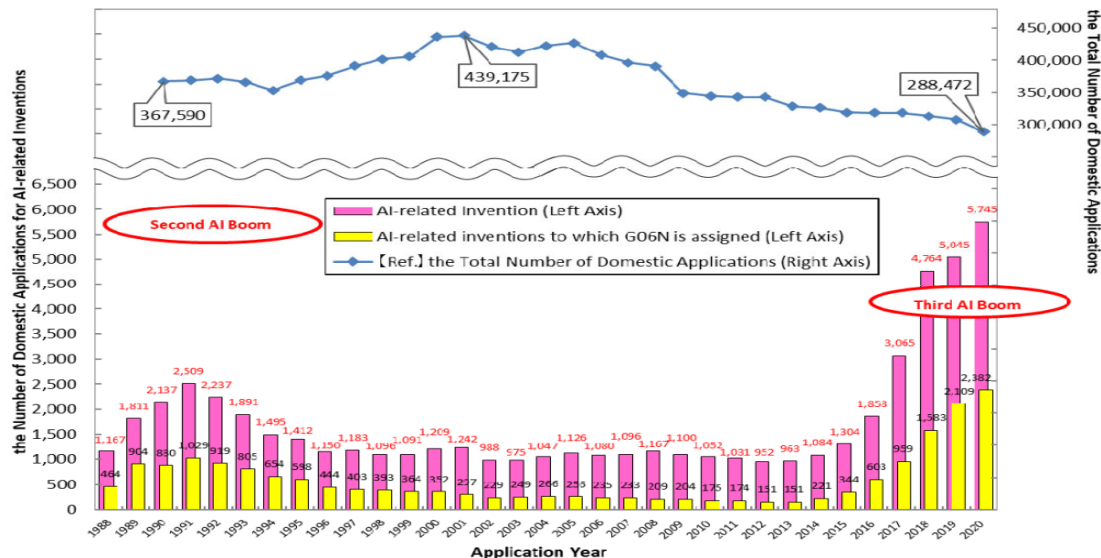
Figure 1.1: We are at the beginning of the 3rd AI boom (AI applications to the patent office of Japan over time). Data source: Japan Patent Office. [1]

as collective efforts. The DAO-based approach ensures that the participants have a vested interest. Contributors are incentivized and rewarded with the design principles of tokenomics. As a result, they will be more engaged with the community. BIT AI broadens the participation of Web3 AI by engaging with the leading universities worldwide. It focuses on creating and growing a community of contributors and builders who are well-versed in both AI and Web3 to engage in the collective value-creation process of AI.

1.2 Why Now?

1.2.1 The Third Boom of AI

We are at the beginning of **the third boom of AI**. The marriage of AI and crypto as described in this white paper, is a perfect opportunity for BitDAO and the BIT ecosystem to become the leader of Web3 AI.

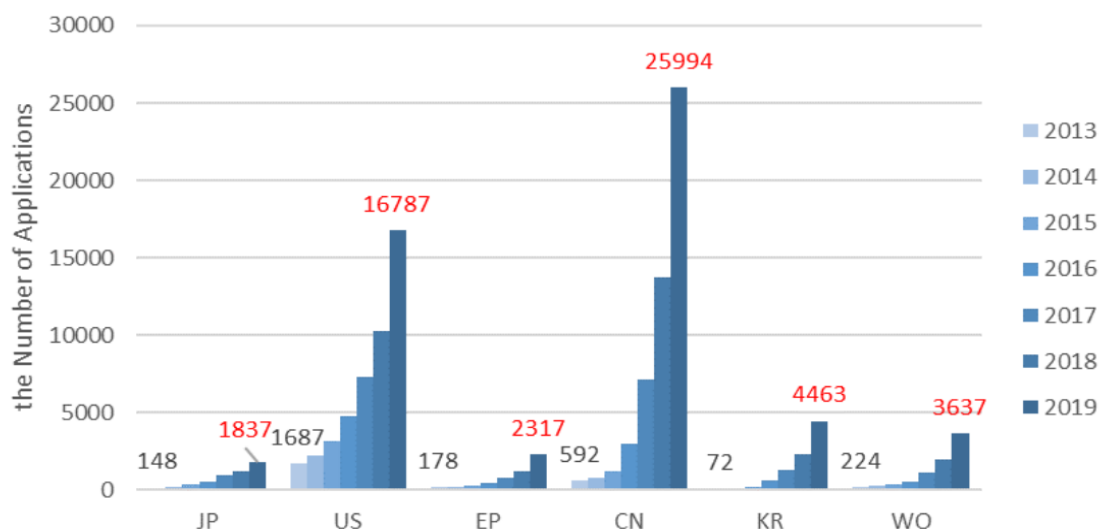[1]https://www.jpo.go.jp/e/system/patent/gaiyo/ai/ai_shutsugan_chosa.html

Figure 1.2: AI applications in different regions. Country codes in the figure stand for JP: Japan, US: United States, EP: Europe (EPO), CN: China, KR: Republic of Korea, WO: PCT international application (regardless of the nationality of applicants). Data source: Japan Patent Office.
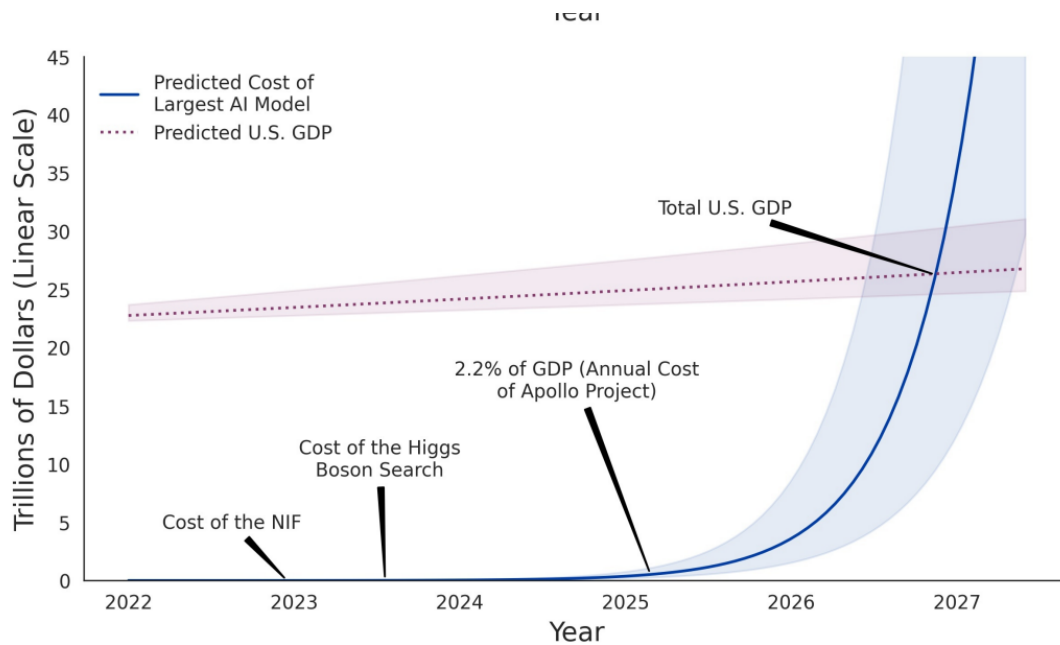
1.2.2 AI Is the New Mining

According to a report by the Center for Security and Emerging Technology at Georgetown University [2], with the current trend, the cost of cutting edge AI models is expected to exceed the U.S. GDP between 2026 and 2027 (assume 3% GDP growth rate).

Over the last few years, the creators of crypto tokens have been searching for adoption and utility values. To provide a reference point, in November 2022, OpenAI released ChatGPT. As of Jan 27, 2023, ChatGPT has been used by over 500 million people worldwide [3]. To put this into perspective, what if OpenAI had adopted tokenomics in the design of ChatGPT? What would be the utility value of ChatGPT?

Beyond a shadow of a doubt, AI is a one-time gift to the crypto world, an

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[2]AI and Compute. https://cset.georgetown.edu/wp-content/uploads/AI-and-Compute-How-Much-Longer-Can-Computing-Power-Drive-Artificial-Intelligence-Progress.pdf

[3]https://yaledailynews.com/blog/2023/01/27/yale-experts-explain-chatgpt/

Source: CSET. Note: The blue line represents growing costs assuming compute per dollar doubles every four years, with error shading representing no change in compute costs or a doubling time as fast as every two years. The red line represents expected GDP at a growth of 3 percent per year from 2019 levels with error shading representing growth between 2 and 5 percent.

Figure 1.3: AI is the new mining. Data source: CSET, 2022.

unmatched opportunity for those who can recognize and seize this opportunity. Further details can be found in the AI DAO white paper.

2 Focused AI Areas

This chapter provides a glimpse of the AI fields that BIT AI will focus on in the first two years. The list will be updated as the project evolves. In addition, the priorities may also change according to the needs of the key stakeholders, market trends, and evaluations of the investment outcomes. It is essential to mention that BIT AI is a permissionless open environment. Anybody can create a DAO to fund research, model development, and commercialization of a specific area of AI.

The list reflects the current thinking but is not limited to those mentioned areas, which means that any project related to Web3 AI will be included. The community-based approach is meant to be inclusive, adaptive, and agile.

2.1 AI Driven Content Creation

ML-based content creation is picked as one of the focus areas of BIT AI for many reasons. Firstly, ML-based content creation, like text generation, story generation, image generation, audio generation, code generation, and other generative AI-based use cases, has experienced major break-through in recent years. The field has advanced to a pivotal point for a big bang of a new era, where we will see rapid and explosive growth of ML-powered content creation applications and adoption. Secondly, ML-based content creation has the potential to attract a large number of customers around the globe in a short time period, including paying customers. Thirdly, ML-based content creation is anticipated to have significant economic impacts like productivity improvement. For instance, the global conversational AI market is expected to reach $41.39 billion by 2030 (report by Grand View Research).
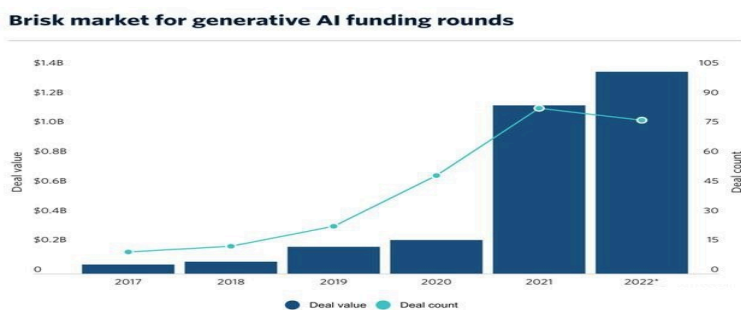
Figure 2.1: Investment trend to AIGC.

To put it into perspective, generative AI is one of the most versatile ML areas in creating values for Web3. It can be applied to areas such as NFTs, Web3 games, Web3 social networking, etc.

2.2 AI for Web3 and dApps

Another high-priority area for BIT AI is AI for Web3 and dApps. These include but are not limited to, AI/ML for supporting decentralized identifiers (DID), community-based identities like soul-bound tokens, AI for Web3 social media applications (partially overlapping with the focus area of generative AI), AI for Web3 security, AI for Web3 E-commerce, Web3 search engine, Web3 based recommendation engine, AI-based risk management for Web3 and dApps. The list is by no means comprehensive.

2.3 AI for DeFi

The global decentralized finance market is expected to reach $125.1 billion by 2028, rising at a market growth of 42.8% CAGR during the forecast period. [1] AI can play a significant role in DeFi, such as risk control, asset management, trade automation, strategy optimization, and fraud detection. For instance, AI can detect pump and dump, model transaction traces, correlate cross-chain transactions, profile investor behaviors, price assets, and model risks. High-quality data is vital to ensuring the successful application of AI and ML to

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[1]Yahoo. Global decentralized finance market size. https://www.yahoo.com/now/global-decentralized-finance-market-size-125100396.html

DeFi, and existing data sources are primarily centralized. BIT AI is committed to offering an alternative community-driven approach. Specific DAO can be set up to support, manage, and govern DeFi data collection and use of such data for AI training and modeling to support DeFi applications and use cases. The stakeholder community can contribute AI models, the expertise of MLOps, use case support, tools, etc. The DAO will provide incentives to the contributors.

2.4 AI for Games and NFTs

Another priority area of BIT AI includes games and NFTs. There are many use-case scenarios of AI and ML for games, Metaverse, and NFTs. To provide some examples, AI can be applied for modeling and understanding gamer behaviors that can create benefits to the applications such as pay for play, AI-based NPCs, detecting cheating, analyzing context information in games, enhancing gameplay experiences, and generating content for games like chatbots. There are opportunities for generative AI in both the area of NFTs and games. An interesting and insightful discussion thread by Jonathan Lai (a16z partner on games and Web3) on Web3 games and AI can be found here [2].

2.5 AI Areas with High Growth Potential

In addition to what has been described above, BIT AI is open to any emerging area of AI with high growth potential. The community-driven process can help BIT AI to identify areas worthy of investment. The thesis is that DAOs relying on community wisdom can make better decisions and leverage collective efforts to deliver growth and value.

2.6 AI/ML Tools

Lastly, BIT AI will support efforts to build reusable tools that can benefit the Web3 AI ecosystem. For instance, tools that can improve training speed, optimization tools that can reduce the cost of ML training, productivity tools that can benefit multiple BIT AI or BitDAO-funded projects, and tools for managing data, models, and AI services in a decentralized environment. BIT AI

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[2]web3+ = AIGC (write with AI). https://twitter.com/Tocelot/status/1599833843921342464

leverages the existing tools and libraries that have already been developed for Web2 MLOps. The focus will be on the new tools that align with the BIT AI's vision and the key stakeholders' needs.

3 Investment Model

Besides the focused areas described previously, BIT AI investment may follow some high-level principles below.

- *Early stage AI projects with commercial potentials borne out of recent break-through in academic and/or industry research.*

- *Projects with high possibility to generate a return of investment and bring quantifiable value to the BIT ecosystem and stakeholders.*

- *Projects that receive wide community support or exhibit a steep upward trajectory to attract a diverse community of builders and stir up the interests among the broad Web3 community and the BIT ecosystem stakeholders.*

- *Projects that exploit the natural synergy among other BIT AI and BIT-related projects or synergy with the ecosystems of the key stakeholders.*

In return for the investment by the AI venture DAO, a project can give tokens and/or equity to the venture DAO. BIT AI provides smart contract templates and infrastructure to the project teams to streamline and standardize the API interfaces. It also offers multiple options so a project team can customize token offerings depending on its situation. For instance, a project team can mint equity tokens or revenue-sharing tokens in exchange for the investment from the main venture DAO. Alternatively, a project team can mint convertible tokens or apply the on-chain SAFES framework [1].

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[1] SAFE stands for simple agreement for future equity. Y-Combinator introduced it. BIT AI supports on-chain SAFES customized for Web3 AI projects and startups.

Further, a project team can create multiple types of tokens, such as equity and utility tokens. BIT AI does not mandate the types of tokens or the structure of the tokens that an AI project should adopt. However, the main venture DAO may prioritize its capital resource to the projects with a token offering design aligned with the BIT ecosystem's overarching objectives, for instance, support for the BIT tokens in the project.

BIT AI's approach to investing in AI and ML is one of a kind and unique. Instead of following any existing model or recipe, the ambition is to create a model to be followed. The pronounced properties of BIT AI in supporting AI projects and/or startups are: *bottom-up and community-driven with incentives based on tokens; leveraging the resources (research, human capital, technology know-how) of a global network of universities; decentralized AI and ML governance; and DAO based business process automation.*
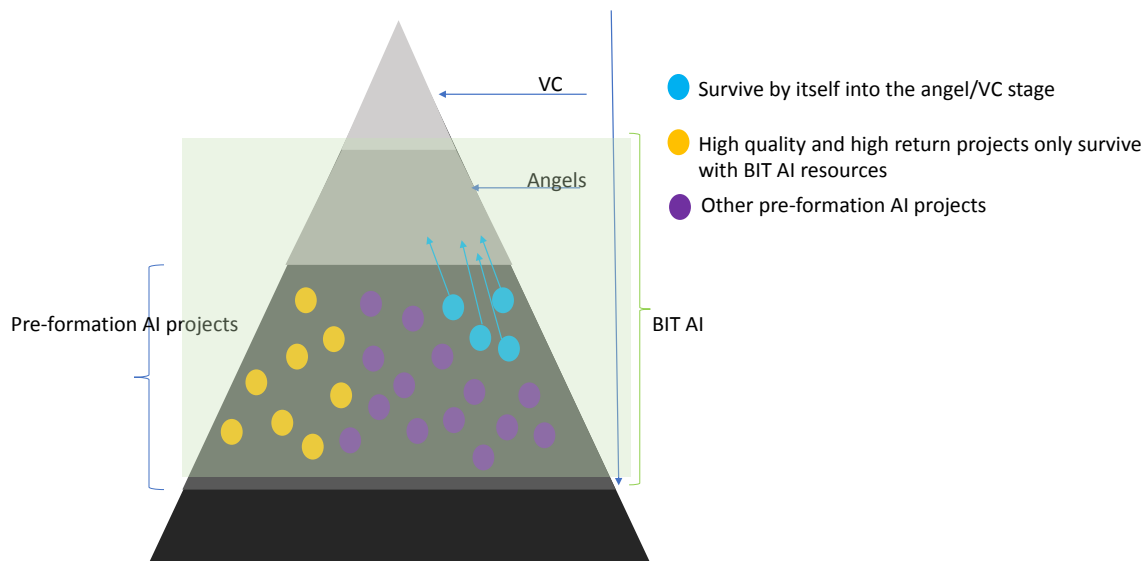
Figure 3.1: BIT AI expands the reach to AI projects further down the pyramid.

One benefit of BIT AI is that it potentially lowers the barrier for small AI teams. A team can use convertible tokens to develop AI technologies and validate new ideas instead of spending resources on the overheads required for forming and managing a traditional company. When the time is ready, equity shares can be issued to the token holders. This way, the AI innovation process based on BIT AI can be agile, lean, and mean.

The potential advantages of such a model are:

- *Agile process for AI/ML innovations.*

- *Low overhead for early-stage AI/ML projects where the investment would be spent wisely on where it is needed for the success of the projects.*

- *Faster return of value to the stakeholders and investors due to adoption of tokenomics.*

- *Benefits of the community wisdom and collective efforts for value co-creation in Web3 AI.*

Investment decisions are based on a voting process described in the AI DAO white paper, Chapter 4. For the venture DAO voting,
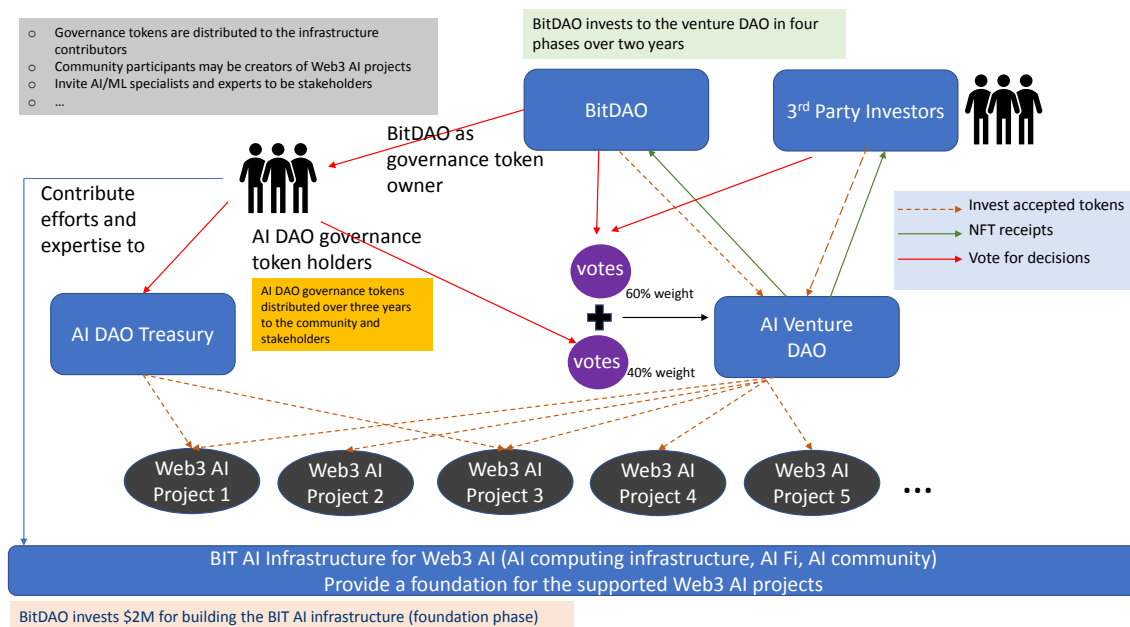
Figure 3.2: BIT AI investment process.

- Proposals such as suggestions to add new features, setting priority for Web3 AI areas, project recommendations, high-level tips to improve the

venture DAO governance, etc., are voted by all the venture DAO investors.

- Decisions to invest in AI projects or startups can be either based on the votes from all the venture DAO investors (weighted according to the investment amounts, recorded by the NFT receipts) or based on a delegate voting mechanism. The venture DAO investors can elect a group of delegates who will vote on key investment decisions. The AI DAO team will work with BitDAO to implement a voting process that achieves maximum alignment with the interests of BitDAO and its stakeholders.

4 BIT AI Investing and Metrics

The AI DAO and BIT AI ecosystem will invest their resources according to the general principles described earlier. In addition, to bring benefits to the BIT ecosystem, the investments of BIT AI and the AI DAO resources will follow the BIT-specific guidelines below:

Web3 Games	NFTs	Cyber Security Applications	xFi (DeFi, SocialFi, GameFi, etc)	Education	Web3 Social	Web3 Identities	Other Areas

AI and Machine Leaning
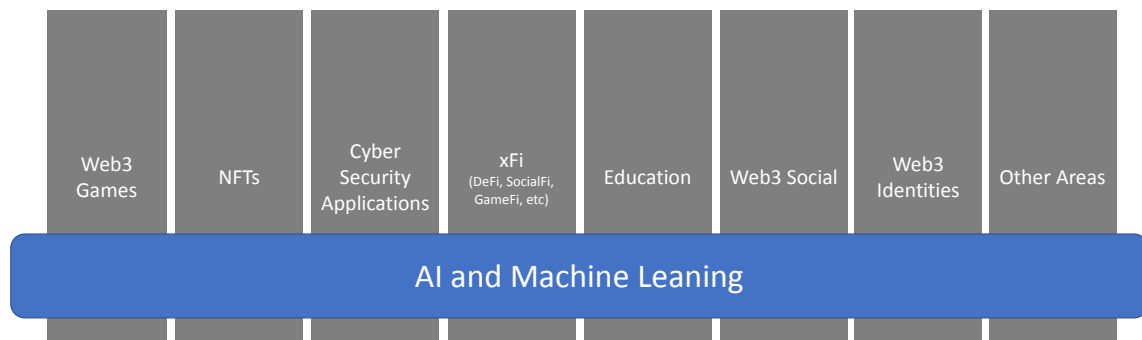
Figure 4.1: Horizontal integration of AI and ML with other Web3 areas.

- Integrating AI/ML with the BIT ecosystem: AI is an emerging industry sector with great potential to deeply impact almost all the areas of interest to the BIT ecosystem and stakeholder community. The venture DAO is a sector-specific DAO that identifies the Web3 AI projects that can bring significant value to the BIT ecosystem. AI and ML can be applied to games, NFTs, Metaverse, DeFi, SocialFi, asset management, etc. The industry of AI and ML, in general, and Web3 AI, in particular, is anticipated to grow rapidly in this decade. The unique value proposition of BIT AI is that it brings a vital missing piece of the puzzle to BIT. All the

DAOs for the AI projects will be integrated and deployed over the BIT ecosystem, like Layer 2 network.

- Investing in projects to enable synergy with other BitDAO projects: BIT AI will prioritize its support and provide resources to the projects that can enable synergy with other endeavors of the BIT ecosystem and the projects of the BitDAO portfolio. The collective approach can amplify the values created by a web of interconnected efforts in the BIT ecosystem.

- Growing a new community of Web3 AI for BIT: A pronounced characteristic of BIT AI is its ambition to create the largest Web3 AI community in the world. The community-oriented approach is set up to discover the best AI projects, identify the most qualified AI specialists and experts, and apply the most efficient business process to maximize the DAO's benefits to the BIT ecosystem. BIT AI will enlarge the community of BIT stakeholders by bringing in new customers, specialists, and builders.

- Enriching the ecosystem of BIT token economics: By default, each supported AI project may issue its own tokens that can be eventually traded in public through BIT tokens. As a result, BIT AI enriches the token economy for BIT. It offers new opportunities and expands the scope of tradable assets for BIT and the broad BIT stakeholder community.

- Creating AI/ML focused infrastructures and tools for BIT: BIT AI will support efforts to create new AI-focused infrastructures and tools to benefit the BIT community. These include ICT infrastructures for Web3 AI, software tools, methods, and know-how, for instance, AI-based tools for wallet security, smart airdrop, analytics and prediction of investor behaviors based on advanced AI techniques, and ML tools for DeFi, GameFi, and SocialFi. These tools and infrastructure will be integrated with the BIT ecosystem.

- Nurturing the human capital to support sustainable growth of the BIT ecosystem: BIT AI aims to enlarge the talent pool of well-trained builders in AI and Web3. The BIT ecosystem can benefit from such a talent pool and builder community. BIT AI will support Web3 AI hackathons, create new courses, and sponsor research and development activities in identified topic areas by working with the leading universities across the five

Table 4.1: Metrics

Metrics	Explanations
AI projects (DAOs) funded	Number of AI projects and DAO supported by the main venture DAO
Token values of the invested AI DAOs	Combined token value of the invested AI DAOs and growth rate (market value, growth rate, etc)
Revenues from the invested AI DAOs	Combined revenue from the invested AI projects and growth rate (total amount, growth rate, etc)
Equity of the invested AI DAOs	Combined valuation of the invested AI startups and growth rate (valuation, growth rate, etc.)
Active community contributors	Number of active community contributors
Users of the AI DAO products and services	Number of the AI DAO product and service customers (number and growth rate)
Capitals from 3rd party investors	Capitals attracted from 3rd party investors to the main venture DAO

continents [1]. These efforts center on the Mantle Network, for instance, a Web3 AI course focusing on Web3 AI development using the Mantle Network, a Mantle and Web3 AI hackathon event. The university partners will leverage infrastructures such as research labs, student clubs, blockchain institutes, etc. At least one-third of the partner schools will be from the MSCI emerging markets. [2]

To quantify the success of BIT AI, we will apply clearly defined metrics (see table 4.1 as an example) to measure its growth and values.

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[1] Eurasia, North America, South America, Africa, and Australia.

[2] MSCI. "MSCI Emerging Markets Index (USD)."

5 Benefits to BIT

Based on the guidelines, activities, and strategies described, the benefits to the BIT ecosystem can be categorized in the following aspects:

- Benefits to the BIT ecosystem: BIT AI-supported projects may extend the use of BIT tokens. The DAOs set up for these projects will be on the Mantle Network and use the BIT tokens for trade. These projects integrate a new industry sector (a sector anticipated to experience rapid growth in the coming years) with the BIT ecosystem. They bring unlimited synergistic opportunities to the sibling projects of BIT. As a result, the value of BitDAO investment will be amplified.

- Attracting external investments: Despite the economic downturn, AI startup funding defies gravity. The focus of BIT AI creates opportunities for the BIT ecosystem to attract potential new capital sources. In other words, the key success of BIT AI is ensured by the boom of AI. BIT AI plans to raise at least a matching amount of additional capital on top of the BitDAO investment from 3rd party investors and other venture DAOs.

- Usable AI/ML tools and infrastructure for the BIT community: BIT AI will create AI artifacts and ML infrastructure that can be adopted by the BIT community, for instance, tools for security audit and risk modeling, ML-based services for DeFi, smart airdrop solution based on AI, AI for games, etc. The infrastructure will be integrated with the Mantle Network and the BIT ecosystem.

- Growth of BIT builder community: The community-driven approach of BIT AI will grow the overall community of BIT, in particular, adding a

global community of Web3 AI to the BIT ecosystem. BIT AI aims to build the largest Web3 AI community, an exceptional opportunity for this community to be established and powered by the BIT ecosystem.

- Contributing to the BIT token economy: An objective of BIT AI is to integrate BIT tokens with the token designs of the AI projects supported by the main venture DAO. Web3 AI can build a corps of potential backers and users, which will contribute to the growth of the BIT token economy by increasing its utility.

- New knowledge for the BIT stakeholders and decision makers: AI-based analytics can generate new knowledge for the BIT stakeholders and decision-makers, for instance, ML-based profiling of the investors and their behaviors. AI DAO will support projects to build tools that can empower the key BIT stakeholders to gain insights into the ecosystem and make better decisions.

Overall, BIT AI is an effort that has great, if not the greatest, potential to bring value to the BIT ecosystem. It achieves this by opening the BIT network to a new industry sector with high growth potential and integrating AI with the Web3 ecosystem. It will provide endless synergistic opportunities for other efforts within the broad BIT ecosystem, including the current and future BitDAO projects.

6 Investment Proposal

The budget request to BitDAO for twenty-seven months is a total of $50M, where $48M will be reserved for funding selected AI/ML projects and/or early-stage AI startups. A breakdown of the budget for each year is described below.

There is a total of three major phases, foundation (three months), growth (further divided into four sub-phases of six months each), and sustainability (after the initial twenty-seven months).

- Foundation: The first phase will focus on building a foundation for the rest of the phases, including community development, tool creation, ecosystem building, and infrastructure deployment (based on the Mantle Network and the BIT token ecosystem). Creating team members of professionals such as developers, researchers, AI experts, and other human capital to ensure its success and the network of global higher education institutes as education and research partners will be the significant aim in the early stage of this phase. At the end of this phase, things should be ready and operational. The budget amount is $2M.

- Growth (year one - two sub-phases): After the first phase, the first year of operation is divided into two sub-phases of six months each. In the first year, the AI venture DAO aims to identify and fund 10 to 20 AI projects that meet the following criteria: *growth potential in value, impacts on the BIT ecosystem and its stakeholder community in terms of benefits, and contributions to the AI ecosystem.* In year one, the AI DAO team will improve the infrastructure and community created in the previous time period and continue the efforts, including business development, community organizing, and marketing. The total requested contribution

from BitDAO is $24M, $12M for each six-month period. During the first year, AI venture DAO will seek co-investment from other sources. The aim is to raise $16M or more from third-party sources.

- Growth (year two - two sub-phases): The second year will focus on the accelerated growth of the ecosystem based on the foundation built in the first year. This year, AI venture DAO will seek co-investment. The AI venture DAO aims to identify and fund 25 to 35 AI projects/DAOs with high potential to benefit the broad BIT ecosystem. These may include continued investments in selected projects that receive AI venture DAO support in the first year. In this year, the venture DAO will assess its status and make an adjustment plan to ensure future growth, for instance, identifying high-priority areas that need improvement or further development and evaluating the performance of the invested AI projects. The total requested contribution from BitDAO is $24M, $12M for each six-month period. During the second year, the AI venture DAO will seek co-investment from other sources. The aim is to raise $36M or more from third-party sources.

- Sustainability year: The third year will focus on the self-sustainability of BIT AI. It is anticipated that the growth in value of the DAOs and maturity of the BIT AI framework will be able to substantiate a self-sustainable AI ecosystem for new projects. No budget is requested from BitDAO after the first twenty-seven months. However, the AI venture DAO will be open to receiving investment from BitDAO and/or other funding sources.

Note that for each sub-phase of the growth period, to request the planned budget, 90% of the previously requested investment to the venture DAO must be committed to the selected projects. For the investment to the venture DAO, 1% will be charged as overhead. This means that 99% of the total $48M will be spent on investing.

The budget for the foundation period will be allocated to the efforts listed in Table 6.1. At the end of the foundation period, the remaining fund will be carried over to future periods. The allocation of the carried-over fund will follow the same spending guideline in Table 6.1.

The main venture DAO capital targets across the phases are listed in table 6.2.

Table 6.1: Allocation of the fund for the first phase.

	Explanations	Percentage
Development and operation	infrastructure, testing, audit	35%
Community	community building, community data collection, partnership	25%
Marketing	marketing, business development	20%
Administration	administrative cost, legal services	10%
Consulting	advising fees and labor cost from the experts	10%

Table 6.2: Capital targets for the main venture DAO.

	Foundation	Year One	Year Two
BitDAO contribution	$2M	$24M	$24M
3rd party contribution target		$16M	$36M
AI DAO projects to be invested		10-20	25-35

The venture DAO will mint tokens for the capital received from BitDAO. Investment by the venture DAO may generate tokens, income, or revenue. Bit-DAO can withdraw the earnings from the venture DAO by burning the minted tokens. Withdraw can start after a minimal one-year period. Another option is to reinvest the revenues into AI projects.

Additionally, in return for the BitDAO investment, BitDAO will receive 70M AI DAO governance tokens out of a fixed total 1,000M (7% of the total amount). The AI DAO governance tokens will be allocated according to the plan below:

- Foundation phase: 30M governance tokens.

- Growth phases (four sub-phases for two years): 10M governance tokens for each sub-phase.

Note that there is a minimum period of time to hold the governance tokens until the end of the next scheduled BitDAO investment. For instance, for the first 30M governance tokens, the earliest time to trade these tokens will be the end of the first sub-phase of year one (after nine months).

Regarding matching capital, the main venture DAO aims to match BitDAO's investment with the contributions from 3rd party investors. The targeted investors include but are not limited to 3rd party venture DAOs, Web3 investors, and traditional investors in FinTech and AI. A unique value proposition of BIT AI is that it opens a new pathway for AI investors. This means that it may allow

the BIT ecosystem to tap into a new source of capital flow. In 2020, AI startups attracted about 36 billion U.S. dollars in investment. In the first six months of 2021, this figure was surpassed and reached 38 billion U.S. dollars. BIT AI supports investment in AI through DAO-based designs and infrastructure.

7 What Is Next?

The team has been putting its efforts into the following areas, which are also the focus of the foundation period. The main objective of the foundation period is to build a foundation for supporting Web3 AI projects and AI Fi.

- Develop AI stakeholder community.

- Create BIT AI ecosystem by engaging with potential partners and stakeholders.

- Deploy on-chain and off-chain infrastructure for supporting AI projects (leveraging the Mantle Network and the BIT token ecosystem).

- Engage 3rd party investors in Web3 AI to invest in the venture DAO.

- Consolidate and extend education and research partners.

- Accelerate the project by increasing the manpower and execution.

At the end of the foundation phase, things should be ready for supporting the operational requirements of the future phases.

8 Questions and Answers

1. **Will BitDAO investment to the venture DAO be used for supporting education and research?** No. Support for education and research comes from the AI DAO treasury.

2. **What will be the typical size of investment to individual Web3 AI project or startup by the venture DAO?** $0.5M to $1.5M.

3. **Will the venture DAO look for other sources of investment?** Yes.

4. **When will the venture DAO start investing in Web3 AI projects?** After the foundation phase.

5. **Who can make an AI project proposal to the venture DAO?** Investors to the venture DAO or AI DAO governance token owners. In the case of governance tokens, owners must own at least 0.1% governance tokens to make a proposal. The venture DAO investors will set the requirement for proposing a project from the venture DAO investor side.

6. **Does AI DAO have a token?** AI DAO issues a governance token. The amount is fixed at 1,000M.

7. **How many AI DAO governance tokens will be provided to BitDAO?** 70M (7% of the total).

8. **Will AI DAO treasury hold BitDAO token in the future?** Yes. After AI DAO treasury is operational, it can hold BitDAO token.

9. **Is there a minimal waiting time before BitDAO can trade the received AI DAO governance tokens?** The minimal waiting time is to

hold the governance tokens until the end of the next scheduled BitDAO investment to the venture DAO (see page 26 of the proposal).

10. **How will community contributors be rewarded?** Governance tokens will be airdropped to these who make significant contributions to BIT AI and AI DAO over three years (39% of the total amount of governance tokens).

11. **How will BitDAO retrieve its revenue/income from the AI venture DAO?** The venture DAO will mint tokens for the capital received from BitDAO. Investment by the venture DAO may generate tokens, income, or revenue. BitDAO can withdraw the earnings from the venture DAO by burning the minted tokens. Withdraw can start after a minimal one-year period. Another option is to reinvest the revenues into AI projects.

12. **Will BitDAO invest in the AI venture DAO if there is still fund left in the venture DAO?** No. In order to receive additional fund from BitDAO, 90% of the previously requested investment to the venture DAO must be already committed to AI projects (after voting).

13. **How is the AI community different from the open source community?** Although these two communities are not completely disjoint, the AI community includes contributors like model builders, model trainers, data collectors, domain experts, ethics and risk specialists, etc.

14. **What is Cloud3?** Cloud3 is a framework to open Cloud-based infrastructures to Web3 and dApps, and integrate the traditional cloud stack with a new control plane based on tokenomics.

15. **Can BitDAO participate in the rule-making of the voting process implemented by the venture DAO?** Implementation of the voting process by the venture DAO investors will consider inputs and recommendations from the BitDAO stakeholders.

16. **What will the team do after receiving the initial funding from BitDAO?** See page 28 (chapter 7) of the proposal.

17. **Will AI DAO team develop AI models?** No. AI DAO team focuses on infrastructure building (computing, finance, human capital) for Web3 AI.

The infrastructure will be used for supporting Web3 AI (model training, life-cycle management, AI governance, model serving, Web3 application integration, AI Fi). The team may facilitate creation of specific AI DAOs in identified AI application areas, for instance, a community based DAO as alternative to chatGPT.

18. **Will the AI projects supported by BIT AI focus on business or consumer customers?** It depends on the specific project or application area of AI. The infrastructure can be built to support both cases.

19. **What is the governance token contract address?** The governance token contract is to be deployed soon.

20. **I have questions related to how AI DAO differs from Web2 AI like Huggingface, cloud based AI like AWS SagerMaker? Where can I find answers to these questions?** AI DAO white paper and the technical overview paper (available on aidao.finance website).

21. **Will everything described in the technical paper be implemented before launch?** No. The decentralized governance of AI paper covers our vision, which will be implemented over time as the project proceeds. After the initial launch, the infrastructure will evolve over time with new features and support added over time.

22. **Are the terms described in this white paper negotiable?** The team is open to negotiation with BitDAO.

The DAO Way of AI