

# **A new paradigm in venture capital**

## **Abstract**

This fund represents the first fully crypto-native venture capital vehicle, designed to combine the transparency, flexibility, and global accessibility of blockchain with the discipline and rigor of traditional venture capital. By tokenizing fund shares, implementing milestone-based startup funding, and enforcing governance through smart contracts, the fund offers investors a secure, liquid, and highly-aligned way to participate in early-stage crypto startups and innovative projects.

## **Introduction**

Traditional venture capital is opaque, illiquid, and restricted to a limited set of accredited investors. This fund addresses these challenges by leveraging blockchain technology to create a transparent, tokenized, and globally accessible investment vehicle. Investors receive digital tokens representing their proportional ownership in the fund, enabling them to track allocations, vote on milestone approvals, and participate in the upside of high-growth crypto startups. Capital is disbursed to portfolio companies only after achieving predefined objectives, ensuring alignment between founders, investors, and the fund.

## **Fund Structure**

### **Investment Mechanism**

Investors deposit cryptocurrency or stablecoins and receive ERC-20 tokens proportional to the current net asset value (NAV) of the fund. Tokens entitle holders to a proportional share of distributions, including proceeds from startup exits, treasury yield, and any other returns generated by the fund. The fund is structured to allow global participation while maintaining safeguards for capital and governance.

### **Treasury Management**

A portion of the fund's treasury is reserved to ensure liquidity for redemptions or other obligations. Uninvested capital may earn yield through decentralized finance strategies such as staking, lending, or liquidity provision, further increasing overall NAV. Treasury management is fully transparent and executed via smart contracts, with all balances and allocations publicly visible on-chain.

### **Milestone-Based Startup Funding**

Each startup proposal is broken into a total budget and multiple defined milestones. Investors vote to approve funding for each milestone, and only milestones that meet quorum and receive sufficient support are funded. Voting power is proportional to token holdings, giving larger investors influence commensurate with their capital. Milestone-based funding reduces risk exposure, ensures accountability for founders, and aligns incentives between all stakeholders.

## **Governance**

### **Investor Voting**

Token holders have the ability to vote on milestone approvals, major strategic decisions, and certain fund-wide changes. Quorum thresholds and weighted voting mechanisms ensure that decisions reflect the collective will of the investor base. By enforcing governance rules through smart contracts, the fund prevents unilateral control by a small minority of participants and creates a trustless, auditable system.

## **Fund Management**

A managing partner or management team is responsible for sourcing startup proposals, evaluating deals, and executing investments according to fund strategy. All operational actions, including fee collection and milestone execution, are encoded on-chain. The combination of on-chain governance and professional fund management ensures both transparency and disciplined capital allocation.

## **Token Mechanics**

Fund ownership is represented by ERC-20 tokens, which can optionally be traded or staked depending on liquidity protocols integrated with the fund. Token holders' balances reflect their share of the NAV, which is updated automatically based on treasury balances, deployed capital, and realized profits. Smart contracts enforce issuance, redemption, and proportional ownership rules, removing the need for centralized bookkeeping.

## **Fee Structure**

### **Management Fee**

The fund collects a management fee of 1–2% annually, automatically deducted from assets under management via smart contracts. This fee covers operational costs, due diligence, and fund administration, providing predictable support while maintaining transparency.

### **Performance Fee**

A performance fee of 10–20% of profits is payable only when the NAV exceeds the previous high-water mark. This aligns fund manager incentives with investor returns and ensures that fees are earned only on real performance above prior peaks.

## **Investor Benefits**

Investors benefit from a level of transparency and control impossible in traditional venture capital. They can monitor all investments, treasury activity, and fees in real time, vote on milestone funding to manage risk exposure, and gain exposure to early-stage crypto startups. Tokenized shares offer optional liquidity through secondary markets, while treasury optimization through DeFi strategies enhances potential returns. This combination of transparency, control, and global accessibility creates a compelling value proposition for both individual and institutional investors.

## **Risk Management**

Milestone-based funding mitigates operational and execution risk by disbursing capital only when measurable objectives are met. Treasury reserves ensure liquidity for redemptions or unexpected events. Governance mechanisms prevent concentrated control, and all fund rules are enforced through smart contracts, reducing human error and operational risk. Investors can track fund health continuously, creating a proactive risk management environment.

## **Investment Strategy**

The fund targets high-growth crypto startups, DeFi protocols, and emerging blockchain infrastructure projects. Investments are carefully vetted by the management team, and capital deployment is staged through milestones to maximize accountability and reduce risk. By combining traditional venture diligence with blockchain-native transparency, the fund seeks to capture outsized returns while maintaining strong alignment with founders and investors.

## **Treasury Optimization**

Unallocated capital is managed through yield-generating decentralized finance strategies, including staking, lending, and liquidity provision. This ensures that even uninvested funds are productive and contributing to NAV growth. Treasury optimization is fully auditable on-chain, allowing investors to monitor both invested and idle capital performance.

## **Roadmap**

Initial contract deployment and fundraising will establish the tokenized fund structure and investor base. The first set of startup proposals will be evaluated and funded according to milestone governance. A secondary token market may be introduced to provide optional liquidity for investors. Over time, the fund aims to expand its portfolio across multiple high-growth blockchain ecosystems, increase global participation, and integrate additional DeFi yield strategies to maximize NAV growth and investor returns.

## **Legal and Compliance**

Investors are encouraged to comply with local regulations. Certain jurisdictions may require whitelisting for accredited investors. Where applicable, smart contracts enforce rules for participation, voting, and redemption to maintain compliance and protect investor interests.

## **Conclusion**

This fund represents a new paradigm in venture investing, fully transparent, globally accessible, and aligned with both founders and investors. By combining the principles of traditional venture capital with blockchain-native innovations, it provides a unique opportunity to participate in early-stage crypto projects with control, liquidity, and trust previously unavailable in the market. The combination of milestone-based funding, tokenized ownership, and on-chain governance positions this fund as the first truly crypto-native venture capital vehicle.