The Vega Fund

BUSINESS PLAN

WWW.VEGA.FUND

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Abstract

Vega is an Ethereum-based venture capital/crowdfunding platform designed to leverage the impact of investors in the ERC 20 Token market. The fund is not a traditional, centralized venture capital fund. Investment decisions are directed by Vega's clients, who are known as Vega Token holders. The value of the fund's holdings will be manifested in the price of Vega Tokens – the medium through which people access the fund. Vega's holdings will ideally be representative of broad base exposure to the ERC 20 Token market, creating value and new opportunities for the market, Vega's clients, and crypto traders. Vega will also create a platform to support individual developers in the Ethereum and cryptocurrency space.

Section 1: Background

1.1 – Bitcoin

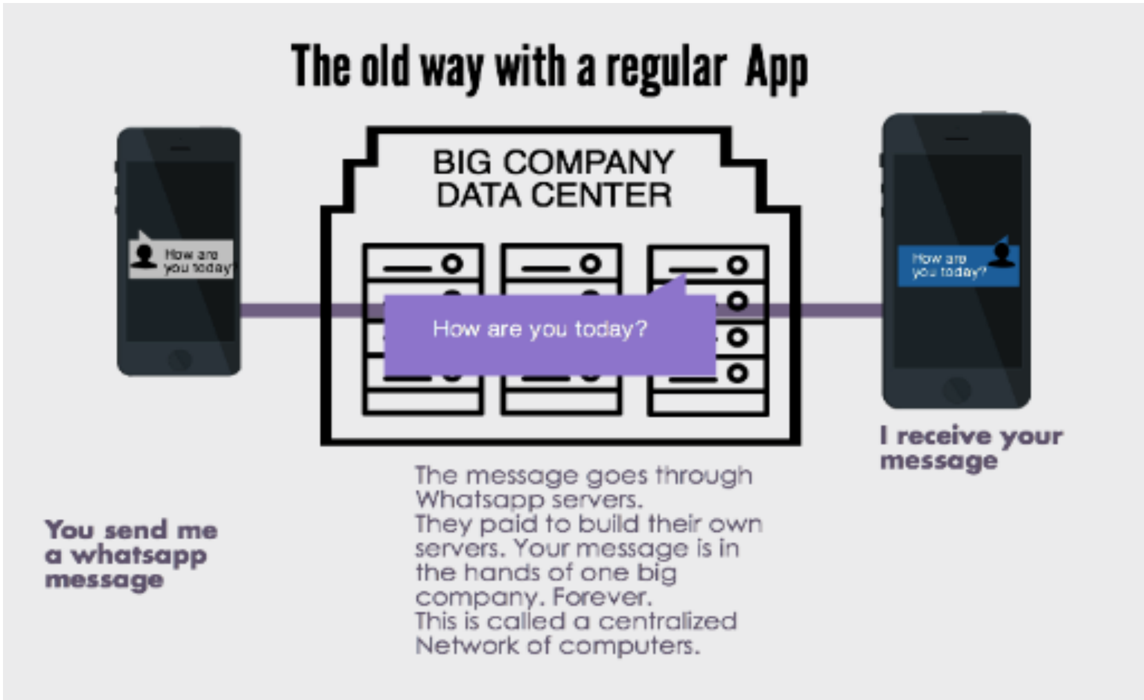
Over the course of the last decade, cryptocurrencies and related technologies have exploded in both value and application. Bitcoin, which was invented in 2008, set the stage for this. There were two critical factors behind the invention of Bitcoin which the founders wanted to introduce into the market –

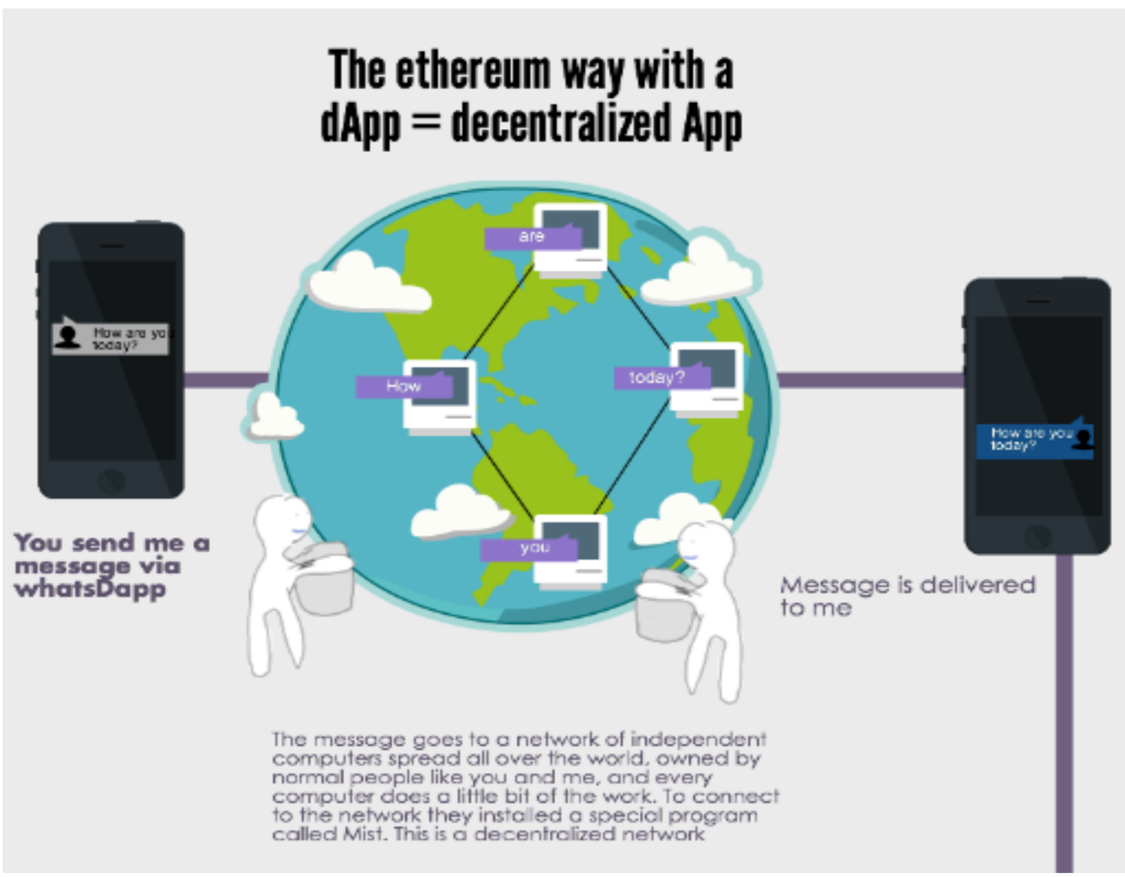
- The decentralization of currency – Bitcoin has no central bank or physical asset backing its value.
- The decentralization of financial transaction – Financial intermediaries (i.e. banks, stock brokers, etc.) are ultimately required for most transactions performed with fiat currency. Transactions with Bitcoin, alternatively, are peer to peer (P2P), meaning that the two transacting parties only interact with each other.

While Bitcoin's value has fluctuated, the really important invention is the blockchain. The blockchain, which allows for the role of executor of a given function (in the case of Bitcoin the function is the execution/verification of a financial transaction) to be distributed amongst a network of people as opposed to a single entity. For each Bitcoin transaction, Bitcoin 'miners' verify the validity of the transaction, and post a sort of receipt of this verification to a 'block'. Each block is made up of numerous receipts of Bitcoin transactions, and after a block is filled up, it is linked together with the previous one. This process continues indefinitely, creating a 'chain' of blocks. Thus, 'blockchain'. In short, blockchain is a constantly expanding public ledger of all Bitcoin transactions, which anyone can view/download.

1.2 – Enter Ethereum

In July of 2015, a blockchain based technology titled 'Ethereum' was launched. The goal of the Ethereum platform is quite ambitious. Ethereum allows for the creation of 'smart contracts' which self-execute when pre-defined conditions are met; the execution of these contracts does not occur within a single server, however, but rather across a network. An illustration of this concept, below.





Source: https://medium.com/@angelomilan/ethereum-explained-to-my-mom-infographic-673e32054c1c#.1e4iwijg1

This method of executing programmed functions (called ‘contracts’ in Ethereum) by distributing the required computational power across a vast network of participants hosts a variety of benefits. Namely:

- Security – It is much easier to hack a single, centralized server than a network of tens of thousands of computers.
- Accessibility – Centralized servers are prone to having both voluntary and involuntary downtime, making the functions they execute fragile to server issues. The Ethereum network is robust, for it does not suffer if a single participant or even a multitude of participants crash.
- Transparency – Like Bitcoin/the blockchain, miners verify every instance of a contracts execution, acting as a safeguard against fraud.

Ethereum miners, like Bitcoin miners, require compensation for the computational power they expend executing contracts. For this, the Ethereum developers created Ether (ETH), a cryptocurrency based on the Ethereum platform. Miners are compensated every time they take part in executing contracts through the creation of new Ether and by being paid Ether by whoever called the contract. When a person creates a contract, the computational power required to run the contract is assessed and assigned a value in Ether that must be payed every time the contract is run. When a contract is run, the Ethereum network ensures that the person calling the contract maintains the required balance of Ether to pay the miner’s fees. If they don’t, the contract won’t be executed.

1.3 – Initial Coin Offerings

The Ethereum platform and the smart contracts it allows developers to create have a massive range of uses. One of the most important uses, however, is the ability for a developer to create their own currency. As the developer base for Ethereum grows, the creation of new currency and the way it’s being implemented grows alongside it. With this, Ethereum-based companies are increasingly issuing their own currency as a means of fundraising. Ethereum-based start-ups will create a new cryptocurrency (typically referred to as a coin or token) and issue it to early investors.

This issuance or sale of new tokens is usually called an Initial Coin Offering, or ICO; however, this term seems to be fading in popularity, so note that we may use the term 'ERC 20 Token Sale' or 'ERC 20 Token Market' to describe this space. *ERC 20 is the Ethereum-based token standard, and the Vega platform is centered on Ethereum-based token funding – so while we will continue to refer to 'ICOs' throughout this plan for the sake of simplicity, the term ERC 20 Sale/Market more widely and accurately reflects what we're discussing.*

In return for the funds, the newly issued tokens will offer potential investors a variety of benefits. Tokens might function like a stock, and represent a share of ownership in the company. Alternatively, they might not represent any ownership, but will entitle the owner to a portion of the company's revenue. Some tokens have in-built functions that play into a product or service, with which only the owner of the token can interact. The possibilities are endless, and the main point here is that this presents an unprecedented venture capital opportunity. Because of the lack of regulation in the market, companies seeking funds can seek funds from anyone – there are no accredited investor requirements, or anything of the sort. In the sale of new tokens, depending on the parameters established by the issuing company, anyone can play the role of venture capitalist. Of course, however, someone investing $10 into a start-up seeking millions has less upside potential and provides the start-up with *little to no real financial benefit.* This second part is critical, because people in the cryptocurrency market are not only out to make a buck, but are also genuinely enthusiastic about these technologies, and have a desire to encourage their growth. Unfortunately, these people are often forced to choose between investing with a real impact and diversification of risk due to their own personal capital constraints.

Section 2: The Opportunity – The Vega Fund

2.1 – Intro to the Vega Fund

The Vega Fund will offer a product that will appeal to typical ICO investors who want to profitably encourage the growth of Ethereum based companies. We offer an advantage to potential clients in that by pooling together the money of a community of people, we can both spread out more risk by being able to invest broadly in the ICO marketplace, and make each investment bring greater benefit to the company seeking funding, more effectively encouraging the growth of this market than a single person could. It is important to note that 'this market' means the ICO market. The Vega Fund will be specifically focused on encouraging the growth of the ICO market and platform, rather than broadly encouraging the growth of cryptocurrency-based companies seeking funding. This is because –

- We believe we can be more effective with a singular purpose. In the case of cryptocurrencies, there are already thousands of different tokens in the market – most of which have no value, but some have hidden potential that is masked because of the sheer volume of available products. It's harder to distinguish between the signal and the noise with a broad focus.
- There is regulatory benefit to limiting the fund to ICOs. Because tokens often have functions that the holder can execute, they're less likely to be classified as securities, providing a freer marketplace. Obviously, this will not last forever and is to be discussed in greater detail in the 'Risks' section of this plan.
- We plan to market a secondary product alongside the fund (an ICO index), which is best suited to the ICO market alone. More on this soon.

2.2 – Who's Managing the Money?

A notable trend in the crypto/Ethereum market is that traditional financial management businesses are nearly non-existent, and the money mainly flows into organizations that emphasize the role of the community. Few people in the cryptocurrency market trust the traditional financial manager role, and have no intention of giving money to something resembling a hedge fund or mutual fund, where the product they're buying is ultimately a single person's reputation as a money manager. For this reason, Vega's product will not be the founders' ability to pick potential ICO stars. Vega is not a traditional venture capital fund by any means – we are building the infrastructure for people to pool their money and fund ICOs. We won't make money based on our reputation as money managers, but rather will only realize profit if the fund does well via exposure to Vega Tokens.

2.3 – What Qualifies a Company to be Held by Vega?

Because Vega's clients will be directing the investing, and investment objectives may be fluid, we cannot supply specific metrics that will define immediate boundaries for ICOs to be considered. While the wisdom of the crowd doesn't guarantee return on investment, it does provide some safeguard against making investments in illegitimate companies. Some metrics which we will encourage token holders to use for review are listed below.

- How long has the company been in business?
- Do they have any revenue or profit? Have they made that information available?
- Who's behind the project?
- Have they produced a legitimate whitepaper detailing the technical aspects of their project?
- Do they have a business plan or development roadmap detailing the less technical aspects of their project?

2.4 – The Vega ICO Index

We believe that the Vega Fund's holdings will be representative of broad base exposure to the ICO market. This opens up the opportunity for value creation both within and beyond Vega. This can be outlined for four groups of people/entities –

1. *The ICO Market:* Over time, as Vega clients refine their decision making metrics, the holdings of the Vega Fund will represent increasingly legitimate, trustworthy, and potentially profitable companies. As Vega works to improve the liquidity of the ICO market, we will force the standards of the market to be raised, so investors benefit from increased legitimacy.
2. *Ethereum-Based Companies:* Ethereum-based companies seeking funding through ICOs will clearly benefit from an increase in the availability of funding.

3. *Vega Clients:* Vega plans to be a large source of funding in the ICO market. Considering that companies will likely seek funding from Vega, both for funding and for the stamp of legitimacy that being held by Vega provides, Vega may be able to get unique incentives during fundraising.
4. *Crypto Traders and Exchanges:* Crypto traders will benefit from the ability to perform new types of trades. Currently, crypto traders are fairly limited to trading exchange rates, but with the introduction of the Vega Fund as a tradable index, traders will have new value and hedging opportunities. The crypto exchanges will benefit from the assumed resulting increase in trading volume.

2.5 – The Initial Token Sale

The Vega Fund will have an ITS of its own as the means of investing in the fund. Vega will issue 'Vega Tokens' during the ITS which entitle the owner to a portion of the fund with respect to the amount of tokens they hold. This partial ownership of the fund entitles the holder to voting rights in funding decisions. The ITS will last 60 days, and at the end of the 60 days the tokens will be released into the wallets of those who purchased them during the ITS. We will use a decentralized, escrow smart-contract to ensure potential investors of the security of their money. This will hold investors money until the ITS is over. If the ITS fails to reach its desired minimum fundraising targets, the funds will be returned to the investor. If the ITS succeeds, the funds will be given to Vega.

For those wondering why we are using the terminology 'Initial Token Sale' as opposed to 'Initial Coin Offering' when referring to how we'll introduce Vega Tokens into the market, a brief answer is in order: Vega Tokens and the Vega Initial Token Sale are not intended to be, and shall not constitute, an offer to sell or a solicitation of an offer to buy any security or investment product or service. We believe this change in terminology is important to being clear in that statement regarding our own tokens.

Section 3: Risks

3.1 – Risks

Of course, it is clear that there is a plethora of potential risks involved in this business plan. This section will outline those risks that are most apparent to us at this time.

- Liquidity – When Vega invests in a company's ICO, we do this with the intention of exiting the trade at some point, either to gain a positive return for our clients or to cut losses in the event of the company going downhill. Herein lies the problem of liquidity, however. Demand for the tokens of a given start-up is hugely volatile – and even if there is some demand, there will likely be issues when trying to move any real size.
- Regulation and the Lack Thereof – There is basically zero regulation in the ICO market as of right now. This provides a few different risks under a single title. First, the lack of regulation makes it difficult to ensure the legality of different aspects of our own operation. Second, the lack of regulation makes it difficult to ensure the legitimacy of companies we may invest in, and there is no legal recourse in the case of fraud.
- Security – As briefly touched upon in the competition section, there are definite risks to the security of our funds. Cryptocurrencies, crypto-based companies, and crypto-exchanges have all had a fair amount of security breaches throughout the lifespan of these technologies. Some have been easily countered, while others have caused the loss of tens of millions of dollars.

We have determined that the three risks outlined above and all that they entail are the most pressing risks facing the Vega Fund. There are, of course, other risks that have not been discussed in this document – something both potential investors and we developers must bear in mind.

Appendix

4.1 – Developer Funding Initiative

While most of Vega's funds will be directed to Ethereum-based companies seeking early fundraising, Vega recognizes the vital role of individual contract developers in the Ethereum ecosystem. Expanding on this understanding, Vega plans to implement a program we've dubbed the 'Developer Funding Initiative'. The Developer Funding Initiative, or DFI, will operate in the same manner as the main fund strategy. The Vega community (Vega Token holders) will bear the responsibility of scrutinizing Vega itself just as they perform due diligence on companies seeking funding. As the Vega community sees areas of the fund that need improvement, they'll propose new contracts or updates on existing contracts that need to be made, and individual developers will compete for the job. All proposals will have a set price that the Vega community is willing to pay for the creation of the contract. The community will review all contracts created in response to the proposal and then have a vote to determine which one is payed for and implemented. The DFI provides numerous incentives and benefits to Vega and the Ethereum ecosystem, such as –

- Security – Security has always been an issue with cryptocurrencies and related technologies. The biggest pitfall many solid developer teams have run into is viewing security as something absolute as opposed to something needing constant refinement. An example of this was the DAO, who before having their security breach exploited were warned many times about the breach by the community, but failed to act on the threat. With the Developer Funding Initiative, if the community sees a serious security threat in Vega's code, they can immediately fund a solution.
- Antifragility – In the same vein as security, by having a pool of funds constantly ready to be deployed for the improvement of Vega's platform we can ensure that Vega is maximally dynamic and robust, allowing it to withstand the rapidly changing state of the market. Antifragility itself means that Vega gains from disorder as opposed to being fragile, or hurt by disorder. The DFI makes Vega antifragile by turning problems into a source of immediate improvement.
- Technology Growth – While the main purpose of Vega is to encourage the growth of Ethereum-based startups, by providing a funding base for developers we can simultaneously support the exploration of the Ethereum platform's potential and the refinement of individual developer's skill-sets from the grassroots level.