SPiCE

VENTURE CAPITAL

Disrupting the world of Venture Capital with the blockchain

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Abstract

VCs invest in startups that disrupt industries and reinvent the world we live in, generating billions of dollars in the process. So it's remarkable to see how the world of venture capital itself has remained untouched by technology for so many years.

Enter the blockchain.

SPiCE's vision is to utilize blockchain technologies to disrupt the venture capital industry with the first truly liquid and inclusive VC fund, issuing regulatory-compliant securities tokens. SPiCE tokens will be tradable, and will entitle holders to 100% of net exit revenues.

However, the traditional VC industry has a lot to bring to the table too. Crypto investors need more robust investment practices with real due diligence, and they also need the option to diversify outside the volatile world of cryptocurrencies, and into the hottest tech sectors, such as Artificial Intelligence, Augmented Reality and Virtual Reality, Internet of Things, Cyber Security and more.

SPiCE combines the best of both worlds:

From the world of Blockchain we bring:

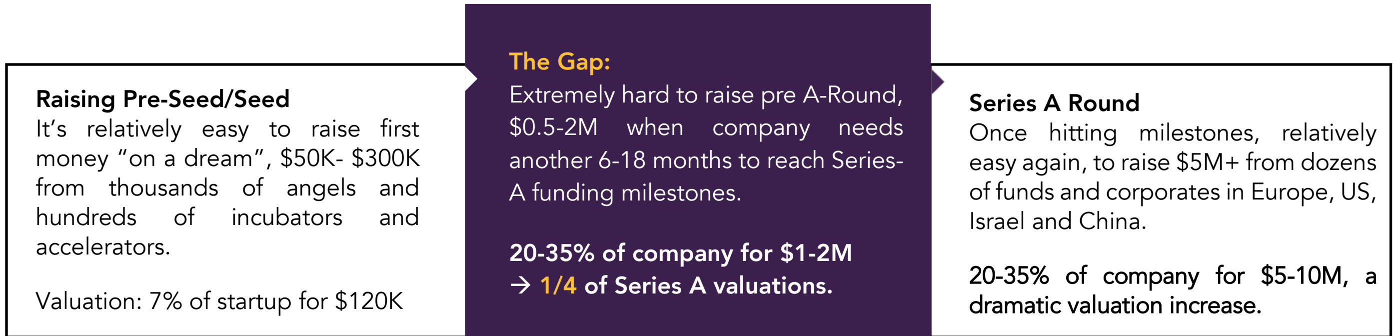
- Making VC investments liquid - no more 7-10 year lockups!
- Making VC investments inclusive - Opening up to a huge qualified investor audience.
- A powerful model for investing in pre-ICO startups, with VC-grade due diligence, best terms in the ICOs, and token liquidity.

From the world of Venture Capital we bring:

- Robust investment process and due diligence by a team of highly experienced entrepreneurs.
- Diversification outside crypto, into equity investments across the hottest tech sectors.
- Backing tokens by assets with entitlement to exit money, shielding them from market volatility.

The story of SPiCE actually started as a traditional VC fund, with a gap we identified in the tech investment market. A gap that would allow us to invest in amazing startups, just before the market realizes how great they are, and their value increases with a series A funding round, or more recently, with an ICO.

The gap looks like this:



We found that if we focus only on the startups in the gap that are most likely to reach the relevant milestones for an A-round or an ICO within 12-18 months, we could fund them at the right moment, help them secure that next financing event, and increase their valuation by 3-5x in a relatively short time.

We then built the investment thesis, algorithms and investment processes described in this White Paper to identify these companies, and to help them make the 3-5x jump, but we kept asking ourselves:

"What's the point of helping a startup jump 4x in a year, if our investors can't enjoy that premium until the company exits…?"

So we said "what-if", what if we could make VCs liquid? What if SPiCE investors could benefit from positive portfolio events in real time, without having to wait **7 years** for the exits?

We believe the entire VC industry will be impacted by blockchain asset tokenization, from the way venture capital is raised, to the way it is invested in startups and projects - to quote David Sacks, former PayPal COO, "*I think LP interests are likely to be tokenized, along with most other illiquid assets…Eventually, illiquidity will be a competitive disadvantage in fundraising that only the top firms will be able to justify.*"

David Sacks
@DavidSacks
Following

1/ Crypto Capitalism is the new Venture Capitalism.

12:32 AM - 13 Aug 2017

Disrupting venture capital with the blockchain

Disruption often comes from removing a limitation that everyone is absolutely sure can never be removed, but once it is removed - everything changes.

The biggest limitation of the VC model is that VC funds are not liquid. In the book "The Business of Venture Capital", Mahendra Ramsinghani describes the problem as follows: "A VC partnership is a 10-year blind-pool - a long relationship in which investors have limited ability to exit, and no clarity of outcomes".

For that reason, investing in the most exciting (and risky) stage of tech startups is reserved only for those who can afford to "forget" about their capital for 5-10 years. It is the reason why huge groups of smaller investors are left out, and why large financial institutions only dedicate a small portion of their investments to this asset class.

Making VC funds liquid will transform the industry, and at the same time make VC funds much more inclusive (within regulatory frameworks), thereby attracting new billions of dollars to venture capital.

Asset tokenization explained

Tokens are tradable units of entitlement. They give their owners specific rights, as defined by the issuer.

Asset tokenization refers to taking illiquid assets, and issuing tradable tokens that give holders rights in these assets ("asset-backed tokens") - thereby giving them liquidity, because the assets become tradable.

Asset-backed tokens should not be confused with currencies such as Bitcoin. Cryptocurrencies are indeed used to purchase them, but tokens can also be purchased in dollars or any other currency supported by the issuer. Once owned, **the value of tokens depends the value of the assets they are backed against**.

This is how it works:

SPiCE will issue tokens to investors, which will serve as digital securities. Investors can purchase tokens with Bitcoins, Ethers or fiat currencies (USD and Euro).

The tokens entitle their holders to two specific rights:

1. You can trade SPiCE tokens (see liquidity chapter below).
2. When a portfolio company delivers an exit, you sell SPiCE tokens back to the fund for your pro-rata portion of the exit cash and those tokens are eliminated (burned in the blockchain) increasing the economic interest in the fund of the remaining tokens.

This means whenever there is an exit in one of our portfolio companies, the fund will buy back the relative portion of tokens directly from every single token holder, to return the full net revenues to them.

Therefore, If you wait for all exits to arrive, you have no dependency on what the crypto markets do, because SPiCE behaves just like a regular VC fund (you get your money when portfolio companies exit) - but, you also get the **option** to sell tokens before the exits, as much as **6 years** before. This means that regardless of how crypto markets behave, in terms of liquidity SPiCE tokens are equivalent or better, compared to a traditional non-liquid fund.

SPiCE will publish a quarterly NAV (Net Asset Value) estimation, as well as all public events relating to its portfolio companies. And since SPiCE tokens entitle owners to the proceeds from any exit, the NAV should be a decent proxy to the value of its tokens until the actual exits.

Liquidity = potentially better IRR

Making VC funds liquid, will not only give qualified investors the option to exit early, it may also give them opportunities to increase their IRR (Internal Rate of Return).

For example: Imagine both SPiCE which is a liquid fund, and Old VC which is a traditional VC fund, investing in the same startup, which later becomes as successful as Uber. Investors of Old VC will only be able to watch as the startup rise to glory or fall from glory, they will receive no cash until the startup actually has an exit years later (or it fails and they get nothing). At the same time, investors of SPiCE will be able to, for example, choose to sell a portion of their tokens every time the startup announces a major milestone (impacting the value of the SPiCE token holding a significant part of the startup).

To quantify this advantage, we propose to measure a fund not only by its IRR, but also a new metric we call Liquid IRR. IRR is calculated based on cash flows (negative and positive) of cash over time to show the attractiveness of an investment - but how do you measure the IRR of a fund, where money can be extracted before the actual exits and end of the fund? Our suggested formula, is to look at the end of each period in the life of the fund, and assume that the smart investor is capturing the value from any increase of the NAV (if any) at that point. This returns a portion of the funds years earlier, which may translate to a higher effective IRR. This is described in more detail in the Liquid IRR chapter below.

Liquidity = inclusivity

The other huge advantage of our token based VC model, is that it opens venture capital to new audiences, and makes it more inclusive. This is not only because many more investors can technically participate (a major advantage in its own right), but also because with liquidity, more people can **afford** to participate, because VC investment no longer demands **locking your money for 5-10 years**.

Our first fund is aimed only at qualified investors in accordance with laws and regulations, so is not yet fully inclusive, but we believe as regulators will move forward with technology, our future funds may be able to offer the VC model to larger audiences. This is our long term vision.

The model for investing in liquid startup projects – via ICOs

The blockchain is disrupting the VC industry in more than one way. It's not just how VCs raise and distribute funds, it's also how **startup raise** money from VCs.

The great difficulty for startups to secure a VC round is one of the main forces driving the current wave of ICOs. This phenomenon is another threat to the traditional VC model, where entrepreneurs feel they can get funded directly by their communities, bypassing VCs altogether. In fact, during 2017, funds raised by blockchain startups through ICOs have already surpassed VC investments in the sector.

Theoretically, tokens are a powerful new way of funding companies. From a VC perspective, they offer an opportunity for liquid investments and faster exits. As a simplified example, let's assume a traditional VC invests $5M in return for 20% of a traditional company, and the company has a $100M exit. The traditional VC has made a 4x return. The ICO equivalent, is a company issuing a token and the VC buying 5M tokens for 1$ each, and then, the company's platform becomes successful and the token goes to 4$.

$$Equity\ model: \frac{\$100M\ X\ 20\%}{(\$5M)} = 4X \qquad Tokens\ model: \frac{5M\ X\ \$4}{(5M\ X\ 1\$)} = 4X$$

The VC can make the same exact exit from the same investment, 4x, but in the ICO example, the investment is liquid, so the VC won't have to wait for an actual equity exit (which may come years later, or may never come at all) and can choose to sell their 5M tokens when they hit the $4 price.

That's the **theory**. The reality obviously is much more complicated. On the one hand there are many ICOs showing better (or sometimes much better) than a 4x increase in token price in under 3 years. But on the flip side there are numerous ICOs who have not, and never will.

We believe the ICO model really works (long term) **only** when the company is suitable for the tokens model, and **only** when it's an amazing company anyway. It's therefore not applicable (in its current form) to many startups, but this may change when and if regulation will change to enable companies to offer equity through tokens. **We are open to investing in both types of startups, those opting for VC rounds and those opting for an ICO – whichever suits the specific company and market conditions best**.

Therefore, VCs must have a model for investments in ICOs, which is different from their traditional model – it's not necessarily about equity anymore. This document (the algorithm chapter below) describes in details the model we built, and the filters we use to identify which companies are viable ICO candidates, and which are not. It also describes how to invest in these ICOs, and when to exit.

What a token based VC means for investors.

For crypto investors: Diversification.

Crypto investors have had an amazing run over the last three years, with both crypto coins and some crypto tokens showing dramatic growth. But, this industry is in its very early days, and the market is volatile and unpredictable, with massive fluctuations. Asset-backed tokens offer an alternative which is available for investment in cryptocurrencies, but relies on the value of the assets rather than the state of the market.

In the world of ICOs in particular, there is simply not enough information for most individual ICO investors to make the educated choices that aren't just speculative. There is usually no direct access to founders, no live working products, and such advanced tech and concepts, that investors often lack the ability to differentiate between ground-breaking products and over-hyped stories or even scams.

For the first time, SPiCE offers qualified crypto investors the option to diversify some of their cryptocurrency holdings, into a fully legal, crypto-token based investment in a portfolio of tech startups across hot sectors including the blockchain but also AI, AR/VR, IoT, Cyber Security and others, as well as the best startups in sectors that continue to generate great exits, such as Enterprise & SMB platforms, Consumer/social apps and services, IT & Software development, Media, Games, Ecommerce, Retail, Marketplaces etc.

For institutional investors: A tectonic shift.

For traditional investors, suddenly a complete asset class is shifting from being illiquid, to being liquid.

Until now, Venture Capital funds dominated tech investments, and were considered a part of Private Equity. Suddenly with liquidity at both the fund and company level, we start seeing Hedge Funds investing directly in both company and VC tokens. We see major VC funds investing in new VC tokens. Most importantly, we see the traditional VC LPs starting to realize the advantages of not being locked for 7-10 years. These are slow industries, and change will take time, but the early adopters are already making their adjustments.

Given that we are also going to invest a portion of our portfolio in blockchain companies and ICOs, our fund also gives institutional investors exposure to this new asset class through a rigorous vetting process that is focused on:

(1) deciding in which companies to invest, and

(2) filtering all the noise and hype in the blockchain market, highlighting the interesting companies

For accredited/qualified investors: A new world.

For smaller qualified investors interested in tech (such as angel investors), token-based VCs open up a brand new world.

These investors were practically locked out of the VC fund world until now. Their main options were either to invest very early in startups - as angels, or to participate in crowdsourcing projects.

For the first time, SPiCE provides such investors an opportunity to enjoy the VC portfolio approach (as opposed to trying to hit one winner). With the added value of lower risk due to the investment in a later stage in the lifecycle of startups, and with the major advantage of having access to their capital from day one through liquidity (which both angel investments or crowdfunding cannot provide).

SPiCE Investment Thesis – The Gap

So what does SPiCE invest in?

Since 2012, the venture capital (VC) industry in Europe and Israel is experiencing a renaissance and the amount of VC investments in startups has almost quadrupled from under $5B in 2012 to a record $19.2B in 2016[1]. VC fund raising was also at a record high level in 2016 with close to $10B raised, surpassing the levels of the peak of 2007, and a 33% increase from the previous year. Geographically, the industry is concentrated in the UK, Israel and Germany. France is emerging as a startup hub as well, and other parts of Europe like Spain or Scandinavia, while still smaller, are growing significantly.

VCs are funding thousands of startups a year in Europe and Israel. It is a vibrant and exciting ecosystem generating billions from exits where successful startups are acquired or go public as well as a fresh cohort of so called unicorns, companies with valuations above $1B (Hello Fresh, Farfetch, Jumia, Asos, Transferwise, Zoopla, Spotify, Trusteer, Mobileye, Waze, Gett and Wallapop to mention a few of the best known).

However, over the last few years a huge gap developed in this market which can be described simply as follows: It is relatively easy for new startups to raise the first money for a new tech idea, often with only "A team and A dream". But the money raised at this stage, does not provide enough runway for most startups to reach the ever-growing milestones required for a series A round.

As entrepreneurs and investors, we, the SPiCE team, have witnessed the gap first hand, and seen companies reaching the market with great teams and great products but struggling to then raise the interim $0.5-2M required to show the metrics required by the big funds.

To explain how the gap emerged, we can look at one of the most remarkable phenomena in Europe and Israel - the rapid growth of pre-seed and seed investments. With the rise of micro VC firms, angel investors, accelerators and incubators like Seedcamp, Startupbootcamp, Techstarts, Wayra[2], investment instruments like SAFE and the growing popularity of equity crowdfunding sites like Angel List, CrowdCube Founders Club and Seedrs in the UK, OurCrowd, iAngels and Exit Valley in Israel, Companisto in Germany or StartupXplorer in Spain, it has become relatively easy in the past few years for new startups to raise initial seed capital. In addition, thousands of successful tech entrepreneurs and executives have turned some of their cash back into fueling the ecosystem by investing in new startups in their own communities and areas of expertise.

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[1] Source: dealroom.co 2016 European Venture Capital Report

[2] Between the top 10 countries in Europe plus Israel today we have more accelerators on a per capita basis than the US.

As a result, between 2012 and 2016, the amount of money invested in early stage startups has quadruple and the number of startups getting funded at this stage has grown close to a staggering 300% within just 5 years.

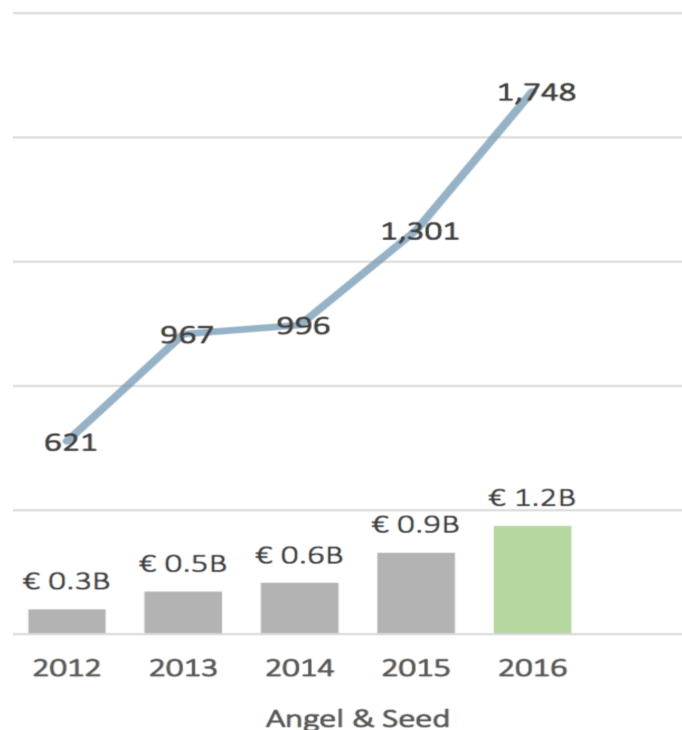

Figure 1. Angel and seed growth in Europe and Israel. dealroom.com 2016 report.

However, we have not seen the same growth in the next round of financing, Series A. While series A investments grew similarly as a percentage in the amount of money deployed in seed and angel (from 0.9B euros in 2012 to 3.8B in 2016), it has not seen a similar growth in the number of companies that got funded. This means there are less Series A round, the average A-round is larger, and the milestones required to secure them are much more demanding as well. This is, in part, due to consolidation and growth in the size of VC funds. While funding is at record levels, the number of funds has dropped and they became bigger, driving them to invest in larger rounds, which in turn made it more difficult for startups to reach them. There are also more great companies at the later growth stages, taking in mega rounds, and sucking a lot of the air from the earlier VC stages.

Today, if you are a startup that raised $50-$300K first money, it is much harder for you to hit the necessary milestones to raise $5-10M+ from the few dozens of VCs and corporates that invest in this stage in Europe and Israel. We can say that the infamous Series A crunch that hit the US a few years ago, has arrived to Europe and Israel.

As a result, many startups that received pre-seed and small seed funding through one of the many available mechanisms, do not have enough runway to reach the necessary metrics and events in their business to raise a Series A round from established VC firms. Many startups find themselves at the end of their rope with potentially great businesses, in a position where they are “too early” for Series A round VCs, and “too late” for the angels and incubators. It is easier to get small investors excited about initial ideas, but much harder to convince them to spend much more of their own money on the transition phase between developing the products, to showing the trajectory demanded by A-Round investors.

We have estimated that there are over 500 companies in the gap each year, and SPiCE is solely dedicated to utilizing this gap in the market by identifying the top 7-9 startups a year out of the 500, which are most likely to reach the next funding event within 12-18 months. These are companies that have received seed or pre-seed funding, have a working business and are reaching product market fit, but have not yet reached the necessary metrics and milestones to raise a Series A or launch a successful ICO. The filters we use to identify those 7-9 companies a year are defined in the Algorithm section of this White Paper.

By investing in these companies for an average of 20-25% equity, and by focusing the vast experience and network of the SPiCE founders in this stage in the life of startups, we can help these companies reach a Series A round or a successful ICO within 12-18 months. When successful, we will increase their valuation by 3-5X on average, within a very a short period of time. Combined with the liquidity of SPiCE tokens, this is the best way to bring value to our investors. Once the next stage is reached and the Series A round or ICO is successful, we can go back and focus on bringing the next company to this stage, as described in the investment process section of this White Paper.

The SPiCE Investment Algorithm

SPiCE invests only in startups that offer a strong probability of meeting the following criteria:

- achieving a strong round-A funding, or, a successful ICO;
- within 12-18 months;
- generating a 3-5X increase in company valuation in that event.

A strong series A round is a round with a major VC player in the industry, which will increase the likelihood of a substantial exit down the road. A successful ICO refers to an ICO that gives the company at least 2 more years to operate at full growth speed, and, a future token economy which we believe has a 5X+ growth potential from the launch price (the equivalent of a successful exit).

Many startups are now exploring the ICO route instead of the Round-A model. An ICO is suitable for some of them, and irrelevant for others (in its current, non-equity form). We are open to investing in both types of startups, those opting for VC rounds and those opting for an ICO – whichever suits the specific company and market conditions best, and so all our filters are designed to analyze both types of companies.

To identify the right companies for our model, we developed an investment algorithm with 5 filters, designed to find the 7-9 companies a year, out of 500 companies in the gap, which we believe are most suitable for the SPiCE model.

Filter 1. Overall Series A / ICO Fundability

Series A basic fundability

For a company to be 12 months away from a Round-A it needs the basic ingredients to be in place, even if the milestones for a round are not fully there yet. The team should be impressive and with no critical role or technology gaps, and the CEO should be a leader. The company should have a positive culture, a vision, and great practical execution. The market should be attractive for Series A investors, and there should be a path to scale. The product should be strong, and the technology unique and differentiated with a defendable competitive advantage.

Also, the company's basic "hygiene" such as the cap table should be in order. Finally, the company should have strong evidence that it is achieving product-market fit.

This is not an exhaustive list, **and no company will ever fit all the above 100%**, but the idea is that the company should look like a very strong Series A caliber candidate.

ICO fundability

The ICO space is new and includes some extremely exciting companies, but also some that are speculative at best. SPiCE is in the company building business therefore we are only interested in real technology

companies - companies with a real potential to harness the blockchain to disrupt a market or create an entirely new one.

This means all the regular checks we do for traditional companies apply to ICO companies too, **and then some more**: it's important to realize that unlike raising from funds, where a company has to impress, engage and pass due-diligence with a small team of highly experienced professionals, ICOs are in essence a public show, where the public vote with their wallets, without the benefit of a full due-diligence. There is therefore an advantage to companies with visible charisma, a compelling vision, a great story telling ability, and most importantly, a strong loyal community.

Also, the company's offering has to be naturally suitable for the token it sells. The way most current ICOs work, is by selling a token, which can (or will in the future) be usable in conjunction with their platform (a "utility token"). The value of the token is expected to be relative to the value it gives its users. This is only suitable to some platforms, where a token is **really needed** for the platform to function. Unfortunately we see a lot of companies trying to "force" the model, and sell tokens without a clear usage. We will not invest in companies where token value is unclear.

A classic example of a token that makes total sense in a platform is Ethereum itself. Its killer use-case is the launch of ICOs, and with them, the value of the Ethereum coin jumped thousands of % since launch – making it the first Token-Unicorn.

And last, we must verify that there are no critical legal, regulatory or security issues. This filter is designed to flag out any potential issues that may prevent the company from doing a successful ICO or raising a series A round.

Filter 2. Market Sector

SPiCE is a horizontal fund. We invest in a stage in the startup lifecycle - the stage where we believe they are under 12 months away from a successful Series A round or an ICO. Therefore we look only at sectors that can generate startups that meet our criteria, and avoid startups in sectors which traditionally require longer development time such as hardware, biotech or medtech.

SPiCE is not limited to investing in Blockchain startups, it invests in startups that meet its investment criteria and that utilize disruptive new technologies such as Blockchain and Cryptocurrencies, Artificial Intelligence, Augmented reality/Virtual reality, IOT, Autonomous systems, and big data, and that leverage these technologies to transform established industries and evergreen sectors such as Enterprise & SMB platforms, Financial services, Consumer/social apps and services, IT & Software development, Media, Games, Ecommerce, Retail, Marketplaces, and Cybersecurity.

And last, we expect the market to continue to evolve. SPiCE is in the perfect position to identify emerging sectors and technologies, because SPiCE is looking at companies that are not too early (pre-seed), and not too late (Series A round), and can identify clusters of companies that are passionate about a promising new technology, with a market demand, and an interested community and investors. The most recent

example is technologies relating to the Blockchain, where as recently as two years ago, most people outside the space could not predict when (or if) it would break out. Today Blockchain is "red hot".

Geographic split

In terms of geographical split, we expect a split based on market conditions, and our physical presence in the market, to be around an allocation of 80% for companies in Israel and the UK, and 20% for the rest of Europe. This may change over time.

Filter 3. Company Stage and Trajectory

When it comes to companies targeting a Round-A within 12 months, the company has to be over the key technology and product risk, and with a clear vision, strategy and growth plans. It can be pre market scaling, but must have strong enough market indicators that the round-A milestones are within reach. Consumer facing companies have to be post initial launch, and B2B companies need to show pilots / POC / partnerships with relevant clients.

Candidate companies will not have reached their Round-A milestones when we invest, but they must show that they track the relevant metrics, understand what drives them, have a clear plan to reach the required milestones, and demonstrate the right trajectory towards the milestones.

Some examples of traditional milestones include:

- Ecommerce companies expected to show a $1M in monthly recurring revenue.
- Consumer apps expected to reach 50K daily active users, with a 25% month-over-month growth, where for social networks the targets can be substantially higher - at 10M monthly users, and for games, top positions on the app stores are expected.
- SaaS companies are expected to show $150K monthly recurring revenues with strong monthly net growth.
- Marketplaces are expected to show $0.5-1M in monthly gross market volume with high monthly growth and strong liquidity.

The milestones change between sub-sectors, and change over time, so have to be updated constantly.

When it comes to companies targeting ICOs, unfortunately, we still see companies with hardly any product or execution launching ICOs with not much more than a white paper.

For some entrepreneurs the new and exciting option of raising money with an ICO appears to be the Holy Grail. They don’t have to go through the ”dreaded VCs” and their due diligence AND they don’t have to give away any equity AND they can raise millions of dollars in a short time. As a result, while we see some amazing ICOs which will redefine the markets they operate in, we also see too many companies that are completely unprepared **even for a seed round**. We also see companies pushing ideas that are totally **unsuitable for a token model** creating tokens just to be able to do an ICO.

We believe this is a temporary phenomenon that will not last as ICO competition intensifies, and the costs to deliver a quality ICO and make it stand out above the noise, increase.

Therefore the companies we will invest in, have to be at a stage where they have a significant product, which may not be publically launched yet, but must be real, substantial, and exciting, with an initial community of followers - where they need our investment to make it robust enough, add features, and get it ready to go live before or with the ICO.

Filter 4. Fit to SPiCE Business Model

Even if the company looks perfect, SPiCE will not invest if the deal is not right. There can be some flexibility and room for negotiation, but the core reasons for making a deal must be in place. For traditional startups we are looking at holding 15-25% of a company after our initial investment, with an expectation for the Round-A to increase the valuation at 3-5X, and a reasonable expectation for a later date exit.

When it comes to companies targeting an ICO, the rules have to be re-invented, so this is how we see things:

What is the ICO equivalent of a company delivering a "unicorn" exit of $1B? Let's look at a traditional company where SPiCE invests $4M and holds 20% after the Series A round. Assuming by the time of a potential $1B exit, SPiCE will be diluted by a further 50%, we will receive $100 at the exit - a 25x on our investment.

Therefore an ICO company, where the tokens are sold to us (usually pre-sale at a discount) at a price of $1, and reach a market price of $25 or more, is in fact a **token-unicorn**. Looking at the ICOs of the last 3 years, there are several companies who behaved for their ICO investors as token-unicorns. To fit our model, we should believe that the company's tokens have such attractive utility, that they will grow 5X+ in the coming years (the equivalent of a 100-200M$ exit). Where a token has a real utility in a platform that will transform a sizable market - we believe this is achievable even in a non-bubble market.

Filter 5. Vision Alignment Filter

We make it extremely clear from the start that our next target for our portfolio companies is a strong partnership with a top Series A investor, or when appropriate, a successful ICO - within 12-18 months. This should come with a plan, milestones and targets all sides agree upon as a directive. If the company management or board are not aligned with that model, we can't invest, because this is our focus and the added value we bring to the table is our help in achieving these goals.

Specifically when it comes to ICOs, we have to be convinced that the company is genuine in its approach, and takes extremely seriously the responsibility of working in a partially regulated space, where bad actors can take advantage and be less than transparent.

The SPiCE Investment Process

SPiCE's process for generating, evaluating, investing and managing its portfolio has 7 stages:

1. Pipeline creation

There is no replacement for hard work and a strong network when generating a pipeline – the team will be present, vocal and authentic in the market, communicating clearly what SPiCE stands for, what we are looking for, and what we can bring to the table. We expect startups to arrive from 4 major sources:

- Round-A VCs, sending us companies they like, but are too early for them.
- Founders in the ecosystem, through our connections and relationships.
- Angel investors, incubators and accelerators, sending us their graduates.
- The SPiCE token holders Blockchain community, being an innovator in the space.

2. Review of Materials

Capacity: SPiCE's pipeline is likely to generate up to 100 new candidates each month.

At this stage, we will eliminate companies in which we cannot invest because they don't match our model as defined in the filters. Other than the obvious no-go companies, we will opt to meet as many founders as possible to give people an opportunity, and to constantly learn.

3. Meeting and Initial Discussions

Capacity: An average of one meeting with a new startup per day per partner.

The purpose of the first meeting is to gather enough data to decide if it is worthwhile to pursue deeper analysis. This means applying all our filters in parallel to assessing that a startup is 12 months away from a 3-5X strong round-A or a successful ICO.

4. Deep Dive

Capacity: An average of one deep dive per week per partner.

This is the most critical stage in understanding if the company fits SPiCE's investment model. We will review every filter in detail and verify each element within the filter. No company will ever be perfect across all filters, but we need to build enough evidence and conviction that the company can reasonably achieve the next successful funding event within 9-18 months.

The new channels opened at this stage will include for example, deepening the relationship with the founders and team and reference checks, collecting additional metrics and data points for trajectory analysis, and hands-on deep examination of the product, technology, IP, user experience, marketing, as

well as much deeper understanding of the market and competition. In addition we will work with our own experts team, and external experts as needed, as well as talking to potential future Round-A investors, partners, customers and community members.

At the end of this stage, there are final discussions with the company to make sure that everyone is on the same page, and if so, move on to the next stage.

5. Term Sheet and Closing

Capacity: 7-9 deals per year (one every 6-7 weeks).

This is where detailed business discussions typically take place, as well as discussions with potential co-investors when needed. It is important to understand that after this stage, SPiCE's role changes and we become true partners with a deep commitment to doing what's best for the company. At the end of this stage, we will invest.

6. Working to secure a strong Round-A or successful ICO

Capacity: up to 4 companies per partner, at any given time, usually less.

We will take a Board position, with the explicit intention to help the company transition successfully to the next stage.

Our approach is to focus our efforts and help on our specific expertise – securing a successful Round-A or an ICO. To that end we will work with companies to ensure that the key metrics monitored and analyzed and ensure that there are strategies in place to improve those key metrics. We will assist the company in achieving its targets via our network of connections. We will work with founders to prepare for either a Round-A or ICO and contribute with our experience, network and community connections.

Specifically for ICO bound companies, where establishing trust with potential investors is critical, we want our portfolio companies to be able to say "We have gone through the rigorous due diligence of SPiCE, and we got their investment". It's a strong signal for potential investors, similar to the signal the VC industry uses with the concept of a reputable "lead investor".

7. Portfolio management to exit

Capacity: up to 6-7 per partner.

Once a company has secured a Series A investment, or has done its ICO, it will be time for SPiCE to take a less active role on the Board. Our plan is to stay with companies until they exit, or in case of token holding, until we feel the token has reached a point where it is the equivalent of an exit. At that point, we will return the exit proceeds to our investors.

Fund liquidity

Offering liquidity to SPiCE investors requires a market - a place (or places) where people interested in buying or selling tokens can trade, and there has to be both supply and demand.

In terms of generating supply and demand, SPiCE is going to provide two types of reports to the market which will influence the value the market will place on the SPiCE tokens, and influence individual token holders decisions whether to buy or sell tokens.

1. The fund will release its independently generated quarterly NAV (Net Asset Value) report. This report estimates the current value of the fund's assets including the value of all portfolio companies and cash. The NAV provides a guideline to what the assets are worth at the time of the report's creation, however the market can use it to predict the future value of the token. For example, if a prominent portfolio company with a well-known brand, gets a major round of financing from a top VC, the NAV will record the value of the company at that round's valuation until the next major event, so a year later, and based on the company's progress the market may predict that the company is actually worth much more (or much less) than the last round valuation. Note that we do not expect the NAV to change during the first few quarters. This is because the NAV is calculated using strict accounting practices and is based only on portfolio companies' latest external transactions. This means that the calculated NAV will not change until one or more of the portfolio companies raise a follow on round of investment (or an ICO), had an M&A transaction etc.

2. The fund will list the companies it invests in, and then share major public events those portfolio companies decide to share. Since SPiCE is going to hold significant shares of its portfolio companies - initially 15-25%, once successful portfolio companies start to make a name for themselves and gain market share in their respective markets - it should influence the attractiveness of the SPiCE tokens. Obviously it goes both ways, so if prominent portfolio companies report negative news, it will influence the SPiCE token in the other direction. It's important to note, the fund will not share more information than what the portfolio companies decide to share on their own accord - so all the information will be public in the market, and not only on the fund's publications.

In order to set expectations and given that SPiCE is a Venture Fund investing in tech companies, it is realistic to expect that it will take some months to make investments, and seeing movement in the portfolio that lead to a higher NAV. Therefore we expect it will take a year until real news will start coming from portfolio companies which will significantly influence the price of the token.

In terms of liquidity solutions, SPiCE is offering four options, designed to cater for different stages in the life of the fund, and ensure supply and demand in various potential scenarios and for different types of investors.

Token exchanges

The natural places for trading tokens are the exchanges. Token exchanges provide both the audience and the technical infrastructure for people to trade tokens. We plan to list the tokens on at least one exchange 3 months after the original token sale, and then add more exchanges as the market evolves.

At current date, many exchanges are still not able to support security tokens, but since the SEC announcement that some blockchain tokens will be considered as securities, we believe the market has no alternative but to adapt, and we expect exchanges to start supporting security tokens in the coming months as in fact some have already started to indicate.

In addition, being listed on an exchange does not guarantee supply or demand, those are likely to depend on the performance of the fund and market conditions. Therefore, and until the exchange market adapts to offering regulated securities, we are offering an additional liquidity option that does not require a centralized exchange, as described below.

Bancor based reserve liquidity

SPiCE is partnering with Bancor, to enable continues liquidity with the Bancor "Smart Tokens". To simplify the model, here is how it works:

- SPiCE will allocate up to 5% of the fund in the first 3 years as a "reserve".
- Token holders who want to sell their tokens can sell their tokens back to the fund, and receive money from the reserve.
- People can also buy tokens and add money to the reserve (up to a maximum reserve size).
- Every trade against the reserve will automatically recalculate the price of the tokens to make the reserve stay at a fixed % of the total token economy. This means buying from the reserve will increase the price of the token, and selling to the reserve will decrease the price of the token.
- Price calculations are done automatically and continuously, so the reserve always stays at the same % of the total token economy.

This means tokens can be bought and sold, directly against the fund reserve - without having to find a matching demand from another person. This will make the fund liquid from day one.

This model is not designed to let an investor sell or buy 5% of the fund in one go - they will be technically able to do so, but will not get a good price. It is designed to enable liquidity for smaller transactions, up to hundreds of thousands of dollars, in the first 3 years of the fund, without having to find a counter buyer / seller.

Price floor liquidity

The fund will reserve the rights to purchase tokens from token holders in the open market if the price of the token goes below a floor of 30% under the published NAV.

The logic is simple - tokens are backed by direct entitlement to money from exits of portfolio companies, so the NAV is a clear indication of what the token is worth. If the token is traded well under the NAV, for example because of external events that are not related to the fund, the fund managers are in the best position to measure if this is an opportunity because the fund managers know the portfolio companies and their value intimately.

In that regard, the fund managers will decide solely in the long term interest of the fund, so if buying tokens under the price floor is an opportunity for the fund - they have the authority to decide to do so.

Peer to Peer liquidity

SPiCE tokens are standard ERC20 tokens, therefore individuals can decide to trade them directly between them. The terms and conditions of the tokens will clarify to Peer to Peer token buyers what they have to do in order to be compliant and to receive their portion of future exits in the form of token buyouts.

Making a VC fund liquid using blockchain tokens has a bigger impact on investors than just giving them early access to money - in fact, it enables them to generate significantly higher capital gains, by having access to appreciated capital as much as 6 years earlier than on a standard VC fund. So for example, if a portfolio company is making a major announcement - it becomes an event at which an investor can decide to exit a portion of their holding years before the final potential exit of that specific portfolio company (which is not even guaranteed).

Liquid IRR

Traditionally, research into turning illiquid assets into liquid assets, concluded that the liquidity premium is in the range of 20-30%[3]. However, we would like to refine the analysis and make it more relevant to investments in venture capital funds.

In order to show to our investors why a liquid VC might have advantages compared to a traditional illiquid VC, we cannot use the same metrics, Internal Rate of Return[4] (IRR) and Cash on Cash[5] (Coc) that are used to measure and compare traditional VC funds' performance. To quantify the liquidity advantage, we propose to measure a fund not only by its IRR, but also a new metric we call Liquid IRR that in essence is a modified notion of the IRR that embeds into it a representation of the value of added liquidity.

For example, consider the following investment portfolio (A) performance:

	Investment	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash Flow	-$100,000	$0	$0	$0	$60,000	$30,000	$110,000	$50,000	$0	$150,000	$100,000
Date	1/1/2017	1/6/2017	1/6/2018	1/6/2019	1/6/2020	1/6/2021	1/6/2022	1/6/2023	1/6/2024	1/6/2025	1/6/2026

It provides a CoC return of 4.5x, and an IRR of 30.12%. All the above applies to traditional funds, where the money invested in the fund is locked in for a long period of time (typically 7-10 years) and the value is not generated until some exits or M&A events begin to occur.

With SPiCE, there is an added value of liquidity - as the tokens are liquid and can be traded by token holders at will.

So, a reasonable way to look at a potential value of the liquidity is to couple each scenario for which we calculate the expected IRR, with the graph of the NAV that is based on the same assumptions (investment dates, write offs, etc.) and assume that an investor that wants to take advantage of the liquidity, may liquidate tokens to a value representing the increase in NAV prior to exits when the increase in NAV is

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[3] Source: The cost of liquidity, Aswath Damodaran

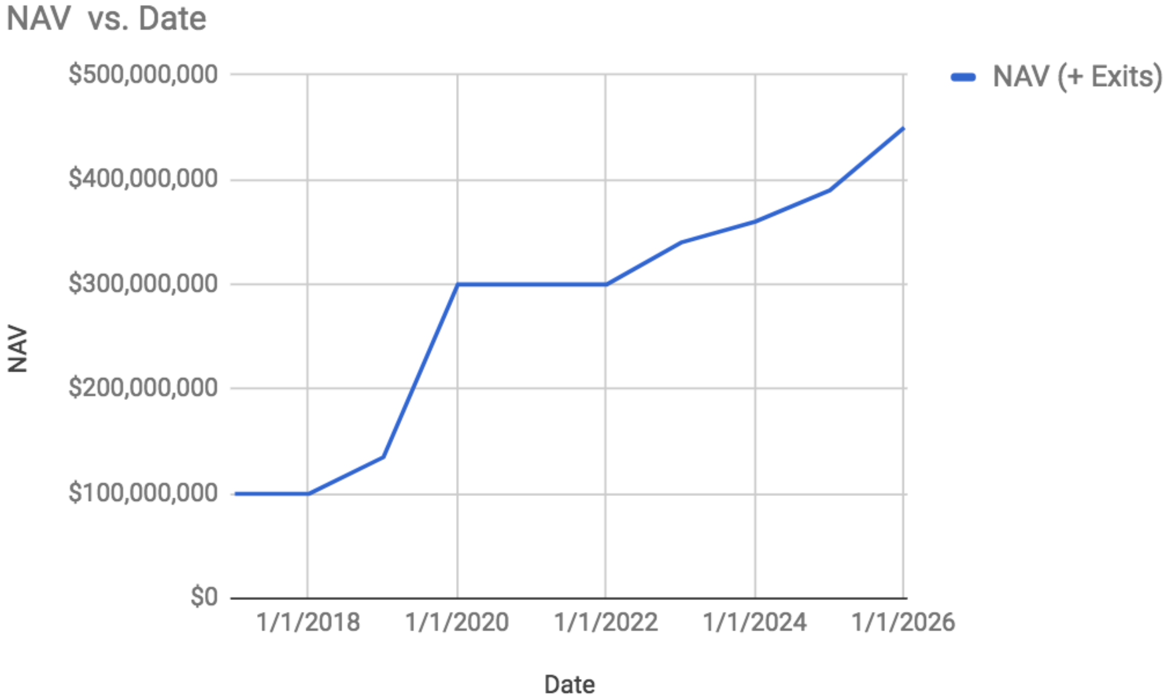
[4] The IRR of an investment is the discount rate that makes the net present value ("NPV") of the investment's cash flow stream equal to zero.

[5] CoC is equal to how much the VC receives in proceeds upon exiting the investment divided by how much it initially invests in the company and, unlike IRR, is not dependent on when the exit actually occurs.

substantial enough. Generating some positive cash flow streams prior to exits and calculate the potential IRR based on the combined stream of cash flows - exits and liquidations.

So using the same example as before, consider the following scenario.

If the published NAV is as follows:



And the token holder took advantage of the token price and the liquidity in years 4, 5, 7 and 8

	Investment	Year 1	Year 2	Year 3	Year 4	Yea 5	Year 6	Year 7	Year 8	Year 9	Year 10
Exit	-$100,000	$0	$0	$0	$10,000	$0	$10,000	$60,000	$120,000	$150,000	$100,000
NAV (+ Exits)		$100,000	$100,000	$135,000	$300,000	$300,000	$300,000	$340,000	$360,000	$390,000	$450,000
Date	1/1/2017	1/6/2017	1/6/2018	1/6/2019	1/6/2020	1/6/2021	1/6/2022	1/6/2023	1/6/2024	1/6/2025	1/6/2026
Cash Flow	-$100,000	$0	$0	$0	$150,000	$35,000	$0	$98,235	$50,000	87,558	$29,186

The CoC is 4.5x but the (liquid) IRR is higher (by about 20%) at 36.02%

How to calculate Liquid IRR

To calculate the liquid IRR one needs to solve for IRR in the following equation:

$$CF_0 - \sum_{n=1}^{N} \frac{CF_n}{(1+IRR)^{t_n}} - \sum_{m=1}^{M} \frac{CF_m}{(1+IRR)^{t_m}} = 0$$

Where

CF_0: represents the initial investment

CF_n: represent cash flows arising from exits proceeds being distributed

t_n: represent the time from the beginning of CFn occuring

CF_m: represent cash flows arising from voluntary sale of tokens by a token holder

t_m: represent the time from the beginning of CF_m occurring (does not have to be a whole number)

It is important to note that whenever a token holder liquidates tokens not as part of an exit distribution ("voluntary liquidation") their relative "share" in future exits is reduced. As reflected in the following formula:

$$New\ Equity = \frac{TQ_{Prev} - TQ_{Sold}}{TQ_{Total}}$$

Where:

TQ_{Prev}: represents the token quantity the token holder had prior to the sale

TQ_{Sold}: represents the token quantity the token holder liquidated

TQ_{Total}: represents the total number of tokens in the market

The share of a token holder in the distribution of an exit is calculated using the following formula:

$$\text{Token Holder's share in Exit distribution} = \frac{TQ_{Hold}}{TQ_{Total}} * \text{DEP}$$

Where :

TQ_{Hold}: represents the number of tokens a token holder owns

TQ_{Total}: represents the total number of tokens in the market

DEP: represents the distributable proceeds of the exit

The founders

The founding team at SPiCE is comprised of four strong and complementary individuals that bring a wealth of investment, entrepreneurial and corporate experience that we believe it makes them uniquely prepared to execute on this opportunity.

Throughout their careers, SPiCE's founders have been involved in building tech companies from scratch, managing them, investing in them and securing venture capital for them. They know the tech ecosystem intimately and have a strong network in the tech community.

As a team of entrepreneurs building a venture fund, they set out not only to discover amazing and disruptive pre-Series A round and pre-ICO startups, but they started with their own industry - reinventing venture capital itself through the blockchain.

Co-Founder and Managing Partner, Ami Ben-David

Ami is a serial entrepreneur and product innovator. He founded 4 companies, where he was the inventor and leader of the key products, as well as leading marketing. His products ranged across internet banking, CRM applications, mobile content distribution, business messaging, mobile search engines, and a mobile AI-powered phone interface. On the business side, he started all his companies from scratch, brought products to market, and raised funds for his companies from some of the world's top VCs. Ami was also VP Investments at Magma VC, and was SVP establishing and running the European and Asian operations of Oberon Media.

Co-Founder and Managing Partner, Tal Elyashiv

Tal is a senior executive, entrepreneur and early stage investor. In the financial industry, he served as a CIO at Capital One from the bank's inception to becoming a Fortune 50 company, managing 1,200 IT professionals, and as SVP in Bank of America where he led the tech development of the consumer banking business. He was then head of technology at 888 Gaming and BondDesk. On the entrepreneurial side, Tal was the founder and CEO of 3 startups in China, US and Israel. He also made many successful angel investments, and served as a board member of multiple startups.

Co-Founder and Managing Partner, Carlos Domingo

Carlos is a senior executive, entrepreneur and investor. He was the President and CEO of Telefonica R&D, and CEO of New Business and Innovation at Telefonica Digital, as well as co-founder and board member of Wayra, one of the world's largest corporate accelerators. He has been CTO and CEO or board member of multiple tech startups. On the investment side he is the founder of Sling Ventures, an angel investment fund co-invested by the European Invested Bank, one of the founders of Dubai Angel Investors and a Venture partner in THCAP VC, and he managed the corporate VC of Telefonica Digital. Carlos was also one of the leaders of open source project Firefox OS.

CTO, Shay Finkelstein

Shay have been professionally developing software for the last 25 years. Throughout this time Shay have taken the roles of hacker, developer, team leader, and CTO. Shay's unique expertise is taking a very wide view across many different programming languages, environments, platforms and software development processes. Shay is a problem solver, able to dive into any challenge, identify potential issues, learn new skills, and deliver stable solutions as well as a business-facing analysis, quality audits, and an array of options and recommendations.

Funds in the Blockchain era - Industry Overview

Since an unknown and anonymous cryptologist, Satoshi Nakamoto, published his seminal paper describing the cryptocurrency Bitcoin in 2008, cryptocurrencies and their underlying technology, blockchain, have taken the world by storm and are disrupting industry after industry. Today, besides the obvious applications of blockchain technologies for banking and payments, blockchain technologies are used in many other industries such as healthcare, insurance, IoT, supply chain management, real estate and energy management just to name a few. Blockchain technologies are being adopted and embraced by not only startups but also by many Fortune 500 companies like Accenture, BP, Deloitte, Intel, Microsoft and large financial institutions like BBVA, Credit Suisse, JP Morgan and Banco de Santander. The combined market cap of Bitcoin and other cryptocurrencies have surpassed the $120 billion mark and they are approaching their "Netscape moment" when the Netscape IPO started the first mass market Internet era.

Of all blockchain technologies that have appeared since the original Bitcoin, perhaps the most remarkable and most relevant for us is Ethereum, invented in 2013 by a young crypto programmer called Vitalik Buterin. Ethereum expands the capabilities of bitcoin to support distributed applications as well as Smart Contracts. In the Ethereum distributed network, a smart contract represents a digital asset called Ethereum token and specifies its properties and functionality according to its intended usage as well as its characteristics (supply, inflation rate, etc.). More importantly, Ethereum specifications included a mechanism for a crowdsale that would allow companies to sell their Ethereum tokens to the public. In fact, Ethereum itself was initially funded via a crowdsale where Ethers (the main Ethereum cryptocurrency used within the network) were sold to the general public raising over $15 million. Crowdsales on the crypto world were not a new thing and had started back in 2013 but the Ethereum crowdsale was the biggest at the time and the one that started the trend that continues to these days. These crowdsales of crypto tokens (for which the Ethereum network is the dominant platform), are commonly referred to as Internet Coin Offerings (ICOs). They have become increasingly popular and grew significantly in size in 2017 raising over $1.2 billion to date - surpassing the amount of VC money invested in blockchain companies.

Not surprisingly, with the increase of more than 1000% in value of crypto currencies from a year ago, and the stratospheric returns of many ICOs (80,000% for Ethereum, 56,000% for IOTA or 44,000% for Stratis to name a few), we have seen the launch of many funds dedicated to investing in cryptocurrencies, ICOs or blockchain companies, that aim at facilitating the entry of traditional investors to this new asset class.

One of the first such funds was Metastable Capital, co-founded in 2014 by the CEO and co-founder of Angel List with $45 million in assets under management. More recently, in September 2016 we saw Polychain, founded with $4 million and now with $200 million in assets under management with investment from Andreessen Horowitz, Founders Fund, Sequoia Capital and Union Square Ventures. Since then, many more have followed or have been announced to launch before year end, including these funds mentioned by Forbes Magazine : Auryn Capital, BlockTower Capital, BKCM, Coinshares and Crypto Asset Fund.

More interestingly, some of these funds are actually doing their own fund raising with tokens via an ICO as well. One of the first to do an ICO for a VC fund, was Blockchain Capital, funded by blockchain pioneer Brock Pierce which raised $10 million back in March 2017.

SPiCE is **different** from other funds that raise their OWN capital via an ICO, on four levels:

- **Investment model:** Funds raising capital through an ICO, tend to also invest purely in ICOs and cryptocurrencies. SPiCE is different, we regard the tokens as a means to deliver liquidity and inclusivity to the fund, but our investment thesis covers both blockchain and non-blockchain startups, including hot sectors such as AI, AR/VR, cybersecurity, IoT, and so on. This provides much better diversification to token holders and a balanced and less volatile portfolio across the best tech startups.

- **Regulatory structure**: SPiCE token is one of the first tokens that clearly defines itself as a security, and therefore is designed from the start to be in line with all laws and regulations relating to the issuing and marketing of securities for investment funds. This obviously has some costs both in setup, and also in requiring verification of some of the token buyers as qualified investors in accordance with each country regulation, but it also has the advantage of being in line with regulations in the most explicit way and protecting token holders from future regulatory issues. This is particularly important in light of the recent SEC statements about ICOs and tokens. SPiCE is working with prestigious law firm Allen & Overy in the UK, Cooley LLP in the US and leading law firms in all relevant jurisdiction to verify full compliance.

- **Returning exit money directly to investors**: We are also different than other hedge funds or VC tokens that might be considered as securities, in the way we return money to investors. Most other token based VCs or hedge funds are "evergreen funds", which means they do not return all exit revenues but keep some for future investments. When they do return money, they only buy back a portion of the proceedings in the open market – not from all token holders, in the hope that the increase in token price will bring value to investors. We have chosen instead, to explicitly return the exits directly to token holders. This means that whenever there is an exit in one of our portfolio companies, the fund will buy back the relative portion of tokens from every single token holder, to return the full net revenues to investors. And we will not be taking any carried interest from those investors before we have fully returned all the money invested.

- **Better liquidity**: Because we have an incentive for token holders to stay registered with us and comply with regulations (getting the proceedings from our exits as opposed to simply trading the token in the open market), we think that we can provide liquidity in the secondary market through various mechanisms in a more complaint way, as discussed in the liquidity chapter of this white paper.

Distribution of funds

From time to time, when there is a realization of an exit in one of the investments, SPiCE Venture Capital will return this money (minus fees and costs associated to with trade sale that lead to the exit) to its token holders. Our goal is to be as transparent as possible as to how returns will happen and return as much money as possible to token holders without impacting the open market price of the tokens.

Once a realization in the portfolio happens, the net realized gains (the full realized gain minus expenses related to the realization) will be distributed as follows:

- Until 100% of the original size of the fund is returned, 100% of the net realized money from any exit will be used to buy back tokens from token holders.

Only **after token holders have received 100% of the original size of the funds**, the remaining will be distributed as follows:

- 15% will go to the general partner's management company as the carried interest to be distributed to general partners as a success fee.
- 85% will be used to buy back tokens from token holders.

All funds received by SPiCE will be used with the sole purpose of buying back tokens from all existing token holders in a prorated way. All tokens acquired will be destroyed (burned in the blockchain) therefore increasing the economic interest in the fund of the remaining token holders as well as their value. Specifically, we will apply the following procedure which will be coded into the smart contract of the tokens.

To calculate how to distribute the proceedings in a fair way, we need to look at two variables, namely, the implied new NAV after the exit has happened and the current token value in the open market.

First, let's look at the NAV of the fund. Before an exit happens, the fund has the NAV published on a quarterly basis, and re-calculated after every exit and write off. Once an exit happens, there are two scenarios, either the new NAV gets larger because the company that exited has done it at a valuation higher than the one registered in the books for our last NAV calculation, or, the NAV gets lower because the company's exit happened at a lower valuation than the one registered in the books for our last NAV calculation. An extreme case is an exit due to a write off where the NAV gets lower since the entire value of that company disappears, we will not be treating this case here since there are no proceedings to distribute and we will assume that the token price will get adjusted in the open market once this event has been disclosed to the public.

The other variable is the current token value in the open market. Note that this value does not necessarily reflect the value of the current NAV but the perception from the market of the future performance of the fund which might be higher than the NAV if they expect that some of the startups in it will exit at a higher

valuation than the one reflected in the current NAV, or it may be lower if the expectation is that some of the startups in the fund will not make it or exit at a lower valuation than the current one.

Scenario 1. The new NAV after an exit is equivalent to a higher token price than the current token market price. In this case, we will calculate what percentage of the total NAV is equivalent to the total amount of money that we are going to distribute to the token holders via buybacks and we will buy that percentage of tokens (or token fractions) from each token holder at the new NAV which is above current market price of the token.

Scenario 2. New NAV after an exit is a lower token price than the current token market value. In this case, we cannot buy at the NAV token price because we will be penalizing investors that just bought tokens in the open market at a higher price. Therefore we will use all the money for the proceedings to acquire tokens from each token holder at market price proportionally to the total token holdings.

All the tokens acquired through this procedure will be burned in the blockchain therefore reducing the number of outstanding tokens and increasing the underlying indirect economic interest of each token in SPiCE.

Note that in both cases, all the money will be distributed to token holders according to their proportional holdings - the only difference is how many tokens would be bought out, and how many tokens would stay in circulation. The purpose of the model is to ensure that the price of the remaining token after the exit, and after paying token holders their share, would remain as stable as possible, and reflect the value of the remaining portfolio of the fund.

For illustration purposes, let's go over an example of how these two scenarios will play out in a real market situation. For the purpose of this simulation, let's assume the following:

- We have 100 outstanding tokens in the market
- Current portfolio value is $100 and therefore current NAV implied fair token value is $1
- One of the companies valued in the portfolio at $20 exits at $40 therefore increasing the fund NAV to $120 and leaving $40 to return to investors.

Below you can see how the buybacks will work for each of the two scenarios described above.

Scenario 1	New NAV above current token value			
Current NAV	Token fair value	Token Market Value	Post Exit NAV	Proceedings
100	1	1.1	120	40
% Tokens to buy	Price per token	Remaining Tokens	New NAV	New Fair Token Value
33%	1.2	66.67	80	1.2

Scenario 1	New NAV above current token value			
Current NAV	Token fair value	Token Market Value	Post Exit NAV	Proceedings
100	1	1.5	120	40
% Tokens to buy	Price per token	Remaining Tokens	New NAV	New Fair Token Value
27%	1.5	73.33	80	1.09

SPiCE Fund Summary

SPiCE aims to be one of the most active pre-round-A/ICO investors in EU and Israel, and become the gatekeeper for the best companies in this critical stage in the life of start-ups, when they make the biggest jump in value.

- Fund size up to $100M
- Three General Partners, a CTO, one Senior Associate, and a team of domain experts as advisers.
- Targeted number of investments: 28.
- The fund is designed as a 7 year fund: 3.5 years of new investments, and 3.5 years of follow up investments and portfolio management.
- Typical investment: $1-2M, typical equity stake: 20-25%.
- We are open to investing in both types of startups, those opting for VC rounds and those opting for an ICO – whichever suits the specific company and market conditions best.
- We will follow up on successful A-Rounds and ICOs, and will be open to taking both equity and tokens when relevant.
- Projected geography split: 80% for companies in Israel and the UK, and 20% for the rest of Europe. This may change over time.
- Management fee budget and other costs, equal to 2.5% per year on average across the life of the fund (higher initially, to account for the initial set up costs, and coming down over the years).
- Carried interest to general partners at 15% to be only paid after 100% of the fund investment returned by exits.
- Token allocation of 7.5% for platform development, partners, employees and advisers.
- Token allocation of 7.5% to general partners with a vesting period of 3 years.

Why are we called SPiCE?

In the classic science fiction book (and movie) Dune, the drug Melange, also known as "The SPiCE" is the most essential and valuable commodity in the universe, a drug that gives the user a longer life span, greater vitality, and heightened awareness; it can also unlock prescience in some humans, depending upon the dosage and the consumer's physiology. This prescience enhancing property makes safe and accurate interstellar travel possible. SPiCE formed a fundamental block of commerce and technological development in the known universe for millennia. Management of the SPiCE mining operations was considered a prestigious but difficult task. Drawing a parallel with Dune's SPiCE, we think that SPiCE Token will unlock prescience into the world of VC and startup investments and will make VC investments one of the most exciting investment opportunities for both crypto and traditional investors.

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