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# REBOOTING VENTURE CAPITALISM IN A POST COVID-19 WORLD

## POWERING ECONOMY BY TOKENIZING TANGIBLE ASSETS

**Soya Capital created a Token-Based investment syndication product structured around a Simple Agreement For Future Access Token instrument. The tool enables a group of investors to acquire a stake of a company shares transferable at a later stage of its development (series A, Series B, IPO...) and backed by a digital asset like the DATACHAIN Foundation Future Access Token (DC F.A.T). This instrument enables pools of investors, Angel Groups, VC funds, individuals and institutions to co-invest in the best opportunities available in the market while backing their investments with a digital asset whose value can grow exponentially within a very short term period (18 to 36 months). We believe this product prefigures the future of venture capitalism, the perfect decorrelation of a company sales performance (MRR) from its intrinsic value that can differ from it by being embodied by a strong Intellectual Property. It is a new way to guaranteeing Return On Capital to investors while ensuring the sustainable growth of startups developing technology based intrinsic value relying on new business models.**

In a context where economic growth is primarily driven by innovation, a dynamic and effective venture capital sector is vital (Glachant, Lorenzi, and Trainar 2008). But for the last 10 years VCs' ability to take risks and support truly disruptive companies has been shredded by the increasing necessity to provide faster and bigger return on investment while fewer and fewer companies was able to reach their product market fit.

The survey, conducted by Fidelity Digital Assets from November to early March involving almost 800 institutional investors, found that 36% of respondents - 27% in the US and 45% in Europe - are now investing in digital assets. In 2019, 22% of U.S. investors admitted having allocations to these assets. In addition, 59% of those who invested did so directly, compared to 55% in 2019.

"These results confirm a trend we are seeing in the market towards greater interest and acceptance of digital assets as a new investable asset class," said Tom Jessop, President of Fidelity Digital Assets, in a press release. " Clearly this is reflected in the evolution of the composition of our client portfolio, which extends from native cryptographic assets to pensions".

We believe within the next five years, 91% of investors assets will be token related. According to Fidelity Digital Assets' survey, this number has risen from 79% in 2019 to 88% this year, for the US investors. Nearly 40% of investors believe that digital assets belong to the alternative asset class, while 20% of investors think they belong to an independent asset class.



At Soya capital we believe that digital assets have the capabilities to augment traditional investment security and performance by tokenizing the investment thus decorrelating portfolio companies' sales performance from their intrinsic value; value that can differ from the later by being embodied by a strong Intellectual Property. In such case, the value of the token associate to an investment could increase at a faster pace than the value of traditional tangible assets like equity. Digital assets find their strength in speed and network effect. The Tokenization of Tangible Assets offers a new way to guarantee a Return On Capital to investors while ensuring to startups developing deep breaking technology the creation of a strong, sustainable intrinsic value.

Soya Capital built its Syndication Programme by leveraging the Tokenization Of Tangible Assets structured around 4 main components:

1. DC Future access Token (ERC 777 Token based on Ethereum protocol compatible with ERC20)
2. A promising portfolio company portion of share
3. A Collective Simple Agreement For future Access Equity
4. A digital community of investors on the Datachain Foundation infrastructure

**"Syndication is crowdfunding on steroids"**

**Syndication is a common practice in the VC industry, both in North America and in Europe.**

As indicated by Wright & Lockett (2003), Jääskeläinen et al. (2006), Manigart et al. (2006), Tian (2012) and Bertoni et al. 2013) approximately 40% to 80% of all investments made by venture capitalists are syndicated .

EVENT

# Tokenizing Venture Capitalism

**Discover the most effective investment instrument combining Syndication and Tangible Asset Tokenization. Learn how we use crypto assets like collaterals to make your investment secure and liquid.**

Webinar July 16th 18:30 - 20:00 CEST

The logo for SOYA, consisting of a white square with a black square inside, and the word "SOYA" in white capital letters below it.

SOYA

# What is investment syndication?

Syndication is not in itself a new phenomenon and can be used in markedly different contexts such as bank credit or even the syndication of work platforms. In the case of private equity, syndication is said to occur when at least two PE firms carry out a joint investment with a view to sharing the profits (Wilson 1968). Such a partnership involves sharing both the risks and the potential gains. Syndication is therefore a way for private equity firms to manage the information uncertainty that characterizes investments in small high-technology firms. While recourse to syndication has become commonplace, significant disparities exist both in its frequency as well as in the motives associated to its use.

While the motives that lead PE firms to adopt syndication strategies most often intertwine, for the sake of clarity we have chosen to present them as distinct. To date, the literature has identified four main motives for syndication is for the financial partners to share the risk associated with a given deal by reducing both the amount invested and the potential losses (Lerner 1994; Lockett and Wright 2001). This is obtained by diversifying investments but can also result from the pooling of information and/or expertise. These factors help to improve the ex post selection of the project (Huang and Xu 2003).



Project selection. Lerner (1994) finds that in the presence of uncertainty over projects, evaluation by several investors improves ex ante selection. According to this author, the best projects will then be selected thanks to additional opinions on their specific quality.



PE firms' desire to subsequently benefit from investment opportunities proposed by other PE firms and, through this reciprocity, increase their business flow (Sorenson and Stuart 2001) while minimizing the effort of research and selection.

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the search for the benefits of additional expertise, which may complement that of the initial investor (Brander, Amit, and Antweiler 2002; Dal-Pont Legrand and Pommet 2010). In such a case, this rationale for syndication responds to a need for specific additional resources for the ex-post management of investments (such as expertise in a particular field) (Hopp and Rieder 2006).

**The uniqueness of Soya capital Syndication Programme resides in its ability to use a liquid asset like the DC F.A.T as a collateral guaranteeing the liquidity of the investment at a predetermined point of time in a short term future (18 to 36 months).**

# WHAT IS TOKENIZATION?

Tokenizing is the process of representing fractional ownership interest in an asset with a blockchain-based token (DC Future Access Token a ERC 777 utility token). The tokenization of assets refers to the process of issuing a blockchain token that digitally represents a real tradable asset—in many ways similar to the traditional process of securitization, with a modern twist. These security tokens are created through a type of initial coin offering (ICO) sometimes referred to as a security token offering (STO) to distinguish it from other types of ICOs, which can produce different tokens such as equity, utility, or payment tokens. An STO can be used to create a digital representation—a security token—of an asset, meaning that a security token could represent a share in a company, ownership of a piece of real estate, or participation in an investment fund. These security tokens can then be traded on a secondary market. Key benefits of tokenized include increased liquidity, faster settlement, lower costs and bolstered risk management.

On December 2019, Yuri Musienko stated "The tokenization of assets (TOA) on the blockchain opens up broad opportunities for growth and diversification of assets in the market. This has been proven by many successful cases that have brought real profit to both issuers and their investors. Nevertheless, many still fear to implement this process in their business. Therefore, we decided to talk about the seven key advantages of tokenization of assets on the blockchain, which will help to understand why blockchain is the future of asset tokenization." [...]

"Tokenization of assets is the process of transferring rights to a physical, financial or intellectual asset into a digital token. The simplest example is to replenish a bank account with cash. The process of replenishment at the cash desk or ATM is the tokenization, and the received virtual money is the tokenized assets.

In this example, you can see that tokenization includes three elements:

1. Incoming asset (cash).
2. The mechanism of "substitution" of the asset (bank infrastructure).
3. Virtual asset version (digital dollar)."

Tokenization Of Assets is a very promising way to raise capital and syndicate capital. It is, however, at an early stage of its development, and venture capital investment applications will take time to develop and become largely accepted. There is a clear danger that innovation will be set back by years and possibly decades if attention is focussed solely on the digital fractionalisation of single assets, for which the demand may be limited, the economics unconvincing and the obstacles significant. Funds and debt offer immediate opportunities to establish the credibility of tokenized venture capital investment. But with a new financial instrument like the one proposed by Soya Capital the mass market for the tokenization of venture capital investment might be some way down the road.



On April 2020, a \$14M Bitcoin Fund Gets Listed on Toronto Stock Exchange (TSX). The Canadian investment manager 3iQ listed a closed-end fund that aims to provide investors with exposure to bitcoin in a regulated asset class. The fund works along the same lines as an exchange-traded product (ETP) enabling investors to purchase shares in the fund and receive exposure to changes in the underlying assets price over time. It tracks the bitcoin (BTC) price using an index feed co-developed by MV Index Solutions (MVIS), a VanEck Europe subsidiary, and cryptocurrency market data provider CryptoCompare.

As with other ETPs, the most important interest is for investors not interested or unable to purchase the underlying asset can still add bitcoin to their portfolios. additionally, traditional investors can also use the fund as a vehicle to familiarise with the asset class.

Earlier in June, the German digital stock exchange "Xetra" listed a Bitcoin exchange-traded product (ETP) on the Deutsche Boerse after receiving approval from BaFin revealing a new trend now spreading in Sweden where the Financial Authority Approves Swiss Crypto ETP and abroad.

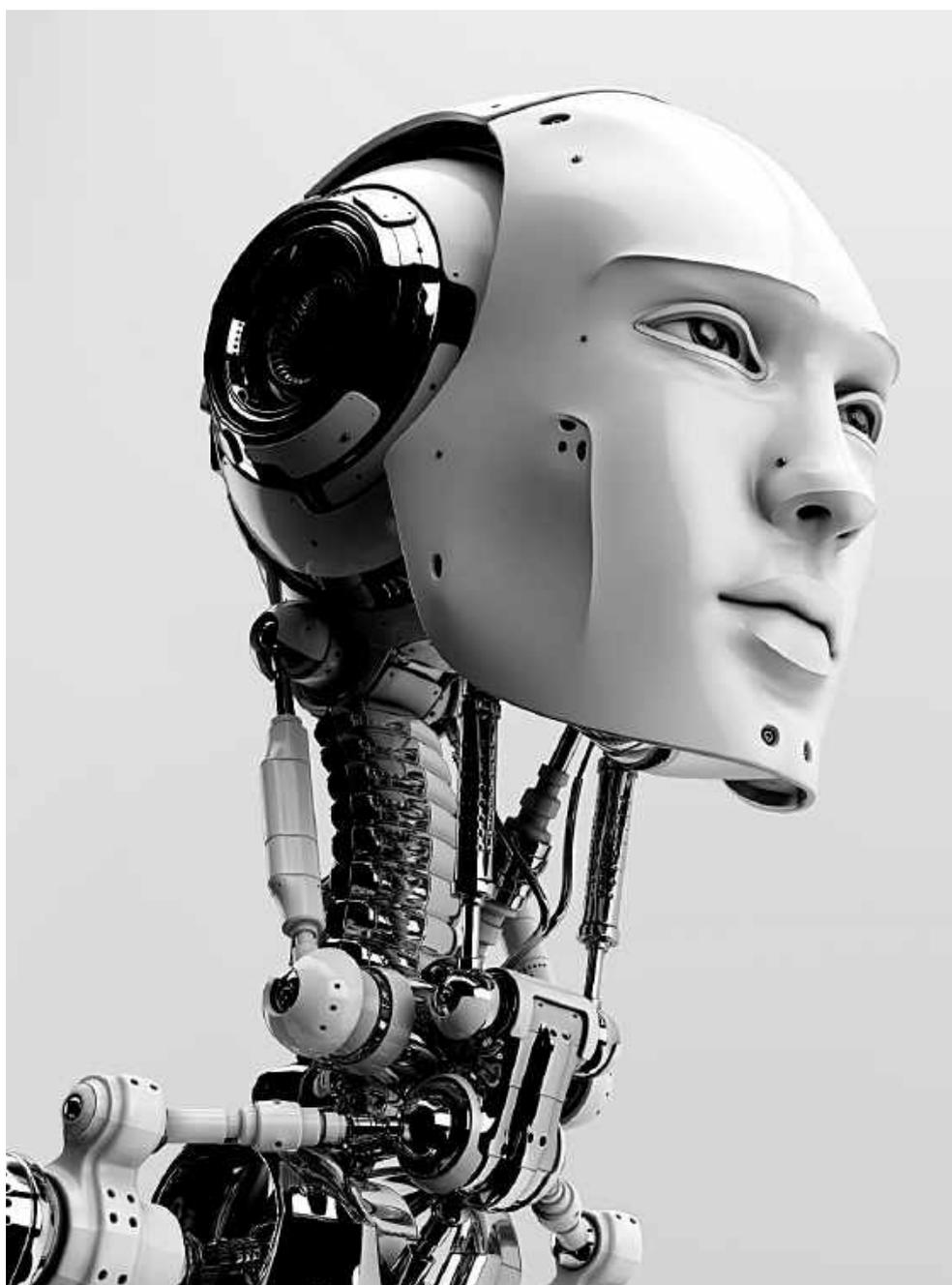
## **Does tokenization represent the Future of Venture Capital Investment?**

What if it was possible to use crypto assets to provide more security, more guarantees to the investors? What is digital assets could be used as a collateral to securely raise funds and ensure ROI and ROC? What if crypto-based ETP representing the combined value of investment funds portfolio could be used to extract then redistribute marginal value from the collective performance of the companies composing the investment fund portfolio. This is the questions we decided to answer when we decided to engage in the tokenization of Soya capital syndicated investment.

# INVESTING IN SOYA CAPITAL PORTFOLIO COMPANIES

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Soya capital invited a dozen of business angels and crypto investors to acquire a portion of the 500,000 shares reserved by the fund. The portfolio companies shares have their equivalent amounts converted into DC Future Access Tokens convertible at a predetermined investee's future equity related event (Series A, Series B, IPO). The digitalisation of the portfolio share into crypto assets is executed after the determination of a company pre-money valuation. The DC Future Acces Tokens can then be issued.



# Investment Process

*Soya Capital Process follow the following steps:*



1. Asset identification: as for every investment an evaluation of the value of the target company is made to define a valuation especially for assets that are not listed on any exchange.

2. Asset and confirmation of evaluation: upon finalization of the due diligence and evaluation phase, a Simple agreement for future access Token is issue with the reference of the investor or group of investors. The validation of the transaction then conduct to the generation of an a community of investor within Soya Capital domain on the Datachain Foundation network. A data wallet containing the investment related DC Future Access Tokens is attributed to every Members of Soya capital digital investor communities. Each pool of investors for a sub-community within Soya Capital own community.

Cash flow or equity: after the whole process is completed and after the vesting period has been fulfilled, or after the investees has reached the predetermined milestone (Series A, Series B, IPO, Valuation...) DC Future Access Tokens owner can convert theirs theirs digital assets into equity or trade it on a security compliant exchange, this process provides a extremely liquid collateral to investors while securing their investment in Soya capital investment opportunities.

You want to learn more about Soya Capital investment opportunities? Join us on 16th July for a webinar gathering experts from all over the world ready to talk about the Future of Venture Capitalism and the opportunity brings by the Tokenization Of Assets and how it applies to investment Syndication.



Get in touch with a global Investment Manager.

## CONTACT US

contact@soya.vc

+33 1 83 77 79 93

16, rue Washington

75008 Paris - France

VAT: FR18882281835