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# PIPO

## LIGHT PAPER

Pre-IPO Security Token Platform  
*Companies Before They Fly*

[pipo.vc](https://pipo.vc)

April 2026 | v1.4



## THE OPPORTUNITY

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Every year, the world's most promising companies go through an IPO, the moment where private value becomes public. Early investors in pre-IPO rounds consistently capture the largest gains: 5x to 20x returns are common for those who entered before the listing.

Yet access to pre-IPO equity has historically been restricted to venture capital firms, hedge funds, and ultra-high-net-worth individuals. Retail investors in emerging markets, the fastest-growing segment of global capital markets, are systematically excluded.

### PIPO changes this.

PIPO is a tokenized equity platform that provides structured, legally compliant access to pre-IPO companies through blockchain-based instruments. Investors in emerging markets can acquire economic exposure to private companies before their public listing, trade on a liquid secondary market, and convert to Nasdaq-listed equity at IPO.

*Positioning: Institutional-grade pre-IPO finance, accessible to everyone. Companies before they fly.*

### IMPORTANT DISCLAIMER

*All figures, share counts, valuation caps, token prices, conversion examples, return multiples, timelines, capital structures, fair-value trajectories, and financial projections in this document are purely illustrative and hypothetical. They demonstrate the mechanics of the PIPO platform for a representative higher-valuation issuer scenario only.*

## HOW IT WORKS

### The Instrument: SW (Share Subscription Warrant)

PIPO's core instrument is the Share Subscription Warrant (SW), a digital security token representing the right to purchase one share of the Issuer at a predetermined strike price. SW has a transparent, model-based valuation (Black-Scholes), making it suitable for secondary trading and CEX listing.

Each SW is issued by a Cayman Islands SPV under SEC Regulation S, ensuring full legal compliance for non-US investors. The SW is structured to satisfy the ASC 815-40 “**fixed-for-fixed**” test: each token entitles the holder to purchase a fixed number of shares (1) at a fixed strike price, preserving equity classification on the Issuer's balance sheet. There is no issuer-side cash settlement obligation, which further strengthens equity classification under ASC 815-40 and ASC 480.

Property	Detail
Token Type	Security token (Tokenized Warrant)
Standard	ERC-20 with programmatic transfer restrictions (whitelist-based compliance)
Compliance	Regulation S (non-US persons). Full KYC/AML. Geo-blocking for the US.
Redemption	Physical shares available at any time after Transfer Agent onboarding
Payments	USDC, USDT, or fiat wire

### Strike Price and Premium

The SW uses a fixed Strike Price model. The Strike Price is set once at the inception of the warrant series and remains constant across all placement rounds. What differs between rounds is the Premium (the price an investor pays to acquire the warrant itself).

- **Strike Price:** Fixed at issuance (e.g. \$2.00 per share). Identical for all holders regardless of entry round.
- **Premium:** Varies by round. T1 (anchor) investors pay the lowest premium, reflecting higher execution risk. T2 (strategic) investors pay a higher premium as project milestones are achieved.
- **Total Cost at Exercise:** Premium + Strike Price. This is the investor's all-in cost basis per share.

## TOKEN LIFECYCLE

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The SW token has a single, continuous lifecycle: pre-IPO secondary trading, exercise at or after IPO, and a permanent physical-share redemption pathway available throughout.

### Phase A: SW Token (Pre-IPO)

During Phase A, each token represents a warrant, the right to purchase one share of SPV1 at the fixed Strike Price (e.g. \$2.00). Once the PIPO secondary market launches (Phase 2, after DASP licensing), tokens are tradeable on the PIPO order book and, via the Compliance Perimeter, on approved CEX venues.

**Exercise before IPO:** SW tokens can be exercised at any time after the Transfer Agent is onboarded (American-style). The holder pays the Strike Price and receives registered shares of SPV1 via the Transfer Agent. However, pre-IPO shares are private and illiquid, so rational holders are expected to hold SW tokens and trade them on secondary markets rather than exercise early.

### Phase B: Exercise at IPO

At IPO, SW tokens do not automatically convert. They continue to trade on the PIPO platform and approved CEX venues as warrants on Nasdaq-listed shares. The warrant term extends for 24 months after IPO, giving holders ample time to exercise or trade.

Post-IPO, the SW's intrinsic value is directly observable: Nasdaq share price minus Strike Price, updated in real time. Holders can exercise at any point during the remaining warrant term, or continue to trade the token on secondary markets.

At IPO, SW holders have two exercise options:

- **Physical Exercise:** Pay the Strike Price (\$2.00) and receive Nasdaq-listed shares via the Transfer Agent, delivered to the holder's brokerage account. Standard DTC settlement applies.
- **Cashless Exercise:** Net exercise without paying the Strike Price. The holder receives a reduced number of shares calculated by the cashless formula. Shares are delivered to the holder's brokerage account.

### Cashless Exercise Formula

Shares per SW = (IPO Price – Strike Price) / IPO Price

**Cashless Exercise Example (Illustrative)**

Parameter	Value
Strike Price	\$2.00
IPO Price	\$6.67
Cashless Ratio	$(\$6.67 - \$2.00) / \$6.67 = 0.70$
SW held by investor	10,000
<b>Shares received (cashless)</b>	<b>7,000 shares</b>
<b>Value of share position (at IPO)</b>	<b><math>7,000 \times \\$6.67 = \\$46,690</math></b>

**Important:** The cashless ratio is calculated and published at the moment of IPO pricing. Holders are notified in advance of the exact exercise mechanics. This must be clearly disclosed in the Warrant Subscription Agreement at the time of primary placement.

*You don't have to wait for IPO. The Redemption Gate opens as soon as the Transfer Agent is onboarded. Physical shares are your uncapped exit. Your timing, your choice.*

## THE THREE PHASES

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### **Phase 1: Anchor & Strategic Placement (Months 1–6)**

Structured outreach to institutional, strategic, and high-net-worth investors. Subscription Agreements under Reg S with full KYC/AML. T1 Anchor investors (Months 1–3) receive SW tokens at the lowest premium with a stepped release schedule (25% unlocked per month starting Month 4). T2 Strategic investors (Months 3–6) enter at a higher premium reflecting reduced execution risk. In parallel, SPV2 (El Salvador) pursues its DASP license, the smart contract undergoes dual audit, and the PIPO platform is built for secondary market launch.

**Platform entity:** PlatformCo (SPV2, El Salvador) handles investor onboarding, KYC/AML, whitelist management, and data room from launch. These operational functions do not require a DASP license. The DASP license (expected Month 7) is required separately to operate the secondary market order book and settlement (Phase 2). PlatformCo does not act as agent of the Issuer, does not accept client funds, and does not conduct placement.

### **Phase 2: Order Book, Market Making & CEX Expansion (Months 7–11)**

Professional order book with an independent market maker providing two-sided liquidity. CEX listings on approved exchanges (e.g. Tier 3: CoinEx, Gate.io; Tier 2: KuCoin; Tier 1: Bybit) under the Compliance Perimeter framework. CEX listings multiply reach and trading volume while preserving Reg S compliance through the three-tier control model. Natural price appreciation as IPO probability increases and conversion economics become clearer.

### **Phase 3: IPO & Exercise (Month 12)**

Nasdaq IPO. SW holders choose between physical exercise (pay Strike Price e.g. \$2.00, receive shares) or cashless exercise (receive fewer shares, no payment required). Shares are delivered to the holder's brokerage account via the Transfer Agent and DTC.

Post-IPO, SW tokens continue to trade on the PIPO platform and approved CEX venues for 24 months. Holders choose when to exercise based on market conditions and personal preference. Unexercised warrants expire and are burned at the end of the warrant term.

## SECONDARY MARKET & COMPLIANCE PERIMETER

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### The Challenge

Maximizing token liquidity requires access to global crypto exchange infrastructure. However, PIPO tokens are security tokens subject to Regulation S and must not reach US persons. The Compliance Perimeter framework resolves this tension by separating economic exposure (tradeable on CEX) from securities settlement (only through PIPO's regulated platform).

### Three-Tier Compliance Architecture

The Compliance Perimeter operates through three concentric control layers:

#### Tier 1: Issuance (Fully Regulated)

All primary token issuance occurs exclusively through the PIPO platform under Regulation S, with full KYC/AML verification, non-US attestation, and legally binding Subscription Agreements. The ERC-20 smart contract enforces whitelist-based transfer restrictions: only wallets that have passed KYC on PIPO can receive tokens on-chain.

#### Tier 2: Secondary Trading (CEX with Geo-Blocking)

Tokens trade on approved CEX venues under formal Compliance Framework Agreements. CEX partners are contractually bound to:

- Geo-block US jurisdictions via IP detection, VPN screening, and residency verification.
- Maintain non-US person trading restrictions consistent with Reg S.
- Display mandatory risk disclosures and Reg S legends on all token trading pages.
- Provide monthly trading reports with jurisdiction data to PIPO compliance.
- Cooperate with PIPO for holder verification and regulatory inquiries.
- Accept immediate delisting provisions if compliance is breached.

Within CEXes, tokens trade on internal order books (off-chain). On-chain transfers (deposits and withdrawals) are governed by the ERC-20 smart contract's whitelist: only pre-approved wallets can send or receive tokens.

#### Tier 3: Redemption (PIPO Platform Only)

**This is the critical control point.** No holder can exercise warrants for shares without completing full KYC/AML verification and Reg S qualification on the PIPO platform. A person who acquires tokens on a CEX without a PIPO account holds economic exposure only; they can trade but cannot exercise any conversion, redemption, or governance rights.

## Legal Basis

This framework aligns with the SEC's January 2026 Statement on Tokenized Securities, which establishes that issuer-sponsored tokenized securities must maintain issuer control over ownership records, transfer approvals, and shareholder rights. PIPO maintains this control through:

- **Issuer-sponsored model:** Issuer (SPV1) directly issues and controls all tokens. No third-party synthetic exposure.
- **Whitelist-based transfer restrictions:** The ERC-20 smart contract maintains a whitelist of KYC-verified wallets. Any on-chain transfer to a non-whitelisted address is automatically reverted.
- **CEX omnibus wallets:** CEX partners hold tokens in whitelisted omnibus wallets. Internal CEX trading occurs off-chain. Withdrawal from CEX requires the destination wallet to be whitelisted on PIPO.
- **Reg S Rule 903/904 compliance:** Primary issuance is offshore to non-US persons (Rule 903). Secondary resales occur in offshore transactions with no directed selling efforts in the US (Rule 904).

*The token is the instrument of offshore secondary trading. The security is created only upon conversion through the compliance-verified Redemption Gate. This separation is the foundation of the Compliance Perimeter.*

## PRICING & FAIR VALUE TRAJECTORY

### How Token Value Grows

A SW's fair value is a function of: (1) the implied share price of the underlying company, (2) the Strike Price, (3) time remaining to expected IPO, (4) IPO probability, and (5) secondary market liquidity.

As the company progresses through milestones, IPO probability increases and time value compresses, driving the SW's market price upward toward its intrinsic value at IPO.

*Key advantage of this model: your upside is uncapped. If the company IPOs at \$400M instead of \$200M, your intrinsic value increases dollar-for-dollar with the share price above the Strike. And you don't have to wait for IPO – the Redemption Gate lets you exit for physical shares at any time after Transfer Agent onboarding.*

### Fair Value Trajectory (Illustrative)

Illustrative token fair value progression (assuming \$200M base-case IPO valuation):

Month	Phase	P(IPO)	Time Disc.	Liq. Disc.	FV (T1)	Range
M1-2	Phase 1 (T1)	55%	0.705	35%	\$1.18	\$0.30 (pri)
M3	Phase 1 (T2)	62%	0.769	25%	\$1.67	\$0.50 (pri)
M4-5	Placement T2	65-70%	0.79-0.82	20-15%	\$2.00	\$0.50-\$2.00
M6	pre-DASP	75%	0.839	10%	\$2.34	\$1.20-\$2.80
M7-8	Phase 2 opens	82%	0.877	5%	\$3.19	\$2.00-\$3.50
M9-10	Pre-IPO	90-93%	0.93	1-3%	\$3.89	\$2.80-\$4.50
M11-12	IPO	97-100%	1.00	0%	Converts	Equity

$FV(T1) = (IPO\ Price - Strike\ Price) \times P(IPO) \times e^{(-r \times t)} \times (1 - liq.\ disc.)$ . Assumes \$200M IPO, \$0.30 entry. Illustrative only.

### Supply Dynamics

Built-in deflationary mechanics reduce circulating supply:

- **Exercise & burn:** Every exercised SW is permanently burned.
- **MM return:** 500K tokens loaned to the independent market maker under a SW Loan Agreement for the full warrant term. Tokens are returned to Treasury upon warrant expiry (24 months post-IPO) or earlier termination of the Market Maker Agreement. Post-IPO, the market maker continues providing two-sided liquidity on the PIPO order book and approved CEX venues.
- **Expiry burn:** Unexercised SW expire and burn 24 months after IPO.

## LEGAL ARCHITECTURE

### Two-Entity Structure

PIPO operates through a streamlined two-company structure:

Entity	Role	Jurisdiction	Key Activities
SPV1	Issuer	Cayman Islands	Token issuance, Reg S compliance, primary placements, FPI pathway to Nasdaq
SPV2	Platform Operator & Licensed Trading Venue	El Salvador	Investor onboarding, KYC/AML, whitelist management, data room (from launch). DASP-licensed secondary market: professional order book, regulated trading, market making, custody coordination (Phase 2 onward)

SPV2 is incorporated concurrently with SPV1 and begins the DASP licensing process in El Salvador. From Day 1, SPV2 operates investor onboarding, KYC/AML verification, whitelist management, and the data room – functions that do not require a trading license. Once DASP-licensed (expected Month 7), SPV2 launches the regulated secondary market with a professional order book and market making.

### Regulation S Framework

The offering operates under SEC Regulation S, which permits offshore sales of securities to non-US persons. SPV1, as a Cayman Foreign Private Issuer (FPI) with zero US trading history, is expected to qualify for Category 1, the lightest compliance tier with zero Distribution Compliance Period.

All platform users undergo comprehensive KYC/AML verification. US persons are geo-blocked via IP detection, VPN screening, and residency verification. All CEX trading is governed by the Compliance Perimeter framework.

### ASC 815-40 Compliance: Equity Classification

The SW is structured to satisfy the “fixed-for-fixed” test under ASC 815-40: each token entitles the holder to purchase exactly 1 share at a fixed Strike Price (e.g. \$2.00). No anti-dilution adjustments, no variable conversion ratios, no issuer-side cash settlement obligation. This ensures equity classification on the Issuer’s balance sheet, eliminating mark-to-market volatility and removing a potential regulatory obstacle to Nasdaq listing.

## FPI Status Maintenance

SPV1's Foreign Private Issuer status under Exchange Act Rule 3b-4 is maintained through: (a) Cayman incorporation with non-US management and operations, (b) geo-blocking of US persons from token acquisition and redemption, (c) ongoing monitoring of beneficial ownership to ensure US residents do not exceed 50% of outstanding shares.

## Investor Protections

- **9.9% affiliate cap** enforced at smart contract level (on-chain) and monitored across CEX venues via Compliance Framework Agreements (off-chain).
- **All-holders mechanism:** secondary buyers are bound by original Warrant Subscription Agreement terms (exercise conditions, transfer restrictions, expiry).
- **Independent market maker (Phase 2):** no affiliation with Issuer. Prevents price manipulation.
- **Third-party custody (Fireblocks):** segregated, insured, institutionally managed.
- **Redemption Gate:** holder-initiated exit via physical shares (uncapped) at any time after Transfer Agent onboarding.

## ROADMAP

Month	Phase	Key Activities	Gate
M1	Legal + T1 BD	US counsel engaged. SUSMI requested. DASP application filed (El Salvador). SPV2 incorporated. PCAOB engaged. T1 BD outreach.	SPV2 incorporated
M2	T1 Close	Smart contract (ERC-20 + whitelist) + audit. PCAOB opinion on equity classification. T1 subscribed.	\$750K raised
M3	T2 Opens	T&Cs finalized. T2 subscriptions begin. SUSMI opinion received.	\$2.5M target
M4-6	T2 Close	Platform ToS. Geo-blocking live. KOL/marketing activation (non-US only).	Platform live
M7	Phase 2 Launch	DASP received. MM contracted. Order book active. Tier 3 CEX applications + Compliance Framework Agreements.	DASP in hand
M8-9	Phase 2 Growth	Tier 3 CEX live under Compliance Perimeter. Tier 2 CEX applications. Volume growth.	\$200K+/day vol
M10-11	Pre-IPO	F-1 filed. Tier 2 CEX live. IPO road show. Exercise election notices (physical vs cashless).	F-1 effective
M12	IPO	Nasdaq IPO. SW exercise window opens (24-mo post-IPO term). SW continues trading on CEX.	LISTED

## TECHNOLOGY & INFRASTRUCTURE

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### Security & Custody

- **Fireblocks:** MPC (Multi-Party Computation) custody. HSM-backed key management. Insurance coverage. Third-party custody eliminates single-point-of-failure risk.
- **Gnosis Safe:** 3-of-5 multi-sig for critical operations (treasury management, contract upgrades).
- **Proof of Reserves (Post-IPO planned):** Real-time on-chain verification dashboard showing outstanding warrants, exercised tokens, and burned supply.

### Smart Contracts

- **Token smart contract (Month 2):** ERC-20 on Base (Coinbase L2) with whitelist-based transfer restrictions, 9.9% affiliate cap, pause functionality, and CEX omnibus wallet whitelisting. Dual audit (Trail of Bits / OpenZeppelin class).
- **Exercise Contract (Pre-IPO):** Manages warrant exercise queue, interfaces with Transfer Agent API, burns exercised SW tokens, records share allocation.
- **Price oracle contract (Post-IPO):** Feeds real-time Nasdaq share price to calculate SW intrinsic value for market maker and order book pricing.
- **Exercise escrow contract:** Locks and burns SW tokens upon exercise. Interfaces with Transfer Agent for T+1 share delivery via DTC.

### Compliance Technology

- **KYC/AML:** SumSub integration. Non-US attestation at registration + each transaction.
- **Geo-blocking:** Cloudflare + MaxMind GeoIP2. VPN/proxy detection. US fully blocked.
- **Whitelist enforcement:** Smart contract whitelist maps every approved wallet to a KYC-verified identity.
- **Chain analytics:** Transaction monitoring and suspicious activity detection.
- **CEX Compliance Monitoring:** Monthly jurisdiction reports from CEX partners.

## RISK FACTORS

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Investing in PIPO tokens involves significant risks. Prospective investors should carefully consider the following:

- **IPO is not guaranteed.** The warrant may expire worthless if the company does not complete an IPO or other qualifying event within the warrant term.
- **Warrant may expire out-of-the-money.** If the IPO price is at or below the Strike Price, the cashless exercise yields zero shares. The investor loses the entire premium paid.
- **Token value may decline.** Secondary market prices are determined by supply and demand. Tokens may trade below the purchase premium.
- **Regulatory risk.** Securities regulations may change. New laws in any jurisdiction could restrict or prohibit token trading.
- **Liquidity risk.** Secondary market may have insufficient volume, particularly in early phases.
- **Smart contract risk.** Despite dual audits, smart contracts may contain vulnerabilities.
- **CEX counterparty risk.** Tokens held on CEX are subject to the exchange's operational and solvency risk.
- **Reclassification risk.** If the warrant structure is found to not satisfy ASC 815-40, reclassification from equity to liability would negatively impact the Issuer's financial statements.
- **Exercise infrastructure risk.** Share delivery upon exercise depends on Transfer Agent and DTC infrastructure availability and processing times.

*This document does not constitute an offer to sell or a solicitation of an offer to buy securities. Tokens are offered only under Regulation S to non-US persons in offshore transactions. All investments carry risk of total loss.*

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All return projections are illustrative and depend on actual IPO valuation.

**v1.4 | April 2026**