

How AI Is Reshaping The Structure Of Crypto Venture Deals

By **Lewis Rinaudo Cohen and Brian Farber** (October 8, 2026, 4:32 PM EDT)

Artificial intelligence continues to attract capital on a scale few crypto businesses can match. In August, data and AI company Databricks raised \$5 billion in a single round,[1] while crypto projects collectively raised \$1.58 billion in disclosed venture funding, according to CryptoRank.[2] In July, AI companies received approximately 63% of global venture funding.[3]

The composition of crypto capital has also changed. The largest checks in crypto are now written by institutional investors and established financial firms that favor revenue-generating businesses and institutional-grade products.[4] More venture capital is also flowing to later-stage rounds, and the public listings of Circle, Securitize and Figure have reopened an equity exit path that did not meaningfully exist a few years ago.[5]

The immediate result is that more crypto founders are choosing between two very different approaches to raising capital, often without fully considering the legal consequences. Token fundraising is not going away, and some investors expect it to remain a complement to conventional venture funding.[6]

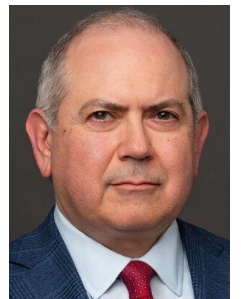
In August, the U.S. Securities and Exchange Commission proposed Regulation Crypto Assets, including new exemptions for certain offerings involving crypto-assets and a conditional safe harbor from the term "investment contract." [7]

However, a founder building at the intersection of crypto and AI is now more likely to face a term sheet for preferred stock. That choice affects not only economics, but also governance and the company's flexibility if it later decides to launch a token.

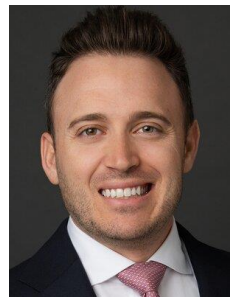
Two Capital Formation Regimes

The conventional venture model utilizes equity, as investors purchase preferred stock or simple agreements for future equity in a domestic corporation, and with their capital come the familiar accompaniments of institutional investment, including board representation, protective provisions for investors, information rights, and a governance structure oriented toward an eventual sale or public offering.

Value accrues to the enterprise rather than to a network, and the securities law analysis is generally more familiar.



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Token financing developed because conventional venture instruments were not built for projects whose value was expected to accrue to a blockchain-based token rather than company shares. Those projects needed a way to sell future token exposure before the token existed. The simple agreement for future tokens, or SAFT, introduced in 2017, promised delivery of tokens upon launch.

Token warrants and side letters, which are typically issued alongside an equity instrument, largely supplanted SAFTs in later cycles, granting investors a right to acquire tokens if and when they were created.

These structures ordinarily involved multiple entities, with a development company holding the intellectual property and an offshore foundation or special purpose vehicle handling token deployment and governance. This approach allowed broad distribution to users as well as deferred token valuation, and it generally conferred fewer investor governance rights.

Why AI Pulls Deals Toward Equity

Several forces are moving AI-adjacent crypto companies toward an equity fundraising model. One is the source of the capital. The institutional investors driving the current AI funding cycle transact overwhelmingly in equity, and their appetite for token structures has been limited.

In commentary on the 2025 market, the Andreessen Horowitz venture capital fund known as a16z crypto noted a return to business models built on transaction fees and volume rather than token economics.[8] A founder seeking a large check from that pool of capital will generally find that the term sheet contemplates preferred stock.

AI business models also tend to favor equity. Companies applying AI to trading infrastructure, payments, data services or compliance tend to generate revenue in ways that early protocol projects did not, which permits diligence on fundamentals rather than on token narratives.

Where the business itself generates the value, equity is generally the more natural fit, and a token becomes a product choice rather than a financing necessity.

Scale matters too. AI businesses are capital intensive, and the largest checks generally come from institutional investors whose funds and mandates are built around equity.

That shift is legally consequential because preferred stock brings contractual governance rights and can create fiduciary law questions if a later token launch shifts value or decision-making away from the company.

What Founders Gain and What They Give Up

Equity offers advantages beyond access to a deeper capital pool. It also avoids the still-unsettled securities treatment of tokens.

Courts analyzing SAFT-based fundraisings have treated the purchase agreement and the anticipated token distribution as a single integrated scheme for securities law purposes, an approach that produced adverse rulings in the U.S. District Court for the Southern District of New York in 2020's SEC v. Telegram Group Inc. and SEC v. Kik Interactive Inc. and that continues to inform how counsel evaluate token-based raises.[9]

The joint interpretation and guidance issued by the SEC and the U.S. Commodity Futures Trading Commission in March brought welcome clarity to the classification of crypto-assets themselves, while leaving open important questions on the status of transactions involving these assets.[10]

Regulation Crypto Assets would create new pathways for token offerings, but it is not yet final, and many institutional investors may still prefer the established framework for conventional equity.

But choosing equity also means giving up some of the advantages that made token financing attractive in the first place. Broad token distribution puts the asset in users' hands and can generate network effects that equity ownership cannot. Deferring token valuation can preserve flexibility that a priced equity round does not. The biggest difference may be governance.

A token round historically imposed few of the controls that accompany institutional preferred stock, while an equity round brings board seats, consent rights over fundamental transactions and ongoing information obligations.

Founders accustomed to the autonomy associated with token-based fundraising are sometimes unprepared for how much of the company they have contracted away before the token question even arises.

The Hybrid Trap

Many founders try to preserve both options, raising equity or a simple agreement for future equity today while granting investors a token warrant or side letter exercisable if a token is later launched. That approach can make sense, but it often pushes difficult questions into the future, when they may be harder to resolve.

This structure gives investors both equity exposure and future token rights, with the allocation of value between the two often left to a formula negotiated before anyone knows what the token will be or do. The later token launch must also avoid creating the same securities law issues that the equity financing was meant to avoid, even though financial investors already hold contractual token rights.

The hybrid model can also create a governance problem that standard venture documents rarely address. Once a token exists alongside investor-held equity, value can migrate between the two instruments, and decisions about token supply, treasury management and protocol economics can favor one class of holder over the other.

Consider a company whose ecosystem token is live, whether issued by the company itself or by an affiliated foundation, while institutional investors still hold preferred stock in the operating company. When the community proposes directing protocol fees to token holders, a question that has surfaced publicly in "fee switch" debates at several major protocols, every dollar routed to the token is a dollar that never reaches the company whose equity those investors hold.[11]

The directors those investors appointed must then decide the question, even though the funds that appointed them may have substantial economic exposure to the token. Delaware fiduciary law provides an analogy in its treatment of conflicts between preferred and common stockholders, but that analogy does not by itself resolve a token-versus-equity conflict.[12]

Most hybrid financing documents do not address this conflict directly, either. A token warrant can

therefore postpone the hardest questions until after launch, when the parties may have very different economic interests.

Choosing Deliberately

Token financing is not obsolete. Projects whose value accrues to a decentralized network will continue to use tokens, and the regulatory environment is clearer than it was in prior cycles.

However, for a growing category of companies, particularly those building revenue businesses at the intersection of crypto and AI, the capital most readily available now comes with an expectation of conventional venture equity. Those founders are making an important structural choice, sometimes without proper scrutiny. Early financing documents can set a company's governance and tax path for years.

Too often, that path is dictated by the first investor rather than chosen deliberately. The key is to make that choice before the financing documents make it difficult to reverse.

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[1] See Gené Teare, Global Venture Funding Jumps 122% In August As Streak Of Billion-Dollar Deals Continues, Crunchbase News (Sept. 3, 2026), <https://news.crunchbase.com/venture/global-funding-billion-dollar-deals-august-2026/> (reporting Databricks' \$5 billion August financing).

[2] See CryptoRank, Crypto Fundraising in August 2026 (Sept. 3, 2026), <https://cryptorank.io/insights/reports/crypto-fundraising-in-august-2026> (reporting \$1.58 billion in disclosed venture funding across 28 rounds with disclosed values; excluding YZi Labs residency allocations).

[3] See Gené Teare, A Record 13 Billion-Dollar Rounds In July Pushed Venture's Historic Run Higher, Crunchbase News (Aug. 4, 2026), <https://news.crunchbase.com/venture/data-billion-dollar-rounds-set-global-funding-record-july-2026/> (reporting that AI-focused companies received approximately 63% of global venture funding in July 2026).

[4] See Silicon Valley Bank, Future of Crypto: 5 Crypto Predictions for 2026 (Dec. 23, 2025), <https://www.svb.com/industry-insights/fintech/2026-crypto-outlook> (describing increased institutional engagement, continued growth in late-stage crypto venture funding and demand for institutional-grade products). See Thaddeus Pinakiewicz, Crypto and Blockchain Venture Capital – Q2 2026, Galaxy Research (Sept. 16, 2026), <https://www.galaxy.com/insights/research/crypto-blockchain-venture-capital-q2-2026-deal-count-fundraising> (reporting that later-stage companies captured 78.3% of capital invested in Q2 2026).

[5] See Thaddeus Pinakiewicz, *Crypto and Blockchain Venture Capital – Q2 2026*, Galaxy Research (Sept. 16, 2026), <https://www.galaxy.com/insights/research/crypto-blockchain-venture-capital-q2-2026-deal-count-fundraising> (reporting that later-stage companies captured 78.3% of capital invested in Q2 2026). See also Silicon Valley Bank, *Future of Crypto: 5 Crypto Predictions for 2026* (Dec. 23, 2025), <https://www.svb.com/industry-insights/fintech/2026-crypto-outlook> (observing that successful IPOs from Circle, Figure and other blockchain-native companies reopened the equity window for the sector). See Press Release, Securitize, *Securitize Completes Business Combination with Cantor Equity Partners II* (July 1, 2026), <https://investors.securitize.io/news/news-details/2026/Securitize-Completes-Business-Combination-with-Cantor-Equity-Partners-II/default.aspx> (announcing completion of the business combination and commencement of NYSE trading under ticker SECZ on July 2, 2026).

[6] See Yogita Khatri, *Top Crypto VCs Share 2026 Funding and Token Sales Outlook*, The Block (Jan. 4, 2026), <https://www.theblock.co/news/deals/2026-01-04-top-crypto-vcs-share-2026-funding-and-token-sales-outlook-384209> (reporting Robot Ventures' Anirudh Pai's expectation that token fundraising would expand while stronger projects would pair it with venture backing, and other investors' differing views on token sales).

[7] See Regulation Crypto Assets, Securities Act Release No. 33-11434, Exchange Act Release No. 34-106150, 91 Fed. Reg. 54,510 (proposed Aug. 21, 2026), <https://www.sec.gov/rules-regulations/2026/08/s7-2026-27> (proposing a startup exemption for offerings of up to \$5 million during a four-year period, a fundraising exemption for offerings of up to \$75 million during each 12-month period and a conditional safe harbor from the term "investment contract").

[8] See Khatri, *supra* note vi (reporting a16z crypto general partner Arianna Simpson's observation that the 2025 market favored businesses built on transaction fees and volume rather than token economics).

[9] See SEC v. Telegram Grp. Inc., 448 F. Supp. 3d 352, 379–81 (S.D.N.Y. 2020) (holding that the purchase agreements and anticipated distribution of Grams were part of a single scheme involving an unregistered securities offering). See also SEC v. Kik Interactive Inc., 492 F. Supp. 3d 169, 182-83 (S.D.N.Y. 2020) (holding that the private pre-sale and public Token Distribution Event were integrated and together constituted an unregistered offering of securities).

[10] See Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets, Securities Act Release No. 33-11412, Exchange Act Release No. 34-105020, 91 Fed. Reg. 13,714 (Mar. 23, 2026), <https://www.sec.gov/rules-regulations/2026/03/s7-2026-09> (setting out the SEC's interpretation of how the federal securities laws apply to certain crypto assets and transactions and CFTC guidance under the Commodity Exchange Act).

[11] See Uniswap Governance, *Making Protocol Fees Operational* (May 2023), <https://gov.uniswap.org/t/making-protocol-fees-operational/21198> (discussing legal and tax concerns surrounding activation of Uniswap's fee switch). See Aave Governance, *Fee Switch Implications for Securities Status* (June 19, 2025), <https://governance.aave.com/t/fee-switch-implications-for-securities-status/22384> (discussing whether directing protocol revenue to AAVE holders could affect securities status).

[12] See *In re: Trados Inc. S'holder Litig.*, 73 A.3d 17, 35-36, 39-41 (Del. Ch. 2013) (explaining that directors owe duties to the corporation and its stockholders and that preferred stockholders' contractual rights do not displace the board's duty to pursue the best interests of the corporation and its common stockholders).