

The Case for Standardized Private Markets

A Vex Platform Whitepaper

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The Problem

Private equity outperforms. The data is not close.

A dollar invested in private equity in 2015 grew to \$3.96 by 2024. The same dollar in the S&P 500 grew to \$3.51. In the MSCI World, \$2.61 (Hamilton Lane 2025 Market Overview).

Over a longer horizon the gap widens. Since 2000, private equity has returned 13% annualized versus 8% for public equities on the Russell 3000. Compounded over 24 years, that spread produces a 19.9x net return for PE versus 6.6x for public markets (Hamilton Lane 2025). Top two quartile PE funds have continued to deliver excess returns net of all fees, including carry (KKR).

The question is why.



Figure 1: PE vs Public Returns

The public penalty

Being a public company is expensive.

SOX compliance alone averages \$2.3 million per year and 15,580 staff hours (KPMG 2025 SOX Survey). Over 50% of public companies report those costs increasing year over year (GAO). They buy no product improvement, no customer acquisition, no competitive advantage.

The number of U.S. public companies has dropped 50% since the 1990s (Columbia Business School). Median revenue at IPO is now \$218 million. Over 1,200 unicorns are choosing to stay private (CNBC).

But the public penalty is not only compliance costs. It is quarterly earnings pressure from analysts who penalize long term investment. It is governance structures optimized for liability avoidance rather than value creation. It is boards that exist to prevent innovation rather than enable it. Companies that go public surrender operational freedom in exchange for access to capital markets and liquidity. The best companies have decided that trade is no longer worth making.

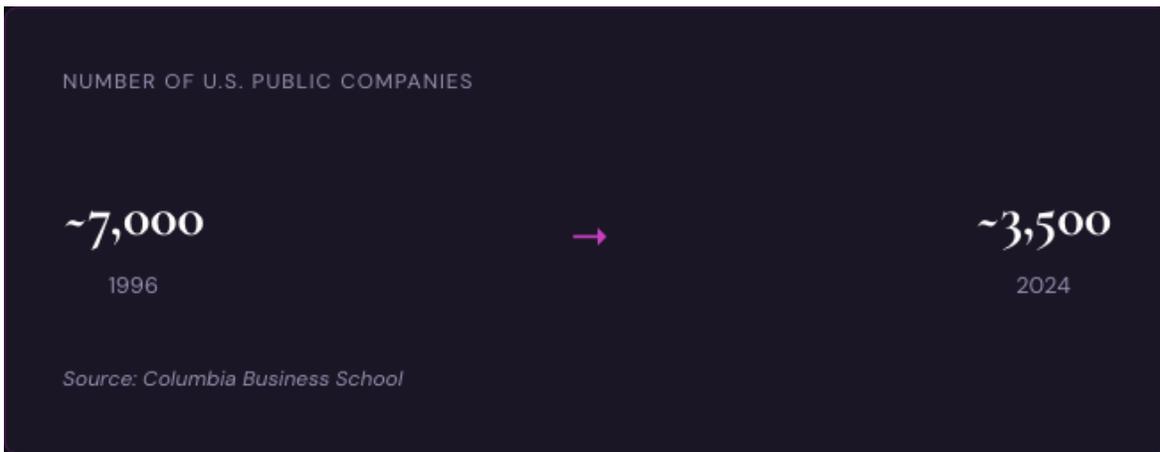


Figure 2: Public Company Decline

The most valuable companies stay private longer, which means more of the value creation happens before any public investor can participate.

The private penalty

Capital goes in. It does not come out.

Five year rolling DPI (distributions to paid in capital) (the cash LPs have actually gotten back), hit its lowest recorded level in 2025 (McKinsey Global Private Markets Report 2026). Distributions as a percentage of AUM fell to 6% in the first half of 2025, compared to the 2015 to 2019 average of 16% (McKinsey). Average buyout hold periods reached 6.6 years, the highest in two decades (McKinsey). The median fund launched in 2019 had DPI of just 22% at the five year mark.

These are not edge cases. GPs routinely keep capital locked for 12+ years. Some funds are over a decade in with DPI under 0.5x. LPs committed capital expecting 7 to 10 year fund lives and are now receiving distributions on a timeline that looks more like 12 to 15.

No liquidity means no ability to rebalance. No price discovery means no ability to value your portfolio accurately between quarterly marks. No portability means you cannot move your position when your thesis changes, your allocation targets shift, or your institution needs the capital for something else. You are locked in.

LPs are already telling you this is broken

The clearest signal that private market structure is failing its investors is the secondaries market. In 2025, secondaries volume hit \$240 billion, up 48% year over year (McKinsey/Jefferies, CAIS).

They are selling positions at discounts to NAV, paying transaction costs, and accepting information asymmetry, all because the underlying fund structure offers no exit.

When investors spend \$240 billion per year working around your product's limitations, you do not have a liquidity problem. You have a structural problem.

Platforms exist that let you sell PE positions on secondary markets. But they inherit the same structural problems: one-off bilateral transactions, NAV discounts, information asymmetry, weeks to settle. They make it easier to exit. They do not make the position liquid. A liquid position has continuous price discovery, instant settlement, and no counterparty negotiation. A secondary sale is still just a negotiated exit with fewer phone calls.

The thesis

Private equity can outperform public equity because many of the best companies stay private. But accessing those returns means accepting the private penalty: illiquidity, opacity, lock up.

You can have the liquidity, price discovery, portability, and access of public markets without the regulatory overhead that drives companies private in the first place. The 3(c)(7) exemption from registration under the Investment Company Act of 1940 is the regulatory vehicle: a federal exemption that lets investment funds operate without the regulatory overhead of public funds, as long as every investor meets a wealth threshold. When every SPV follows the same structure, the same terms, and the same data model, positions become fungible. Fungibility enables a market. A market enables price discovery. Price discovery enables liquidity.

The Vex Model

Vex standardizes four layers of the private equity stack.

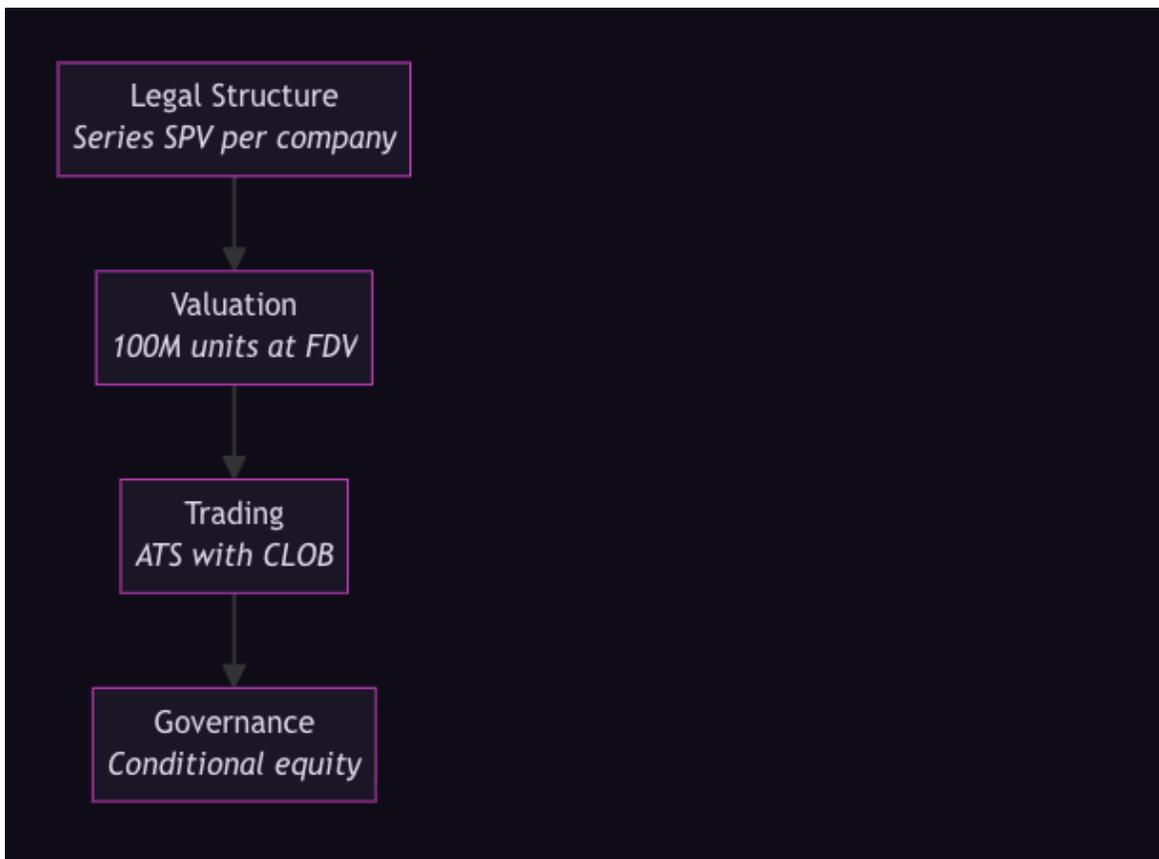


Figure 3: Diagram

Legal Structure

Every position on Vex is a unit in a Series SPV (special purpose vehicle). Each Series holds equity in one private company. One entity type. One set of docs. One compliance framework.

New Series launch in weeks, not months. The structure scales horizontally: each new company is a new Series, not a new fund.

Valuation

Every position has one price, based on the current valuation of the underlying company.

Every company is 100 million units at fully diluted value (“FDV”). One unit equals one hundred-millionth of FDV. A Series targeting 2% of FDV issues 2 million units.

Unit price equals implied FDV. If units clear at \$0.50, FDV is \$50M. If \$2.00, FDV is \$200M.

No preference stacks. No liquidation waterfalls. No anti-dilution provisions. One number, one unit, one price.

The tradeoff is real: you give up the downside protection of preferred terms. The argument: continuous price discovery and liquidity are worth more than contractual protections that only matter in scenarios where you cannot exit anyway.

Trading

You can sell your position to any qualified buyer on the order book. Settlement is instant.

Units trade on a SEC-registered Alternative Trading System (“ATS”) operated by Vex Securities LLC (CRD #317371, FINRA/SIPC member). Two mechanisms: Dutch auctions for demand aggregation and a continuous limit order book (“CLOB”) for secondary trading. Settlement is atomic delivery versus payment.

What trades on the ATS are units in the Series, not the underlying company equity. The Series holds the equity. Transfer restrictions live at the SPV level, not the unit level. Unit transfers carry no company-level right of first refusal, no board approval, no 90-day notice period.

Governance

Instead of fighting for a board seat, you trade on what you think a decision is worth. Conditional equity replaces control rights.

Both sides of a governance question (e.g., “company pivots to B2C before Q4” versus “company does not pivot”) are represented by conditional unit classes. Both are real equity denominated in the same 100M unit standard. If your outcome happens before the deadline, your units convert to standard regular units. If the other outcome happens, your units expire worthless.

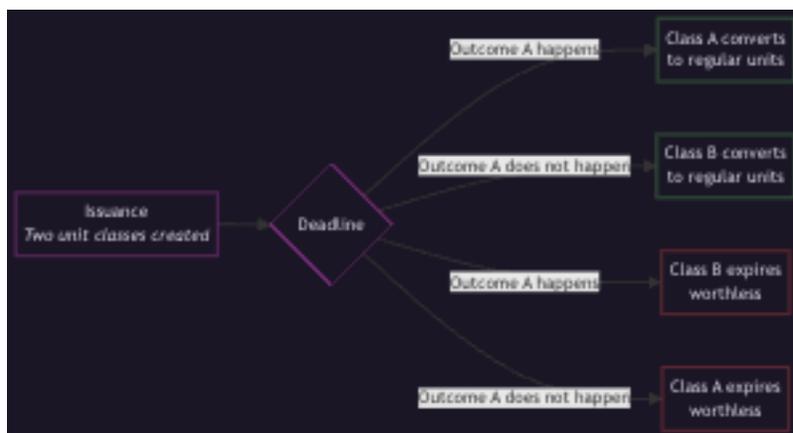


Figure 4: Diagram

The relative price of the two classes is the market's probability estimate and implied valuation under each scenario. Everyone is long the company. Nobody is short the equity. But holders can be short a particular decision.

Management gets a direct price signal on what the market thinks their decisions are worth. No one needs a board seat because the market is doing the governance work.

Conditional equity is simpler than a liquidation waterfall. Two outcomes, binary conversion, transparent pricing.

For a full walkthrough of how this works in practice and what it replaces, see Governance Without Board Seats.

Warehousing

Existing shareholders of a company can convert their private shares into fund units. The Series issues new units as consideration to acquire the shares. The shareholder gets liquid, tradeable units on the CLOB with access to governance markets. The fund increases its position in the underlying company.

This is a conversion, not a sale. The shareholder moves from illiquid private stock with no exit to liquid units with continuous price discovery. The cost is the fund's 1% annual fee (see below). For a shareholder sitting on restricted stock with no market, that's a fraction of the 20% discount they'd pay selling through back-channel secondary deals today.

How It Works

The Private Beta

The platform launches with early access for Qualified Purchasers.



Figure 5: Diagram

1. Target

Vex identifies a venture-funded company and a target ownership percentage. Say 2% of FDV, which equals 2 million units in the 100M unit standard.

2. Auction

Qualified purchasers bid on units in a Dutch auction. The auction clears at a uniform price. This is demand aggregation: buyers come first, and the fund forms from their conviction.

3. Fund Formation

The auction creates a Series SPV. Cash raised is the fund's capital.

4. Deployment

Vex Capital deploys the cash to acquire equity in the target company through both primary channels (buying directly from the company) and secondary channels (buying from existing shareholders, employees, and early investors who want liquidity). The company does not need to initiate anything.

5. Secondary Trading

Once the Series holds equity, units trade on the CLOB. Price discovery is continuous. The \$240B secondary market exists because LPs need liquidity that traditional fund structures refuse to provide. Vex makes liquidity the default.

6. Exit

Sell units on the CLOB. Settlement is immediate. No lockup. No GP approval.

The Full Platform

When a fund is fully allocated and trading actively, it graduates to the full platform.

Broader access. The QP minimum goes away. Accredited investors can participate. The addressable market expands from qualified purchaser households to the broader population of accredited investor households.

Warehousing. Existing shareholders of a company can convert their private shares into fund units. The fund issues new units as consideration, acquiring additional equity. The shareholder gets liquidity. The fund grows its position. No back-channel deal required.

Governance markets. Conditional unit classes tied to corporate decisions become available. Holders can express a thesis on specific governance outcomes, not just on the company. Management gets a real-time price signal on what the market thinks their decisions are worth.

Public advertising. The platform can actively market to Vex platform users instead of relying on pre-existing relationships. QPs still get early access to every new company through the private beta auctions before graduation.

Fees

No carried interest. The fund management fee is 1% per year, paid in unit dilution, starting 12 months after auction close. Compare that to the industry standard 2/20, where a 2% management fee compounds every year regardless of performance and 20% carry comes off the top of any gains.

When Vex Securities deploys capital to acquire equity for the fund (through secondary purchases or primary issuance), the broker-dealer charges a 5% commission on the transaction. This is paid by the selling shareholder, not by fund investors.

ATS matching fees for secondary trading on the CLOB will be published before the platform opens for trading.

Vex Capital covers fund expenses during the initial period. After the full platform launches, expenses come out of the 1%.

Governance Without Board Seats

Say, you hold units in a \$2B SaaS company. The CEO announces a pivot from SMB to enterprise. You think that is the right call. Another holder disagrees. Today, the only way to express that view is a board seat you will never get, or a side letter no one reads.

On Vex, both views trade.

How it works in practice

As described in The Vex Model, Vex uses conditional equity to turn governance questions into tradeable positions. Two conditional unit classes are created: one representing “the company pivots to enterprise” and one representing “the company does not pivot.” Both are real equity, denominated in the same 100M unit standard. Both trade on the order book.

If the pivot happens before the deadline, the first class converts to standard regular units. The second class expires worthless. If the pivot does not happen, the reverse occurs.

The relative price of the two classes tells you everything. If “pivot” units trade at \$1.20 and “no pivot” units trade at \$0.80, the market is pricing a 60% probability that the pivot happens, and it is pricing the company higher under that scenario. That is not an opinion. It is capital at risk.

What this replaces

Traditional private market governance runs on three mechanisms, none of which work well. Board seats go to the largest LPs and are limited by the number of seats available. LP advisory committees are non-binding: management can listen politely and do whatever they want. Side letters are bilateral, opaque, and create misaligned incentives across the investor base.

They give a small number of large investors an illusion of influence while providing no actionable signal to management about what the broader market actually thinks.

Why management should want this

Conditional equity gives management something no board meeting can: a real-time, dollar-weighted signal on what the market thinks their decisions are worth. Management does not need to commission surveys, parse advisory committee minutes, or

guess whether the largest LP's objection represents the investor base or just one allocator's house view. The price tells them.

The mechanism is the market itself. There are no activist campaigns because there is no need for one. If holders think a decision destroys value, the price of the corresponding conditional class drops. Management sees it immediately. The signal updates with every trade and is visible to everyone.

What this is not

This is not a hostile governance tool. Everyone holding conditional units is long the company. Nobody is short the equity. Holders can disagree about a specific decision while remaining aligned on the company's success. The market resolves the disagreement. The company keeps moving.

What Comes Next

What exists today

Units on the ATS are book entries maintained by Vex Registry, an SEC-registered transfer agent. Cash moves via Solana USDC and Mercury wire. Settlement happens at the transfer agent level. Every trade is a real transfer of ownership recorded in the authoritative ledger.

This is a functioning market. It works now.

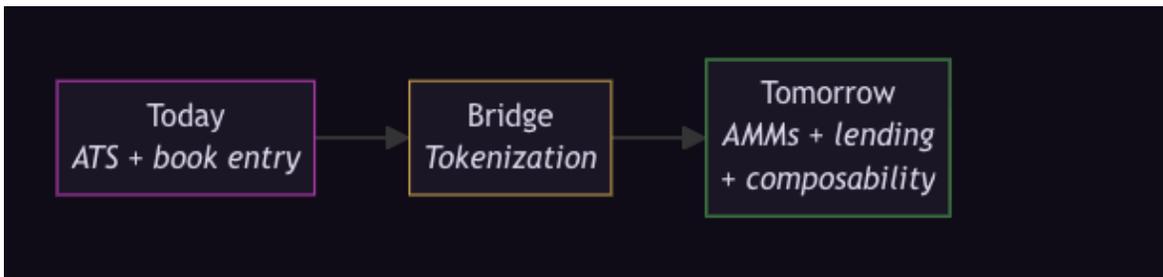


Figure 6: Diagram

Tokenization is the bridge

The next step is representing those same units as on-chain tokens. Ownership remains authoritative at the transfer agent. The token is a portable representation, a receipt that can interact with other systems while the legal record stays where regulators expect it.

This is not a philosophical shift. It is a distribution upgrade. The same units, the same legal structure, the same compliance framework, the same fee structure, but now readable by any system that speaks the token standard. Tokenized units remain subject to the fund's 1% annual management fee, and all transfers settle through the ATS.

What tokenization enables

AMM liquidity supplementing the order book. Automated market makers provide continuous liquidity for units that might otherwise sit idle between trades. The CLOB handles price discovery. The AMM handles availability. Both run simultaneously.

Lending against tokenized units. Private market margin lending without prime brokerage. If your units are tokenized and priced continuously, a lending protocol

can accept them as collateral. This is the single largest unlock for institutional allocators who currently treat PE positions as dead capital.

Composability. Third parties bundle standardized units into indices, baskets, or structured products. When every position follows the same unit standard and the same legal structure, combining them is trivial. A “top 20 venture” basket becomes as simple to construct as an ETF.

Cross-chain settlement. Solana today. Portable to wherever liquidity concentrates tomorrow.

The regulatory path is clearing

The GENIUS Act, signed into law in 2025, provides federal clarity on stablecoin settlement. SEC custody modernization guidance issued in December 2025 addresses how registered entities can hold digital assets.

The numbers

\$33 billion in tokenized real world assets as of October 2025, with the World Economic Forum projecting that tokenization will reshape how financial assets move globally. 11% of PE participants are actively considering tokenization of secondary interests.

Who builds the infrastructure that connects tokenization to real legal ownership, real compliance, and real settlement?

Why Now

Three forces are converging.

The liquidity crisis is acute

Secondaries volume hit \$240 billion in 2025, up 48% year over year. Five year rolling DPI hit its lowest recorded level. Distributions as a percentage of AUM fell to 6% in early 2025, less than half the 2015 to 2019 average of 16%. Average buyout hold periods reached 6.6 years, the highest in two decades.

\$240 billion per year in secondaries is revealed preference.

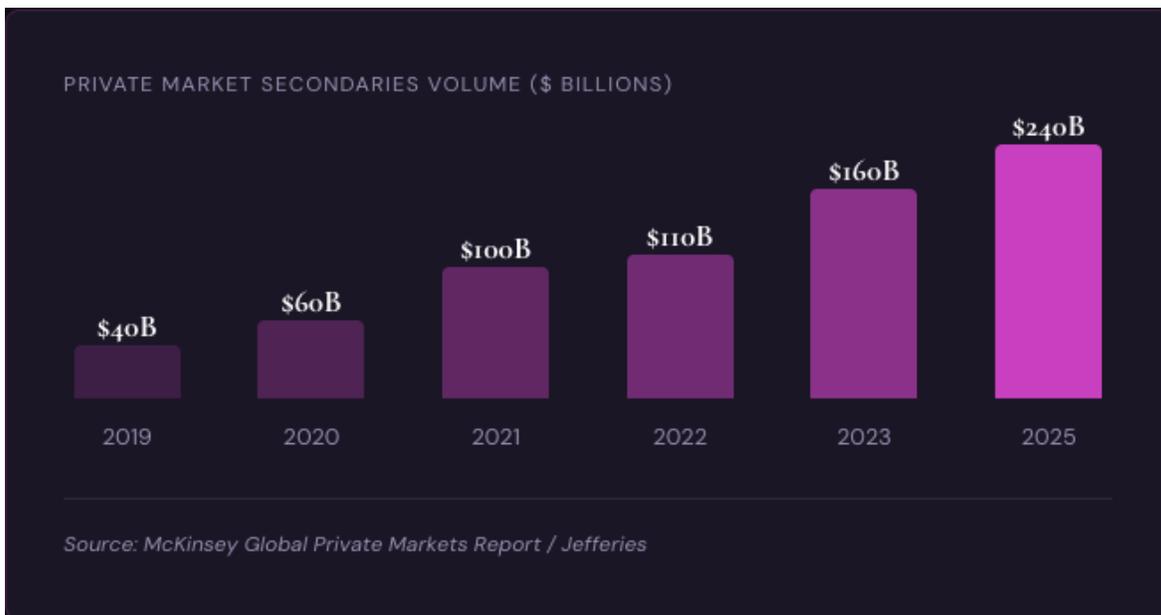


Figure 7: Secondary Market Volume

The regulatory window is open

SEC custody modernization for digital assets. SEC Rule 17a-4 compliance record keeping alternatives for electronic records. FinCEN CDD relief reducing onboarding friction for qualified investors. The GENIUS Act providing federal stablecoin clarity.

The regulatory environment for building compliant digital financial infrastructure is more accommodating than it has been in decades. This will not last forever. The current posture reflects a specific political and institutional alignment that favors innovation within existing frameworks.

Building now means building with regulatory tailwinds. Building later means building against them.

The technology is ready

Sub-second blockchain settlement on Solana. Regulatory-grade cloud storage and audit logging. Passwordless authentication. Automated KYC/AML verification pipelines.

Five years ago, building this platform would have required ten times the engineering team and produced a worse product. The cost of running compliant financial infrastructure has dropped by an order of magnitude. What used to require a prime brokerage relationship, a custody bank, and a transfer agent consortium now can run on cloud infrastructure with direct regulatory registrations.

The structural backdrop

Companies are staying private longer. Median revenue at IPO is now \$218 million. Over 1,200 unicorns have chosen not to go public. The number of U.S. public companies has dropped 50% since the 1990s.

Institutional allocators are increasing private market allocations. Retail qualified purchasers want access. The capital is moving whether the infrastructure exists or not.

Get Started

The private beta is live.

For allocators

If you allocate assets to private equity or private debt and you are tired of lengthy lockups, stale quarterly marks, and GP discretion over your exit timing, this platform is built to address such concerns for you.

Vex units settle atomically. Price discovery is continuous. You can place sell orders on the order book at any time, not on a GP's timeline. The fee is 1% per year. No carried interest.

Qualified Purchasers (\$5M+ in investments for individuals, \$25M+ for institutions) can participate in the private beta today. When the full platform launches, you're already positioned: early access to every company before it opens to the broader market.

For companies and shareholders

If you want to offer employees and early investors liquidity opportunities, without going public, this platform is built for you.

Vex is structured to acquire access to private equity through primary and secondary channels and a platform designed to create a liquid market for units representing that position. Existing shareholders can convert private shares directly into tradeable fund units through warehousing. Your cap table stays clean as entries can be addressed on the fund level. Your governance can be controlled. Your shareholders have an opportunity for liquidity.

The platform

Vex Securities LLC is an SEC registered broker-dealer (CRD #317371), Member FINRA and SIPC, operating an SEC-registered Alternative Trading System.

Vex Capital (Vex Holdings PR Corp.) is an SEC exempt reporting adviser managing each Series SPV.

Vex Registry LLC is an SEC-registered transfer agent maintaining the authoritative ownership records.

Vex Private Markets Summit

April 11, 2026. Fort Mason Center, San Francisco. LP liquidity, tokenization, governance markets, and private stock trading. Robin Hanson on futarchy. Limited to 120 attendees.

vexsummit.com

Next steps

Visit vex.trade or contact info@vex.trade.