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## Crypto Startup Says VC Firm Is Trying to Turn \$100K Investment Into \$273M Windfall

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Photo: Chokniti/Adobe Stock

A Peter Thiel-backed blockchain startup sued a Houston venture capital firm Wednesday in Delaware federal court, accusing it of trying to turn a \$100,000 investment into a \$273 million windfall by exploiting what the startup calls an “obvious” drafting mistake in a token agreement.

The plaintiff, Chain Technologies Research, which operates as Plasma, sued the Mercury defendants, Mercury Fund IV LP, Mercury Fund Affiliates IV LP, Mercury Fund V LP, Mercury Fund Affiliates V LP and Mercury Fund Executives V LP.

“This case underscores the high-stakes consequences of drafting errors in digital asset agreements,” said John Foster of [Diaz Reus](#) in Miami, who is not involved in the matter.

Plasma is represented by [Cahill Gordon & Reindel](#), with Delaware attorney Gregory Strong as its local counsel. They declined to comment. Mercury Funds did not respond to a request for comment.

The dispute involves a structure common in cryptocurrency financing: Venture investors purchase simple agreements for future equity alongside token warrants, which give them the right to buy digital tokens once a project launches. Plasma's warrants were tied to its "stablecoin-focused" blockchain, designed to process global transactions quickly and cheaply.

In September 2024, Mercury IV Funds invested \$100,000 through a SAFE and a token warrant. Mercury V Funds, by contrast, did not enter either investment, according to the complaint. However, the token warrant mistakenly tied the number of tokens Mercury could buy to all equity it held, including shares from an earlier acquisition, instead of only to the SAFE investment.

Plasma said that drafting error would have allowed Mercury to turn its \$100,000 investment into 291 million tokens or \$273 million, an "economically absurd" result that "no rational party would have accepted."

In August, Plasma amended the warrant under a clause permitting changes "retroactively or prospectively" with majority-investor consent, limiting token allocations strictly to SAFE investments. The company alleged in the complaint that the defendants accepted the smaller token allotment and signed waivers, releasing them from all related claims.

Despite those waivers, Plasma alleged in the complaint that defendants demanded hundreds of millions more tokens, arguing that the original, unamended language remained binding and that even the Mercury V Funds, which never signed the warrant, should share in the haul because they acquired Plasma shares in secondary trades.

Now, Plasma is asking the U.S. District Court in Wilmington to declare that the amendment is valid, confirm that Mercury IV's release bars its claims and find that Mercury IV is entitled to 12 million XPL tokens, Mercury Affiliates IV is entitled to about 431,200 tokens and Mercury V Funds get nothing because they never signed the warrant.

Plasma said it was compelled to take this step because "[i]t is clear at this point that Defendants are not willing to accept any outcome other than the 291 million tokens they wrongfully claim."

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