

Endowment Management Policy for Bitcoin For The Arts, Inc.

Policy Overview

Purpose: The Endowment Management Policy governs the BFTA HODL Vault (the “Endowment”), a Bitcoin reserve designed to provide perpetual funding for sovereign artists. It aligns with our vision of stacking culture on sound money, ensuring long-term stability amid Bitcoin’s volatility. The Endowment receives 5% of all donations and is held in BTC to resist fiat decay, with management focused on preservation and measured growth.

Key Principles:

- **Bitcoin-Centric HODL Mandate:** The Endowment is 100% allocated to Bitcoin (BTC) unless volatility triggers require temporary diversification. No fiat conversions except in extreme cases.
- **Transparency:** Incoming donations to our public main wallet are fully verifiable on-chain. Endowment holdings, transactions, and decisions are verifiable through internal audits and quarterly summary reports published on bitcoinforthearts.org. Detailed vault addresses are not made public to enhance security; aggregated balances and activities are shared instead.
- **Risk Management:** Incorporate the “30% Bitcoin Volatility Rule” to mitigate downside risks while honoring BTC’s long-term upside.
- **Governance Oversight:** Managed by the Finance Committee, with board approval for any changes. Annual audits by a crypto-savvy firm.

Endowment Operations

1. Funding and Accumulation:

- 5% of every donation (BTC or converted equivalents), received via our public main wallet, flows directly to the Endowment.

- No withdrawals for operations/programs—reserved for future compounding (e.g., interest via Lightning yields if implemented).
- Minimum threshold: Build to 1 BTC before activating advanced strategies.

2. Investment Strategy:

- **Primary Holding:** BTC in secure, multi-sig wallets (e.g., 3-of-5 with board keys; non-public for protection).
- **No Active Trading:** Passive HODL unless triggered by rules below.
- **Yield Generation:** Explore low-risk Bitcoin-native options (e.g., Lightning Network nodes for fees) once mature, capped at 10% of Endowment.

3. 30% Bitcoin Volatility Rule:

- **Definition:** Monitor Bitcoin's 30-day historical volatility (standard deviation of daily returns, annualized). If it exceeds 30% (a moderate-high threshold based on BTC's historical avg. ~60-80%, but signaling elevated risk), activate protective measures.
- **Triggers and Actions:**
 - **Threshold Breach (Volatility >30%):** Finance Committee reviews within 7 days. Options:
 - Temporary hedging: Allocate up to 20% to stable Bitcoin derivatives (e.g., BTC-pegged tokens on Lightning) or short-term treasuries (fiat bridge only if BTC <50% drawdown).
 - Rebalancing: If drawdown >50% from peak, diversify 10-15% to low-vol assets (e.g., gold-backed tokens if Bitcoin-compatible).
 - **Recovery Clause:** If volatility drops below 30% for 60 days, revert to 100% BTC HODL.
 - **Extreme Scenarios:** If volatility >50% or market crash (e.g., >70% drawdown), board may approve emergency sales (up to 10%) to fiat stables, with immediate re-entry plan.
- **Monitoring Tools:** Use on-chain analytics (e.g., Glassnode API) or free trackers; report monthly.

4. Distributions and Usage:

- No regular distributions—Endowment is “eternal.” Future yields (if any) may fund grants once >10 BTC.
- Emergency access: Board vote (supermajority) for existential threats (e.g., legal fees), limited to 5% annually.

5. Compliance and Review:

- Annual review by board; amend policy with 2/3 vote.
- Adhere to IRS rules for endowments (e.g., no unrelated business income).
- Security: Cold storage, regular audits, insurance if feasible.