BeethovenX Governance Framework (v2)
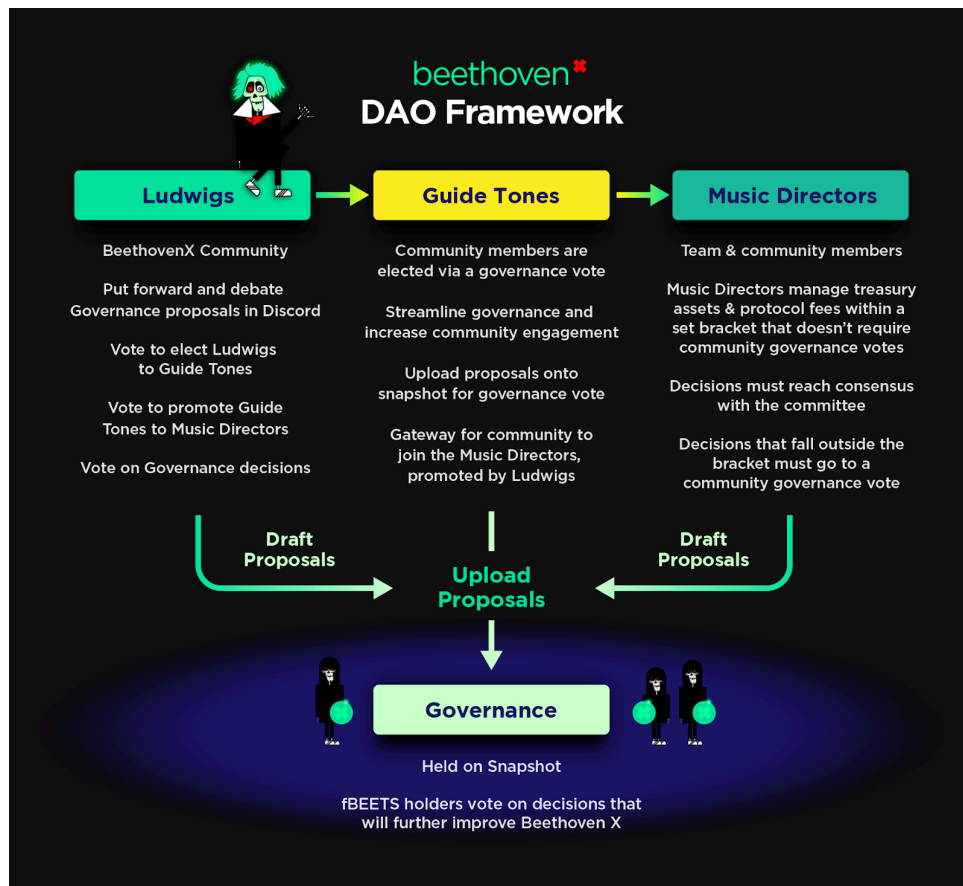
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Governance

Framework

This document aims to function as v2 of the BeethovenX governance framework.
The aim is to improve upon v1 and further streamline DAO functionality while ensuring that Ludwigs (our community) have the final say on all governance related matters.

Central to this is the committee called the Guide Tones - its role is centered around assisting the community in drafting governance proposals. It also serves as a stepping stone to the next level, becoming a Music Director.

The Music Directors make up a committee appointed by DAO governance that assists with the liquidity and functionality of the BeethovenX protocols and the DAO itself.

The Composers are a collective of Ludwigs who are compensated by Composer funding from treasury and provide services for the BeethovenX DAO.

This diagram illustrates the linkage between Ludwigs, Guide Tones and Music Directors:

Governance Proposals

- Anyone can start a discussion regarding a new governance topic in the governance channel.

- Guide Tones create a new Discord channel for discussion of ideas regarding governance under the dedicated section named "bip-xx-<name of the proposal>".
    - If a Guide Tone notices that a particular topic is gaining significant traction or discussion, they create a new channel for it and direct community members to the new channel for further discussion.
    - Community members may request that a Guide Tone create a new channel to allow for discussion of a specific topic.

- Proposals from community members surrounding a specific topic can be openly submitted in the new channel for the Guide Tones' review and guidance as well as ongoing community input.
    - Once a proposer is satisfied with their proposal and the Guide Tones deem it to have satisfied the governance proposal criteria, a Guide Tone will make sure to publish the proposal within 24 hours. The Guide Tone must make sure that the proposal can't be altered after it has been published, for example by creating a "view-only" Google doc or by creating a dedicated message.
        - The timeline helps to keep Guide Tones responsible and governance moving.
        - Having a Guide Tone create a read only publication will ensure that the proposing community member does not alter the proposal during the 72-hour Official Discussion Period without saying so.
    - The published proposal must be made as visible as possible, i.e. by pinning it in the channel.
    - An announcement will be within the channel and/or in the general announcements channel as notice to all community members that an Official Discussion Period for a new governance proposal has commenced.
- Each proposal must include the following minimum requirements:
    - Motivation,
    - Risk assessment,
    - Impacts - including any impacts to the Composers, other contractors or consultants, treasury, tokenomics, or other committees recognised by the DAO.

        <u>If any of these areas is not impacted, the proposal must say so.</u>

    - Specification - implementation requirements, including smart contract implementation methods and any work needed by the Composers, other contractors or consultants, or any committees recognised by the DAO, and
    - Execution Plan - summarizes the steps needed to implement the proposal.

- Other examples of things to consider when drafting a proposal:

    - Is it properly formatted and easily understood?
    - Does it include all relevant information for voters to make informed decisions?
    - Does it impact prior BIPs?
    - Is it capable of being implemented technically and financially?
    - Does it have clear implementation plans that have been vetted by the people who need to do the work?
    - Does the community have authority over the topic? See below for guidance:

    The community has the authority to make changes that have an impact on the way the community, users, liquidity providers, or other counter-parties interact with the protocol. An example of this: Creating a proposal to change the protocol fee %.

    However, the community does not have the authority to propose changes outside of BeethovenX's operating model, like the specifics of allocations post distribution. For example, once a funding proposal passes, if the proposal doesn't specify how the funds are to be used, or if the funds are general compensation for services rendered, the community cannot propose how they should be used by the recipient.

- Below is a template on how proposals under this model will be structured

    Intro [basic summary of proposal here; 1-5 sentences at most; if the proposal is not summarized in 75 words or less (excluding citations), then the intro should be rewritten]

    Motivation [justification for the proposal]

    Risks [drawbacks and potential negative consequences of the proposal]

    Impacts [any impact to the Composers, contractors or consultants, treasury, tokenomics, Music Directors, the Guide Tones, or other committee recognised by the DAO]

    Specification [implementation requirements, including any work needed by the Composers, contractors or consultants, the Music Directors, the Guide Tones, or other committee recognised by the DAO; smart contract implementation methods if needed and if ascertained by the drafter or with Guide Tone or other Ludgwig assistance]

    Execution Plan [summarizes steps needed to implement the proposal]

- After the 72 hour Official Discussion Period has ended, a Guide Tone will publicly ask the proposer if they are still comfortable with advancing the proposal as written to Snapshot. If they are, a Guide Tone will again make announcements via the same methods as above and aim to submit the proposal to Snapshot within 24 hours. Non-Emergency Proposals advanced to Snapshot will be subject to a minimum of a 96-hour voting period.

- If the proposer is not satisfied with the proposal as written and wishes to make edits based on community discussion, they are free to begin the process again and work with Guide Tones to make any desired edits. The proposer will cooperate with the Guide Tones to submit an updated proposal with marked changes and will share the changes in the channel. If the proposal is updated in this manner, the Guide Tones may decide that the 72 hour Official Discussion period need not restart and may upload the proposal to Snapshot. If a revised proposal is uploaded, the Guide Tones will include a summary of its changes.
- Proposals should aim to further the goals of the BeethovenX DAO, BeethovenX protocols, and BeethovenX technology, must not be presented for an improper, unlawful, harmful, or destructive purpose, and must be feasible in terms of implementation.

Voting

- Except for Emergency Proposals, the voting period should remain open for a minimum of 96 hours (four days). The proposer can request that it stays open for a longer period of time.

- All Snapshot votes require a minimum of 4 million votes to reach a quorum.

- All Snapshot votes require an "abstain" option in addition to the proposed voting options. "Abstain" votes count towards the quorum.

- If a vote is passed but does not reach a quorum, the result will not be implemented and things will continue as is until a new vote is launched. This new vote can be done within 24 hours but must still meet the quorum requirements.

Emergency Vote Procedure

- In rare instances, an emergency proposal and vote (Emergency Proposal) can be put forward that need not adhere to the standard time frames.
- An Emergency Proposal can go to vote as soon as the minimum requirements have been met. The voting period will be determined by the Music Directors.

- Emergency Proposals will be announced at least twice in the Discord announcements channel. It should be identified as an "Emergency Proposal" with a shortened proposal discussion and voting period. The two Emergency Proposal announcements will identify the applicable discussion period.
- The voting period for Emergency Proposals will be announced at least twice in the Discord announcements channel and should be identified as a "Vote on an Emergency Proposal" with a shortened voting period. The two announcements will identify the applicable voting time period.

- Emergency Proposals can only be used when there is an attack on the DAO, an extremely time sensitive matter that if not addressed is likely to substantially harm the DAO, the Protocol, and/or cause a loss of user funds, or something to that equivalent.
  - For clarification, loss of funds = users deposits on BeethovenX or draining of treasury funds and/or liquidity provider returns (protocol fee adjustment).

Guide Tones

What it means to be a Guide Tone

- The goal of the Guide Tones is to:
  - improve and streamline governance,
  - increase community involvement and
  - allow the Composers, the Music Directors, other contractors and consultants, and other DAO-recognised committees to focus on strategy, operations, partnerships and growth.

Powers

- The members of the Guide Tones, also referred to as GTs or GT members, are available as helpful aids to assist in drafting proposals. The GTs will confirm if proposals satisfy the minimum requirements for voting.

- GT members should ensure that the other elements of proposals (e,g.: length of time a proposal is in discussion) are satisfied. They should not show favoritism in delaying proposals they don't like and accelerating ones they do.

- Upload proposals to Snapshot and open the voting process.

- If the GTs conclude that a delegate (see section below) is not acting within the interest of BeethovenX, they can vote to remove a delegate's status. A 75% vote of the GTs is required for removal of a delegate.

- If the GTs conclude that a delegate is not acting within the interest of BeethovenX, they can vote to remove the delegate. The delegate will be removed upon a vote in favor by at least 75% of the GTs. Each GT shall have only 1 vote. If a GT is the delegate that is subject to such a vote, the GT will not be eligible to vote and the 75% threshold will apply to the remaining GTs who are eligible to vote.

- Through a governance vote, only GTs can be promoted to a Music Director.

Composition

- The GTs should consist of a minimum of 2 members and a maximum of 5. MDs may also serve simultaneously as GTs and will count towards the minimum but not towards the maximum.

- Guide Tones are to be elected by the community; this is done through a proposal to join.

- GT members can resign at any time.

- GT members will be compensated with 2,000 BEETs per month. GT members that are also part of the Composers or Music Directors are not eligible for this payment.

Publishing your Guide Tone Proposal

Whenever there is a need to add a new GT member, each prospective member will create a thread in a Guide Tone forum. The first post should be your pitch to the Ludwigs explaining why you would be a good candidate.
Your thread will serve as a space to engage fBEETs holders on your proposal and answer any questions.

The following is an example template, but so long as the minimum requirements are satisfied, you have the freedom to be creative if you desire.

- Name:
- Discord username:
- I have read and understood the the scope and powers of the Guide Tones
- My reasons for wanting to be a GT:
- If you are a member of the Ludwig Lounge

Music Directors

What it means to be a Music Director

Some of the expectations of Music Director committee members include (a non-exhaustive list):

- Read, understand, and provide feedback if necessary on Music Director committee discussions and other matters falling within the authority of Music Directors,
- Always vote in the best interests of the protocol,
- Not accept personal bribes or other favors for favors,
- Have an understanding of Beethoven's key metrics, and
- Have an understanding of Beethoven's product offering.

Powers

Music Directors, also referred to as MDs or MD members, will oversee the following areas:
1. Liquidity Pool Maintenance
2. Emissions
3. Voter Incentives
4. Treasury Management
5. Removal of Guide Tone members
6. Responsibilities granted by BIPs

1. Liquidity Pool Maintenance
- Design of protocol "Base"/"Core" pools
- Where the pool owner = Beethoven multisig, change pool mechanics in response to market conditions and otherwise for the benefit of the protocol

    - Change the Swap fee*
    - Change the Amplification factor

    Swap fees can be changed in order to improve utilization rates and/ or revenue generated by a liquidity pool.

2. Emissions
- Modification of base farm weights.

- As the committee is not involved in strategic or partnership discussions, the members of the Composers responsible for business development will source approval for any

emissions requested as part of those discussions. This will be done over Discord in a channel for the MD members.

- Review all new requests to add pools to the gauge to ensure the prerequisites as defined in the BeethovenX docs are met.

- Have the ability to stop gauge emissions if any gauge is being used to or seems reasonably likely to be used to harm any party, including but not limited to BeethovenX, or to cause loss of funds by Ludwigs, any party referenced in this document, or a third party.

  - If this were to happen the Music Directors would be required to make a public announcement as to events that led to this and why action was taken outside of a gauge vote cycle.

3. Voter Incentives
- This section exists as a result of the approval of this BIP-24: https://snapshot.org/#/beets.eth/proposal/0xe1489639baffe5bb8117da677349a67e80197ab6d34d5efb1b49786ca76cf83a Modifications to that proposal have a direct impact on the delegation of authority explained here.

- MDs determine to which pools voter incentives are offered based on their profitability to the BeethovenX.

- The decision on which pools the incentives are offered shall be discussed and communicated in flywheel Discord channel for Early Ludwig holders and in the public forums.

4. Treasury Management
- This framework gives Music Directors the following authority:

  - The discretion to decide to allocate monthly protocol fees to which liquidity pools.

  - To use up to a maximum of $10k USD per month (BEETs or otherwise) for voter incentives without a governance vote. This is separate from any other voter incentive allocations authorized by a separate governance vote.

  - To reallocate up to a maximum of $200k per month of the treasury balance. This would include entering and exiting liquidity pools, moving funds cross chain or

adding to existing deposits. Any reallocation greater than $200k will require a treasury vote.

- Is able to utilize up to a maximum of $20k per month of non-protocol fee revenue without a governance vote. This is separate from any other utilization or reallocation authorized by a separate governance vote.
  - This relates to revenue from farming or other activities outside our core business of generating protocol fees.
  - Utilization refers to redeposits into existing farms, adding to liquidity pools or holding the assets in a wallet.

- Music Directors are required to raise a governance vote the first time they seek to deposit assets into a new protocol. That proposal shall define the maximum exposure the treasury will have to that protocol's smart contract risk.

  - These proposals will continue in parallel to the framework listed earlier.

- For activity around the moving of funds, the transaction hash with a short description of its purpose must be made public. This can be done on Discord.

- Music Directors should also ensure the timely payment of:

  - All bug bounty claims, and
  - Only governance approved expenditures.

- The community at any point can raise a proposal to revoke the MD committee's authority powers over the treasury. This is to be done through a Snapshot vote and the transfer must move to a separate community-elected committee with a minimum of 3 members. A vote of this nature would require a vote in favor of at least 67% in order to pass

5. Removal of Guide Tone members

If the MDs conclude that a GT is not acting within the interest of BeethovenX, they can vote to remove the GT. The GT will be removed upon a vote in favor by at least 75% of the MDs. Each MD shall have only 1 vote. If a MD is the GT that is subject to such a vote, the MD will not be eligible to vote and the 75% threshold will apply to the remaining MDs who are eligible to vote

6. MD Delegate Gauge votes

Users may delegate their maBEETS voting power to the MD gauge delegation wallet: 0x641e10Cd6132D3e3FA01bfd65d2e0afCf64b136A.

Delegated voting power will be used to vote in gauge votes only - the delegation service wallet will not vote in other governance proposals. 80% of the voting power will be directed to optimize for incentive return. The remaining 20% of voting power will be directed according to the MD's discretion with the aim of serving the good of the protocol. Any and all bounties received for voting go to the delegator.

7. <u>Additional responsibilities granted by BIPs</u>

Often the Music Directors have and will take on additional roles and responsibilities granted by various BIPs which may include additional compensation to be discussed on a case by case basis.

Composition

- The MD committee should consist of a minimum of 3 members and a maximum of 7. The structure should target that the Composers make up not more than 50% of the committee. In situations where there are less than 3 MDs, the MD(s) or Composers may recommend that an otherwise qualified applicant who is not a GT may become a MD via governance proposal. A Composer may also become a MD by governance vote without first being a GT. To avoid the disruption of MD operations, Composers may also make up more than 50% of the MDs if there are less than 3 MDs, with the goal of seeking to rebalance the 50% threshold as soon as reasonably practicable.

- To qualify as a Music Director, a person must:
  - Be promoted from the Guide Tones,
  - made by recommendation of the MD(s) or Composers when there are less than 3 MDs, or
  - be a Composer.

- MD members can resign at any time; however, it would be helpful to the community if some notice is given.

- Members of the committee can be removed if more than 70% of other committee members vote in favor of the removal. Each MD shall only have 1 vote

  - In this event, within 48h the committee is required to make a public announcement of the removal, explaining the motivation behind it and (if applicable) open an election forum to bring someone new in.
  - Opening of a new election is only mandatory if the number of committee members falls below the minimum threshold.

- Music Directors will receive 6000 BEETs per month. MDs that are also part of Multisig operations will receive an additional 6000 BEETs per month. MD members that are also

members of the Composers are not eligible for this payment. Advisors are not considered as part of the Composers.

Publishing your Music Director Proposal

Whenever there is a need to add new members to the committee, each prospective committee member will create a thread in an election forum. The first post should be your pitch to the Ludwigs about why you would be a good candidate.
Your forum will serve as a space to engage the community on your proposal and answer any questions.

The following is an example template, but so long as the minimum requirements are satisfied, you have the freedom to be creative if you desire.

- Name:
- Discord username:
- I have read and understood the the scope and powers of the Music Directors:
- My reasons for wanting to be a Music Director:
- Period of time served on the Guide Tones:
- I am able to add value in the following ways:

Governance Delegate Program

What Is Governance Delegation and How Does It Work?

Delegation is a mechanism through which maBEETs holders can entrust their governance voting power via Snapshot to one or more chosen delegates. This is done through Snapshot's UI.

Why Governance Delegation?

Sometimes token holders don't want to vote in governance themselves, or think their vote will not "change the game" because they don't have enough tokens. Governance delegation allows them to participate and have their voice heard.

Improved Efficiency, Transparency and Direction

Delegation helps to reduce the communication and direction barriers that arise in the governance of a big decentralized protocol.

When you have known delegates, with a known voting power, you can allow better coordination & communication between the ones who actually formulate proposals and the big voters.

This should help to better shape the desired goals & direction - both long-term and short-term - and achieve them in a faster and more efficient way.

Being a delegate is open to any individual or organization and represents a commitment to engage actively in BeethovenX's governance process.

Delegates are required to give a brief explanation on the rationale behind voting for each proposal

If the Guide Tones (GT) conclude that a delegate is not acting within the interest of BeethovenX, they can vote to remove the delegate. The delegate will be removed upon a vote in favor by at least 75% of the GTs. Each GT shall have only 1 vote. If a GT is the delegate that is subject to such a vote, the GT will not be eligible to vote and the 75% threshold will apply to the remaining GTs who are eligible to vote.

A Ludwig is not bound to the voting strategy of a delegate. A Ludwig can override the vote f a delegate by voting for the same proposal. i.e.: If a Ludwig and a delegate vote differently, the vote of the Ludwig (underlying wallet address) is counted and not the delegate. It would not be necessary to revoke the delegation.

However, if a Ludwig wanted to, they could revoke their delegation at any time.

What it means to be a Governance Delegate

Some of the expectations of a delegate include:

- Read, understand, and provide feedback if necessary on governance forum posts.
- Always vote in the best interests of the DAO and the community over their own personal interests.
- Not accepting personal bribes or other favors for votes.
- Actively vote on governance proposals and explain the thinking behind each vote.
- Have an understanding of Beethoven's key metrics and ecosystem.
- Creation of a profile on snapshot.

Publishing your Delegate Pitch

Each prospective delegate will create a thread in this section of the forum. The first post should be your pitch to the community about why you would be a good delegate. Following that you are expected to update your thread each time you cast a vote and include the reasons why you voted that way. This allows a track record to be built which Ludwigs can assess.

The following is an example template but you have the freedom to be creative if you desire.

- Name:
- Snapshot profile:
- Discord username:
- I have read and understood the Delegate process:
- I understand that becoming a delegate is a significant commitment:
- My reasons for wanting to be a delegate:
- Which protocols present a conflict of interest (expectation is that delegates would abstain from these votes)