Fedora Litepaper
Apr 4, 2022

Abstract

Fedora introduces a new fee earning token wrapper which pays its holders dividends acquired from the target protocol. To create a truly decentralized organization, Fedora uses a novel Minting Event token distribution mechanism to distribute its governance tokens to DeFi users across multiple dApps.

Introduction

Many protocols do not pay their token holders revenue generated by the protocol. In other words, there is very little economic value associated with holding the token other than speculation of this feature getting added at a later stage.

There are various good reasons for protocols not to pay their token holders revenue. The obvious one is to save funds to fund further growth. Another is the problem non-anonymous founders face with the Howey test; should a protocol start sharing its fees with the token holders, the founders or the entity behind the token might get slapped with heavy charges from the SEC.

Risk-averse founders are unlikely to implement revenue share programs in their tokens. To circumvent this problem, we are introducing the fe -token model which externalizes the problems associated with the Howey test and gives token holders more control by combining their voting weight in favor of immediate revenue share.

The fe- Token Optionally Enables Protocol Dividend Payments

A fe -token is a fee earning wrapper for any token. In this post, we will use an example token ABC but in practice this token could be any protocol token that has (expected) revenues & governance power - even one that is already sharing its revenue (advantages explained later).

The feABC token is created by depositing ABC into a Fedora pool. The combined voting power of these ABC tokens is used by Fedora to vote in ABC protocol governance to distribute revenue to Fedora.

For example, if 20% of ABC tokens have been wrapped to feABC, Fedora will use this voting power to extract 20% of ABC protocol revenue back to the feABC holders. All fees extracted by Fedora will be available for withdrawal at the end of an epoch by feABC holders.

The fe -token model is advantageous for protocols & founders as it isolates the risk of the Howey test to the fe -token holders and creates a clear mechanism for distinguishing between holders who want immediate access to revenue vs those who value governance power. Furthermore, the fe -token increases buy pressure and the price of the underlying token by catering to new investors.

If a protocol is already sharing its revenue through staking or a similar incentive system, the fe -token model creates a more efficient market for the revenues of the protocol. There are no time-locks and the fe -tokens are always redeemable for their underlying token or tradable in the open market.

Fedora

Fedora, or Fee Earning Decentralized ORgAnization, is the lobbying body that develops the Fedora protocol and uses its voting power to amend positive tokenomic changes to the protocols it governs. Fedora aims to become a protocol partner rather than a mercenary.

Fedora is governed by the $FED token. The fedora governance token is distributed in a series of fe -token minting events. There will be a maximum of 1 million $FED. Fedora distribution is as follows:

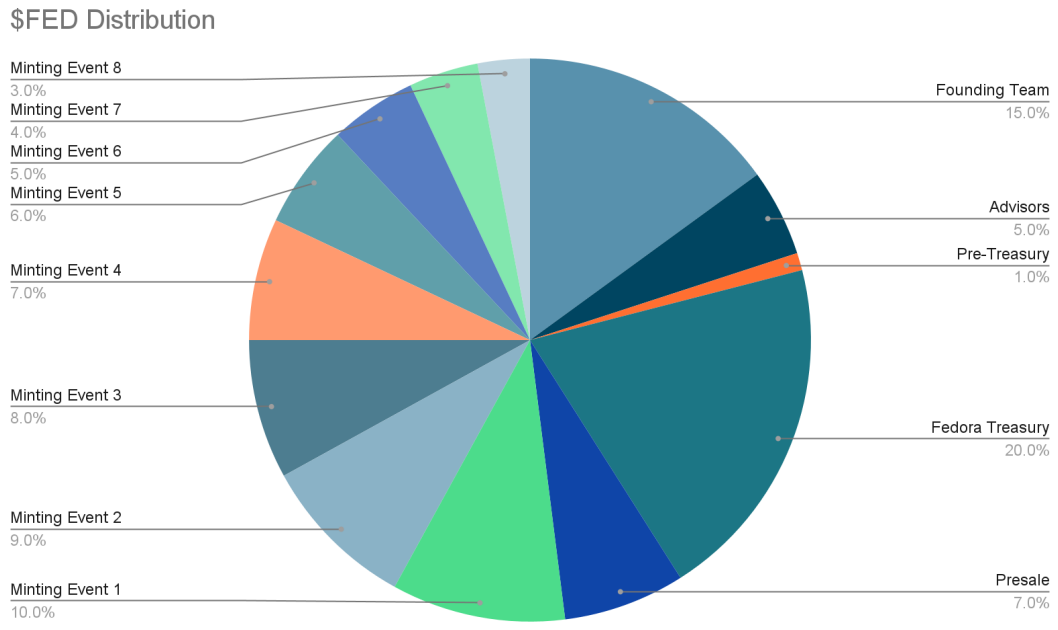

Figure 1: $FED Distribution

52% of the $FED tokens will be distributed to fe -token minters in a series of minting events. 7% will be sold in a presale to bootstrap the Treasury for operational expenditures. Fedora Treasury will hold 20% of the tokens which will be used for marketing, bribery, and other activities advancing the Fedora mission. Founder,

founding team, advisor, and treasury tokens (40%) are locked with a 5 year vesting schedule. We've also allocated 1% of the tokens into a Pre-Treasury which will be used to pay early contributors.

Fedora earns fees by taking a 5% management fee for all revenue distributed to fe -token holders. Fedora's interface will allow minting & burning fe -tokens with an embedded 1% fee; for every 100 ABC you deposit, you get 99 feABC. Burning 100 feABC will give you back 99 ABC. These fees are added to the Fedora treasury until the feFED token is launched.

Fedora Utilizes a Novel Token Distribution Mechanism

52% of the $FED tokens will be distributed through a series of minting events. During each event, participants can turn a selection of three governance tokens into fe -tokens. The protocol valuation targeted in the first minting event will be 500 ETH, doubling every round. During each event, participants use ETH to purchase feABC and $FED in a 9:1 ratio. Hence the distribution table will look like this:

ME	Valuation target	$FED distributed	Implied $FED price*	ABC tokens bought	Cumulative Treasury Value
1	500 ETH	100,000	0.0005 ETH/$FED	450 ETH	50 ETH
2	1,000 ETH	90,000	0.001 ETH/$FED	810 ETH	140 ETH
3	2,000 ETH	80,000	0.002 ETH/$FED	1,440 ETH	300 ETH
4	4,000 ETH	70,000	0.004 ETH/$FED	2,520 ETH	580 ETH
5	8,000 ETH	60,000	0.008 ETH/$FED	4,320 ETH	1,060 ETH
6	16,000 ETH	50,000	0.016 ETH/$FED	7,200 ETH	1,860 ETH
7	32,000 ETH	40,000	0.032 ETH/$FED	11,520 ETH	3,140 ETH
8	64,000 ETH	30,000	0.064 ETH/$FED	17,280 ETH	5,060 ETH
Σ	64,000 ETH	520,000	0.064 ETH/$FED	45,540 ETH	5,060 ETH

Table 1: Minting Event distribution.

**Parameters will be adjusted to reflect current market prices where necessary.*

The amount of feABC received depends on the market price of ABC. The minting events will buy ABC on the open market for 0.9 ETH for every ETH deposited and wrap it into 0.9 feABC. The remaining 0.1 ETH will be added to the Fedora Treasury. Any unsold $FED from the minting events will be burnt.

It's obviously advantageous for ABC token price to participate in a minting event. Accordingly, protocols can bribe Fedora to include their token in the minting event by sending their token into the Fedora treasury.