

Ratification of Profit Definition for Round 4

Impact = profit

Optimism's Retroactive Public Goods Funding (Retro Funding) has been built around the principle that positive impact to the collective should be rewarded as: Impact = profit.

This principle serves as a North Star to motivate the creation of a more productive and sustainable ecosystem.

In previous Retro Funding rounds, each Citizen conducted their own assessment of impact and decided how to calculate profit by considering the past rewards received by projects and deducting that amount from impact to arrive at a final OP allocation. This non-standardized approach sparked [various debates](#) within the community about whether external funding (e.g., VC funding, Optimism grants, or external grants) should be deducted from a project's overall public goods funding reward.

Round 4 Definition

In [Retro Funding 4: Onchain Builders](#), a definition of profit will be universally applied to the retro round. Badgeholders will no longer need to calculate profit, but instead, a collective definition will be applied and subtracted from each voter's assessment of impact as such:

Impact - Past transfers = Award in OP

The possible categories considered as Past Transfers are:

- Grants from Optimism
- VC funding
- Grants from other ecosystems
- Revenue.

All data collected on this categories in the Round 4 application process was for the timeframe of Jan 2023 - May 23rd, 2024.

Deliberative Process

Over the past month, a randomly selected subset of badgeholders [experimented with a deliberative process](#) to determine this profit definition for Round 4. You can access the public documentation of this process below. We encourage you to review this documentation so you have the full context to vote on this proposal.

- Session 1:
 - [Pre-reading Info Kit](#)
 - The plenary session recording for Session 1 is unfortunately unusable
 - [Forum recap](#)
 - [Pre-reading Info Kit](#)
 - The plenary session recording for Session 1 is unfortunately unusable
 - [Forum recap](#)
- Session 2:
 - [Pre-reading Info Kit](#)
 - [Plenary session recording](#) (doesn't include breakout rooms) - Kenncode: 6R2W*ORW
 - [Forum recap](#)
 - [Pre-reading Info Kit](#)
 - [Plenary session recording](#) (doesn't include breakout rooms) - Kenncode: 6R2W*ORW
 - [Forum recap](#)
- Session 3:

- [Pre-reading Info Kit](#)
- [Plenary session recording](#) (doesn't include breakout rooms) - Kenncode: U1uN9!6L
- [Forum recap](#)
- [Pre-reading Info Kit](#)
- [Plenary session recording](#) (doesn't include breakout rooms) - Kenncode: U1uN9!6L
- [Forum recap](#)

This [Miro board](#) was used to collect input in all three sessions.

Proposed Round 4 Profit Definition

Vote 1

Participating badgeholders were asked to determine the profit definition taking into account the specific category definitions and limitations on data collection as it applies practically in Round 4.

It is important to understand the nuance and complexity of the practical implementation of defining profit which are distinct from philosophical debates about inclusion or exclusion of each category. Two votes occurred during the deliberative process experiment. The first was on which categories to include in the profit definition. The results are below:

[

image

1252×444 37.7 KB

](https://europe1.discourse-cdn.com/bc41dd/original/2X/8/806c6126d64ecdd7c3f1fee0d7707c801f29945d.png)

Based on the Collective's standard 51% approval threshold, these results determined that a deduction weight would only be applied only to Optimism Grants.

Vote 2

The second vote was on the deduction weight that should be applied to Optimism Grants, as broken into three sub-categories:

- Token House growth grants, which are passed on to end users
- Token House builders grants, which are locked for one year
- Foundation grants and Missions
- *Past Retro Funding is not included as the evaluation period begins after the end of Round 3

The responses resulted in a proposed profit definition of Round 4 as outlined below:

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](https://europe1.discourse-cdn.com/bc41dd/original/2X/6/61748caf93681e4a5dc3b8d00176734aec6604b2.png)

A breakdown of votes is shown below:

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image

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](https://europe1.discourse-cdn.com/bc41dd/original/2X/f/f21b71e8eb16b812c77980a2ee85d8b38faeb039.png)

Ratification

If you wish to ratify the below definition, which will be globally and automatically applied to the voting result calculation in

Round 4, please vote “Yes” on this proposal.

Impact - ((10% * Token House Growth Grants) + (45% * Token House Builders Grants) + (25% * Foundation Grants)) = Award in OP

The OP amount deducted from the impact rewards will be returned to the Retroactive Public Goods Funding treasury.

If you do not wish to ratify this definition, a fallback definition proposed by the Foundation will be globally and automatically applied to the voting result calculation in Round 4 instead. This definition is:

Impact = Award in OP

The deliberative process experiment surfaced the amount of complexity, nuance, and effort required to accurately define profit and the challenges in verifying self-reported profit data which is oftentimes not publicly disclosed. In light of these learnings, the Foundation believes it is premature to accurately calculate profit and instead proposes solely focusing on impact in Round 4. The fallback profit definition below, will be implemented if this proposal is not ratified.

Voting will take place on [Snapshot](#) and will run from June 20-26 at 19:00 GMT. Quorum will require 30% of badgeholders to cast a vote with an approval threshold will be 51% of votes cast.