

UPDATE:

AIP 1.1 : [Proposal: AIP-1.1 - Lockup, Budget, Transparency](#)

AIP 1.2: [Proposal: AIP-1.2 - Foundation and DAO Governance](#)

Category: Constitutional - Process

Submitted by: Lemma Ltd

Abstract

This document ("AIP-1

") proposes the structure of a decentralized autonomous organization called the ArbitrumDAO that would be governed by holders of \$ARB, the decentralized token that will serve as the primary token for fostering, developing, authorizing and/or governing the ArbitrumDAO-approved chains (as defined in the ArbitrumDAO Constitution). The ArbitrumDAO Constitution, located at [The Constitution of the Arbitrum DAO | Arbitrum DAO - Governance docs](#) is incorporated herein by reference.

Motivation

The Arbitrum Foundation, a Cayman Islands foundation company, which will serve the ArbitrumDAO community and be governed by it, aims to foster the growth and development of the Arbitrum ecosystem.

The ArbitrumDAO will have the ability to submit Arbitrum Improvement Proposals ("AIPs

"), vote on them and make them a reality through The Arbitrum Foundation.

The guiding values of The Arbitrum Foundation and ArbitrumDAO are described in Section 5 of the ArbitrumDAO Constitution and are incorporated herein.

Rationale

The Arbitrum Foundation serves the ArbitrumDAO by administering the wishes of the community and otherwise adhering to its guiding values. The Arbitrum Foundation and DAO governance are intended to serve as vehicles enabling impactful, transparent and fair decentralized governance by the broader Arbitrum community.

Through the submission of AIPs, the ArbitrumDAO will be able to collectively decide and effectuate changes ranging from core protocol technology to non-technical decisions that otherwise impact the community and \$ARB tokenholders.

Specifications

Governance powers breakdown

1. \$ARB Tokenholders
 2. \$ARB tokenholders, who make up the ArbitrumDAO, play the most critical role in the proper functioning of decentralized governance in the pursuit of a trustless, transparent and verifiable Arbitrum ecosystem. As Arbitrum is intended to be a public good, it is only right that governance over it should be governed by those for whom such public good is intended for.
 3. \$ARB tokenholders have the ability to directly propose, vote on and effectuate on-chain AIPs with respect to the ArbitrumDAO-approved chains.
 4. Special Grants
 5. The Arbitrum Foundation shall be permitted to issue grants out of the Administrative Budget Wallet without undergoing a full on-chain AIP process (such grants, "Special Grants
- ").
- The rationale behind the ability of The Arbitrum Foundation to issue Special Grants is to avoid inundating governance with grant applications, while at the same time alleviating voter fatigue.
 - The Special Grants application process and criteria will be released at a later date by The Arbitrum Foundation.
 - Directors

As a Cayman Islands foundation, The Arbitrum Foundation is required to have at least 1 director responsible for the

management and operation of The Arbitrum Foundation, in particular approving and entering into contractual arrangements on behalf of The Arbitrum Foundation (i.e., the parties actually approving and signing agreements).|

The directors are responsible for ensuring that AIPs do not:

- Compromise their fiduciary duties owed to The Arbitrum Foundation;
- Violate The Arbitrum Foundation's Amended & Restated Memorandum of Association or bylaws, the ArbitrumDAO Constitution, the AIP Process or any other laws or regulations of applicable jurisdictions (including but not limited to Cayman Islands laws); and
- Cause The Arbitrum Foundation to be in breach or violation of any contracts, agreements or any other arrangements.

The initial directors of The Arbitrum Foundation are:

- Campbell Law,
- Edward Noyons and
- Ani Banerjee

The ArbitrumDAO may remove or elect The Arbitrum Foundation's directors or expand or reduce the number of directors at any time pursuant to a Non-Constitutional AIP

1. Security Council

The Security Council is a committee of 12 members of a multi-sig wallet which has the ability to perform both Emergency and Non-Emergency Actions, which are further detailed in Section 3 of the [ArbitrumDAO Constitution](#), which is incorporated herein by reference.

The initial Security Council members, split by cohort, are as follows:

i. September Cohort

1. [Mo Dong](#) is the Co-Founder of Celer Network. Mo received a PhD from the University of Illinois Urbana-Champaign in computer science.

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1. [Harry Kalodner](#) is Co-Founder and CTO at Offchain Labs, the developers behind Arbitrum. Harry started working on building Arbitrum while studying at Princeton University.

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1. [Diane Dai](#) is the Co-Founder of DODO, a leading decentralized trading platform. Diane has extensive marketing experience in Defi space since 2017 and was named to Forbes Asia 30 under 30 in 2022.

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1. [Caleb Lau](#) has been a software engineer at Etherscan since 2019. He works closely with L2 scaling teams to bring users the Etherscan experience on the explorer front.

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1. [Ed Felten](#) is Co-Founder and Chief Scientist at Offchain Labs, the developers behind Arbitrum. Prior to this, Ed served as the Robert E. Kahn Professor of Computer Science and Public Affairs at Princeton University. Ed also served as the Deputy U.S. Chief Technology Officer from 2015-17.

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1. [Bryan Pellegrino](#) is Co-Founder and CEO at LayerZero Labs, an omnichain interoperability protocol. Bryan is a multi-time founder/serial entrepreneur who has been active in crypto for more than 10 years.

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ii. March Cohort

1. [Patrick McNab](#) Is a Co-founder of Mycelium who have been developing and deploying decentralized financial infrastructure since 2018. Mycelium (previously Tracer DAO) were one of the first protocols deployed on Arbitrum in 2021 and support the Arbitrum ecosystem through running validators and Chainlink nodes.

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1. [Justin Drake](#) has been a researcher at the Ethereum Foundation since 2017. He focuses on Ethereum consensus layer upgrades.

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1. [Bartek Kiepuszewski](#) has been a blockchain architect at MakerDAO since 2017. He also co-founded [2beat.com](#) and TokenFlow Insights. Bartek holds a PhD in computer science from Queensland University of Technology.

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1. [Rachel Bousfield](#) has been a software engineer at Offchain Labs since 2021. She is currently leading the development of Stylus.

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1. [Patricio Worthalter](#) has been working full time in the Ethereum space since 2015. In 2018 he founded POAP, a web3 native public good that mints digital collectibles for the preservation of memories.

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1. [Yoav Weiss](#) is a security researcher at the Ethereum Foundation and has been building in the Ethereum space since 2017, working on account abstraction (ERC-4337), OpenGSN, L2 security, etc. Yoav brings over 25 years of experience and has developed security technologies used by industry leading companies.

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Compensation:

Security Council members are each paid \$5,000 per month in \$ARB tokens.

Security Council Elections:

Section 4 of the [ArbitrumDAO Constitution](#) describes the Security Council election process and is incorporated herein by reference.

1. Data Availability Committee (Arbitrum Nova chain only)

Transactions occurring on the Arbitrum Nova chain are settled on Ethereum mainnet, but, unlike transactions occurring on the Arbitrum One chain, the underlying transaction data batches are posted and stored by the members of the Data Availability Committee on a [Data Availability Server](#) (and not on Ethereum mainnet).

The initial members of the Data Availability Committee are authorized representatives of the following parties:

- Reddit, Inc.
- ConsenSys Software Inc.
- QuikNode, Inc.
- P2P Business Technologies
- Google Cloud (Google LLC.)
- Offchain Labs, Inc.
- OpenSea Innovation Labs Private Limited

Data Availability Committee members can be appointed and removed at any time pursuant to a Constitutional AIP approved by the ArbitrumDAO. In the event that a Data Availability Committee member is removed (and not otherwise replaced) pursuant to a Constitutional AIP approved by the ArbitrumDAO, or in the event that a Data Availability Committee member resigns without a replacement, the Security Council may execute an emergency action (9-of-12 approval required) to appoint a replacement for such removed or resigned Data Availability Committee member.

AIP Guidelines and Process Breakdown

Section 2 of the ArbitrumDAO Constitution lays out the AIP process and voting procedures, as well as the various categories of AIPs, and is incorporated herein.

Arbitrum Voting Protocol Procedure

1. [Tally.xyz](#) will act as the initial on-chain voting platform for the ArbitrumDAO to submit and vote on AIPs
2. Tally will serve as a front-end user interface that allows DAO members to do several things, namely:

3. Create AIPs;
4. View delegates and their voting share;
5. Re-delegate votes to a different delegate;
6. View current and past AIPs;
7. Vote on AIPs on-chain, interacting with the on-chain governance contracts via the Tally front-end; and
8. View the status of AIP execution during all voting stages

Steps to Implement

1. Ratification of formation of The Arbitrum Foundation and its [Amended & Restated Memorandum of Association](#) and [bylaws](#) linked in this AIP-1.
2. Ratification of the [ArbitrumDAO Constitution](#)
3. Ratification of Security Council and Data Availability Committee member appointments and respective powers
4. Ratification of the following allocations of the L2 basefee on the Arbitrum Nova chain: 8% of the basefee to the Data Availability Committee and 12% of the basefee to Arbitrum Nova validators
5. Ratification of the funding of the DAO Treasury (as defined in the ArbitrumDAO Constitution)
6. Approval of the AIP process as described in this AIP-1
7. Completed setup of the [Arbitrum Forum](#), [Snapshot](#) and [Tally](#)
8. Ratification of funding the Administrative Budget Wallet
9. Ratification of reimbursement of costs as illustrated in the Overall Cost sections below and disbursement of such reimbursements to applicable service providers

Timeline

Solution prepared and ready to be ratified and approved

Overall Costs

Initial Setup Costs of The Arbitrum Foundation and ArbitrumDAO

Total setup costs, including legal costs, DAO administration setup and registration fees to be reimbursed to service providers: \$3.5 million ("Total Setup Costs

")

DAO Treasury

In order to best provide the ArbitrumDAO with the ability to effectively govern and foster the development of Governed Chains (as defined in the ArbitrumDAO Constitution), 3,527,046,079 \$ARB tokens have been transferred to the DAO Treasury. The ArbitrumDAO will have direct on-chain governance powers over the DAO Treasury in accordance with the AIP process as delineated in the ArbitrumDAO Constitution.

The Arbitrum Foundation Administrative Budget Wallet

For the sake of operational and administrative efficiency, a separate account controlled by The Arbitrum Foundation will be created ("Administrative Budget Wallet

"). 750 million \$ARB tokens will be transferred to the Administrative Budget Wallet for purposes of making Special Grants, reimbursing applicable service providers for the Total Setup Costs and covering ongoing administrative and operational costs of The Arbitrum Foundation. Further funding of the Administrative Budget Wallet shall require approval of an AIP by the ArbitrumDAO pursuant to the AIP process.

[The Arbitrum Foundation Memorandum of Association](#)

[The Arbitrum Foundation Bylaws](#)