

# Summary

Request 24.5m DAI and 200k LDO in continuity funding from May through December 2023 to support the development and implementation of v2 and ongoing maintenance for the protocol. For simplicity this post will express itself in DAI to align with the denomination of most of these expenses.

- 20.5m DAI and 200k LDO to continue grant funding to outsource Lido V2 development and support to the 2 entities part of the wider Lido Contributors Group
- ca. 30m yearly run-rate with an expectation to land on a substantially lower run-rate after backing out audits and contingencies
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- 4m DAI equivalent for liquidity and marketing incentives bringing the total max spend in all sales & marketing incentives to 14m for 2023, down from over 100m in 2022
- Changes to TRP Program to protect the DAO from edge cases

## Proposal Actions

### Continuity Grant Funding for Lido v2

Continuity for ongoing projects being outsourced to Pool Maintenance Labs Ltd., Argo Technology Consulting Ltd. or serviced by RCC, to collect functions relating to protocol execution, sponsorships and development support for the DAO. These existing contributor channels can mitigate present business continuity risks while advancing decentralised protocol governance.

This proposal would ratify the below budget request that will officially engage the Lido Contributors Group for a further 8 months through a funding injection into three multi-signature addresses

DAI 20.5m and LDO 200,000 will be approved for the period May-2023 to December-2023 to fund DAO activities, distributed across the below grant approvals:

Approval of a [continuation of the previous grant](#) to Pool Maintenance Labs Ltd., an independent not-for-profit staking advocacy and technical services company and existing contributor in the British Virgin Islands, transferred to a company-authorized 4/7 multi-sig wallet with signers listed below: 0x17F6b2C738a63a8D3A113a228cfd0b373244633D

- adcv: 0xcC692077C65dd464cAA7e7ae614328914f8469b3
- folkyatina: 0x75E01e1B7a4Ac280fB744A8153beE668A7e83abd
- kadmil: 0x9A3f38AF97b791C85c043D46a64f56f87E0283D4
- Azat: 0xA14BFfd91fb571bF1D9Bec70f273CAc13CA127Fa
- krogla: 0x000000DfE832ccD7a4011a1Fca34602C9a598353
- skozin: 0x181dbb1E8156518a58Cbb83AF4D3C41E731c6bdF
- rotorless: 0xF6E9a144D727C239cC2A7C64C48B8b9A0E39b3dc

Approval of a [continuation of the previous grant](#) to Argo Technology Consulting Ltd, an independent Panamanian software development company operated as a not-for-profit, funded through a company-authorized 4/7 wallet with signers listed below: 0x9B1cebF7616f2BC73b47D226f90b01a7c9F86956

- adcv: 0xcC692077C65dd464cAA7e7ae614328914f8469b3
- dgusakov: 0x992Ce4eEc8288274f60880c7770DdA265fCCe610
- carvas: 0x1B3fcFCeF0d61454eee4cd4E38159D2A43E28541
- Marin: 0x04e7C0350241b818eE5c92cc260008C9898F41cf
- ShardYaco: 0x59d07dc34B135B17b87840a86BFF7302039E7EDf
- madlabman: 0xA8815bc0B541D0a28dA7b8f759EB7E157e8fF8b0

- Alex\_L: 0xB339918e75664a07BB650513427559920C0A0F6C

Approval of a continuation to fund the [RCC](#) 4/7 multi-sig wallet with signers listed below:  
0xDE06d17Db9295Fa8c4082D4f73Ff81592A3aC437

- jbezy: 0x039bDD285d3eDb1D9B6001d3097067Aa2AF7d826
- Marin: 0x04e7C0350241b818eE5c92cc260008C9898F41cf
- Alex\_L: 0xB339918e75664a07BB650513427559920C0A0F6C
- irina: 0x8CeD94df9ddba8E38b6cb36639B6635F19Eb25C6
- UniteTheClans: 0x81ca68f085282434D15c09619360D6513710a979
- zuzu\_eeke: 0x004812da927b5dcd07e7329609edd75e25d2d295
- adcv: 0xcC692077C65dd464cAA7e7ae614328914f8469b3

If the proposal is approved, the first funding for disbursement to finance protocol operations would be requested from the DAO via [EasyTrack](#) motions.

- Pool Maintenance Labs Ltd. 0x17F6b2C738a63a8D3A113a228cfd0b373244633D
- Argo Technology Consulting Ltd. 0x9B1cebF7616f2BC73b47D226f90b01a7c9F86956
- RCC 0xDE06d17Db9295Fa8c4082D4f73Ff81592A3aC437

Multisig signers & addresses may be rotated by specified multisig after signalling the change to DAO on the governance forum. Number of signers can't be lowered, and the threshold must be at least 50% of the signers.

## reWARDS Program Cap and Switch to stETH

Up to 4m DAI will be authorized for distribution through the [reWARDS multisig](#) or other marketing incentives as stETH or wstETH from the period ranging June 2023 to December 2023. The effective amount of stETH will be calculated on the basis of a dollar value, once a month, based on the prevailing market price. If a discount on the market rate to ETH is present, DAI from Aragon treasury will be used to acquire stETH first.

Each following distribution will be authorized either as an Aragon on-chain vote or through the Easy Track Motions process once available.

## TRP Amendments

The below terms will be amended on the [TRP Program conditions](#):

Proposed changes (1):

- New packages should only be granted upon hire, promotions, and base compensation raises of 30% or higher
- A promotion is defined as a change in level, i.e. from Shark to Orca
- In the event of a promotion, if the amount of LDO is less than or equal to the amount under the previous plan, the contributor will receive a +33% increase in LDO terms to compensate for the difference as a one-time change to the base level
- If a contributor is given a 30%+ raise but is not promoted, the unvested portion of their TRP will recalculate at the original LDO price with no change to the vesting schedule
- A promotion is defined as a change in level, i.e. from Shark to Orca
- In the event of a promotion, if the amount of LDO is less than or equal to the amount under the previous plan, the contributor will receive a +33% increase in LDO terms to compensate for the difference as a one-time change to the base level
- If a contributor is given a 30%+ raise but is not promoted, the unvested portion of their TRP will recalculate at the original LDO price with no change to the vesting schedule

Proposed changes (2):

- Promotions will result in an incremental package granted to the individual for the difference between the existing package and new level package, at the LDO Price at time of promotion, capped at the annual USD

amount of the new level package, with a floor that is at least equal to 33% of the promotion LDO TRP package

## Retrospective on LIDO-1 and Roadmap for 2023

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image

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Through to the end of March, LIDO-1 has 5.6m remaining out of an approved budget of 11.2m DAI. Most of the underspend comes from slower than expected contracting plans, as much of the development teams for PML and ATC have been intensely tied up behind delivering withdrawals. The excess will be returned, or, effectively, deducted from Lido-v2 if approved.

## Overview of Budget Request for LIDO-v2

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image

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Estimated protocol economics based on publicly available blockchain data. We will be releasing the full set of protocol economic statements next as well as the underlying query for the community to review and comment.

2021 and 2022 were years of tremendous growth for Lido, which has been a bulwark for decentralization in Ethereum staking against centralized players. In particular, Lido's strong position puts it in an advantageous situation relative to new centralized liquid staking tokens such as Liquid Collective (Alluvial).

In order to deliver as a credible decentralized alternative, Lido needs to quickly turn its attention from enabling withdrawals to the Lido v2 roadmap. In particular, this will require focusing development teams contracting with PML and ATC into a few key areas of focus:

- Engineering Coordination
- stETH Core Protocol Engineering
- Validator Set Engineering for the Staking Router
- Alerting and Monitoring Tooling
- Community Module
- Governance Core Protocol Engineering
- API & Components

This will likely bring a higher requirement in terms of contractors. Currently there are ~80 FTE equivalent contractors working across PML and ATC right now (vs 96 budgeted). For v2, the teams expect to complete their original roadmap for hiring and add a further ~25 FTE equivalent contractors in capacity to support new engineering or tech efforts over the course of the next 8mos. PML and ATC have both recommended budgeting conservatively on the presumption that this workforce will come online from day 1, however, it is likely some run up will result in budget underspend towards the last quarter of the year.

## Auditing costs

Sufficient budget will be provisioned for auditing expenses to carry Lido DAO through to the end of 2023. We are reserving the right to selectively not disclose specific amounts.

## Other expenses

The DAO will make available a dedicated travel budget for contributors to be able to travel to conferences and to in-person meetings. We have benchmarked against other organizations and taken into account real-world travel needs to come up with a fair estimate of realistic and valuable travel needs for the DAO going forward. Priority is given to commercial and technical teams in this distribution, and team intentions/desires have been taken into account.

Ongoing marketing expenses to support the launch of v2 of up to \$3m, up from LIDO-1 on the basis of new sponsorship and event opportunities in non-US regions.

The request continues to ring-fence a dedicated line item for ongoing legal research and external legal work as needed.

## Liquidity incentives, sales & marketing

It does not take much to see that Lido DAO has been spending a considerable amount of capital on liquidity incentives in 2022 and the beginning of 2023.

Steakhouse Financial has been a [firm advocate](#) of bringing this under control and we have helped [drive research](#) in this direction to substantiate our beliefs. On the back of these findings, we are supportive of [engaging domain experts](#) to support further research around ROI for incentive-based spending, combined with a hard cap of 4m DAI equivalent for domain and liquidity incentives each.

In particular, for liquidity, this cap will be distributed to the [reWARDS Committee](#) as a hard stop for any further liquidity incentivization. With withdrawals opening up, the need for ongoing spending on liquidity pools draws to a close and we must reign in and focus our efforts where there is the maximum potential benefit for stETH users, rather than default to rewarding LPs.

Notably, this new campaign will no longer be funded by issuing LDO tokens but instead by deploying stETH the protocol generates in the course of its operation.

Should the research by domain experts demonstrate the possibilities for use of capital that effectively improves the quality of stETH for its users, we could certainly revisit this budget through a new request in a few months.

## TRP Amendments

The [TRP Program conditions](#) will be amended according to the specifications described in the proposal actions section. The intention is to prevent the emergence of edge cases that are unfair to the DAO. None of these edge cases have taken place yet.