

Abstract

Return the 700M \$ARB unjustly allocated to the Foundation from the DAO

What happened with AIP-1 was a clear overreach of the DAO's power of treasury resources

This is a symbolic gesture to demonstrate that the governance holders ultimately control the DAO, not the Arbitrum service provider nor the Foundation

Only after this has occurred, can we move forward with Budget proposals.

Motivation

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

On March 16, 2023, the Arbitrum networks (Arbitrum One and Arbitrum Nova) were decentralized and given to the newly formed Arbitrum DAO. Included in this transition were:

- Control of the upgradeability and technical future of the chains
- Control over the DAO treasury
- Control over net fee revenue - i.e. the net difference between fees collected by on-chain operations and L1 fees paid by the Sequencer
- All Arbitrum social media platforms and accounts
- Ability to elect and, if deemed appropriate, remove the Security Council and Directors

Full responsibility of the chain's technology, future, and fee revenue were given to the DAO directly. With the DAO assuming those rights and controls, the DAO also assumed the responsibility to fund the ongoing operations of the chains and the costs of running critical chain infrastructure, including RPCs, the Sequencer, and third-party vendors and service contracts.

The DAO has full control of the resources of the DAO treasury.

Though it is acknowledged that there is nuance in the chicken and egg problem, the DAO undeniably has the right to reverse any decisions made unilaterally by the foundation or the service provider.

When this public distribution was released, it marked the creation of the DAO.

([ARBITRUM: THE NEXT PHASE OF DECENTRALIZATION | by Arbitrum | Mar, 2023 | Medium](#))

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Screenshot 2023-04-06 at 2.28.35 PM

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](<https://global.discourse-cdn.com/standard17/uploads/arbitrum1/original/2X/b/b3fd6ed23af104f35e283178ce5d4d0be9789e30.png>)

In this post, it was clearly outlined that the DAO would receive 42.78% of the token supply.

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image

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](<https://global.discourse-cdn.com/standard17/uploads/arbitrum1/original/2X/4/47353ee373d742c77eb2eebc1c85899b0ae42f05.png>)

The legal rationale behind the decision from the service provider to not initially allocate resources to the foundation is not clear, but what is done is done.

Once public communication is disseminated and people make investment decisions based on the terms of decentralization, that is binding and there is no going back.

The Foundation has unilaterally been allocated \$750M tokens from the DAO that was not approved by the governance token holders.

Any funds must be returned until it has been properly allocated by the DAO and the DAO only.

Health of the Foundation

We understand that the Foundation needs resources for the ecosystem to succeed and compete versus its competitors.

We are in support of AIP1.1 and AIP 1.2 as proposed.

It is prudent that full faith and trust be restored in the governance process before we proceed with anything else.

Ask

- Return 700M \$ARB from the Foundation to the DAO as a symbolic gesture that the governance token holders hold ultimate power and authority over the resources that were granted to the DAO
- Buyback \$ARB via Wintermute with whatever fiat is left from the \$10M OTC sale
- Disclose terms of the market making deal with Wintermute

Proposals

This proposal will remain up for 36 hours before the snapshot proposal will be brought up