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# Entropy Advisors: Exclusively Working With Arbitrum DAO

**non-constitutional**

## Abstract

This proposal aims to secure funding for Entropy Advisors to continue its work exclusively

with the Arbitrum DAO for one year. During this period, we will deliver strategic proposals, guide key partners through the DAO processes, and align the priorities of essential stakeholders for the betterment of Arbitrum. We will also expand our efforts to include a small set of additional verticals by hiring skilled contributors in areas where the DAO needs support, such as data analytics, technical proposal creation, marketing, or any other needs that may arise.

With a budget of \$2.791M for the year paid in monthly installments and stored with the Foundation for DAO-clawback capabilities, along with an optional up to 1.5 million ARB for performance-based bonuses voted on by the DAO near the end of the term and put in a 3-year vesting contract to ensure long-term alignment, we will continue to build a dedicated team focused solely on enhancing the Arbitrum DAO's success. The primary goal of our work is to help Arbitrum DAO continue its path toward efficient and effective operations and execute its long-term vision of becoming a sustainable entity with diversified revenue streams. We believe that over the coming years, Arbitrum DAO has the potential to generate hundreds of millions of dollars per year while maintaining its status as the leading Ethereum scaling solution with an ever-growing base of users and developers. All of Entropy Advisors' employees will work full-time towards achieving this goal.

## Motivation and Rationale

Arbitrum DAO is set up to prosper with its cutting-edge technology stack that will soon support numerous coding languages, a vibrant community of users and developers, abundant resources in the DAO treasury, and the ecosystem's commitment to scaling the most decentralized and secure L2 on Ethereum. Despite our belief that Arbitrum holds a strong position in the market today, there is a lot of work to be done over the next 3-5 years to ensure Arbitrum maintains and advances its position. We have diagnosed some key areas in need of improvement that we feel well suited to take on:

1. Designing, drafting and executing proposals that benefit Arbitrum.
2. Strengthening overall governance processes and providing feedback to other DAO contributors, unlocking efficiencies and ensuring redundant work is avoided.
3. Acting as a mesh layer between key stakeholders, e.g., active delegates, development teams such as Offchain Labs, and the Arbitrum Foundation.
4. Helping potential 3rd party strategic partners navigate the DAO to attract high-quality companies and individuals within the ecosystem and RFP applicant pools.
5. Attracting/retaining top talent working full-time, professionally on behalf of Arbitrum DAO.
6. Improving the ability of the DAO to spend money effectively and support a long term sustainable future for Arbitrum.

Today the Arbitrum DAO faces friction executing across all of the aforementioned tasks. Many times those creating proposals have known or unknown ulterior motives and incentives at play. It is difficult for aspiring contributors and partners to navigate the DAO. No one is incentivized to bolster RFP applicant pools. Communication is fragmented with no entity in place to tie perspectives together, and operations/goals often overlap across initiatives. There are numerous proposals that are consensus to move forward but do not progress because there is no financial incentive to do so. There is inadequate accountability over and transparency into DAO funded programs. The problems are ever-evolving and growing, and the Arbitrum DAO needs an entity that only has the DAO's best interests in mind to fill the gaps.

Our team ([@swmartin19](#), [@mattonchain](#), and [@pruitt](#)) brings an extensive network as well as experience in research, governance, brand building, and project management to the Arbitrum DAO, having led well-known brands in the space such as Blockworks Research and 404 DAO. We have all been involved in the DAO since the beginning, starting with Blockworks Research's entry into the DAO by [highlighting flaws](#) in the DAO's very first proposal, AIP-1. We are not afraid to push

against the status quo if we believe it helps Arbitrum achieve its goals.

Entropy Advisors was extremely fortunate to receive a grant from the Arbitrum Foundation. As such, we have been able to use the past few months contributing full-time to Arbitrum DAO to further showcase our value in the community. We have hosted bi-weekly 1-on-1 calls with a cohort of large delegates, with the foundation, and with OCL, and feel that we have a strong hold on various stakeholder's interests, strategic goals for Arbitrum, working initiatives, etc. When paired with our experience and networks within the industry, we believe that we are uniquely positioned to help Arbitrum achieve its long-term goals with all stakeholder perspectives in mind. With exclusivity meaning no official or unofficial engagements with any other client, Entropy Advisors can serve Arbitrum DAO with no ulterior motives or conflicts of interest.

Today, virtually no money is spent on operations, while the DAO has spent almost 435M ARB in total with ~95% going towards investments, incentives, and grants (Source: Delphi & R3gen). We believe it is absolutely imperative for the DAO to make an investment in operations, simultaneously ensuring different initiatives across the ecosystem can be set in motion swiftly, fit together seamlessly, and can reach the best talent, while the DAO's expenditures can be managed in a way that enables long-term sustainability. It is evident that this is becoming a wider-reaching theme within the DAO, but requires a heavy lift (see [OpCo](#) proposal from @dkpremia

that asks for 25M ARB). We are NOT looking to replace OpCo, but rather drastically reduce the scope and funding request by helping formulate operational procedures until the OpCo is formally stood up. At that point, the DAO can decide what role Entropy Advisors plays as a service provider to the OpCo.

With the budget as outlined, Entropy will be able to hire up to 10 employees with a diverse range of skill sets including governance, data analytics, marketing, and development/engineering. We will be able to hire top talent in our industry who will dedicate their full-time bandwidth to Arbitrum DAO. Regardless of Arbitrum's current strategic priorities, whether cutting costs or scaling strategies, our team will work to execute the goals of the DAO. Given Arbitrum's dominance, size, and number of initiatives it is important that we build a well-rounded team at Entropy that can operate as the tip of the spear as a catalyst for change across the many sectors that the DAO operates.

## Entropy's Portfolio

At the beginning of May, we [introduced](#) Entropy Advisors to the Arbitrum DAO. We are a governance operations-focused business, working exclusively with Arbitrum. Our initial efforts have already driven several notable initiatives, demonstrating our capability and commitment to enhancing the Arbitrum DAO:

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- Worked with [@r3gen\\_Finance](#) to create a [proposal](#) that reduces DAO OpEx on multi-sig signers, by establishing the Multisig Support Service.
- We leveraged our network to ensure a competitive applicant pool, which ultimately resulted in one of the most [competent applicant rosters](#) (40 in total) in the DAO's history despite just a \$1,500-\$2,500 monthly wage per signer.
- The proposal is expected to save the DAO almost \$400,000 per year.
- Entropy managed the application process, and will soon host a call with the winning applicants to go over multi-sig best practices.
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- Conducted [research](#) into Arbitrum DAO's sequencer margin / transaction fee mechanism, kicking off a conversation that aims to increase the DAO's treasury value rather than deplete it of resources.
- Attended/helped drive forward discussions related to DAO [budgeting](#) and sequencer [revenue](#) through working group calls.
- Followed up with a formal [proposal](#) to increase the L2 minimum base fee on Arbitrum One, with plans to establish a more long-term solution that includes service providers.
- This proposal, if passed, could bring the DAO an extra \$5-15M per year of profit.

- We also [tapped](#) on the ARDC to conduct research into these areas, thereby utilizing existing resources at the DAO's disposal rather than wasting additional resources.
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- [Moved quickly](#) to get Hack Humanity, the entity behind GovHack, ample funding to throw an event in Brussels at ETH CC for the Arbitrum community. These events require a substantial amount of lead time to plan, and the event would not have been possible if a few extra weeks had passed prior to getting the event funded.
- This is a great example of Entropy Advisors helping 3rd party service providers navigate the DAO while also combatting the collective inactive problem mentioned above. Everyone wanted Arbitrum DAO representation in Brussels and Entropy stepped in to get it done.
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- Introduced a [governance calendar](#) that encourages proposals to start and finish Snapshot and Tally voting on the same day each week, requires some support from delegates before proposals move to Snapshot from the Forum, and a holiday break at the turn of the new year.
- The goal of this proposal was to reduce delegate fatigue by incorporating a more predictable structure, and ensuring things only go to Snapshot once they have been thoroughly reviewed by the broader community.
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- As mentioned above, Entropy has bi-weekly meetings with active delegates, members from OCL, and the Foundation in an effort to streamline communication throughout the DAO. This has helped ensure no two entities are working on the same thing in silos and will become more important in the future as we define the DAO's long-term strategic vision.
- By leveraging our existing network, we have kicked off discussions with potential major partners for the DAO. We will always be representing Arbitrum DAO in a high-value context, even though sometimes it won't be visible to the broader DAO until the end of the negotiations' lifecycle.
- We are also working on numerous initiatives in tandem that are not yet ready for the forum:
- Stylus Sprint - essentially a grants program for early adopters of Stylus to improve dev tooling and infra, and display the power of Stylus on mainnet.
- Events RFP - a group of events providers who can organize events on behalf of the DAO for a fair price.
- [Redacted] Gaming Project Looking at Deploying on Arbitrum - small concessions need to be agreed upon by the DAO, but a top-tier gaming project wants to build on Arbitrum if these terms can be met.
- Pursuing the acceleration of a treasury management strategy so that the DAO is better prepared for the next bear market.
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## Specifications

If this proposal passes, Entropy Advisors will sign a 1-year exclusivity agreement with the Arbitrum Foundation. The

partnership will begin on the first of the month after this proposal passes. During this time, Entropy will service no other clients in any capacity. We will achieve the aforementioned goals through the following deliverables:

## **Proposals-as-a-Service (PaaS)**

- Neutral Proposal Broker
- Hold introductory strategy meetings with key Arbitrum stakeholders and partners to help them navigate the DAO. Facilitate introductions between delegates, contributors, DAO leaders, and key strategic partners.
- Assist with drafting and delivering proposals from select third parties to the DAO.
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- Proposal Incubation
- Facilitate the oversight and creation of neutral DAO frameworks and initiatives that do not benefit Entropy and only have the DAO's best interests in mind.
- The idea behind Entropy is to assemble a team composed of highly capable DAO contributors with differing perspectives and expertises—we will use our collective brain power to create proposals that benefit Arbitrum over the long term and are aligned with community priorities.
- Enable the DAO to expedite and refine proposals more precisely, addressing the recurring issue of proposals being approved without sufficient details on execution and long-term planning.
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## **Strategy and Ecosystem Alignment**

- Serve as the liaison between Arbitrum's key stakeholders
- Host meetings with key stakeholders and report needs and updates between the relevant parties. Report notes to DAO when able.
- Turn conversations and takeaways into an actionable plan and begin executing.
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- Turn conversations and takeaways into an actionable plan and begin executing.
- Product and Strategy
- Regularly discuss with application developers within the Arbitrum ecosystem, relay this information to development teams/the Foundation, and use the insights to create discussions with clear goals on the Arbitrum governance forum.
- Assist the key stakeholders on partnerships/integrations as needed. We will serve as an extra set of eyes to highlight emerging technologies and trends within crypto, aiding Arbitrum parties when we can be helpful.
- Generally speaking, ensure that the Arbitrum DAO is on track to becoming a sustainable entity with sensible spending and a focus on profit generation.
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## Data and Brand Building

- Build up a high-value brand through various mediums, such as X/Twitter with educational content and research, YouTube/Apple/Spotify through a podcast, and email through weekly newsletters.
- Bring visibility into DAO initiatives and RFPs.
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- Aid DAO-funded organizations like the ARDC and OBL in conducting research and analytics to inform proposal development.
- Utilize data analytics to help the DAO with accountability and transparency around its initiatives.
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## Vision

Our vision for working with the Arbitrum DAO is structured in three key phases, each building upon the success of the previous one to ensure a thriving partnership.

### **[Complete] Phase 1: Establishing The Foundation For Entropy<>Arbitrum**

In the initial phase, our focus was on establishing a solid foundation by identifying and addressing key pain points within the DAO. This involved acting as a neutral party to broker proposals, aligning stakeholders, attracting talent, and improving strategic partner onboarding and stakeholder relations. Our initial efforts have already demonstrated notable progress in a short time period, setting the stage for a more capable DAO.

During Phase 1 we identified how Entropy fits into the broader DAO, and how we can be most useful. This involved lessons learned in passing proposals, project management, and working with new and existing partners. Additionally, we took this time to start building relationships with all of the DAO's most active stakeholders including many delegates, members of the foundation, protocol teams, and key individuals at Offchain Labs.

### **[This Proposal] Phase 2: Passing a DAO Proposal For One Year of Continued Work.**

Over the next year, we will build on the foundations we have established, aiming to make the Arbitrum DAO an efficient and effective community dedicated to long-term sustainability through the points brought up in the Motivation & Rationale section.

We will enhance governance processes by ensuring the initiatives we develop and implement focus on accountability. By fostering stronger relationships between key stakeholders we will ensure more cohesive collaboration. Through data, quantitative, and qualitative analysis we will begin to analyze active initiatives and propose clawbacks and other mechanisms to decrease DAO spend to focus its budget on high ROI initiatives.

Leveraging our extensive network, we will secure partnerships that bring value to the DAO, enhancing the overall ecosystem. Additionally, we will pick up small lift brand and marketing campaigns to help bring awareness to DAO initiatives. We will continue to attract and retain high-quality contributors by offering competitive compensation, professional development opportunities, and a collaborative work environment.

Through strategic projects, such as well-thought-out economic stimulation, we will support the DAO in generating sustainable revenue streams. Our proposal includes an agreement with the Arbitrum Foundation so that if the OpCo is stood up in the next year, we can easily port our agreement to fall under its purview instead of the Foundation.

### **Phase 3: A Well-Oiled Machine**

In Phase 3, we envision Entropy Advisors as a well-oiled machine, seamlessly servicing the Arbitrum DAO. Entropy will grow together with the ecosystem, continuing to perfect the deliverables mentioned earlier while looking for areas where we can add value. By this stage, we will have employed and retained top talent, creating an environment where the DAO operates at peak efficiency. Our efforts will help position Arbitrum as the clear-cut leader in the rollup ecosystem, driving innovation, growth, and success.

At this point OpCo should be well underway and Entropy Advisors will continue to serve as a service provider to OpCo, if viewed as beneficial. The DAO will be able to retain a second year of Entropy's services under the same terms stipulated in this proposal, if it desires to do so. For this second-year engagement clause to be executed in the future, the DAO will also need to vote in favor of the future bonus proposal discussed below. If the OpCo is stood up, this entity can be responsible

for the potential renewal in place of a DAO vote. This structure would come into effect at the end of our initial 1-year term.

## Cost & Budget Breakdown

Salaries: \$1.96M

- Justification: According to [Delphi](#), a VC analyst (the lowest level employee) makes \$85,000-\$160,000 + a carry with more senior positions making significantly more. Employees cost an employer substantially more than base salary due to benefits, taxes, and other assorted costs. This ensures competitive compensation to attract and retain top talent, with our goal being to hire up to 10 employees. Additionally, we will be able to hire independent contractors and service providers on a project-by-project basis as needed. We are doing highly specialized work, and obtaining experienced individuals in the middle of a bull market with extensive experience in operations, project management, finance, and governance that are also crypto native will be expensive.

Legal, Insurance, and Accounting: \$90K

- Justification: Covers necessary legal, insurance, and accounting services to ensure compliance and protect the organization. As a company operating in a forward-facing role in the governance space, a sufficient budget is necessary to protect against changing tides in the regulatory environment. Costs include setting up a Cayman Entity, D&O + E&O insurance, accountant's hours, ESOP, employee agreement reviews, and more.

Conference Travel, Offsites, and Small Events: \$105K

- Justification: It is important that Entropy represent Arbitrum DAO at industry leading events. Hosting our own small events is important for brand building. Offsites and conferences can cost as much as \$5,000 per employee in attendance. Even throwing a small "Happy Hour" type event can cost between \$5,000 and \$15,000. This enables Entropy members to attend industry conferences, conduct 1-2 offsites per year, and host 1-2 small events to foster team collaboration and engagement with the community. All while representing Arbitrum DAO in a professional manner.

Assorted Software: \$21K

- Justification: Enterprise Dune, Gusto, QuickBooks, Replit, Google Suite, Web Hosting, Laevidas, Token Terminal, Open AI API, Slack, etc. Provides essential tools and platforms for data analysis, development, operations, and communication.

Brand and Marketing: \$80K

- Justification: Invests in brand building and marketing efforts to enhance the visibility and reach of the Arbitrum DAO. Though it is a small budget and the DAO should still explore other avenues for marketing, it will allow us to do the bare minimum of promoting Twitter/X threads, building websites, and other brand building mechanisms of this nature. Launching a high-quality podcast can also incur significant costs. Our existing familiarity with Arbitrum's methods of information dispersion allow us to lean into brand and marketing in an optimal manner.

Office / Misc: \$70K

- Justification: Covers expenses for coworking spaces, office equipment (laptops, podcast materials, office stipend), dinner stipend for late nights, and other miscellaneous costs to support a productive work environment.

Operating Budget Subtotal: \$2.326M

Margin / Contingency (~20%): \$465K

- Justification: Provides a buffer for unforeseen expenses and ensures the project's smooth progression and some potential profit for the company over year 1.

**Total Budget: \$2.791M**

## Payment Details and Clawback

While the Entropy team scales, they will draw a reduced \$100,000 per month and after crossing the threshold of 7 employees dedicated to Arbitrum, will start receiving regular monthly payments ( $\$2,791,000/12 = \$232,583$ ) for the remainder of the 12 month term.

A total of 6 million ARB will be sent to the Foundation, for them to monetize at their discretion to secure at least \$2,791,000. Any Excess ARB not monetized (or stored for the potential bonus below) and excess stables from lower payments during the initial scaling of Entropy will be sent back to the DAO by the Foundation.

## Termination and Clawback

The DAO may vote via Snapshot to terminate Arbitrum's relationship with Entropy Advisors at any time. Quorum for this proposal will be set at the same level as ongoing non-constitutional onchain proposals, with quorum defined as total votes for termination+abstention, and the proposal must have more voting power in favor of termination than against or abstaining. If the Snapshot proposal passes, the DAO can terminate the agreement with Entropy Advisors, effective on the last day of the month in which the Snapshot passes, effectively stopping any future payment at that moment. In this scenario, all funds earmarked for Entropy Advisors will be returned to the DAO by the Foundation.

## **1.5M ARB Bonus**

The Foundation will hold 1.5 million ARB allocated to potential performance bonuses. As the 1-year period comes to a close, Entropy will post a Snapshot vote so that the DAO may decide if the bonus should be distributed. The DAO will have the options of no bonus, 500k ARB bonus, 1M ARB bonus, or full 1.5M ARB allocation. If the proposal passes, the Foundation will send the X (TBD number) ARB to a 3-year vesting smart contract that pays out to Entropy Advisors in monthly streams. This ensures Entropy Advisors remains aligned with the DAO and ARB token even after this agreement has expired and as we move into Phase 3 and onward.

## **Return**

The Foundation will send all funds in excess of – \$2,791,000 + 1.5 million ARB – back to the DAO. At the end of the year, any additional dollars resulting from months where Entropy receives \$100,000 instead of the full allocation, and remainder from 1.5M ARB if the full bonus is not allocated, will also be returned.

**Our vision is to turn Arbitrum into a sustainable entity with durable operations in place. Entropy will be the spearhead of catalyzing operational change and leave long-lasting structure in its wake.**