

Summary

This proposal incorporates updates to the [prior discussion](#). It requests approval for the authority to donate up to a maximum ceiling of 22M LDO to a grants association for use in a Token Reward Plan (TRP), a framework which will distribute voting LDO tokens spread over a period of up-to four years to DAO contributors. The proposal will enable a single universal arrangement for contributors to participate in DAO governance that is connected to their continuous contribution periods. It will also offboard the burden and risk of DAO commitments to the contributors to a single purpose grants association. The association will receive the donations over time and will make grants of LDO from the association into the hands of contributors according to the parameters of the TRP described below. Democratising governance participation by increasing the number of independent actors will enhance the resilience of the DAO's treasury to resist governance attacks, improve routine quorum, and reward long-time contributors with LDO at the same time.

Abstract

Approve the donation of up-to a maximum ceiling of 22M LDO to be transferred over a four year timeline to the grants association's multisig. The signer's of the multisig will be members of a not-for-profit grants association. The purpose of the association will be to own the multisig and to assure the integrity of a grants program described by the TRP. This will include the audit of the eligibility of the TRP participants, and of the distributions of governance tokens to long-time contributors according to the [formula](#) set-out in the original forum post. Initially it will be done manually with the intention to automate by smart contract.

If this proposal is implemented the following will change:

- the DAO will offboard the responsibility for current and future LDO commitments to contributors to the grants association;
- many contributor LDO grants have been approved by DAO voting and require the implementation of a means to disburse and receive LDO, this situation will be remedied;
- a single universal LDO distribution framework will be established which will bring certainty to all stakeholders and reduce and eventually eliminate the burden of honouring a diversity of bespoke LDO arrangements over time;
- for a minority of contributors that have indicated a preference to respect their previous grant arrangement to its finality, the burden of honouring the arrangements can be assumed by the grants association, and when, and if, a prior arrangement is complete the contributor who remains can have an option to re-engage with TRP if they continue to contribute to the DAO;
- there would be a net increase in the number of independent rational actors participating in DAO decision making.

Motivation

Since genesis the DAO has made a variety of commitments to contributors to grant them governance participation under a variety of formulas at different points in time. For many contributors the commitments are in arrears. The arrears are in part because of the resource draw and burden to honour the multiple different arrangements on an bespoke basis and also the absence of a dedicated resource to deal with the obligations. One side of the issue is resolved by harmonising LDO commitments into a simple fair and universal framework. Another side is resolved by offboarding existing and future contributor obligations to an amenable third party. The benefits of honouring the commitments to existing LDO members are many. An LDO distribution plan enables the existing LDO holders decision making to be enhanced by the participation of contributors who built and continue to build the ecosystem, ensures enhanced resilience from coercion or attack on the Lido DAO or the Lido on Ethereum protocol, and maintains positive relationships with the contributors.

An activity like the TRP described is outside of the DAO's immediate core business. This activity attracts an entirely different risk universe than overseeing the development of liquid staking projects. At a global scale, local legal compliance is complex and more easily achieved by localising the activity within a legal wrapper. This path enhances trust between the DAO and the receiving association since the multisig signers are be ascertainable, it will provide a level of protection for the signers, it can respond and service the demands of the local compliance needs of individual contributors that the DAO cannot do, and it offboards the burdens of decision making, contributor obligations, grievances and other potential liabilities from the DAO. There is also a motivation for fairness. It would be unfair for a contributor to be penalised based on where they live or where they were born because the uncertain treatment of grants from a DAO will differ depending upon where it is received. The source and purpose of the grant is overcome by using an association.

This new proposal is consistent with the progressive decentralisation process towards a permissionless contributor-driven DAO discussed in the [recent budget proposal](#).

Specification

The association's framework of the TRP was arrived at after surveying the existing contributor LDO arrangements with a view to harmonising them, and surveying similar programs at other DAOs.

Contributors with prior LDO grant arrangements were contacted and given a choice to either remain with their legacy arrangements, or to agree to terminate their old arrangement and elect to participate in the new framework of this proposal. Nearly all contributors agreed to elect to participate in the new framework.

The goals of the TRP are:

- a simple single harmonised arrangement
- to enhance decentralisation by enabling contributors to accumulate LDO to vote in DAO governance.
- that grants are not measured by or dependent on hours worked, production or efficiency.
- that participation is optional;

The TRP has the following elements:

Term:

four years, beginning on November 1st, 2022 for existing contributors

Milestones:

all participants will have a one year milestone before the rewards unlock, thereafter they will unlock gradually

Participant:

is a contributor who is eligible to receive LDO under the framework and who has been assigned a contributor level.

Base Compensation:

Base Fees, in US dollars

Level-Multiplier:

Based on experience and skill

LDO Price:

Calculated as the trailing 180-day close price of LDO, using the following [Dune query](#) as the source of truth

*Repricing Mechanism: Allows the contributor to manually trigger a reset of their TRP and milestone schedule, locking in a new LDO Price at the 180-day moving average, but forfeiting any accrued but not received LDO. For example, if a participant decided to reprice their TRP four months into the plan, they would lose all LDO accrued during those four months, and reset their milestone date to 12 months from the date the repricing mechanism was used.

Upon being used, a new four year plan with a one year milestone is granted, and if a participant has multiple packages due to changes in roles or promotions as defined below - all are reset and consolidated into one new package. The maximum discount that participants can reprice at is 50% below the original TRP package price.

The initial participant list is composed of the current DAO contributors as of November 1st, 2022, who are either working for the DAO directly or assigned to a DAO project from a contractor with a statement of work or agreement or snapshot, whichever the case may be (please see [proposal to form RCC](#), [Lido-1 budget request](#)).

The members of the above-mentioned not-for-profit grants association will form a commission which will be in power to qualify TRP to contributors, which it assesses to be most helpful in relation to Lido DAO, making them eligible for TRP. The commission will also be responsible to set each contributor a corresponding level in the TRP as described more fully in the section below.

*Note - participants are only allowed to reprice their package once per four years

Contributor Levels & Skill-Multiplier %

Lifeguard:

800%, or 200% per year

Orca:

400%, or 100% per year

Shark:

300%, or 75% per year

Dolphin:

250%, or 62.5% per year

Otter:

125%, or 31.25% per year

Swordfish:

75%, or 18.75% per year

Policy Features

- Participants had the option to opt into the new Rewards plan, at the 11/1/22 LDO Price of 1.5294 or continue with their existing plan. This option lasted for two weeks from December 6th to December 20th. As mentioned above, this election by contributors was complete and understood to be conditional upon the approval of the LDO donation.
- Opting into the new plan enables participants to lock in the current LDO Price and retain their current milestone date
- Example: If a participant is 9 months into their milestone schedule, their milestone date will be 12 months - 9 months = 3 months, and the full milestone schedule will be for 4 years (48 months) starting at month 9 (3 months until the date then 45 months of monthly milestones thereafter).
- Example 2: If a participant is 14 months into their milestone schedule, they will have no first year milestone date and continue on monthly milestones at the LDO Price for 4 years (48 months)
- Note - Participant opting into new plan will receive pro-rata to the day for LDO accrued (e.g. If a contributor has contributed for 7.4 months, they will be received LDO at a daily rate and their first year milestone date will be remain unchanged at 4.6 months in the future)
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- New packages will only be granted upon new contracts, hires, promotions, and base compensation increases of 30% or higher
- A promotion is defined as a change in contributor level, i.e. from Shark to Orca
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- A contributor voluntarily or involuntarily leaving the DAO will cease to be a participant.
- The TRP will continue until the budget is spent
- New program start, changes in formula of TRP calculation or LDOs required above the 22M LDO ceiling - will require a renewed DAO approval;
- Promotions will result in an incremental package granted to the participant 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

Additional detailed examples of calculations and applying the formulas of the framework are in the forum post[here](#).

The Association

The association will be resident in Switzerland. The purpose of the association is to own the multisig, audit and ensure contributor grants are matched to participant eligibility and to own all aspects of the TRP. This will offload obligations to contributors and any grievances to a single purpose third party. The use of the association will enhance trust that the gifted LDO is being used for the purpose of the association and enhance fairness and strengthen confidence with participants. The entity will be able to supply appropriate documentation to contributors who may face local challenges, something the DAO

cannot do. The decisions of the association with respect to the TRP will be final.

The association will:

- Use a 4/7

[safe.global](#) multi-signature wallet to execute the objects of the program;

- Implement, where feasible, automation which should include the deployment of a smart contract for each participant
- Make recommendations to the DAO, from time to time, regarding TRP
- Rotate Members of the multisig to ensure the continuity of the association.
- Own obligations, commitments, disputes and grievances with participants.
- Use EasyTrack motions to request refill top ups within the budget.
- Make bylaws and policies to give effect to the TRP.

Under this framework the DAO will approve a donation to the association and the association will exercise discretion the TRP.

This control to be executed via Aragon vote or equivalent governance instrument that might come to replace it in the future.

Multisig wallet [0x834560F580764Bc2e0B16925F8bF229bb00cB759](#) with 4/7

following signers to be created:

- [kadmil](#): 0x4ce07bbcd6c8a6331e95d23b61cbedf0111db179
- [Alex_L](#): 0xF3d5Fdb50154B1b3047F311485780Baa1D770492
- [skoizin](#): 0xD516fce5737388b126d550B5a5CAf53bcBF73895
- [adcv](#): 0x5157CeE5ee585A8331C936e838591FaeBf9123D4
- [irina](#): 0x8CeD94df9ddba8E38b6cb36639B6635F19Eb25C6
- [dgusakov](#): 0x806cAC2126F2a74ba04D712bA64Bd0792FE811d5
- [George](#): 0xAF0e81325a05a9F123907983F3F1a48864947127

The Budget

The estimated budget for this program +50% buffer for future changes (newcomers, possible changes in rewards level, etc.) is 22M LDO for the period from 1 November 2022 to 30 October 2026

. The TRP multisig to be refilled in batches of approximately 1M LDO (exact amount to be calculated by TRP committee). This is a precautionary measure to avoid storing large amounts of LDO in this multisig. Afterwards, these rewards to be sent in batches to individual smart contracts of each TRP participant in the whole planned amount, until all participants opting into the rewards plan get their contracts. Amounts in smart contracts will be unlocked to participants gradually according to the program schedule. The multisig committee should also be available to send funds to individual participants wallets before smart contracts deployment, if rewards are due.

Part of these tokens may be used for disbursement of amounts for November 2022 - February 2022 period via RCC, ATC and PML (in addition to [Lido-1 budget proposal](#)), until the TRP ms is wrapped into a legal entity and smart contracts are deployed.

The Snapshot for the approval of this budget, TRP committee creation and a transfer of LDO to its' multisig will start on 9 February 2023

and will be waiting for your votes for 7 days

. In case of the proposal approved by the DAO - corresponding Aragon vote to be started.

UPDATE

: the proposal wording was actualized according to changes approved in [Lido-V2 Snapshot](#).