

kodama.eth & I (David) collaborated to find a path to improve APE Staking to be aligned by all ApeCoin parties. We provide high level thoughts for the following discussion ahead of voting on next Thursday.

PROPOSAL NAME:

Replace NFT-based APE Staking

PROPOSAL CATEGORY:

Ecosystem Fund Allocation

ABSTRACT:

While it may first appear as a benign distribution strategy to distribute \$APE to community holders in 2022, \$APE Staking has been slowly diluting value from BAYC/MAYC/BAKC assets through a concept similar to “ex-dividend.” Despite Yuga’s arsenal of incredible resources (cash holdings, community, Yuga Labs product team, etc.), \$APE has been completely mispriced relative to peers in the GameFi narrative, while Yuga NFTs continue to bleed in a perpetual downward trajectory as it loses its status as a “status” asset. To change course from its current trajectory, drastic measures are needed to revive the BAYC narrative in the public once again.

We propose, with the support of other key community members, that ApeCoin immediately vests of all \$APE distributions related to Yuga NFTs to cleanly segregate the NFT value proposition with ApeCoin speculation with a lump-sum of 60% of expected APE proceeds (proportionally to BAYC/MAYC/BAKC).

With the surplus APE left (40%), we recommend using the existing Horizen Labs emissions to incentivize longer-dated APE-locking and continued flexible vesting

The following proposal delineates the logic behind the action, research into distribution logistics (arriving at the least disruptive methodology for the delivery of the remaining APE to stakeholders), supply-sided mitigants, and some proposed paths to maximize token & NFT holder-value into 2024.

BENEFIT TO APECOIN ECOSYSTEM:

1. High level summary about why NFT staking is currently untenable
2. Much of the logic is delineated in this following thread:<https://twitter.com/KtkZergs/status/1739905205582614551>
3. To summarize, there is very little economic purpose for conjoining the two assets together other than the belief that that the whole is greater than the sum of the parts. This thinking, however, has proven to be not true over time:
4. Ending value destruction for BAYC NFTs

: Due to a concept similar to ex-dividend, the NFT is perpetually losing value every time a dividend is outputted. This perpetual negative has significant consequences for a “Veblen” asset that relies on upward price as its primary quality (branding/celebrity, status items, identity, etc)

- Ending value destruction for \$APE

: As the APE coin is reflexively tied back to the NFT value, it creates a negative spiral. Regardless of the tokens high inflation, it’s hard to find a specific identity to what ApeCoin represents when you buy exposure into the token(the Otherside universe by Yuga Labs). Not all NFT holders are gamers, and not all gamers are NFT holders.

1. Most aligned way to remove NFT-based APE staking

We recently had some conversations about the very logistics related to the distribution of the APE with the least amount of disruption. Given the construction of the Horizen contracts, we did not want to introduce much additional processes and wanted to be as least disruptive to the process. There is a reliance on a “top up system” - the next available window being March 21st which wasn’t to our liking in terms of flexibility. It also creates undue pressure to modify positions to optimize for a short-term accelerated staking/vesting distribution. In order to avoid any coordination processes, the conclusion was that the best delivery system would be the original Claims system with a simple lump-sum distribution to all BAYC/MAYC/BAKC holders.

We propose, however, to incorporate a discount to this asset at a fair annualized discount rate. A ~30% annualized rate (or 40% discount across two years) is a generously low rate for a speculative asset, but the remaining amount will not be burned. Rather it can be used as incentive to help alleviate any new sell pressure by creating a supply sink.

A. Clean separation: Claims-based distribution of 60% of remaining proceeds.

- Incorporate an annualized discount rate (~29-30%) on the lump-sum to help reduce immediate sell pressure
- use the original Claims method from the original distribution for this lump-sum distribution

- use the original Claims method from the original distribution for this lump-sum distribution

B. Reduce sell pressure: Use remaining 40% for time-locked APE yield

- Use the remaining APE (from the discount) to help reduce the sell pressure for new & existing participants who continue to believe in ApeCoin and the Otherside ecosystem
- Use the existing Horizen contracts for APE-only staking
- Based on preliminary conversations with the Horizen team directly, the process has some contingencies: the foundation “top-ups” APE into the distribution contract with a specific # of tokens and it should work automatically
- Use the existing Horizen contracts for APE-only staking
- Based on preliminary conversations with the Horizen team directly, the process has some contingencies: the foundation “top-ups” APE into the distribution contract with a specific # of tokens and it should work automatically
- The new staking will reward long-term holders of ApeCoin, reduce the circulating supply and mitigate sell pressure.

Including the 40% surplus APE the total amount available to APE-only staking would be the following:

- 29.0m

for 2024

- 14.5m

for 2025

We propose to divide it between the two APE pools as follows:

2024

29000000

Distribution

Locked APE

20300000

70%

Flexible APE

8700000

30%

2025

14500000

Distribution

Locked APE

10150000

70%

Flexible APE

4350000

30%

Locked APE pool

: the longer you lock your Ape (e.g. 6m,12m,18m), the more rewards you get. Rewards are auto-compounded and therefore cannot be sold during this period. This not only rewards long-term holders the most but also results in a reduction of the circulating supply and mitigation of sell pressure.

Flexible Ape pool

: remains unchanged.

PLATFORMS & TECHNOLOGIES:

- Original APE airdrop Claims process (already exists)
- Horizen APE staking contract (already exists)
- APE locking system (off-the-shelf solution) - we are currently exploring a few options. This is an incredibly common contract design but if anyone has any decent references, we can pull some reliable & tested solutions for a smooth integration.

STEPS TO IMPLEMENT & TIMELINE:

1. Voting: Thursday, January 18th
2. Distribution: February 1st
3. Deployment: February 1st
4. Launch: February 1st

OVERALL COST:

This should bear no cost to execute the modifications as the proposal stands.