

Arbitrum Hackathon Builder Continuation Program

Non-Constitutional

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1. Introduction

A few months ago, Arbitrum funded the [Arbitrum CollabTech Hackathon](#) through Questbook. This month-long event has just come to an end, having gathered great talent and energy.

We've got

- 164 applications and [144 participants](#)
- 20 projects submitted
- [15 finalist projects](#) that are solving real problems with tech for governance, identity, reputation, and more. All are built on Arbitrum.
- [3 winners having built a narrowly focused PoC](#)
- **Contribo**: matching talent to tasks is a foundational need in any collaboration. Contribo is tackling the right parts of this well, focusing on smooth UX and simplicity yet strong onchain components.
- **Signals**: A much-needed tool for DAOs to easily define priorities and transform chat-group noise into meaningful proposals. It also provides additional utility for native tokens.
- **Separated Powers**: A more flexible approach to role definition, well architected. Could advance automation in onchain organisations significantly and provide a system for reducing the overhead of checks and balances.

We've created a funnel for builders on Arbitrum and we want to sustain this momentum. However, without support, the teams will soon seek opportunities elsewhere. Questbook new protocols track is out of funding but, even if it had funding, the projects need not only capital but also network access and expertise.

RnDAO proposes to co-fund (roughly 50-50) a program in partnership with Arbitrum to invest in and support these teams.

This program is designed to take projects from a hackathon PoC to engage in systematic customer validation, iterate and develop an MVP, and get their first 100 users. As such, we're leveraging the raw talent and expecting the projects to evolve significantly as they engage and validate with customers, achieving traction at the end of the program.

2. The Solution: Turn Hackathon Wins into Long-Term Success"

Early-stage projects often stall or fail within a few months because they lack a deep understanding of their target audience and its needs. Systematic customer validation can significantly increase the likelihood of projects thriving beyond this initial

stage.

This initiative, co-funded by RnDAO and Arbitrum, aims to build an ecosystem of unique Arbitrum-based projects that will continue to grow and attract new projects.

We've designed a 6-month, two-phase program to capture the best of the hackathon talent and energy.

- Phase 1 focuses on validating ideas (customer development, lean startup, and design thinking methods) and understanding the competitive landscape.
- Phase 2 supports projects to move from PoC to the development of a market-viable MVP and securing the first 100 users.

Here's how:

- We will select the 4 most promising hackathon teams to join the program (through due diligence by the RnDAO investment committee and signing of an investment contract).
- Each project will receive an initial stipend (\$12k over 3 months) in Phase 1.
- Upon successful completion of user research, validation of interest, and presentation of a viable business case (solid pitch deck), the top 2 projects can move to Phase 2.
- Phase 2 projects are awarded an additional \$38k and receive hands-on support (sales strategy, biz dev, marketing amplification, intros to funders, team formation, setting up ops processes and legal, setting up agile product development processes, etc.).

Goals:

- short-term (6 months): projects validate their concepts with customers (first 100 users) and generate traction to fundraise from investors or otherwise receive follow-on funding or generate revenue.
- long-term: create a group of unique ventures that collaborate and integrate [business cluster](#), drawing in new projects like a magnet with less direct involvement from our team.

3. Proposed Support Program

Program Structure (Two Phases)

By breaking funding and mentorship into two distinct phases, we derisk capital allocation. Only projects that successfully validate customer demand and can showcase a market gap in the first phase will advance to the second phase, ensuring that resources are focused on ventures with proven potential.

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Phase 1: Entrepreneurs in Residence (EiR) - Customer Validation (3 Months)

- Funding: Each project receives \$2,000 per month per cofounder (max 2 cofounders receiving funding per project), totalling \$12,000 per project for Phase 1.
- Goal: Support validation with real users to confirm demand and solidify the project's foundation.
- Process: Most hackathon projects lack any customer validation and have a shallow understanding of the problem. As such, they fail to gain traction and die. In Phase 1 we focus on addressing these issues head-on by guiding projects through a structured customer validation process, with
 - weekly strategy and customer development mentoring sessions
 - shadowing user research calls and providing feedback
 - multiple hours of hands-on support per week (up to 8 hours per week directly with each project and extra cohort work) to refine their outreach campaigns (tactical support on copy, messaging, refining target user groups, introductions, implementing automation tools, etc.) and support on making the competitive landscape.

Transition from Phase 1 to Phase 2:

- Assessment by RnDAO investment committee (we'll invest significant labour in the next phase and so will only approve teams we deem viable).
- Assessment based on market viability (clearly understood customer problem, market gap, proposed solution based on customer insights, viable team).

Phase 2: Development and Scaling (3 Months)

- Funding: Projects that successfully complete Phase 1 will receive an additional grant of \$38,000 each, amounting to a total of \$50,000 per venture across both phases (enough to build and market test a basic MVP plus 3 months runway for market testing and securing the next bit of funding).
- Goal: This phase supports full product development, go-to-market strategy, and readiness for sustainable operation, whether through fundraising, revenue, or further grants.
- Process: After initial customer validation, the key challenge for founders is being spread too thin, while needing to set up an effective, agile product development process to quickly validate hypotheses and accelerate product-market-fit, ensure financial sustainability (pitch development and fundraising), set up a fully functioning team (talent recruitment), and operate the organisation (admin and ops). We'll help teams with all of these challenges, operating as a fractional c-suite (down in the trenches with them, up to 10 hours per week with each project and extra cohort work) and fast-track their brand recognition and network with the support of our marketing team.

RnDAO Program's Value and advantages over regular incubation programs

1. Swarm Collaboration: participants join an alliance of similar projects, encouraging integrations (good for project retention in Arbitrum), sharing best practices, co-marketing, cross-selling, and more. RnDAO facilitates this through a system of guilds, collaborative databases, cross-ownership, and facilitating specific collaborations.
2. Not just advisory, hands-on operators: we get our hands dirty working directly in the projects, fast-tracking their development with world-class expertise, including [Drea](#) (led research for Google Suite, Asana, Aragon, etc. 50% time-commitment to the program), [Gokhan](#) (venture-building expert and 8x entrepreneur. Full-time commitment to the program), and [Daniel](#) (organisation designer, ex-Head of Gov Aragon, 4x founder, etc. full-time commitment to the program.). Additionally, we provide access to industry-leading mentors (e.g. mentors for the Hackathon included Kevin Owoki, Nader Dabit, Dennison Bertram, Reka Medvacz, David Phelps, etc.).
3. Network access:
4. Support in establishing customer relationships by leveraging the RnDAO vertically-specialized network and peers' networks.
5. Assistance in securing additional funding and achieving self-sustainability.
6. Talent network and talent attraction support via RnDAO community and comms channels.
7. Enhanced Visibility:
8. Increased attention from investors and customers through the RnDAO brand umbrella and marketing initiatives.

Combined, these strategies enable us to provide high-quality and hands-on support, customer access, market insights, and talent access, resulting in faster time to market and reduced failure rate for projects.

More on Swarm methodology and data-backed comparison with other types of programs:

<https://www.rndao.io/blog/post/startups-from-solo-to-multiplayer-from-ad-hoc-to-systematic>

Overview of support offered:

<https://docsend.com/view/jys5wqqg9vi8qknm>

Program Outcome:

In six months, we aim for at least 2 of the projects to:

1. Get their first 100 users.
2. generate revenue (early validation), and/or
3. secure additional grants or successfully fundraise to continue growing.

4. Implementation Plan - Budget

The budget is divided in 4 categories:

- Capital Investment into the projects: direct capital allocation to the teams.
- Venture Support: hands-on support and mentorship given to the projects.
- Program Ops: creation of monthly program reports to the DAO & delegates stakeholder management, program branding and promotion of Arbitrum as a great home for builders (including coordination with Arbitrum Foundation marketing team), program management and overhead (team management and contracting)
- Grants: an incentive for user interview participants in Phase 1.

Total Program Cost:

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- Difference with previous budget:
- CollabBerry grant has been eliminated as per the Snapshot vote.
- Based on feedback, we also added an extra cost (\$2,000) for post program reporting (3 months after completion).
- The cost attribution has been reviewed for increased granularity between Ops and Ventures Support.

danielo:

As a nounance (we'll clarify this before going onchain), the Comms costs are added within Ops but technically we can break these down with more sophisticated accounting into:

- program reporting
- amplifying projects through RnDAO channels and coordinating with Arbitrum Foundaton and others to amplify
- coaching projects on comms/growth

So perhaps anoher 10-15k can be attributed to Venture Support.

- Given our internal model of a small team that has to complete multiple tasks, the cost attribution can be broken down in multiple ways. Previously we opted for a simple rule of thumb to reduce confusion amongst delegates (unsuccessfully): Contributor A gets attributed 100% to Ops, Contributor B 100% to Venture Support. Now the system is more akin to Contributor A split between Ops and Venture Support as per their responsibilities, and same for Contributor B, etc. We can't share this data publicly without revealing sensitive details of our operation including the total earnings of each contributor. If delegates consider an audit essential, we can only offer access after signing an NDA. We encourage the DAO to develop standard guidelines as the level of granularity demanded across suppliers vary greatly and a privacy-preserving mechanism would be ideal.
- How RnDAO cost are calculated: The RnDAO budget contribution is based on the provision of services valued at the cost of the staff contracted for this pilot (rates based on full-time equivalent, not on freelancer/consultant rates). The value is thus not calculated on the rate we could charge for these services but merely on our own internal cost. The fee structure means that RnDAO runs the program at a deficit (we invest significantly into the startups, generating a financial loss). The model is designed so RnDAO can recoup this loss over the long term IF the projects incubated become significantly valuable.

5. Funds Management & Payment Schedule

The funds provided by ArbitrumDAO will be transferred to the Arbitrum MSS.

The funds are then transferred from the MSS wallet in two phases and to two separate RnDAO controlled multisigs for easy auditing

- RnDAO multisig for Capital deployment into projects
- RnDAO multisig for Program (combined ops, venture support, and interviewees grant).

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6. Reporting

Monthly reports for the duration of the program including

- overall program progress (timeline, budget usage, execution challenges if any)
- venture selected and rationale (at the start of phase 1 and phase 2)
- venture status updates (stage of development, traction and news)
- learnings (retrospective on last month and actions)

Report 3 months after project completion including

- venture status updates (stage of development, traction and news)

7. Investment Agreement and Arbitrum benefits

- We'll provide the Arbitrum Foundation with a proposed template and agree on the exact format, clauses, and wording to be used.
- The baseline template we envision is a contract that covers 3 scenarios: equity fundraising (SAFE) + protocolisation and token launch (Token Warrant) + a side letter covering the scenario of the projects not fundraising nor issuing a token. TBC with the foundation.
- The contract shall stipulate the division of proceeds between RnDAO and the Foundation, which we envision to be 50-50 (pending confirmation from the foundation).
- The contract shall enable the Foundation to transfer the contract to an Arbitrum-affiliated entity of their choosing (e.g. CapCo).
- If no agreement with the foundation is reached on the contract, the program will be discontinued and the funds returned minus any spent legal fees (max \$2,500).

8. Long-Term Vision

- we can run more hackathons and incubation programs, further growing the business cluster
- Successful execution will create a self-sustaining business cluster - a magnet that attracts more projects without our active contribution.

9. Conclusion

With the Arbitrum CollabTech Hackathon, we've successfully launched 15 projects in Arbitrum. Now we have the opportunity to keep fueling this momentum and pioneer investments in Arbitrum DAO.

We're open to questions and ready to bring this to a vote to gather your feedback. Based on the feedback received we'll refine the proposal before moving to an onchain vote.

10. FAQ

Why not fund projects through the Foundation grants program or Questbook?

The foundation grants are aimed at growth-stage projects or strategic partnerships. Currently, the foundation doesn't have the operational setup to incubate and provide hands-on support to early-stage projects. Equally, Questbook is currently out of funds but even if it had funds, Questbook grants lack the set-up to provide hands-on support for projects. Importantly, we're not providing grants but making investments in the projects, which means that even if the projects migrate, Arbitrum can receive value from this program.

How does this relate to the incentive detox?

The incentive detox focused on incentive programs like STIP or LTIP, while we're proposing an investment and incubation program. This is not just about naming convention but two different categories entirely. Incentives refers to user incentive programs for established projects to distribute Arbitrum tokens directly to users, while we're proposing a pilot investment and incubation program for early-stage builders to develop unique MVPs on Arbitrum. Different maturity stages, different beneficiaries (tokens to end-users vs builder grants), and very different mechanisms.

Why \$50k per project?

This amount is sufficient to build an MVP and explore the next stage (forcing a narrow scope but also allowing up to 3 months after to explore a fundraise and/or generate some revenue). Additionally, it's important to have the funding lined up for projects as long as they do a good job. This allows founders to focus on validation and building instead of stressing over funding and thus submitting multiple grant applications across multiple chains. In our previous experience with the CoLab we lost 2 valuable projects to other chains (Optimism and Cardano) because we couldn't provide funding soon enough.

Is this an accelerator program?

No. Accelerators offer hands-OFF mentorship with significantly larger cohorts. The result is that many projects fail to validate with customers effectively or otherwise get bogged down by the myriad of challenges present in startups. We get our hands dirty, providing tough love and hands-ON operational support. Additionally, accelerators tend to keep a generalist approach, including a high diversity of projects in each cohort. We focus on a narrow vertical to compound expertise and also incentives collaboration between projects to improve outcomes further.

[More info here.](#)

How are the projects assessed?

To enter phase 1, we focus mostly on the team. We're looking for raw talent who are passionate about solving a meaningful problem, have skills and are willing to put in the work. We'll assess teams in the order of the hackathon ranking until all slots are taken.

For Phase 2, the bar is significantly higher than regular grant programs. Teams need to demonstrate customer interest, a market gap, and a credible solution. Maximum two slots are provided meaning at least 50% of teams won't make it. No team has a guaranteed slot. If less than 2 teams are selected for phase 2, any unused funds will be returned to the ArbitrumDAO.

What are the expected outcomes of this program?

We aim to generate viable ventures so the costs incurred in the program are at least recouped via the investment contract and any ecosystem development and onchain transactions come as a profit. Our target Internal Rate of Return is 30% after 2 years (unrealised) and long-term (4-6 years) 3x. A surplus can come from:

- Arbitrum doing follow-on investments in promising projects via an ecosystem fund (such as the one being scoped through AVI)
- Onchain transaction fees and ecosystem development value

How will the investments be managed?

The Arbitrum Foundation will act as a counterparty in the agreements. Additionally, a clause enabling the transfer of the agreements to an Arbitrum-affiliated entity will be included. This enables us to align the Hackathon Continuation program with the outputs of initiatives such as AVI / CapCo and if appropriate, transfer the contracts for management under the new structure.

RnDAO ran a previous program (the Arbitrum CoLab), what were the outcomes and how is the proposed program different?

Breakdown of venture outcomes of the CoLab, out of 6 fellowships:

- 2 are to our knowledge discontinued (we stopped monitoring them),
- 1 had founder health issues but is apparently building again
- 1 is doing now reputation in SingularityNET and Cardano (lost as other ecosystems gave them funding)
- 3 are in RnDAO and making progress (two coming out of the CoLab fellowship and one that joined because of the research produced during the CoLab).

We couldn't provide the projects any funding to build an MVP and only very limited support because we were expected to get more funding from Plurality Labs milestone 2 which didn't happen. And largely forced us to discontinue the program.

The 3 projects from the CoLab that are still building:

- CollabBerry.xyz got a Quesbook grant and is now close to an MVP but not live yet.

- Harmonica.chat they bootstrapped an MVP (launched last week) and have started getting users,
- SimScore.xyz (extra project attracted) is in PoC phase and was the tool we were going to use for the ArbitrumDAO strategy process.

The CoLab also had 50k ARB for an external project (separate from those coming from the fellowship). We signed the agreement with a promising project but for 7 weeks they didn't send us their wallet, then the team imploded (10-year cofounders falling apart). We were able to agree on a cancellation of the contract and had to start over. We have now confirmed an agreement with a new team 3 weeks ago (CommonGround). After the previous experience, we added a "trial period" when working with more mature ventures and CommonGround is effectively following this process after which we'll announce more publicly. We're excited for the partnership with CommonGround to solve DAO challenges in social and comms.

Program design:

We learned valuable lessons from the CoLab Program. The CoLab had the problem research done in a single phase by the entrepreneurs (3-month research fellowship). The problem to be researched was proposed by the Founders in the application.

Most applicants were discarded because not a lack of talent/skills but because the problem they proposed for research was deemed unviable in the current stage of maturity of the industry.

We also learnt the founders struggled with broad problem research (many already had tunnel vision on an idea) and didn't have enough time left in the program for critical solution validation after the problem research.

From these learnings, we've refined the program.

Our ideal vision includes 4 modules:

1. talent attraction (e.g. via a Hackathon): check
2. a centralised research team identifying opportunities (initial problem research): not included in this iteration. Adding a research budget would improve outcomes in our opinion but was deemed too risky from a DAO acceptance perspective. As mitigation, we're leveraging previous research and experience in the industry (combined 4 decades in CollabTech) and proposing separately a user research initiative.
3. Entrepreneur in Residence program (aka Phase 1 of current proposal): check
4. MVP program (aka Phase 2 of current proposal): check

As such, the current proposal is not the ultimate ideal but we believe it is a significant improvement upon the previous CoLab program and also an improvement upon regular grants (capital deployment only, no support) and incubator programs (only hands-off support). We also have the Phase 2 (MVP) included in the proposal so the Plurality Labs scenario of being forced to discontinue the program halfway doesn't happen again.