TEDDY
DAO

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1.0 Introduction

1.1 *Background*

Teddy DAO is the first official NFT project by Lucky Friday NFT, and it is our aim to transform Teddy DAO into the most recognizable brand for charitable giving in the Web3 industry. We believe that this initiative will not only elevate Teddy DAO, but the entire Polkadot brand and ecosystem because there has never been a sustainable model for charitable donations via NFTs in the history of blockchain technology.

Teddy DAO is a unique proposition in the NFT space. Borrowing the mint mechanic of Nouns DAO, one-pixel art Teddy bear NFT is generated each day on a smart contract running on Moonbeam, thereby creating scarcity and a consistent, steady rollout of a collection designed 100% for charitable giving.

Our Teddy DAO NFTs offer two dynamic features unseen in the current NFT landscape:

- Virtually 100% of the funds are a donation to charity of the winner's choice. The winning bidder designates a charity of his or her choice through our partner's network, *JustGiving*. JustGiving is one of the largest online donation platforms in the world, having raised over £5bn for charity and providing direct access to over 450,000 charities around the globe. JustGiving is a subsidiary of BlackBaud, Inc., a nearly $1Bln publicly traded company in the US.
- The Teddy NFT provides ownership to a DAO and the DAO will direct spending/donations of any donations directly to The Teddy DAO Foundation (a 501(c)(3) in the US) and, should a secondary market emerge as people trade them to seek a certain aesthetic, all royalties will be donated at the discretion of the DAO on a quarterly basis.

The core mission for Teddy DAO is to foster social good, which is one of Lucky Friday's four operating principles (or "clovers"), including Infrastructure, Governance, NFTs and Social Good). We firmly believe that giving back to the community is imperative, which is why the first major project for Lucky Friday NFT is dedicated to showcasing the leadership role that Polkadot can play in helping others in need.

1.2 *Proposal Summary*

The proposal seeks for the treasury to provide 45074 DOT worth approximately $196,520 at a 30 day average price of 4.36 per token. The principal amount of the DOT will be secured through a [multisig and proxy account structure that will ensure zero possible loss of funds.] (See Appendix 1 for full details). The requested funding for Teddy DAO will then be derived entirely from the staking rewards on this allocated DOT. As described below, the funding will expand awareness of the Polkadot ecosystem and Teddy DAO project through marketing initiatives, support the regulatory costs associated with 501(c)(3) compliance and expand some technical features to the bidding mechanics and connectivity with JustGiving and directly with charity partners.

If awarded, the DOT would be used for staking and the rewards paid from this stake would:

1) Fund the project's ongoing technical development, which will be shaped in part by guidance from the DAO;

2) Support legal and accountancy costs and filing requirements for the 501(c) (3) entity 'Teddy DAO Foundation' as this enables the donations to be fully tax-deductible in the United States;;

3) Expand donor outreach beyond Web3 natives to traditional donors, both individual and corporate;

4) Foster business development with teams inside and outside the ecosystem and, as noted above, traditional corporations, particularly those that offer donor matching.

In addition to the direct assistance this will provide the Teddy DAO project, we believe this loan will benefit the entire Polkadot ecosystem in a number of ways. For example, part of our roadmap includes educational videos that will help onboard new users to Web3 generally, and the Polkadot ecosystem in particular. One of the elements that helped our initial efforts to secure a partnership with **Just Giving** was Polkadot's environmental sustainability metrics, through our joint marketing efforts this message will be delivered broadly into **BOTH** Web2 and Web3. We believe this type of co-marketing elevates Polkadot's brand image and its commercial viability. While our treasury request is only for a 6 month loan, by demonstrating sound financial stewardship of these funds, we hope that the Polkadot community will continue to support these efforts in the future as a result of its positive impact on the Polkadot ecosystem and the world beyond.

1.3 Teddy DAO to Date

After nearly a year of behind-the-scenes technical, legal, regulatory and marketing outreach, TeddyDAO.org was launched and the first auction was held on June 25th 2023. Since then, and with a very limited marketing budget, we have held 75 successful auctions at the time of writing and raised money for over 49 charities with the highest bid so far being 5,000 GLMR ($1,200).
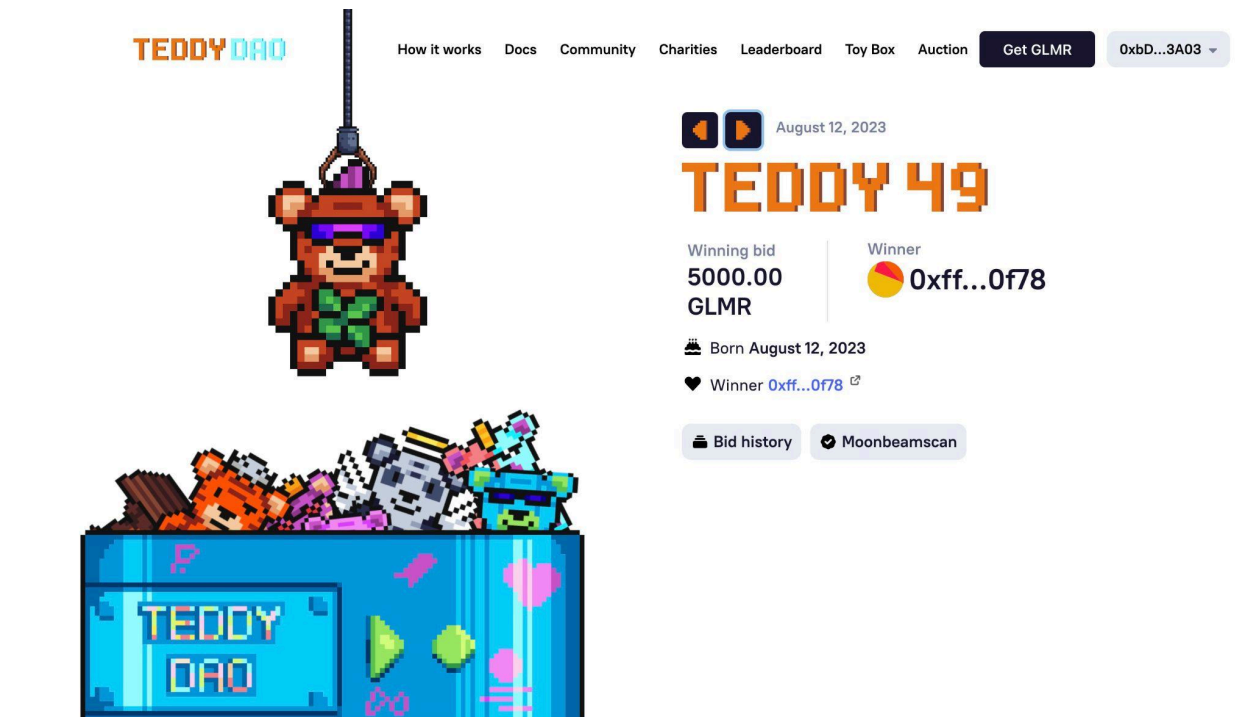
Thanks to Just Giving, we currently have 400 registered charities on the site (the 200 largest in the US and UK) for potential donations; and we expect to extend our reach to over 100,000 charities over the next 6 months as laid out in section 4.

We have already commissioned videos in order to provide easy onboarding into the Polkadot ecosystem for traditional (non crypto-native) donors and *JustGiving* has provided us with commitments that they will look to leverage our content over the entire grant period as they continuously reach out to their 1 million strong user base.

We have also presented at two conferences; the first being Istanbul Blockchain Week in November 2022 where we first made public the idea, and more recently at Blockdown in July of this year. We also have been featured and recognised in multiple online publications as detailed in section 2.2.

We have consistently received positive feedback on our mission and the need for a sustainable giving platform associated with Web3.d We are proud to be delivering it in the Polkadot ecosystem.

2.0 Team and Accomplishments

2.1 *Team*

In order for us to deliver a project like Teddy DAO we needed to combine expertise from multiple fields. Our core team consists of web3 natives with a history in TradFi, education, software development, and art while our advisors have years of experience across many fields including law, venture investing and charity.

Core Team:

David (KBL) Chapman [@1xKBL] - Project Manager
Mr. Chapman is one of the founders of Lucky Friday NFT and a successful crypto investor since 2017. He is the creator of one of the highest-grossing NFT projects on Kusama – the Kusama Kingdom. Prior to joining Lucky Friday, David worked at Goldman Sachs in London after leaving Deloitte.

Ryan (Phunky) Haczynski [@ThePhunky1] - Head Teddy
Mr. Haczynski is a former teacher who has been involved as an investor in the blockchain industry since 2017. He made the leap to Web3 full time in 2022 and serves as the Lucky Friday team as a liaison between parachain teams and our community collator initiative. He is also the day-to-day lead for all things related to Teddy DAO NFT from creating social media content to spreading awareness on discussion platforms such as YouTube livestreams and Twitter Spaces.

Joshua Waller [@Hashwarlock] - Lead Dev
A dApp developer who has been impacted by the charitable donations and giving from charities such as the Make-A-Wish Foundation. After experiencing how much of a difference charities can make in saving lives and providing hope for those in need, Joshua has paid it forward with TeddyDAO in an effort to "Do Good".

Kenji [@CrisisKenji] - Front End Dev
Part of the Neon Crisis team, the first project to deliver composable NFTs on EVM, Kenji was also responsible for delivering MOVRplace, an experimental, collaborative art board that anyone could contribute to for charity.

Diane (Yumi Arts) [@YumiArtsNFT], Lead Artist
Mrs. Yumi is a highly successful artist who specializes in digital pixel art. She is the creator and artist of *Kitty Paradise* as well as the head ambassador for RaresamaNFT Marketplace. She also has a 1/1 collection on Foundation. She spent months creating all of the pixelated Teddy assets, which provide enough combinations for over 4 million possibilities.

Advisors:

Rich Shorten, Chief Alchemist
Mr. Shorten is the founding partner of venture firm Silvermine Capital and a co-founder of Lucky Friday. He has been a board member of several internet infrastructure companies, including those listed on the NYSE and NASDAQ. Rich is a former attorney at the law firm of Cravath, Swaine and Moore.

Tom Chaffee, Chief Actuator
Mr. Chaffee is a serial technology entrepreneur and a co-founder of Lucky Friday. He was a NASDAQ-listed public company CEO exiting two Fortune 500 companies. Most recently, he and his wife co-founded a nonprofit Title 1 charter school in Sarasota, FL, serving more than 650 families in need.

Beyond this core team of contributors, Lucky Friday has dedicated (and will continue to dedicate) significant resources from our broader team at no expense to the treasury in the areas of web development, business development, legal/regulatory and accounting.

2.2 *Accolades and Media Coverage*

There has already been a wide range of coverage of Teddy DAO from various media sources, and we expect to see additional coverage from traditional Web2 media outlets once JustGiving begins outreach to their partner charities and media network. From the launch (end of June) until the present, we have had several Web3 outlets provide news and/or overviews about Teddy DAO.

CryptoTVPlus - "How Teddy DAO Will Use NFTs for Good"

The Kusamarian - "How Giving to Charity with an NFT Receipt Gives Back More…"

Coindesk - "Web3 Organization Teddy DAO Raises Money Through Daily NFT Auctions"

Benzinga - "Teddy DAO Brings On-Chain Charity Auction to Moonbeam in Collaboration with JustGiving"

NFT News Today - "Teddy DAO Launches Daily NFT Auctions for Charity"

Gagarin News - "Teddy DAO: NFT Teddy Bears Boosting Good Causes"

DeFiance News - "Teddy DAO Daily NFT Auctions for Charity"

Web3 Creator - "Web3 and Philanthropy Go Hand-in-Hand"

The Kusamarian - "What's the Real Deal with Teddy DAO?"

Verbo News - "Teddy DAO e Caridade" (Portuguese coverage)

3.0 Problem Statement

3.1 *Lack of Corporate Social Responsibility in Web3*

According to a recent report, approximately 3% of global GDP (~$2.3T) is donated annually toward philanthropic efforts in money and time. Although many of these charitable contributions come by way of individual donations, the majority of multinational corporations also donate funds directly to organizations with 65% of the top Fortune 500 companies matching their employees dollar for dollar in their donations. Additionally, it has been demonstrated that donated dollars have a multiplier effect, often having up to a 10x impact beyond the funds themselves.

As blockchain technology continues to evolve, we believe that the protocols, teams and foundations that launched these novel technologies have their own financial responsibilities toward fostering social good. While it is noble when individuals such as Gavin Wood or other Polkadot leaders have made significant contributions to charity, the Lucky Friday team believes the lack of a system for engaging, meaningful and sustainable charitable giving presents a unique opportunity. By funding Teddy DAO's various multipronged initiatives, we can highlight the broader issue while also elevating the status of Polkadot as a visionary leader in the world of blockchain based philanthropy.

3.2 *Burgeoning NFT Market Missing Charitable Giving*

In addition to the lack of philanthropic efforts among blockchain protocols, using NFTs as a way to raise funds for charitable causes is a use-case that has not been explored in any meaningful way. While some NFT auctions have been held specifically for the purpose of a one-time donation, Teddy DAO is uniquely positioned to become the standard-bearer of charity in Web3. As noted previously, each and every day one Teddy will be minted via smart contract, and virtually 100% of the proceeds will go to the charity of the bidder's choice (a few pennies lost to slippage and ***JustGiving's*** payment processing fee for direct remittance to the charities is 1.9%). Not only will money be going to charity each and every day, but should a secondary market develop based on aesthetics the DAO governance will collectively decide which charity will receive the treasury's royalties and direct donations on a quarterly basis.

Teddy DAO (and Polkadot) has a unique opportunity to lead the industry, especially given the forecasted growth in the NFT market over the coming years. Even with the current headwinds, this market was just over $20B in 2021 and at its current pace of ~33% year-over-year growth, it will be worth roughly $80B by 2025[1]. Even capturing only 3% of this average worldwide growth would mean hundreds of millions of dollars being directed toward charitable causes, possibly escalating into the billions by 2030.

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[1] https://tokenizedhq.com/nft-market-size/

4.0 Budget

4.1 *Amount required*

We want Teddy DAO to not only have a positive impact on the ecosystem through doing social good but also be sustainable for continuous funding. Accordingly, we propose that the requested DOT to be loaned, stored on a multisig, and then staked; the funding for the project itself will come from the staking rewards. This allows the treasury to preserve capital while also funding social good, which can then be reviewed and (hopefully) renewed periodically, with the capital returned to the treasury if and when there is no longer a desire to fund the project. The staked DOT will only support 1KV validators and will **never** be used to vote on OpenGov referenda.

The below budget is for 26 weeks to run and grow the Teddy DAO project. This forecast will be reviewed and refined every 6 months based upon the then-current requirements for growth and with measurable results for levels of giving and impact on the Polkadot ecosystem. Every six months the team intends to provide an agenda of work items. The table below shows hourly rates and estimates of a typical 6-month cycle - over time, these estimates will become more refined.

To receive $196,520 and assuming a DOT staking rate of 15.12% we would require the treasury to loan us 567,570 DOT at the 30-day average price of $4.58

We have outlined below the development objectives on our roadmap, all of which help further our mission of creating the most seamless experience for the end user while optimizing the donations to charity and onboarding new users to the Polkadot ecosystem.

1) **Expand to over 100,000 charities**
    - We have currently got 400 charities available for bidders to choose from.
    - We expect to expand this to over 100,000 charities through ***Just Giving's*** network over the next 6 months, including virtually every registered 501(c)(3) in the United States
2) **Enable One-Click Cross-Chain Swaps Directly on the Teddy DAO Platform**
    - This will allow users from other ecosystems to easily access GLMR. One of the bigger issues we predict will be the challenges associated with onboarding users to Moonbeam and getting GLMR. We believe Teddy DAO can be one of the first non-DEX/Defi use cases for cross-chain token movement into the Polkadot ecosystem. We envision a world where all ecosystems participate actively behind Polkadot's leadership, all united by the common goal of charitable giving. Enabling easy access to GLMR is a key priority for this outcome.

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3) **Build a Governance Platform and Structure after the 100th Teddy**
   - After the 100th bear is minted we will initiate a governance mechanism to allow Teddy Holdersto vote on where the royalties go every quarter.
   - We believe in a governance evolution that should grow with the project. We could see more aspects being voted on over time, but given the sensitivity of the project, this will always have limits.

4) **Integrate Direct Debit/Credit Card Purchases into the dApp**
   - By integrating credit and debit card purchases directly into the app, it will allow a more seamless onboarding experience for the traditional donors we are targeting.

5) **Custom Bear Functionality**
   - Enable a custom bear functionality which will allow people to design their own bear and put it up for auction for a minimum bid amount; they will still need to win the bid at auction but it will start with the reserved price.
   - This will be targeted at larger donors/institutions wanting customizability and allow us to attract higher donations for charity.

6) **Transparency Reports**
   - Build out a reporting function that details the flow of funds from the auction to the charity to ensure complete transparency over the movement of funds
   - This will also be verified by our partners at *JustGiving*

7) **Automated Daily Sells of the Winning Donations**
   - Design and build a contract that will sell the GLMR at the end of each auction. In order to prevent sandwich attacks and slippage, certain mechanics will be built in to prevent this.

8) **Build analytic dashboards**
   - Create a set of dashboards to be able to track metrics such as $ donated, unique bidders in a certain timeframe, teddies held per wallet, and other popular contracts our users interact with on Moonbeam.

The other goals we have set are related to brand awareness and marketing and although more opportunities and plans will arise ad-hoc we have outlined some of our initial targets and ambitions:

- Drive donations from 3 KOLs with a target donation of $2k per bear
- Present at a non-native Polkadot conference
- Host AMAs with at least 3 of the top 200 charities from *JustGiving's* network
- Onboard traditional donors through outreach within the *JustGiving* network
- Get coverage in traditional (non web3) news sites with the help of *JustGiving* in order to expose Polkadot to a whole new audience

- Toys-for-Tots partnership for an initiative to donate 1 real Teddy bear; for every NFT bear minted, we can provide a physical Teddy to children in need during the holidays.
- Ensure synergistic market campaigns between Teddy DAO/Moonbeam/Polkadot to ensure brand exposure and elevation for all.

Please note that this list is not exhaustive and the nature of this project and its development will lead to ad hoc developments and partnerships; therefore, some of the time allocated to each position is dedicated to this early formation of a unique position for this project. Below we have outlined average hours per week that we expect to be dedicated for which we will seek to apply the proceeds from the staking yield of the requested loan. There will be many additional hours and other resources dedicated for which we will not seek any subsidy from the Treasury.

4.2   *Breakdown of Fund Usage*

Position	Weeks	Av. Hours p/w	Rate per hour	Total
Project management [Lucky Friday Team]	26	10	60	$15,600
- KBL will primarily be overseeing the direction of the project - Managing the wider team - Relationship management - Direct contact for Just Giving - Attending conferences to promote the project				
Head Teddy [Lucky Friday (Phunky)]	26	18	60	$28,080
- Managing X and socials - Managing Discord - Hosting X spaces including AMAs with Charities - Attending conferences to promote the project - Managing partner relations - Working with onboarding charities - Liaison with PR teams [JustGiving, Moonbeam, Parity]				
Legal [Ed Mcnamara]	26	2	300	$15,600
- Documentation on entity and DAO structure - Ongoing engagement on strategy and risks - Ongoing work around filings and management of 501(c) (3) - Review and comment on all applicable contracts				
Designer/Artist [Yumi]	26	4	60	$6,240
- Ongoing design for promotional materials - Ongoing updates to website design and assets.				
Accountant [Outsourced]	26	10	60	$13,000
- Managing the process of donation disbursements with Just Giving and Charities - Financial reporting for the 501(c) (3) entity 'Teddy DAO Foundation' - Managing financial disbursements to team members - Publishing transparency reports to show flow of donations to charities				

Development	26	30	100	$78,000
- We will have the support of a number of developers namely, Kenji, Hashwarlock and Jessica Huhnke as well as adhoc contractors.. - Ongoing development of the Teddy Dao platform - Deployment of the 6-12 month initiatives - Maintenance + Bug fixes - Integration of 100,000 + charities				
Elliptical [AML contract]				$12,500
- Contract with Elliptic to provide AML services - This is part of our terms of service with JustGiving - Please note this is for 12 months payable in advance				
PR/Marketing/Education	26	Ad hoc		$27,500
- Budget to attend and sponsor events to boost brand awareness this could include non web3 events in the charity space to attract traditional donors (Hosting booths, giving talks etc) - Produce educational content for more traditional donors to be on-boarded into the ecosystem.				
Total Budget *				**$196,520**

* Funds will be sourced entirely from staking rewards on the requested treasury loan. To the extent that there is a material decrease in reward levels denominated in $USD, then we will manage the budget to these lower expectations. In the event of a material increase in reward rates, we would expect to apply any overage toward future periods.

4.3 *Accountability and Reporting*

To date, the project has been funded entirely by Lucky Friday together with a $50k USD grant from the Moonbeam Foundation, which was awarded in May of 2022. Given the nature of the project and the large partnership with *JustGiving* there was a substantial amount of legal and compliance work required to get the project operating at a standard that would allow us to receive 501(c)(3) status and launch with *JustGiving's* brand attached to the effort.

Consistent with our commitment to social good, Lucky Friday has funded the lion's share of associated costs. We expect Lucky Friday to continue to fund a substantial portion of Teddy DAO's operating requirements, but in order to fully unlock the project's potential and position it as a beacon of positivity within the Polkadot ecosystem, there is a need for additional financial resources as outlined in this proposal.
By securing the resources outlined in this proposal, we are not only safeguarding the project's accelerated trajectory but also creating a stronger foundation for it to thrive long past the contribution of any individual contributor or team.

All DOT loaned from the treasury will be directed to a multisig controlled by 4 members of the Lucky Friday team, where they will remain for the duration of the loan, all of the staking rewards will be

directed to the Teddy DAO Polkadot wallet where they will be distributed to the relevant parties with full transparency.
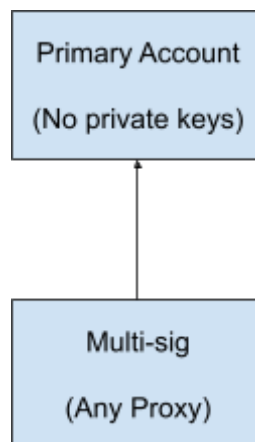
5.0 Conclusion / Closing Statement

As ecosystem agents, the entire team at Lucky Friday is fully committed to the success of both Teddy DAO and Polkadot. We believe that this unique opportunity–both in terms of its sustainable funding approach and the potential to break down barriers for Polkadot–will allow the entire Polkadot ecosystem to shine and set the standard for DAO social responsibility.

Our ecosystem's success will be driven in large part by the continued attraction of large, traditional corporate partners such as Deloitte via KILT. Teddy DAO's partnership with a leading charity organization such as *JustGiving* will continue to elevate Polkadot's brand awareness and create a multitude of opportunities for outreach to other ecosystems and corporate partners, this is a key part of the ROI we believe the treasury and ecosystem will get from this loan. Our goal is nothing short of making Teddy DAO and Polkadot the vanguard for social responsibility via a perpetual initiative for charitable giving that has the additional benefit of drawing a wide array of significant non-Web3 natives into our ecosystem.
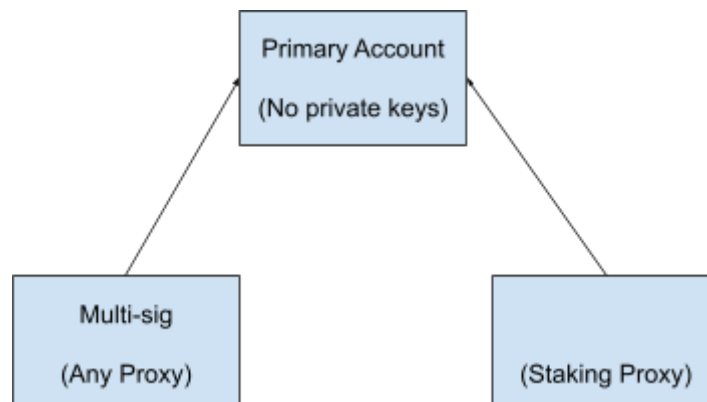
Appendix 1

The proposal seeks X DOT from which the project would be rewarded with staking rewards. Received funds would only be used for the purpose of staking and the validator selection would support decentralization of the network. The foregoing describes how this would be accomplished.

A pure proxy account would be created, this would create an account that doesn't have any private keys and is controlled at first by an 'any proxy account', which, in this scenario is a multi-sig.

```
┌─────────────────────┐
│  Primary Account    │
│                     │
│  (No private keys)  │
└─────────────────────┘
          ▲
          │
┌─────────────────────┐
│     Multi-sig       │
│                     │
│    (Any Proxy)      │
└─────────────────────┘
```

The 'any proxy account' would add another proxy account to the primary account but this time it would be a staking-proxy. The staking proxy would be used for later described automation tasks.

```
              ┌─────────────────────┐
              │  Primary Account    │
              │                     │
              │  (No private keys)  │
              └─────────────────────┘
               ▲                   ▲
              /                     \
┌───────────────────┐        ┌───────────────────┐
│     Multi-sig     │        │                   │
│                   │        │  (Staking Proxy)  │
│    (Any Proxy)    │        │                   │
└───────────────────┘        └───────────────────┘
```

In an effort to support decentralization a script would be developed that would mimic the nominations of three 1KV nominators:

- 12RYJb5gG4hfoWPK3owEYtmWoko8G6zwYpvDYTyXFVSfJr8Y
- 13yk62yQYctYsRPXDFvC5WzBtanAsHDasenooLAxKvf5bNkK
- 16GMHo9HZv8CcJy4WLoMaU9qusgzx2wxKDLbXStEBvt5274B

These accounts nominate twelve validators combined but due to present levels of staking, only nine or ten of them become active. It is anticipated that one of the twelve nominated accounts would become active due to this additional nomination.