

# Funding the ParagonsDAO Foundation

Author(s): Defi Ted, Milamber

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## Summary

The ParagonsDAO Executive Team started the process of forming a foundation in May 2023 and as of today the ParagonsDAO Foundation has officially been incorporated as a Cayman Islands foundation company. The Foundation is effectively assuming the majority of the DAO's existing cost obligations, particularly where it relates to contributor and infrastructure costs, and therefore requires funding.

We propose to transfer funds from the DAO treasury to the Foundation treasury in order for the Foundation to be able to meet future obligations regarding salaries, infrastructure costs and any professional fees incurred. We propose that funding is made in six-monthly increments supporting the next six months of running costs, which amounts to \$1m (payable in USDC) for the first period.

A new calculation will be made at each six-month milestone to ensure the Foundation treasury is topped up with the required amount of funds to meet its next six months of running costs.

## Motivation

The ParagonsDAO Foundation has been created as a vehicle to ensure ParagonsDAO can work and engage with third parties that are contributing to the ParagonsDAO community and ecosystem. This provides a framework for the DAO to enter into contract agreements with parties to perform works done or to meet grant requirements.

The Foundation will be directed by both the Paragons and Treasury Councils in the same manner as which ParagonsDAO is directed, however the majority of operating costs will now be paid from the Foundation under formal contracts as opposed to from the DAO treasury. Most existing contributors will sign contracts with and be paid by the Foundation either directly or via a third party and the Foundation will assume a majority of the DAO's other obligations relating to infrastructure and admin.

The ParagonsDAO Foundation will become the vehicle for all community grants, management of existing operational needs, and general support of the ParagonsDAO community. The Paragons Council will align our grants program to reflect this new process soon and will be open to all requests from PDT holders and stakers.

ParagonsDAO is already engaged in a number of projects that are being funded via the community treasury and needs a vehicle in which the community can continue to grow the ecosystem with the likes of other third parties outside of the core contributor team to expand our decentralised operations.

As such, the Foundation requires a donation of funds from ParagonsDAO in order to meet these obligations regarding running costs. To be clear, aside from some minor legal fees relating to the Foundation, these are existing operating costs that are being transferred to a new entity and not new/additional costs that impact the treasury or runway.



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## Specification

### *Determine annual running costs of ParagonsDAO transferring to Foundation*

ParagonsDAO currently spends \$1.9m p.a. on contributor costs in USDC and a further c.3.2m of PDT. A further c.\$0.1m is incurred in USDC on operating costs relating to infrastructure and professional fees.

### *Determine amount and cadence of funding to ParagonsDAO Foundation*

In order to minimise risk, we propose that donations are made in six-monthly increments, at the end of which a review of costs for the next six months will be undertaken and a calculation prepared for the next six months. Based on the calculation above, funding for the first six months will be \$1m in USDC and c.1.6m of PDT.

### *Create multisig wallet for Foundation and determine signatories and processes*

A multisig wallet will be created from which the Foundation will pay its obligations. The signatories will be agreed by the Paragons Council (apart from one which must be the Director of the Foundation), and will be made up of responsible parties from the Paragons and Treasury Councils.

It is expected that the Foundation treasury will be functionally managed in the same manner that the existing ParagonsDAO treasury is managed by Milamber and the Treasury Council.

### *Fund the Foundation multisig and transfer payment operations*

Upon approval of the PDIP, the executive team will work with the Foundation Director and its legal team to ensure that everything is set up appropriately and then funding will be provided to the new Foundation multisig. From this point, contributor salaries will be paid out of this new wallet and no longer be paid from the existing Treasury multisig.

## Rationale

### *The DAO needs an incorporated entity to engage with third parties*

The ParagonsDAO Foundation allows the Councils to engage and deal with third party groups that can be contracted to the DAO for specific needs at the request of the community via the voting of our Councils on proposals that come via our grants program.

The Foundation also allows the receipt of funds from third party entities which require KYC and the existence of an incorporated entity in order to do so (e.g. The Echelon Foundation).

Payment and receipt of funds from a more formal vehicle will also allow us to be taken more seriously as an organisation, provides financial benefits such as being able to obtain a bank account, as well as providing benefits to contributors, customers and suppliers regarding their/our legal and tax obligations around payment for works, which are traditionally tricky given the legal status of DAOs.



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## Timeline

ASAP subject to Treasury Council approval at its next meeting and before the end of the calendar year.

## Costs

Total initial costs of \$1m USDC and 1.6m PDT. The outlay represents funding of the initial six months of operating costs for the Foundation, which is effectively the next six months of operating costs for ParagonsDAO were the Foundation to not exist.