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Summary

We propose that Gitcoin diversify \$15 million of its treasury into stablecoins. \$15m constitutes 24% of the vested treasury and 2% of the total treasury (vested + unvested). The goals of the treasury diversification are to de-risk Gitcoin's treasury, make sure the treasury has sufficient stablecoins to cover one year of operating expenses, and ensure that GTC tokens are held by long-term partners. This post outlines the need and process for the treasury diversification. We are also seeking members to fill four spots in a treasury diversification working group. We hope to get feedback from the Gitcoin community!

Need for Stablecoins in the Gitcoin Treasury

As of January 13, Gitcoin's [treasury](#) stood at \$62.0 million, 99% of which was held in GTC tokens. Gitcoin's [treasury vester wallet](#) contains \$543 million worth of GTC tokens. Additionally, working group wallets contain a small amount of DAI used to pay contributors.

Gitcoin's operating budget has grown significantly since the launch of the DAO and is now approximately \$3-4 million per quarter. This budget is used to fund the FDD working group, Moonshot Collective, Gitcoin's public goods effort, marketing expenses, Gitcoin decentralization efforts, and the DAO Ops workstream. More details on Gitcoin's spending can be seen in Llama's [monthly financial statements for the DAO](#).

At the same time, Gitcoin's governance token continues to be volatile. From September 28 to November 27, the price of GTC rose from \$6.30 to \$28.04, more than quadrupling. Since its high in late November, the token has fallen and now trades around \$11.75. This volatility in price affects Gitcoin's treasury and makes it difficult to forecast and address future spending.

Gitcoin's annual operating budget (\$15m) currently constitutes 24% of the vested treasury. If GTC's price falls by 50%, Gitcoin's balance sheet will also decrease by 50% and it would be more difficult to meet or increase operating expenses. Gitcoin's growth should not be hampered by short term swings in its token price. **Gitcoin should have at least 1 year of operating expenses in stablecoins so that it has clarity on its budget and is able to comfortably pay its contributors.**

Additionally, paying contributors in GTC could put downward pressure on the price of the GTC token. Contributors may choose to sell their tokens at a later date, pushing the price of GTC down.

Diversifying a portion of Gitcoin's treasury will give the following benefits:

- De-risk the Gitcoin treasury and lower its volatility

- Allow Gitcoin workstreams and contributors the option to get paid in stables if they choose
- Allow Gitcoin to operate from a position of strength in case of a market downturn
- Lower operational costs required to sell GTC for stables each quarter in order to pay contributors
- Ensure that GTC tokens are held by long-term partners

Proposal

Given the rationale outlined above, we propose that the Gitcoin treasury exchange \$15m in GTC for USDC or DAI to strategic partners and individuals chosen by the community. In order to carry out this diversification of the Gitcoin treasury, we propose the following process as an actionable roadmap:

1. Form a 5-person working group from the DAO to work on the plan for diversifying the Gitcoin treasury.
2. Draft a comprehensive governance forum post, detailing the logistics of the diversification of the Gitcoin treasury and the types of strategic partners desired. Additionally, it will explain how potential strategic partners should express their interest via a response to the forum post.
3. Vet strategic partners based on select criteria established by the DAO and ask these partners to speak to the community (on a platform such as Discord or Twitter Spaces) and elaborate on their interest, their value add, their vision, etc. The working group will deliberate and form a shortlist of potential strategic partners.
4. Share the working group's shortlist with the community via a forum post to gather input.
5. Come together as a working group to draw up the final details following community feedback. The diversification plan and the proposed new strategic partners will be put to an on-chain governance vote.

This process is purposefully designed with the objective of being open, transparent, and community-led. The Gitcoin community will be involved across the process and is integral to the decision making.

Taking this into consideration, the working group will arrive at a price at which to sell GTC to the new strategic partners based on community feedback and market reaction to the announcement.

Additionally, the working group will speak with lawyers to incorporate any relevant disclosures in the treasury diversification process. For tax purposes, Gitcoin should set aside a reserve and account for any tax liabilities resulting from the treasury diversification.

Potential Strategic Partners

Overall, GitcoinDAO is looking for long-term strategic partners that bring a diverse set of experience, competencies, and ideas to the table. They should see this as a partnership, whereby all parties will work together to nurture Gitcoin into the stellar project it aims to be. We invite participation from DAOs, Gitcoin community members, highly integral individuals in the crypto ecosystem, and groups that align with Gitcoin's mission of funding public goods. We want to cultivate a robust group of entities and individuals from all parts of the crypto landscape.

Further detail is to be outlined in a follow-up forum post after forming the working group.

Treasury Diversification Working Group

As outlined in the Proposal section, the first step is to establish a 5-person working group to focus on the treasury diversification. We ask that interested members please refer to this forum post (link) to submit their candidacy. We welcome and urge members from all walks of the community to apply. Applicants should be able to demonstrate aspects of the following: track record of involvement in the community, pertinent knowledge on current and proposed strategic partners / DAOs, and valuable experience across crypto and non-crypto roles that may be applicable. We propose that Llama fills one of the five working group seats.

Execution

Once the treasury diversification working group establishes the details of the process, including execution price and possible new strategic partners, Llama can build smart contracts needed to execute the sale. The contracts will enable GitcoinDAO to enter counterparty addresses, token amounts, and the vesting schedule. The smart contracts will then stream GTC to the strategic partners according to the agreed-upon vesting schedule in exchange for USDC or DAI. These contracts should also immediately unlock the voting power for the new strategic partners for both vested and unvested tokens. Finally, these contracts will execute entirely on-chain and trustlessly after the governance vote passes. Implementation details may change based on feedback from the Gitcoin community and our strategic partners.

Compensation

Working group members will be compensated on a basis of \$150/hr, with a maximum number of hours for an individual being 30.

Additionally, we propose that the working group be compensated for any legal expenses or security audits incurred from the operations pertaining to smart contract engineering and legal review of the process.

Conclusion

As noted above, this process is designed to be open, transparent, and community-led.

Gitcoin is not alone in facing this challenge; many other DAOs are heavily concentrated in their native tokens, resulting in issues with budgeting and paying contributors. Unfortunately, other DAOs that have proposed treasury diversification efforts have been met with criticism from the community due to a lack of transparency on process, partners, and price. A treasury diversification should be a win-win for both the DAO/community and incoming strategic partners.

We hope that Gitcoin's treasury diversification is structured in a way to alleviate many of the issues faced by other DAOs attempting similar goals. Ideally, Gitcoin's treasury diversification should serve as a template for other DAOs facing the same challenges.

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