Disclaimer

This article discusses the conduct of AADAO's former project manager, who remains innocent of all alleged claims until proven otherwise in a court of law within their jurisdiction. All claims made here about the project manager are entirely conjecture and not my own words but paraphrases from AADAO's Oversight Committee.

Atom Accelerator DAO Intro

This analysis will decouple the structure in 2023 and 2024 to derive more actionable and detailed insights as to AADAO's efficacy and systematic issues. The below article will only focus on AADAO 2024 but I've also included a LINK to a longer detailed read on AADAO 2023 structure and lessons learned. n a personal note, this feedback is meant to be constructive, with the goal of bettering a community I love, the Cosmos Hub.

AADAO 2023 Key Takeaways

- **Grant program challenges and inefficiencies:** AADAO's decentralized structure and broad goals led to inefficiencies, with only 9% of grants adding direct value for ATOM holders, depicting a lack of clear differentiation and screening processes for grantees.
- **Reactive deal sourcing:** AADAO's reliance on reactive deal flow in Phase I resulted in lower-quality projects, as the Cosmos Hub Grant Program lacked brand equity and larger check sizes to attract superior applicants. Phase II's shift towards a proactive approach aims to improve this.
- **Structural misalignment and KPI issues:** Despite meeting financial targets, AADAO's KPIs were misaligned with its core mandate to add value for ATOM holders.
- **Positive financial return, but low impact:** While Proposal 835 returned $22 million on an $8 million investment (MOIC 2.75x), a significant accomplishment by any standard, a grant program with AADAO's mandate should be valued based on repeatability between funding phases, just as venture capital funds should be valued by prospective LPs based on repeatability between vintages.
- **Lessons learned and Phase II improvements:** The need for a more focused, competitive grant program and better coordination among the AADAO 2023 team has been acknowledged, with Phase II implementing changes to better align the organization with its goals and improve efficiency.

AADAO 2024 Key Takeaways

- **Centralization of power in the Project Manager:** The 2024 AADAO structure centralized decision-making authority in the Project Manager, leading to conflicts of interest and undermining the separation of powers within the organization.
- **Checks and balances flaws:** The Project Manager's control over performance compensation, including their own, revealed critical structural weaknesses, allegedly allowing them to bypass necessary oversight and inflate their compensation.

- **Oversight committee limitations:** While the oversight committee helped prevent total collapse, its reliance on the Project Manager for compensation and operating budget weakened its independence and ability to provide meaningful checks on authority.
- **Conflict of interest and structural failures:** The lack of independent oversight, especially regarding performance-based compensation, created a system where key decisions were vulnerable to manipulation, indicating the need for greater separation of powers.
- **Lessons learned and future improvements:** Effective oversight requires full independence from the entities it monitors, clear separations of power, and a multi-liaison approach to decision-making to avoid centralizing authority in one individual or group.

AADAO 2023

The Atom Accelerator represents the community's shift from the Cosmos Hub's initial goal of improving Interchain's tech stack to "creating [ing] a grant program to support small/medium-size projects for open source software, public goods, and ecosystem initiatives that add value for ATOM holders" (Prop 95). AADAO officially moved the Cosmos Hub's attention from a benevolent external value proposition to a self-serving internal one.

An Objective Analysis Of AADAO 2023 Structure

The problems AADAO 2023 wanted to solve:

- Insufficient funding of public goods
- Idle capital in the community pool
- Growth risk aversion
- Low support of teams already growing the Hub
- Losing developers to other L1s

AADAO High-Level Organization Design

At a fundamental level, AADAO functions in a bicameral state, with a Reviewer Committee that approves requests for grants and an Oversight Committee that ensures the Reviewer Committee acts in the best interest of the Cosmos Hub community and handles grant recipient relationships/disputes. (Treasury Data Sourced From AADAO 2023 Impact Report)
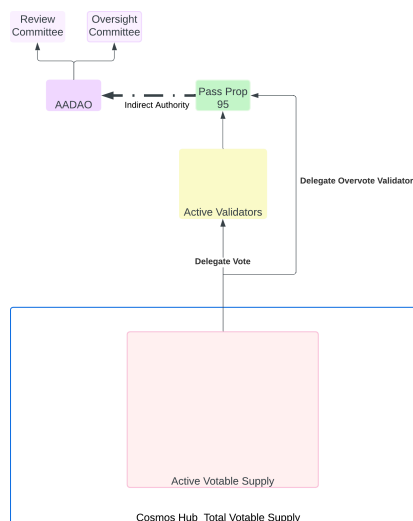
AADAO Low-Level Organization Design

Internally, the Reviewer Committee is structured with seven individuals and three roles. The committee includes two Full-Time Program Managers who lead and structure the Committee. Other roles include one Part-Time Technical Lead who provides technical analysis when needed, and four Part-Time Proposal Reviewers, who are Cosmos Hub validators that participate in voting on grant proposals. The Reviewer Committee requires a simple majority vote to approve grants.
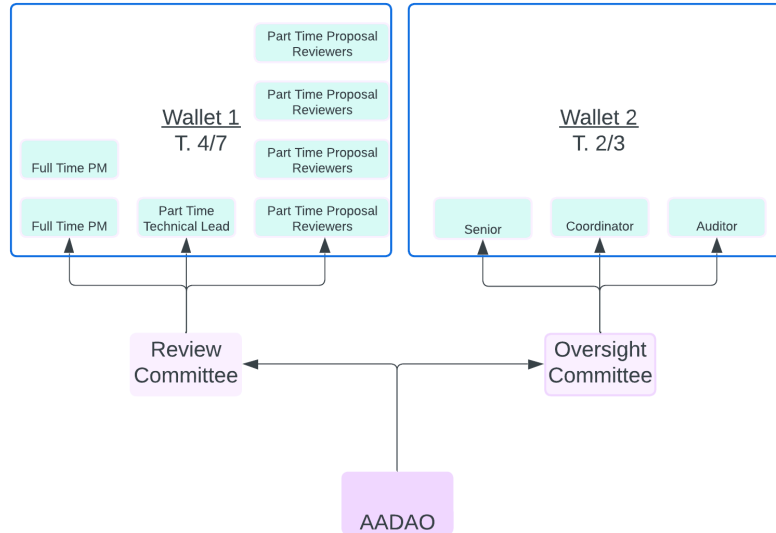
Internally, the [Oversight Committee](#) is structured with three individuals and three roles. The responsibilities for the senior role include overseeing the audit process for grant payments, resolving disputes with grantees, handling marketing efforts, monitoring misconduct within the Review Committee, and supervising the end-of-mandate report. Additional positions like the coordinator feature duties ranging from transparency reporting, KPI reporting, managing relationships with grantees, and co-leading the annual report, whereas the auditor champions on-chain transaction logging, payment reconciliation, and contributions to the end-of-mandate report.

Separations Of Power & Checks/Balances:

Review Committee

Oversight Committee

Distinct Powers

Distinct Powers

- Oversee proactive marketing to source deal flow
- Manage grant pipeline processing
- Maintain the website
- Approve grants

Checks & Balances

- Cosmos Hub can revoke AADAO's funding at any time
- Funding Time Horizon

- Reviewer Committee Work with Oversight Committee to prepare KPIs & requested information.
- Oversight Committee Monitors the Review Committee for malfeasance and provides feedback.

- Community updates
- Supervision of each grant batch
- Tracking grantee fund utilization
- Implementation of new Codes of Conduct policies

Lessons Learned From AADAO 2023:

In conclusion, AADAO's decentralized structure and broad goals led to a scattered focus and inefficiencies in grant management. While the DAO met its financial targets, the lack of proactive deal sourcing and inadequate project screening diluted its impact. The misalignment between its KPIs and core mandate and coordination challenges limited its success. The shift to a more targeted, proactive approach in Phase II, along with expanding the full-time team, should enhance grantee quality and better align the DAO's structure with its objectives.

AADAO 2024

The passing of [Proposition 865](#) sought to charge AADAO 2024 with the same mandate to "create a grant program to support small/medium-size projects for open source software, public goods, and ecosystem initiatives that add value for ATOM holders." The primary difference between the renewal and the inaugural funding proposals was how AADAO created a specialized organizational structure to accomplish these ends.

AADAO High-Level Organization Design

At a fundamental level, AADAO functions in a bicameral state between the operating committees, categorized as the Strategy Committee and the collection of all subDAOs, and the Oversight Committee. Below is an overview of authorities; if a more comprehensive
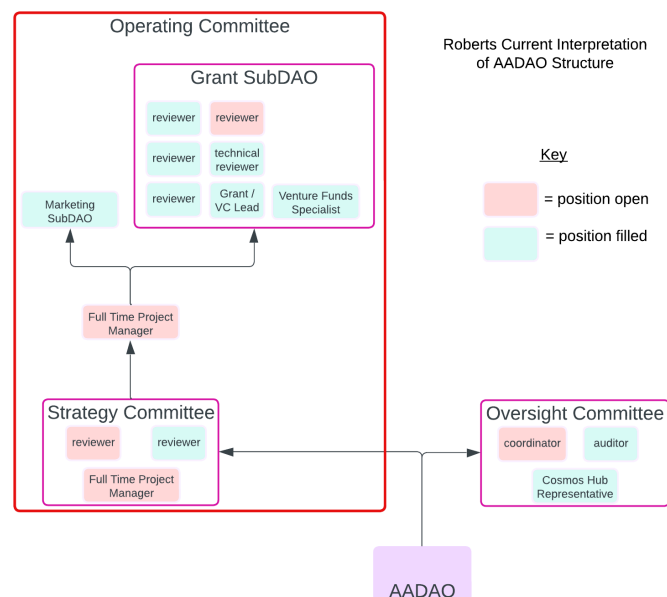
understanding of the outlined tasks is needed, head to APPENDIX A.

- ● Operating Committees:
  - ○ The Strategy Committee is the overseeing executive body of AADAO's purse, strategy, and subDAOs.
    - ■ The Project Manager leads the strategy committee and is the solely responsible individual for the budget, subDAO KPIs, and subDAO roadmap.
  - ○ The Grants subDAO conducts Venture investing and grant acceptance/due diligence processes. Grants are of one of three types: Open, RFP, or Quadratic Funding.
  - ○ The Marketing subDAO is entirely responsible for facilitating all outward advertisements and communications.
- ● The Oversight Committee ensures the subDAOs and Strategy Committee, what I call the operating committees, are acting in the best interest of the Cosmos Hub community by handling grant vetoing, disputes, and termination.
- ● AADAO revenue share agreement states that as AADAO generates value for the Cosmos Hub community pool, 20% of those inflows are reserved for AADAO.
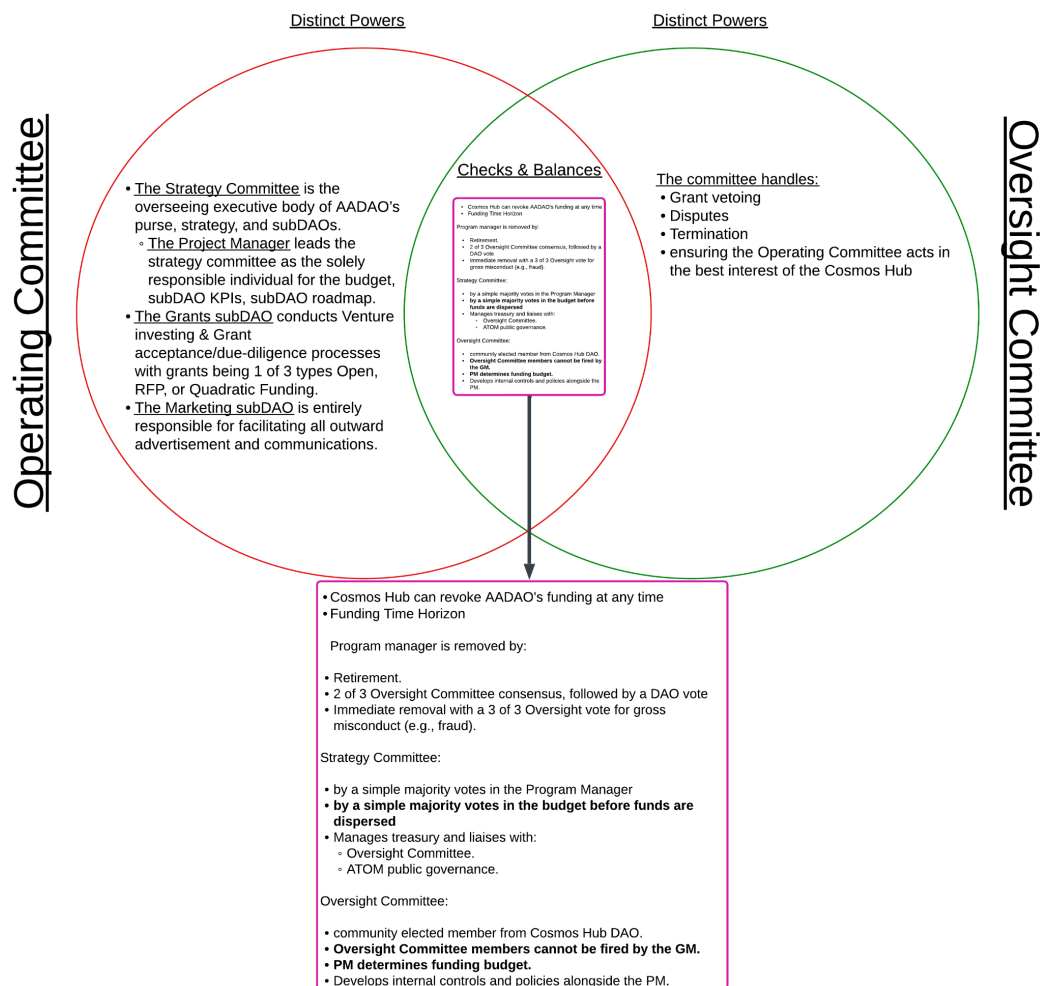
AADAO Low-Level Organization Design

Wallets for: Grants Committee, Operational Multisig, Oversight Committee, Strategy Committee.

AADAO 2024 old operational design

Separations Of Power & Checks/Balances:

Distinct Powers

Distinct Powers

Operating Committee

Oversight Committee

• The Strategy Committee is the overseeing executive body of AADAO's purse, strategy, and subDAOs.
  ◦ The Project Manager leads the strategy committee as the solely responsible individual for the budget, subDAO KPIs, subDAO roadmap.
• The Grants subDAO conducts Venture investing & Grant acceptance/due-diligence processes with grants being 1 of 3 types Open, RFP, or Quadratic Funding.
• The Marketing subDAO is entirely responsible for facilitating all outward advertisement and communications.

The committee handles:
• Grant vetoing
• Disputes
• Termination
• ensuring the Operating Committee acts in the best interest of the Cosmos Hub

• Cosmos Hub can revoke AADAO's funding at any time
• Funding Time Horizon

Program manager is removed by:

• Retirement.
• 2 of 3 Oversight Committee consensus, followed by a DAO vote
• Immediate removal with a 3 of 3 Oversight vote for gross misconduct (e.g., fraud).

Strategy Committee:

• by a simple majority votes in the Program Manager
• **by a simple majority votes in the budget before funds are dispersed**
• Manages treasury and liaises with:
  ◦ Oversight Committee.
  ◦ ATOM public governance.

Oversight Committee:

• community elected member from Cosmos Hub DAO.
• **Oversight Committee members cannot be fired by the GM.**
• **PM determines funding budget.**
• Develops internal controls and policies alongside the PM.

AADAO 2024 Efficacy:

Given that the new AADAO structure took hold in February, it is difficult to determine the individual efficacy of each new grant and venture allocation.

From a systems perspective, we can determine whether or not the new structure of AADAO 2024 effectively handles conflict. The recent alleged misconduct surrounding the project manager and the auditor of AADAO perfectly displays how, in a live-fire environment, AADAO's separations of power and checks/balances work.

Background Of Why The Alleged Misconduct Happened:

In short, the alleged misconduct involved the Project Manager and the Oversight Committee regarding base salaries, performance bonuses, and KPIs of the Project Manager, subDAOs, and

Oversight Committee, which resulted in the Project Manager's termination. *While maleficence is required for any alleged misconduct, the objective is to demonstrate how the alleged misconduct was a direct result of the AADAO 2024 system design and what the lessons learned were.*

Expansion in AADAO and System Architecture From AADAO 2023 - 2024:

Visually comparing AADAO 2023 versus AADAO 2024 displays a clear shift in the Review Committee to the Operating Committee. This shift is categorized by a centralization of power into the strategy committee and its liaison, the Project Manager. In AADAO 2024, the Project Manager oversees the subDAOs, making the Strategy Committee largely reliant on the Project Manager. As an extension, the exercise of powers of the Strategy Committee becomes contingent on the word of the Project Manager, although optional.
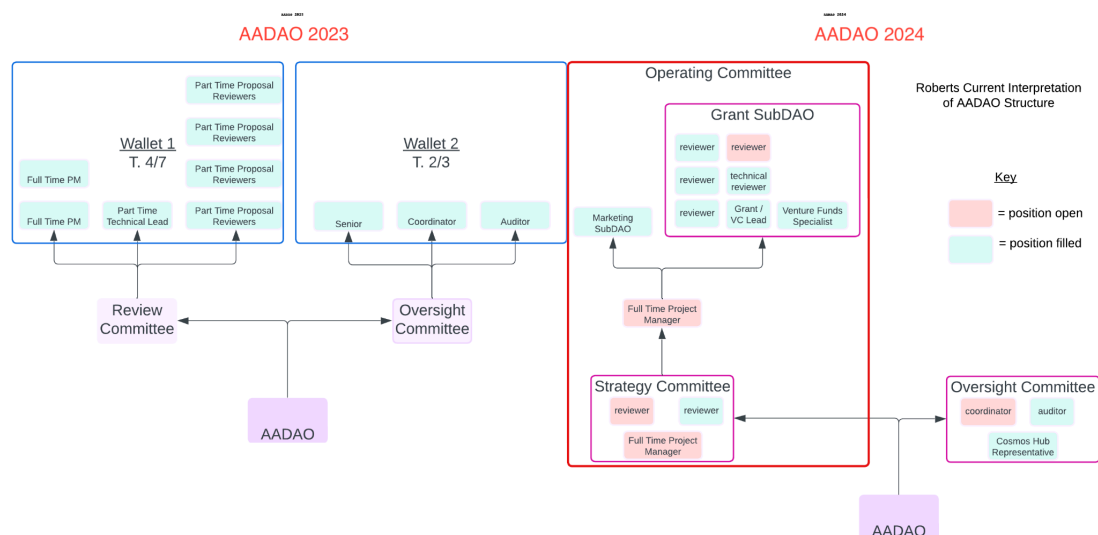
The Project Manager in AADAO 2024 inherits considerable influence over the Strategic Committee, causing the separation of power between the Committee and the PM to blend and the checks and balances to vaporize. As explained in the Separations of Power & Checks/Balances section, the Strategy Committee, by simple majority, votes on the budget before funds are dispersed. At the same time, the Project Manager is solely responsible for creating the budget and individual bonus KPIs. It is fair to assume that the Project Manager heavily influences the ratification of the compensation plans and budget for subDAOs. This assumption is supported by the Oversight Committee's statement, "In my view, since those developing the methodology and KPIs stood to benefit most from the bonus, disclosing the KPIs was essential to address any potential conflicts of interest" (Reply to [Project Manager]).

In Proposition 865, there was a link to the above document stating that the KPI targets will be published in an upcoming transparency report and that the Oversight Committee must sign off on performance-based compensation for it to pass.

The issues of this alleged misconduct are three-fold:

1. The passing of a proposal means passing everything on the governance forum. A separate vote is needed to amend the original document if something needs to be included.
2. The project manager controls performance compensation plans for everyone, including themselves, which is a clear conflict of interest.
3. The project manager determines the community oversight's performance compensation, meaning that the Project Manager could allege that the Community Oversight Board is withholding the performance compensation plan because they want higher compensation for themselves.

Alleged Evidence The Project Manager Abused Their Separation Of Powers:

"Compared to the 2023 base salary structure, all returning contributors had accepted reduced base salaries, with a mere two out of seven receiving a nominal 5% raise in base salary. In stark contrast, the GM gave himself a 36% raise to his base salary. Because the GM's retention-based formula utilizes 2024 salaries, as opposed to 2023 salaries, this results in yielding an 86% increase of 12 (assuming an ATOM average value of $8.66) for the GM's 2024 total monthly compensation when compared to his monthly remuneration during the 2023 pilot year" (AADAO Oversight Special Report).

Checks And Balances That Prevented Collapse:

- The PM cannot fire the oversight committee.
- For performance compensation plans to pass, the oversight committee must approve (Reply to [Project Manager]).

AADAO Structural Issues That Created This Misconduct:

1. The project manager controls all performance compensation.
2. Community oversight committee receives performance compensation and operating budget from the project manager.

Lessons Learned From The Misconduct:

1. For performance-based compensation to pass, the Oversight Committee must sign off.
2. Sub DAOs should always have an oversight committee.
3. The oversight committee should not be within the organization it is overseeing.
4. The oversight committee should receive performance compensation and operating budget from the main DAO, not the subDAO it oversees.
5. One person should not make performance-based compensation plans.
6. A Sub DAO Committee of voters should have multiple liaisons to be independent of one for decision-making.
7. Separation of powers need to be made very intentionally.
8. The fewer people there are making the decisions, the more likely the decision is to avail to human nature's tendency of greed, jealousy, ambition, retribution, and grandiosity.

Solution To AADAO 2024 Systematic Issues:

Given all the above lessons learned and scenario analysis of the most recent alleged misconduct, I strongly recommend the Cosmos Hub amend AADAO's structure in the following ways:

- The strategy committee needs two liaisons (PMs) who communicate and oversee the Sub DAOs. Only one of these liaisons needs to be full-time, but preferably, both would be. Both liaisons should be a part of decision-making in

What AADAO should look like

Key

= position open
= position filled
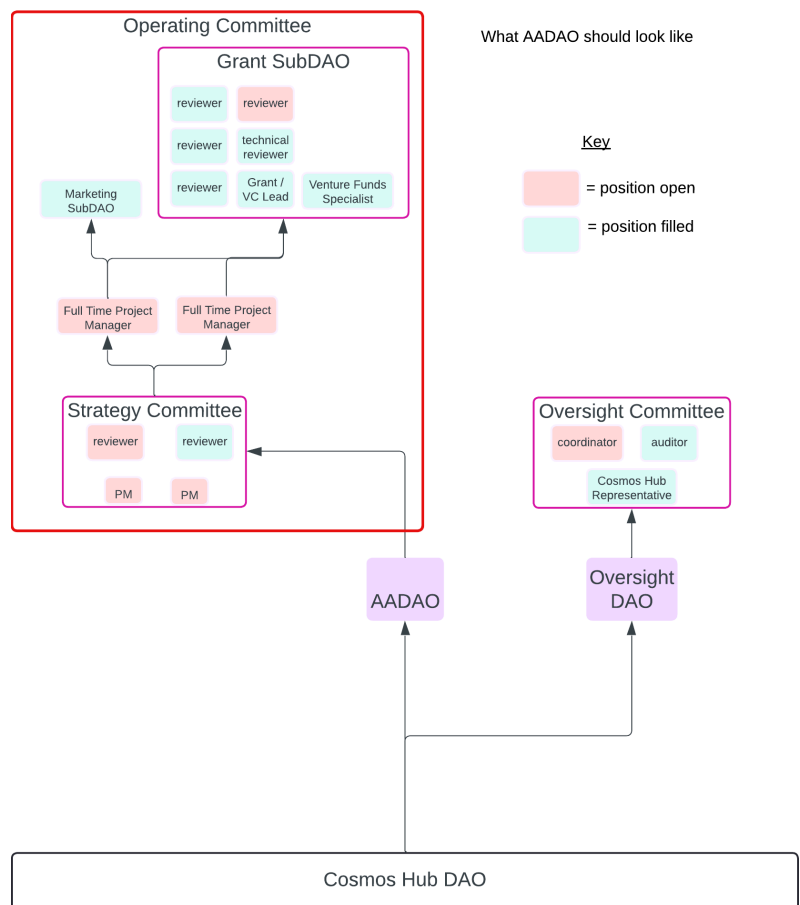
the strategy committee.
- The Oversight Committee needs to be stewarded, funded, and managed by the Cosmos Hub.
- The PMs should have no power to set funding or compensation schedules of the Oversight Committee.

In summary, the 2024 AADAO structure's separation of powers was ineffective, as it concentrated the authority to establish performance-based KPIs and base salary in the hands of one person, the project manager. The Strategic Committee was intended to provide oversight, but this system broke down due to the lack of multiple liaisons, effectively blending the separation of powers. As a result, allegedly, the project manager gained the ability to award themselves and others raises. Since the project manager controlled the base salary and performance bonuses for the Oversight Committee, they could argue that the committee's refusal to approve compensation plans is driven by their desire to influence the structure for personal gain. The 2024 AADAO structure is ineffective because it creates COIs, dissolves separations of power, centralizes decision-making, causes factitious warring, and directly provisions for the Oversight Committee's compensation plan.

APPENDIX A

The Strategy Committee exclusively holds responsibility for budget allocations and strategic prioritization within AADAO. They guide the organization's direction and initiatives by defining overall strategy roadmaps and issuing Requests for Proposals (RFPs) for subDAOs and grant programs. Controlling AADAO's top-level multisignature wallet, the Strategy Committee acts as the Enforcer for the Guernsey Trust that safeguards AADAO's assets. They possess governance authority to create, fund, or discontinue working groups and subDAOs, shaping the organizational structure. Finally, they review planning, staffing, and budgets submitted by department heads to ensure alignment with strategic objectives and efficient resource utilization.
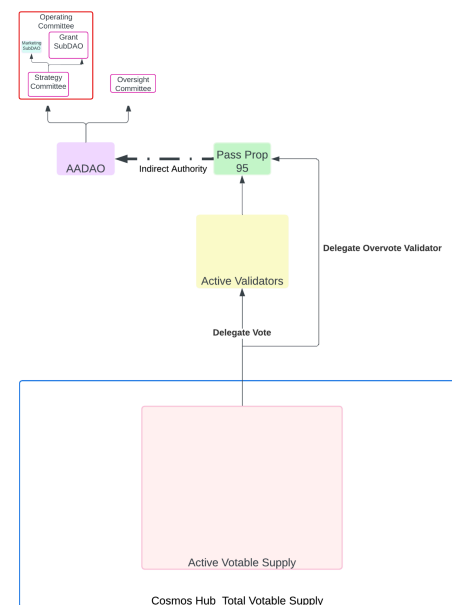
The Program Manager exclusively serves as the public representative of AADAO and provides critical advice on budgetary matters. Collaborating closely with subDAOs, the

Program Manager helps set roadmaps and key performance indicators (KPIs), supervising their progress to ensure alignment with organizational objectives. They coordinate recruitment efforts to strengthen the teams and conduct quarterly reviews of subCommittee budgets, negotiating adjustments with subDAO Heads as needed.

The Grant subDAO exclusively conducts strategic research to prioritize grants by developing Requests for Proposals (RFPs). It operates various funding mechanisms, including open grants, RFPs, and quadratic funding, to support projects that align with AADAO's objectives. Lastly, the Grant subDAO manages venture capital investments, identifying and funding promising ventures that contribute to the organization's growth and mission.

The Oversight Committee exclusively holds the authority to veto new grants and discontinue existing ones, ensuring that funding aligns with AADAO's mission and the best interests of the $ATOM community. They are responsible for signing off on contributors' performance assessments and have the power to terminate contributors for serious misconduct, maintaining high ethical standards within the organization. Funded yearly by the top-level multisignature wallet and independent of AADAO's regular budget, the Oversight Committee operates autonomously to provide impartial oversight. Their role is crucial in ensuring AADAO remains accountable and transparent in all its activities.