Agenda

Subject
Introduction
Updates on our 2022 goals
Token migration and tokenomic overhaul explained
Token migration deep dive
veBAO
New governance power (veBAO)
Your questions !

Bao.Finance

2022 Goals

✔ **01 Deploy Bao Markets on Ethereum Mainnet**
Bao Markets will launch with our first synthetic offering, baoUSD. Initially, users will be able to supply collateral in the forms of ETH and USDC to mint baoUSD.

✔ **02 Deploy Bao Baskets on Ethereum Mainnet**
Following the release of hard synths, Bao Baskets will launch on Ethereum Mainnet. This will include Oven functionality by PieDao, which will help users save on gas.

★ **03 Bao Baskets as collateral for hard synths**
Utilizing Chainlink oracles, and tools like Keepers, we will introduce Bao Baskets as a yield bearing collateral options for our hard synths.

💬 **04 Audit of hard synth contracts**
We will be hiring a security auditing firm to audit our changes to the Compound contracts and will continue to run our bug bounty program through Immunefi.

★ **05 Token migration to BAOv2**
BAO token will migrate to BAOv2 so that it is a better fit for veBAO. This also presents an opportunity to resolve issues with BAOcx and formulate an improved tokenomics model

★ **06 veBAO and new staking mechanics**
After we migrate to BAOv2, we will be able to move forward with the implementation of veBAO and our new staking mechanics.

07 Develop new strategies and integrations for soft synths
In an effort to improve our soft synths, we will focus on developing new startegies and integrations for Bao Baskets.

08 Introduce more collateral types for hard synths 💬
We hope to be able to offer yield bearing collateral types for hard synths, outside of Bao Baskets. This will require lots of research and thorough testing.

09 Develop a new synth for Ethereum Mainnet
Using a similar formula to baoUSD, we will develop a new hard synth on Mainnet.

10 Governor Bravo implementation 💬
Implementing Governor Bravo will be the next major step in the goal of dissolving any official team and having all aspects run by the community through self-organized galaxies.

11 Deploy hard synths on Polygon
Following a succesful launch of hard synths on Mainnet, we plan to deploy hard synths on Polygon.

12 Begin development on permissionless soft synths
Phase 1 will allow users to create their own custom baskets from a whitelist of tokens, utilizing preset strategies. Phase 2 will focus on automation. Phase 3 will focus on custom strategies. Development will continue into 2023.

13 Creation of Bao Labs galaxy
Bao Labs will develop our first prototype synth that will be tied to off-chain data, taking our first steps toward our long-term vision.

Token migration and tokenomic overhaul

- The reasons and motivation to do it
- The implementation
  - New token and supply change
  - Snapshot of ETH / xDai Locked BAO
  - Locked token distribution
  - Circulating token migration
  - veBAO details relating to the token distribution
  - End of xDai implementation (Decomission tBAO + BAO.cx migration)
  - Notify CEXs of migration
  - Protocol owned wallets plan
  - Liquidity providers migration and new incentivized LPs

Token migration and tokenomic overhaul

The reasons and motivation to do it

- Current unlock mechanism is flawed
- veToken are more sustainable in time and protocol oriented
- Token unlocking schedule was too aggressive for the project to safely handle
- Token ownership locked in MasterFarmer contract
- Total BAO hard cap is too high for current veBAO contract implementation
- Bao coupons / cross chain governance
- Guardians vested BAO is not defined properly
- Unlocking model has to be redefined alongside the veBAO model

Token migration and tokenomic overhaul

- We will create a new Bao Token (Let's call it BaoV2)

- Token supply to BaoV2 will be divided by 1000

- The supply reduction of 1000:1 is due to the math behind the veBAO smart contract which can't handle correctly huge balances

- With the new distribution model, there will be no hard cap anymore, but we will not over inflate the token distribution either (more details later)

Token migration and tokenomic overhaul

- Locked BAO balances on Ethereum Main net and locked Bao Coupons balances on xDai will be consolidated into one position for the migration. The two farming distribution will be merged !

- Total amount will be reduced by a ratio of 1000

- It is not possible to transfer locked balances to another wallet

- Holded Bao, Bao coupons or tBao will not be included in the snapshot

Token migration and tokenomic overhaul

- Locked Bao holders will be given 3 options they can take with their locked positions

- We want to account the fact that everyone's objectives are different

- Convert your locked BAO to veBAO for 3 or 4 years
- Perform a liquid distribution of your BAOV2 tokens over 3 years
- End a liquid distribution early to exit the protocol with a slash fee
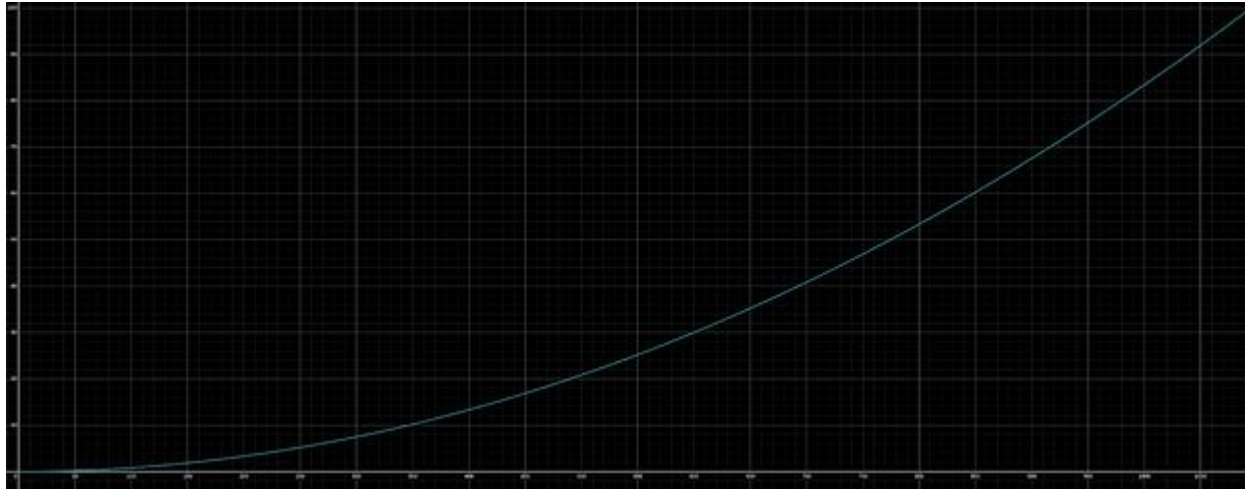
Token migration and tokenomic overhaul

- With this option, you will migrate your locked BAOV1 tokens and Bao coupons for three to four years into veBAO

- The tokens will be entirely locked during the vesting period

- veBAO gives ownership of a percentage of protocol fees and the ability to vote on governance proposals.

- Tokens locked into veBAO will not be subject to any slashing penalty.

Token migration and tokenomic overhaul

- Another option will be to perform a liquid distribution of BAO on a curve for 3 years

- Users can claims the unlocked amount of tokens as many times as they want during the 3 years period (cost gas)

Token migration and tokenomic overhaul

- Users that perform a liquid distribution can choose to end their distribution early at any time after the distribution starts

- A large slashing penalty will be applied to the tokens unlocked early,

- All tokens already unlocked have no slash fee applied.

- All the slashed balances that come from users ending their distributions early will be collected by the DAO.

- In order to activate this option the user has to manually start their distribution, then at some point afterwards decide to end it early.

Token migration and tokenomic overhaul

- The slashing fee is more aggressive at the start of the curve

- For the first year, it starts at 100% and move down to 95% after 365 days

- For the remaining of the distribution, the slashing fee would be set to 95%

- This give the option to totally exit the protocol, but it lower the impacts to the protocol and liquidity on market

- Slashed BAO will goes to a DAO owned wallet

Token migration and tokenomic overhaul
Circulating token migration

- Bao token migration will happen on Ethereum main net

- Bridged Bao to L2 and sidechains will need to be bridged back to main net to migrate them to Bao V2

- Bao coupons will need to be exchanged for BAO on our Bao Finance website

- A new smart contract and UI will permit to do the 1000:1 BaoV2 redemption

Token migration and tokenomic overhaul
veBAO deepdive !

- What is a veToken
  - Non transferable token representing a lock position in the protocol
  - Monetary and time commitment into the protocol
  - This mechanism incentives long-term users over short-time users

- Fork from veCRV

- Aligned with Bao Markets & future products of the protocol

Token migration and tokenomic overhaul
veBAO deepdive !

	Has veBAO	Has LP token staked in gauge	Both veBAO and LP token staked in gauge
Earn governance fees	Yes	No	Yes
Bao Emissions	No	Yes	Yes
Earns more Bao emissions (boost)	No	No	Yes
Can vote on DAO proposals	Yes	No	Yes
can vote on gauge weights	Yes	No	Yes

Token migration and tokenomic overhaul
veBAO deepdive !

- veBAO serves as governance power token

- It will replace BAO as how to calculate voting power on Snapshot votes

- You cannot buy veBAO, you need to be a contributor of the protocol to earn veBAO (provide liquidity, stake BAO, have locked BAO)

- Gives a share of protocol fees distribution

Token migration and tokenomic overhaul
Liquidity migration and evolution

- No BAOV2 USDC pool (never used)

- For concentrated liquidity, we will go with BAOV2 / ETH on uniswap V2

- We will also incentivize BaoUSD-3CRV Curve liquidity pool

- Incentivized through veBAO liquidity gauges

- We will notify the different CEX for the migration

Token migration and tokenomic overhaul
End of xDai implementation

- With this proposal, the xDai (now Gnosis chain) implementation of Bao Finance will be discontinued
  - Incentives to tBAO (on xDAI) will be halted
  - Users can still convert tBao to Bao Coupons
  - Bao Coupons to Bao redemption will still be available
  - BaoV1 can be bridged back on main net for BaoV2 redemption

Token migration and tokenomic overhaul

- The master farmer contract was distributing BAO tokens over time for liquidity providers in the different farms opened

- The contract was also distributing BAO tokens in 4 different protocol owned wallets
  - Community (6%)
  - Development (6%)
  - BAO Liquidity (4%)
  - Founders (4%)

Token migration and tokenomic overhaul

- The Community, Bao Liquidity and Founder wallet will be migrated using the following strategy
  - Liquid BAO will be converted to BAOV2 token
  - Locked BAO will be converted to veBAO for 4 years
  - Community and Liquidity wallet will be merged into the multisig treasury wallet (liquid BAOV2 and veBAO)

- The protocol will by this migration earn a share of the fee distributions in order to maintain an healthy treasury

Token migration and tokenomic overhaul

Protocol owned wallets plan

- The developer wallet will be divided into equal position to all guardians in the protocols using the same strategy as other protocol owned wallets

- Every guardians have a grant (salary) for their work, without any equity in the protocol

- It will ensure proper incentivization to continue building the protocol while the community will still control over 80% of the protocol

- The treasury wallet will be excluded from governance vote

Token migration and tokenomic overhaul
veBAO parameters (future decisions)

- What to do with the protocol owned slashed Bao
  - Burning
  - Distribution
  - Future incentivization

- Liquidity gauge ratio

- Max Lock time for veBAO holders

- Max Boost for LPs getting BAO emissions from gauges

Conclusion

- Thank you !

- Your questions :)