DIGIX

Carbon Vote 2 V1.2:

DigixDAO Funding for Ongoing Development

Proposal to request for the disbursement of USD 20MM of DigixDAO funds

Updated as of 20 August 2018, 1pm Singapore Time

Executive Summary

DigixGlobal (also referred to as Digix) is calling for a second Carbon Vote for the disbursement of USD 20MM from the DigixDAO Crowdsale funds for ongoing development works, including DigixDAO governance platform development completion, technical and infrastructure maintenance, legal and regulatory compliance, operational staffing, marketing and overseas expansion plans.

In this proposal, we lay out our broad plan of how we will utilise the funds, the rationale for the request and how we will conduct the vote.

Introduction

Digix tokenises physical assets on the Ethereum blockchain, using a proprietary set of smart contracts developed in-house called the Proof of Provenance (PoP) protocol, that tracks the custody chain of assets.

The vision, as laid out in the DigixDAO Crowdsale Information Document as of 29 March 2016, was to use the PoP protocol to create a 21st century gold standard on Ethereum. In line with that, the 2.0 iteration of the Digix Gold (DGX) token was launched in April 2018 and the circulating volume stands at ~USD 2.5MM as of August 2018.

To grow the adoption of the DGX token in the crypto-ecosystem and enhance the Digix ecosystem, DigixGlobal conducted a crowdsale through which DigixDAO (DGD) tokens were issued in exchange for Ethers (ETH) in 2016. A total of 466,648 ETH were raised during the crowdsale and this funding raised has remained in its entirety for the duration of the time since then.

With the realisation that an intricate and well thought out governance design is necessary to ensure that the funds are apportioned appropriately to the respective projects and put to good use, the DigixDAO Governance Model was written to draw out the optimal design for fair participation for all and fair distribution of the raised funds for deserving proposals.

Currently, the DigixDAO Governance Platform is in the midst of being created and finalised. It will be managed by DigixGlobal with the aim to implement the complete governance feature set as described in the DigixDAO Governance Whitepaper.

Till today, all research and development towards the development of DGX as well as the DigixDAO Governance Platform has been solely funded by DigixGlobal on behalf of the DigixDAO token holders.

These costs have included real world costs such as engaging the necessary external legal counsels and obtaining legal opinions on the regulatory positions of the DGX token in different jurisdictions, inventory purchase and treasury management (including storage and all other custodial or ancillary costs) of the physical assets, monthly business overheads such as office rental and staffing needs, amongst other operational considerations.

Funding Request

DigixGlobal requests for up to USD 20MM from the total of 466,648 ETH raised during the DigixDAO Crowdsale for the following reasons, including but not limited to:

1) completion of the development of the DigixDAO Governance Platform;
2) maintenance of the DigixDAO Governance Platform;
3) DigixGlobal organisational and business expansion plans, such as marketing initiatives for DGX, along with other future products.

The funds will be dedicated towards the fulfillment of the above objectives, in the overall interests of the DigixDAO Governance Platform and its participants.

Should the Carbon Vote be successful, we will peg the ETHUSD rate at the end of this Carbon Vote on 4th September 2018, 04:00 UTC.

Timeline and Rules

- The voting phase is from 20th August 2018 4:00 UTC to 4th September 2018 4:00 UTC ("decision point").
- Voters vote for either Yes or No.
- Each Ethereum address can vote and change their vote anytime during the voting phase. Only the last vote counts.
- The votes will be weighted accordingly to the DGD balance in the voter's address at the "decision point". This means that voters can transfer DGDs in and out of their voting address freely during the voting phase, but the balance that will ultimately count towards their vote is the balance at 4th September 2018 4:00 UTC.
- Hence, a voter can also vote with an Ethereum address with 0 DGD, and only transfer his DGDs into the address before 4th September 2018 4:00 UTC.
- Participants in this carbon vote will be awarded a certain amount of reputation points when DigixDAO is live.
- The proposal is considered passed if the % of DGDs that voted Yes is more than 51% of the amount of DGDs voted.
- The sum of all voters' DGD balance must exceed 300,000 DGDs for the vote to be considered valid.

Rationale for Request

The competitive landscape in the global asset tokenisation and gold tokenisation market has scaled immensely. Competitors have been emerging in the space, with some positioning to launch gold backed tokens and other asset backed tokens in the very near future.

As we now approach the 4th quarter of 2018, there is a need to scale aggressively and capture market share while we can leverage our first mover's advantage. We are one of the first entrants in the space to have produced a working product but we recognise that the rate of research and development in this space has been resulting in exponential developments that will see our competitive advantage eroded if we do not capitalise on this.

Hence, we know that we would require greater resources, both financial and non-financial, to aggressively scale the number and execution of projects put forward by the DigixDAO Governance Platform, which will enhance our business and product offerings and help promote DGX and the Digix ecosystem.

This request for a release of USD 20MM of the crowdsale funds is a step in the grand scheme of things to actualise our vision for the DigixDAO Governance Platform, promote better adoption of DGX and growth of Digix, and keep in spirit with the original intention to involve our community in decision-making and building a business.

Expected Uses of Funds

We expect to use the funds in the following manners (non-exhaustive list) to facilitate a successful launch of the DigixDAO Governance Platform and execute projects for the growth of DGX:

1. Organise launch events and community engagement meetups in overseas locations to:
    a. Raise awareness of and participation in the DigixDAO Governance Platform;
    b. Raise awareness of and adoption of DGX.
2. Run regional and global marketing campaigns, including:
    a. Sponsorship for industry conferences;
    b. Advertisements, such as billboards, promotional campaigns for public events on a national, regional or global scale (e.g. Formula One);
    c. Engagement of well regarded crypto influencers and marketers who can be our Digix and DGX ambassadors;
    d. Securing of institutional gateways to Gold and Crypto MOUs;
3. Engagement of a global PR firm to manage messaging, content distribution of Digix as a company and ecosystem.
4. Increase our current human resources headcount for various divisions of the company;
5. Engage third party security auditing firms to:
    a. Identify vulnerabilities in DigixDAO's contract codes;
    b. Identify potential game theoretical attacks in our current DigixDAO governance model;
6. Conduct community bug bounty programs;
7. Implement and maintain centralised infrastructure and services to support the running of DigixDAO (blockchain data caching, zero client infrastructure, proposal forum web service, front-end web servers, load balancers, and others)
8. Produce well written end user documentation and educational materials on how DGD holders will interact with the DigixDAO Governance Platform translated into different languages that represent the diversity of our DGD community;
9. Hiring community managers to manage community questions leading up to and after our official launch;
10. Engage external legal counsel to ensure regulatory compliance in relevant jurisdictions that we want to have the DigixDAO Governance Platform operable in;
11. Hire internal legal counsel to review the legality of every proposal submitted to the DigixDAO Governance Platform

(a) Staffing Headcount

The current headcount of full time staff, excluding the founders, consists of 5 in Singapore (2 smart contract developers; 1 UI/UX architect; 1 compliance officer, 1 business development officer) and 3 in the Philippines (2 Web3 developers; 1 UI/UX developer). The end goal is to hit a headcount of approximately 40 people with minimal redundancy and maximum efficiency so more business functions can be staffed with the relevant expertise across the board.

To scale the DigixDAO Governance Platform to its full capacity, we want to use the funds for compensation to increase headcount in the following functions:

- Marketing and Outreach
  - Marketing Lead
  - Community Manager
  - Social Media Lead
  - Sales and Relation Lead
  - Technical Writer
  - Content Strategist

- Business development functions
  - Product Manager
  - Human Resource
  - Treasury Support
  - UI/UX Research Lead
  - Finance Lead

- Legal and Compliance
  - Internal Legal Counsel
  - Compliance Support
  - Head of Legal and Compliance

Business functions team estimated breakdown: USD 1.5 - 2 MM per annum

- Technical Development
  - Smart Contract Developers
  - Web3 Developers
  - UI/UX Specialist
  - Testing Engineers
  - DevOps and Systems Administrator
  - Technical Support
  - Project Management/Scrum Master

Technical functions team estimated breakdown: USD 2.0 - 2.5 MM per annum

(b) Categories of Other Necessary Expenses

As more elaborately spelt out in the 'Uses' section above, the following list covers the broad categories that the funds will also go towards, including but not limited to:

Business, marketing, design and outreach

- Video production costs for collaterals
- Language translations of all existing and planned marketing collateral
- UI/ UX consulting expertise for DigixDAO Governance Platform
- Organisation of conferences and Digix events held locally and overseas, including roadshows and tours
- Attendance, speaking and exhibiting fees at overseas and local conferences, including traditional gold (e.g. London Bullion Market Association, World Gold Council) and asset management conferences
- Formation of Digix Business Alliances
- Listing expenses on major exchanges

Estimated cost budget: USD 1.5 - 2.5 MM per annum

Legal and compliance

- Legal opinions in relevant jurisdictions that we will have a presence in
- Operating and other business licences where these are relevant for different jurisdictions
- Compliance software licensing

Estimated cost budget: USD 1 - 2 MM per annum

Security and technical infrastructure

- Third party security audits
- Information technology infrastructure costs

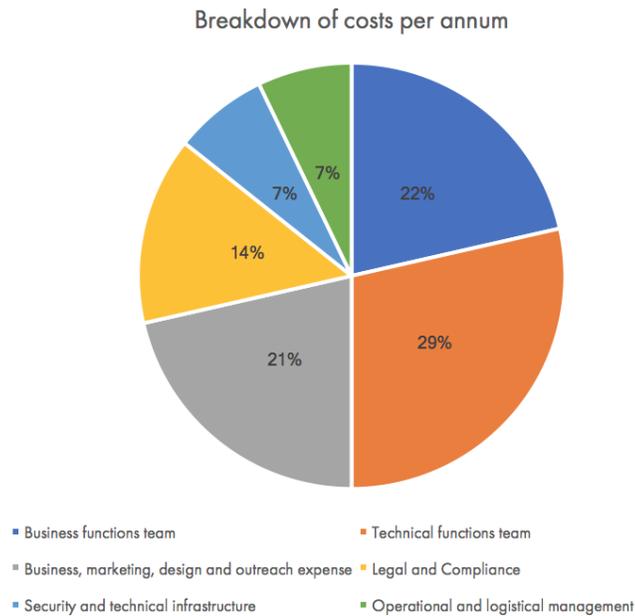**Estimated cost budget: USD 0.5 - 1 MM per annum**

Operational and logistical management

- Logistical set-up for widespread custodial and delivery in other countries
- Operational costs incurred with expansion (e.g. lease/ rental)

Estimated cost budget: USD 0.5 - 0.75 MM per annum

Estimated burn rate breakdown

Keeping projections and plans to a conservative assumption, we estimate the initial rundown of the funding to be at approximately USD 7 - 10.75 MM per annum.

Breakdown of costs per annum

- Business functions team
- Business, marketing, design and outreach expense
- Security and technical infrastructure
- Technical functions team
- Legal and Compliance
- Operational and logistical management

There are a couple of considerations we are making in this initial projection for the core operations of the company going forward for the next 2 to 3 years :

- Projections of funds spent will not be linear in nature as most of the expenses may be a one-off event, initial setup fee basis such as Code Audits and Exchange listing fees
- Also, we will be engaging active Treasury Management solutions companies in the management of the funds to ensure that we manage the risks involved to the best we can
- We ask for an initial disbursement of USD 20 MM for an estimated 3 year runway for business reasons, as providing a stable outlook and a reasonable runway for recruitment and project management purposes is crucial for planning and forecasting the company's operations and expansion
- As it stands today, DigixDAO's ETH balance can support the 3-year plan as laid out. In the event of an extreme bear market next year where ETHUSD goes to an unfavourable rate, we are not looking to punt with the situation where the funding goes to a level where the 2nd or 3rd year is unachievable

Considerations not included in this proposal

This proposal is pertaining to the immediate, initial setup and scaling of the core operations of Digix, DGX, and the ongoing maintenance for the security, use and launch of DigixDAO governance platform.

Verticals to the business, that may or may not arise in the future (for example, launch of an exchange or custodial business not limited by geographical boundaries, other distributed applications that we may consider building in the future such as a lending platform, wallet service or tokenisation of other assets), are not included in this proposal.

Conclusion

Over the past 3 years, we have implemented the necessary steps in building an initial product, Digix Gold backed token, DGX, and starting the development of the DigixDAO Governance Platform using the seed funding that we have obtained since December 2017.

To go further to dominate, it is necessary that we scale up operations and development plans which require additional financial and non-financial resources stated above. This will go a long way building our long term vision for full and sustainable participation in the DigixDAO Governance Platform, ensuring that good proposals by our community are encouraged for the Digix business and that deserving proposals are always allocated sufficient funds or resources for execution.

This is a step that we are taking toward an ambitious future.

Disclaimer

This information has been provided by DigixGlobal to prepare its community and DigixDAO participants for the specified carbon voting exercise. DigixGlobal accepts no responsibility for any decisions, whether financial in nature or otherwise, including but not limited to token purchases or investments of any sort, made by DigixDAO participants in this exercise. The statements in this proposal are only indicative of intention, price estimates, and no representation, assurance or warranty is given as to their factual accuracy and completeness at a future point in time.

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