

MonkeDAO Access and Royalty Structure

Summary

The current technical implementation of Gen2 SMB NFTs (“SMBs”) has a number of issues relating to both trust and ease-of-use within the developing Solana ecosystem. Additionally, many MonkeDAO community members believe the current royalty structure is misaligned. This proposal provides options for the DAO to address these issues through potential changes to the access mechanism for MonkeDAO.

Problems to Solve

The **technical issues** with SMBs are as follows:

1. They are mutable (meaning the on-chain data can be changed by the team that created the SMBs (the “SMB Team”)
2. They are missing the Metaplex “collection” structure (which would make it easy for other Solana programs to find all NFTs within the same collection and grant them functionality).
3. They don’t have master editions (which means the SMB Team could theoretically mint additional copies of each currently unique SMB NFT).

According to the SMB Team and developer members of the DAO, these issues exist because some of these current standards did not yet exist when SMBs were created. Fixing these issues would remove trust-related risks for SMB holders and would allow the SMB NFTs to plug-and-play more easily within the Solana ecosystem, without requiring additional development work to support them.

The **royalty issues** with Gen 2 SMB NFTs, as described by MonkeDAO members, are as follows:

1. The 5% total royalty associated with marketplace sales of SMBs is currently split: 2% to SMB Team, 2.5% to “Gen 1” SMB holders, and 0.5% to a “Community Fund”

distributed to the DAO and others at the SMB Team's discretion. Members of the DAO have indicated that the current split undervalues the contributions made by the MonkeDAO to the current value of SMBs as well as the likely contribution of the MonkeDAO to any future increase to the value of SMBs.

2. The "Community fund" is fully controlled by the SMB Team.
3. The royalty split does not occur on-chain via the Metaplex royalty standard, instead relying on trusting the SMB Team to manually make the distributions to each wallet.

MonkeDAO members have indicated a belief that a greater royalty percentage going directly to the DAO treasury to support the DAO's projects and operations will further increase the value of SMBs. The SMB Team has indicated that changes to the split would harm Gen 1 holders who supported the SMB Team at the inception of the project, and have further indicated that the DAO's activities do not require further support.

Potential Solutions

There are three different potential solutions presented in this vote to address the **technical issues**:

1. The SMB Team will upgrade the existing NFTs to bring them in line with the current Metaplex token standards, implement master editions, and make the tokens immutable. Their proposal can be viewed [here](#).
2. Create and airdrop new NFTs to current SMB holders to change MonkeDAO access and voting to use the new NFT instead. This would be a new collection and each recipient would now hold both the original SMB and the new DAO NFT.
3. Make use of "entanglement" to create new versions of the SMB NFTs which are swappable 1:1 between the original SMB NFT and the entangled SMB NFTs by their owner at any time. Entanglement does not increase the number of NFTs in circulation since only one version can be held at a time.

There are three different potential solutions to the **royalty issues**:

1. Accept the new structure proposed by the SMB Team. Their proposal can be viewed [here](#).
2. Change the MonkeDAO access and membership mechanism to a new version of the SMB NFTs which contain a different royalty structure (as chosen by the community),

implemented via airdrop. The specific implementation details could require SMB holders to purposefully claim their NFT, but is referred to as “**airdrop**” throughout this proposal.

3. Change the MonkeDAO access and membership mechanism to a new version of the SMB NFTs which contain a different royalty structure (as chosen by the community), implemented via **entanglement**.

Goals / Evaluation Metrics

1. SMBs become trustless NFTs implementing the latest Metaplex standard. Master Editions and Immutability are implemented, along with metadata managed royalties delivered directly to the MonkeDAO multi-sig treasury.
2. MonkeDAO secures a royalty revenue stream, directly related to its key goal of increasing the value of Monke NFTs. This both incentivises the DAO to continue promoting and providing utility to Monke holders, and allows the DAO to fund its projects and incentivise its contributors.
3. Receive clear direction from the community on these matters.
4. Pursuit of the direction which will provide the best long term value to MonkeDAO members.

Benefits to DAO Members

1. The chosen solution to the technical issues would provide individual members with the confidence that their NFTs are master editions (additional copies cannot be minted) and immutable (metadata cannot be changed).
2. The DAO could receive a significant amount of funding over time if royalties are increased, with DAO funding potentially benefiting DAO members through new initiatives, compensated project contributors, and sales incentives driving the DAO to continue growing the value of the NFTs.

Examples of potential uses of continuing revenue would include:

- MonkeDAO support for member projects through initiatives, for example a holaplex site for 1/1 artists.
- Payment for services rendered by MonkeDAO project contributors such as the Board, Alpha Mints team, Monke Country Club team, Monke Police, Merch team, Newsletter team, Monday Monke Spotlight team, DAOPool team, etc. This also applies to providing teams with budgets to expand their services and offerings to MonkeDAO members.
- Expenses covered for future projects created by DAO members and supported by the DAO.
- Expenses covered for MonkeDAO marketing initiatives, including representation at crypto industry events, targeted marketing, and other initiatives to help with brand exposure, recognition and demand for ownership of SMB NFTs.

SMB Team Proposal Risks/Concerns

1. This proposal involves raising the total royalties on each SMB sale from 5% to 6%.
2. Passive parties may continue to receive significant portions of the royalty stream of assets that many DAO members feel are supported by the DAO's contributions.
3. Requires a reliance on the SMB Team to deliver on the promised implementation of the technical upgrades to the SMB NFTs.
4. Requires a reliance on the SMB team to manually make royalty distributions to the DAO treasury wallet for a limited time.

Entanglement Team Proposal Risks/Concerns

1. Any solution which is not agreed to by the SMB Team could irreparably damage the relationship and cause public damage to the MonkeDAO brand / reputation.
2. Entanglement may be misunderstood by the broader community and DAO members or cause general uncertainty about the state of SMBs, causing a drop in SMB prices.
3. Entanglement may present technical risks that have not yet been identified, which could lead to loss to Gen2 SMB holders.
4. SMB holders may choose to not entangle their SMBs for access to the DAO, which could lead to a significant reduction in DAO membership.

5. The DAO may suffer from negative public discourse and perception by the broader Solana and web3 communities.
6. SMB Team could make changes to the existing SMB NFTs which could interfere with the two-way swapability of the SMB NFT <> entangled NFT.

Airdrop Team Proposal Risks/Concerns

1. Any solution which is not agreed to by the SMB Team could irreparably damage the relationship and cause public damage to the MonkeDAO brand / reputation.
2. The combined value of some or all SMB holders' SMB NFTs and the new "DAO-access" NFTs may be less than the standalone value of the current SMB NFTs with DAO access.
3. Value reduction to SMBs, if any, may not be uniform across different rarities.
4. If the DAO opts for new artwork for the airdropped collection (instead of 1:1 SMB replacements), it could be cumbersome to align 1:1 SMB trait rarities within the new artwork.
5. Members may be unhappy with any replacement artwork.

Timeline and Roadmap

1. If Vote 1 is successful, the SMB proposal will be accepted and implemented as quickly as possible with cooperation from the SMB Team. Delivery of technical upgrades to the SMB NFTs, as well as the royalty updates will happen when the SMB Team is able to implement the changes. No timelines have been confirmed yet for these changes.
2. Changing DAO access to entangled SMBs through Votes 2, 3 and 4 would be pursued by the Board upon conclusion of the vote, with the royalty amounts chosen by the DAO. The Board would choose and set an appropriate amount of time for the transition of DAO access from the unentangled SMBs to the entangled SMBs, and pursue marketplace options with minimal or zero fees for the purchase and sale of the entangled SMBs.
3. Changing DAO access to an airdropped NFT through Votes 2 and 3 would require finding an artist for the creation of an airdropped NFT and gathering input from the

DAO on that art. Current expectations are 4 weeks from search for artist, to delivery of artwork.

Treasury Spend

1. No treasury spending required for accepting the SMB proposal.
2. Approximately 100 SOL needed for the entangler setup and modifications needed to meet DAO specifications.
3. An unknown amount of SOL would be needed for the creation, minting, and airdrop NFTs to be minted. This proposal would authorize up to 100 SOL of spending for this purpose, but it is expected to be less.

Votes

Vote 1: Should the DAO accept the SMB Team's proposed solutions to the technical and royalty issues? If this vote passes with 66% supporting, Votes 2-4 are all considered void.

Options: (A) Yes (B) No

Quorum: 15% (>743 of 4958 unfrozen SMBs)

Passing Requirement: >66% supermajority

Vote 2: If Vote 1 does not succeed, should MonkeDAO change its membership requirement from holding an SMB to holding an equivalent NFT issued by MonkeDAO?*

Options: (A) Yes (B) No

Quorum: 15% (>743 of 4958 unfrozen SMBs)

Passing Requirement: >66% supermajority

*Note: "No" votes prevailing in both Vote 1 and Vote 2 will result in no change to the current structure of the DAO or royalty structures.

Vote 3: If Vote 2 succeeds, what should the access mechanism for the DAO be?

Options:

(A) Airdrop - An NFT to be created by the DAO and airdropped to holders of Gen 2 SMBs

(B) Entanglement - An "entangled" version of the SMB NFT, where every SMB holder can choose to swap their SMB(s) for an NFT with identical traits. Swaps are reversible.

Passing Requirement: >50% majority

Vote 4: If Vote 3 results in the selection of "Entanglement", how should royalties be distributed?

Options:

(A) 5% total royalties, with 3% to the MonkeDAO treasury and 2% to the SMB Team as an artist royalty

(B) Distribution of the royalties should be decided by a separate DAO vote to allow discussion of all options, immediately following completion of this vote.*

Passing Requirement: >50% majority

*Note: Since voting currently only allows for two options in each vote, the two voting options here include the royalty split that the majority of the Board would support if this option were chosen and an option to reject this split and allow the DAO to set a different percentage through a secondary vote.