

# EB Support Proposal

Team: EB Support, LLC

Operations cycle: #9

Period: 1 January 2021 – 31 March 2023 (3 months)

Amount: \$ 50,000.00 USDC

Destination: elementalsupport.eth

Signers:

- Mason - 0x14c7745B32A81CC2271c6D075E26916AAbeF068f
- Brian - 0x7cC150B3311b00a50D7B6aeDc73397192b1c9C22
- Jon- 0x8850720D9bCEEdFf231AF8C3E228f0949b07AF06
  - ⅔ signatures needed in order to make a transaction.

## Background

Elemental Blockchain Support Services (a d/b/a of EB Support, LLC f/k/a USAPI Services, LLC) provides backend support services for open source software projects and decentralized autonomous organizations (“DAO” or “DAOs”) including but not limited to accounting and bookkeeping, vendor procurement and management, human resources, business consulting on best practices, risk mitigation strategies, and additional tools or resources that may be necessary or desirable at either the team or the DAO level. Elemental Blockchain Support Services (or “EBSS”) aims to reduce friction and risks DAOs may experience in interacting with real-world assets (“RWA” e.g. bank accounts) and Web2 entities (e.g. subscription services) by taking on the management obligations and liabilities associated with RWA and Web2 legal agreements. In addition, EBSS offers bookkeeping services for the level of financial substantiation that may be desired by DAOs and/or projects for internal team account tracking and/or external reporting and compliance. EBSS also offers human resource support by providing compliant payroll administration and temporary hire solutions. EBSS is a duly formed Delaware limited liability company.

EBSS has been servicing the API3 DAO under the name USAPI Services for the past several months, primarily funded within the Operations team budget; however, EBSS services are used by all teams in the DAO, and we believe it is now appropriate for a direct proposal to the DAO as a result. The purpose of this proposal is to request the grant funding required to continue supporting the DAO. This proposal also further clarifies the relationship of EBSS as a direct service provider rather than a vendor within the Operations team of the DAO.

Currently EBSS is only supporting the API3 DAO but it intends to start servicing other DAOs through business development effort and believes it is capable of extending an equal amount of resources to support new clients that it brings in. Should more DAOs be added to the EBSS book of business, a proper analysis of the resource allocation that will be assigned to the API3 DAO will be provided upon request or offered in future proposals.

## Scope

The scope of EBSS may vary based on the needs of the API3 DAO, but currently it is facilitating vital business functions on an ongoing basis specifically in bookkeeping, vendor management, as well as HR and employment services for US based contributors. These services provided may or may not include subcontractors in the reasonable discretion of EBSS, but will remain the obligation of EBSS. The following is meant to elaborate on the current services being provided, but a more detailed description and outline may be provided upon request:

## **Responsibilities**

- Account Reconciliation and Month End Processing
  - Implementation of internal team account bookkeeping for expenses tracking and reimbursement through individual team wallets. Includes monthly accounting reconciliation processing and billing for recurring, one-time, and variable expenses for each team.
- Vendor Management
  - Web2 subscriptions, variable expenses, and any other business needs are managed by EBSS, which incurs expenses and administers contracts directly and then invoices individual teams for their vertical's expenses. EBSS tracks individual team reimbursements from team wallet addresses to the EBSS wallet to ensure accurate expense tracking.
  - A list of currently used vendors from the API3 DAO that are paid for by EBSS can be found in prior API3 DAO proposals from various teams, but these vendors include those that provide vital infrastructure services such as Amazon Web Services as an example.
- HR Support
  - US Contributor HR and Grant Payment coordination will be facilitated in the same way as the above, and will follow the same approximate cost structure as was previously the case with WorkDAO. This essentially means that qualifying US Based contributors will be evaluated with a salary paid by EBSS equates to current salary plus a 12% fee that allows for EBSS to pay for employer tax obligations.

## **Requested Funds**

EBSS requests a \$50,000.00 grant to serve as a retainer from the API3 DAO for ongoing services. The amount was determined to be consistent with the historical financial expenses of the DAO over the period of a Cycle. The \$50,000.00 retainer will be a reserve against reimbursement for the DAO and team expenses incurred in advance as well as fees earned by EBSS. EBSS will charge a cost-plus services fee of 12% of all expenses incurred by EBSS in providing the services. At the end of each Cycle, EBSS will calculate the total expenses incurred and invoice the DAO for 12% of such expenses as the service fee. EBSS may apply funds from the retainer to reimbursable expenses from teams that are 30 days' past the date of invoice and/or the 12% service fee. EBSS will hold the retainer in trust for the DAO and will return the

same, less outstanding invoice charges that are not disputed, at the expiry of the Cycle or the termination of the EBSS relationship with the DAO.

The following is an illustrative example of the process:

1. EBSS calculates the actual outflow of cash for the current cycle was \$38,000 and has invoiced each team, who have in turn already paid back their portion of the bill and thus at the end of the cycle there remains a \$50,000 reserve on the books. EBSS has earned a fee of \$4,560 ( $\$38,000 \times 12\%$ ). EBSS charges the fee against the existing retainer and determines the retainer can be reduced to \$45,000.00. In this hypothetical scenario, EBSS would not ask for a new grant funding amount from the DAO because the fee can be applied against the retainer ( $\$50,000.00 - \$4,560.00 = \$45,440.00$ ). EBSS would simply take the cost plus amount from the reserve and then reduce the reserve by refunding the difference (\$440.00) back to the DAO.
2. In the opposite scenario, EBSS would simply write a proposal requesting the additional funding needed to meet the demand of the 12% cost plus amount owed while also increasing the reserve by whatever amount is prudent.

In these aforementioned examples the bottom line is that the cost of doing business with EBSS should likely be low altogether due to all future proposals not needing to include an initiated reserve amount and thus should typically be fully balanced.

## **Expenses**

Explanations for subscription reimbursements can be found in previous API3 Operations Cycle Proposals. No changes have been made to them aside from the payments being redirected to Elemental Support for the reasons previously mentioned. As noted above, this relationship was previously described as one with USAPI Services, LLC and has been established to more clearly define and account for cash flows related to fixed and variable expenses all teams may incur that require prompt payment to third party vendors in fiat.

Due to the ever-evolving nature of organizational support to growing DAOs, a 12% fee is applied to the budget in exchange for services during this Cycle, which represents compensation for services rendered. Any new services requiring a reevaluation of grant requests will require a new grant proposal and will be outlined should that occur. Any amounts left over in the end of Cycle #9 will be applied to the following budget cycle, which also serves as an adequate buffer for the time-cost of making a new proposal and waiting for it to pass or requiring resubmission before being able to pay for mission critical infrastructure in a timely manner. This also will be the basis for all billing moving forward. Initially the cost plus was calculated at 5% of overall expenses incurred however it has been determined that this beginning cost plus basis did not provide enough of a margin to incentivize continued use of EBSS's services, and this increase was determined as a fair value.

## **Deliverables**

### **Deliverables for Cycle #8**

*Prior to requesting formalized funding through the API3 DAO, much work has been done to set up operations for EB Support, LLC.*

- Built the process of building bookkeeping and accounting infrastructure for maintenance of fiat payments to third party vendors in a way that is clear, consistent, and adherent to existing compliance standards.
- Continued the relationship with WorkDAO for US based DAO contributors, which has been an ongoing endeavor.
  - One primary change is that remaining US contributors will now be officially employed via EBSS, with many of the vendors associated with these services remaining the same.
- Established a baseline of tools associated with the accounting structure and tracking of cash flows between the two entities. This is an ongoing process where cash flows will be automated and tracked in a compliant way that is then audited regularly by a certified professional accountant within our network of vendors.

### **Deliverables for Cycle #9**

EBSS will continue on efforts to most effectively report API3's Accounting flows, decide on what route is best-suited for the US Contributors while remaining cost-effective to API3, as well as ideate on other ways to add value to API3 and future DAO clients. One major consideration for the API3 DAO when reviewing and voting on this proposal is to consider the ways that EBSS will enable consistent and high quality business services to newcomers in this space that may not have the wherewithal to handle some of these services on their own. The mission of EBSS is to simplify the various business related functions within open source development projects currently in the Web3 industry, specifically for those that are building within the API3 ecosystem of products and services that they currently are developing or have already released. This is meant to allow for easier adoption and rapid growth concerning innovative ways that currently unutilized data can lead to exciting new ways that blockchain technology in general can change the way that global business and financial interactions are done.