

Telos Foundation Organization and TFVT Token Distribution Process

The Telos Foundation is an apolitical organization with a mission to aid in the promotion and improvement of the Telos Network. It seeks to do this in three distinct ways:

1. Promoting the network through grants and administration to advertise, market, engage in social media, live events, and teaching opportunities that raise the profile and inform and expand the user-base.
2. Underwriting expenses that increase the functionality of the Telos Network outside the Worker Proposal System.
3. Maintaining a published guidance price for Telos Network RAM and both trading based on this price and offering sales at this price to qualified developersⁱ when the market price for RAM is more than 10% above the published guidance price.

The Telos Foundation has been granted an endowment of 6 million TLOS tokens with which to fulfill its mission. As the Telos Foundation uses its endowment, in the interests of the network, it may submit for Telos worker proposal grants in order to replenish its funding. It will be the choice of the Telos token-holders to decide, through their votes for worker proposal funding, whether the Telos Foundation will continue to replenish its funds, or if it will deplete them and eventually cease to exist. It is entirely right that the token holders decide this.

Telos Foundation Organization and Roles

The Telos Foundation shall operate as a decentralized autonomous organization (DAO) where large decisions including normal grants over US\$3,000 (as denominated in TLOS at the current prevailing market rate) are determined through the majority votes of Telos Foundation Voting Tokens (TFVT tokens) and day-to-day decisions are determined by an executive director.

The executive director shall be selected by an executive board of 12 members elected by the TFVT holders. In the event of a tie in any executive board voting matter, the TFVT holders shall act as the tie breaker. The Telos Foundation executive board shall elect the executive director, the RAM administration director, and any other director positions created by a majority vote of the TFVT voters.

Any board-elected position may be held by a person who is or is not a member of the executive board. Board members are not expected to abstain for voting in their own elections. Given that the Telos Network relies heavily on the contributions of block producers, arbitrators, code developers, and others, serving in one or more of these functions expressly does not present a conflict of interest that would prevent service as any sort of executive board member or director, provided that the person pledge to recuse him- or herself from voting on any decision that directly affects his or her interests differently than it does others’.

Executive board members, the Executive Director, and the RAM Administration Director shall serve terms of 60 million blocks (approximately one year), 100 million blocks (approximately 20

months), and 100 million blocks, respectively. All positions are eligible for re-election for a maximum of 600 million blocks of cumulative service in all elected roles.

The executive director and RAM administration director will each present quarterly budgets (including actualized expenses from the previous quarter's budget) to the executive board for their approval recommendation. Distributions of quarterly budgets shall be formalized by a vote of TFVT holders before funds are disbursed.

The executive director and RAM administration director are both expected to hire their own administration of workers to perform Telos Foundation tasks. All budgets will be paid in TLOS tokens. Workers may either be paid directly or be paid in fiat currency by the executive director's or RAM administration director's administration (respectively) which will retain TLOS tokens as compensation. The administrations of the executive director and RAM administration director are distinct from one another and neither holds any authority over the other.

The RAM administration shall publish, every 10 million blocks (approximately 58 days), an updated published guidance price (PGP) and recommendations to block producers for the coming 10 million block period. The RAM administration shall not make any trades regarding RAM 100,000 blocks before and 500 blocks after a new PGP is published.

The RAM administration director and all employees of that administration are prohibited from trading Telos RAM or TLOS tokens on their own account outside the small amounts necessary to keep personal or business accounts functional and manage salaries and budget items paid in TLOS. Information about changes to the PGP report shall be considered confidential and insider information and sharing this information with any person outside the RAM administration—including the executive director and any member of his or her staff, or the executive board or any member of their staff—shall be liable for penalties as determined by arbitration

TFVT Distribution

Telos Foundation Voting Tokens will be distributed twice annually to members of the Telos community deemed to be providing service to the network and worthy of being entrusted with decisions regarding its future direction. Candidates may be proposed by any TFVT owner and shall be voted one new TFVT in any period (excluding the initial period). The goals of distributing new tokens is to expand the votership of the Telos Foundation DAO with worthy new members, to preserve the institutional memory and contributions of previous contributors, and continuously engage existing TFVT members who continue to make new contributions. Therefore, existing TFVT token holders are eligible to receive an additional token in any period where they can be construed as adding new contributions of merit to the Telos Network, as voted by the TFVT electorate.

The initial distribution of TFVT tokens shall be based on the contributions of those working to launch the network. The intent is to include founders who performed meaningful contributions towards the network launch in relation to those contributions. Because the process of initially

launching the Telos Network is of a greater magnitude than the ongoing preservation and growth of the network, more TFVT tokens than typical may be disbursed in the initial period. The process for awarding initial TFVT tokens is as follows:

1. Upon the launch (not activation) of the network, all “slices” from the contributor tracking system shall be frozen for the purposes of determining TFVT token distribution. This shall be the “Snapshot” and it is expected that accounting for these slices may continue several days past the moment of launch yet still be included in the Snapshot.
2. Once the Snapshot is suitably captured, it shall be analyzed to determine the relative contributions of each contributor. Any contributor who has not reached a threshold of 12.5% of the median amount of contributions of all contributors shall be excluded from the “Adjusted Snapshot.”
3. The Adjusted Snapshot shall be graduated into 10 percentile ranks based on total contributions in terms of recorded slices. Each contributor whose number of slices falls into the lowest percentile group shall receive 1 TFVT to an address that member designates on the network. Each member of the next percentile group shall receive 2 TFVT tokens and so on until the highest percentile group which shall receive 10 TFVT tokens.
4. Contributors to the Telos Community Rewards Pool may also earn TFVT tokens. Each such contributor who earns between 3,000 and 6,999.9999 TLOS tokens shall receive 1 TFVT token and each who earns 7,000 TLOS tokens or more shall receive 2 TFVT tokens.
5. The Telos Foundation shall create new, unique accounts for each TFVT recipient that are meant to only hold those tokens and serve no other purpose. Each TFVT recipient’s name and token account shall be made public, as will the names and token accounts of all future members.
6. Upon the creation and distribution of the initial TFVT tokens, control of the Telos Foundation accounts shall be transferred to a multi-sig contract intended to represent the majority voting of all existing TFVT tokens.

TFVT Voting

Any vote before the Telos Foundation Voting Token voters shall proceed as follows:

1. The matter shall be presented as a motion for vote. The transactions or transactions that will occur in the case of a passing vote shall be recorded as a prospective transaction, along with a written description of the transaction(s) to be enacted in the case of a YES vote. There may be commentary or discussion about the issue in public or private forums.
2. Voting matters will commonly include matters such as:
 - a. Election or dismissal of an executive board member (Transaction: transfer the candidate’s active keys to the voting account of the board position)
 - b. Approval of a recommended quarterly budget (Transaction: transfer funds to a budget account)
 - c. Approval of a grant proposal (Transaction: transfer of funds to a recipient’s account)

- d. Issuance of new TFVTs individually or as a block (Transaction: mint and transfer new TFVT tokens to recipient or recipients)
3. Voting shall occur over a period of 1,000,000 blocks (about 5.8 days) and shall be decided as follows:
 - a. Any time a simple majority of votes from all issued TFVT tokens is achieved, the proposal shall immediately pass and its associated transaction will be enacted
 - b. Any time the voting period expires, the vote shall pass and its associated transaction will be enacted if the issue has received at least 50% of votes from all issued TFVT tokens, AND it has a simple majority vote to pass amongst those voters.

TFVT Transferability

TFVT tokens may not be transferred and are not intended to pass generationally. TFVT tokens are valueless. Any TFVT found by a Telos Elected Arbitrator in a due-process arbitration brought by the Telos Foundation to have been transferred to the control of another person shall be rendered invalid without restitution. However, any TFVT token may be surrendered on the death or permanent incapacity of the holder to the Telos Foundation in exchange for an honorarium grant in TLOS valued at 1 million TLOS or the total value of the Telos Foundation current endowment, whichever is larger, divided by the current number of outstanding TFVT tokens to the named beneficiaries in a valid will or probate proceeding that transfers either “all assets” or the “Telos Foundation Voting Tokens” or “TFVT tokens” by name. This grant does not confer value on the tokens, but is instead an honorarium grant from the Telos Foundation in respect for the TFVT token holder’s previous contributions to the Telos Foundation and network. This transfer may not occur until the Telos Blockchain Network has been activated for three years. Any tokens to be exchanged for an honorarium grant before that time will be available for exchange once the network reaches this milestone and will be exchanged based on the values current at that time.

Intent to Draft More Formal Document

This document is intended to describe the operations of the Telos Foundation. It will be rewritten into a set of bylaws that more formally capture the description made by this document.

ⁱ A “qualified developer” who may purchase RAM from the Telos Foundation at the published guidance price is one that agrees to present its DApp for review, deploy within 30 days of purchase, and purchase an amount of RAM commensurate with actual usage needs in the first 3 months of deployment; or who has already deployed an application and seeks to increase the amount of RAM needed to expand the DApp over the next 3 months of actual use. A qualified developer may deploy DApps of any type except those with the primary purpose of promoting violence, hatred, or abuse. Qualified developers who do not fulfill their agreements, such as deploying on time, must either return the purchased RAM to the Telos Foundation or reimburse the Telos Foundation for the difference in cost between the purchase price and the current market price.