

LUNAR IMPROVEMENT PROPOSAL PROTOCOL (LIPP)

PREAMBLE

Lunar DAO is a decentralized self-governing organization formed by a vote of LNR token holders operating under the Lunar DAO Bylaws. This Lunar Improvement Proposal Protocol (“LIPP”) sets forth rules and procedures for the creation, submission, vote, and implementation of proposals governing Lunar DAO.

1. DEFINITIONS.

- 1.1. “Administrator” means an active administrator of Lunar DAO as set forth in the Lunar DAO Bylaws.
- 1.2. “Board” means the Board of Directors of the Lunar Foundation.
- 1.3. “Director” means a Director of the Lunar Foundation.
- 1.4. “LIP” means any Proposal in any step within Section 4 of this LIPP which has been, at any point in time, formalized into a Draft LIP, as defined herein.
- 1.5. “LNR Token” means the LNR token, BSC contract 0xc1A59a17F87ba6651Eb8E8F707db7672647c45bD.
- 1.6. “Lunar DAO Bylaws” means the constitution, bylaws and/or other set of governing documents which contain binding rules for the governance, administration, or operation of Lunar DAO, as ratified by Members.
- 1.7. “Lunar DAO Code of Conduct” means the Lunar DAO Code of Conduct and/or any such document binding on Members which sets standards for participation in Lunar DAO as ratified.
- 1.8. “Lunar Genesis Crystal” means the Lunar Genesis Crystal non-fungible token, BSC contract 0x59eFfb5a8caB87f2411EffDD40646B335274AF5E.
- 1.9. “Member” means an active Member of Lunar DAO in good standing as set forth in the Lunar DAO Bylaws.
- 1.10. “Moderator” means a moderator specifically designated by a Director or Administrator, as approved by Lunar DAO, to conduct operations of the LIPP, as set forth herein.
- 1.11. “Proposal” means a Lunar Improvement Proposal (LIP), each developed, submitted, and voted on only by Lunar DAO Members, subject to this LIPP.

2. PROPOSAL CATEGORIES.

- 2.1. Ecosystem LIPs. Any Proposal that does not propose to add, remove, change, modify, edit, or adapt a procedure or implementation of governance, governance mechanism, decision-making process, nor the Lunar DAO bylaws, nor any tools or environments used to facilitate, manage, or regulate the DAO or Foundation shall be tagged with the category label “Ecosystem” (an “Ecosystem LIP”).

2.1.1. Subtypes. Each Ecosystem LIP shall be tagged with an additional category label of one but not more than one of the following subtypes, as follows:

(A) Community. Any Proposal relating to the community or community members, branding, marketing, social media, an event or activity, a partnership or collaboration, informational or general guidelines for the community, a community driven strategy, or any other b2b relationship shall be tagged with the subtype label “Community”.

(B) Platform. Any Proposal relating to the utility, use, mechanics, access, infrastructure, features, or any improvement to the Lunar platform, contracts, technology, IP, infrastructure, or other technical aspects of the Ecosystem. shall be tagged with the subtype label “Platform”.

2.1.2. Budget. Any Ecosystem LIP which includes any allocation of an asset from the Lunar DAO Community Treasury shall be tagged with an additional category label of “Treasury Allocating” (a “Treasury Allocating LIP”).

2.2. Procedural LIPs. Any Proposal that does propose to add, remove, change, modify, edit, or adapt a procedure or implementation of governance, governance mechanism, decision-making process, nor the Lunar DAO bylaws, nor any tools or environments used to facilitate, manage, or regulate the DAO or Foundation shall be tagged with the category label “Procedural” (a “Procedural LIP”).

2.2.1. Constitutional. Any Procedural LIP that proposes to amend the Lunar DAO Bylaws or this LIPP shall be tagged with the subtype “Constitutional” (a “Constitutional Procedural LIP”).

3. PROPOSAL REQUIREMENTS.

3.1. Each Proposal must strictly adhere to all the following formatting requirements:

3.1.1. written in clear and concise language.

3.1.2. written in modern English.

3.1.3. with a sum of no more than 2200 words.

3.1.4. submitted through the proscribed channels.

3.1.5. written and submitted in compliance with this LIPP and the Lunar DAO Bylaws.

3.2. Each Proposal must include all the following sections:

3.2.1. Abstract. A summary of the proposal of no more than 4 sentences.

3.2.2. Why.

(A) Motivation. A statement on why the proposal should be adopted.

(B) Rationale. An explanation of how the proposal aligns with the DAO’s mission.

3.2.3. What. A detailed breakdown of the technologies that will be used.

3.2.4. How. The steps to implement the proposal, including any human and capital resources, and other resources for each step, with detailed expenses, where applicable.

3.2.5. When. Relevant details, including but not limited to, the start date, milestones, and anticipated completion date.

3.2.6. Cost. The total cost to implement the proposal, if any.

3.3. Each Proposal may include these optional sections:

3.3.1. Key Terms (optional) - Definitions of any terms within the proposal that are unique to the proposal and/or industry-specific.

3.3.2. Additional sections as needed.

3.4. Any Proposal for which the contents and substance of the Proposal was previously submitted as a Proposal by the same Author(s), which is then submitted again (a “Resubmitted Proposal”) must also include:

3.4.1. A hyper-link to the original proposal,

3.4.2. The official reasoning that all previous of the same LIPs were not approved,

3.4.3. A record of changes made following the previous submission, and

3.4.4. A statement on why the LIP should now be approved.

4. THE LIPP PROCESS

4.1. Step 1 – Proposal Idea.

4.1.1. A Proposal Idea. Each Proposal shall first be submitted by a DAO Member(s) as a post on Discourse (a “Proposal Idea”). Member(s) submitting the Proposal Idea will be referred to as the Author(s) of the Proposal. Proposal Ideas have no mandatory format and results are non-binding. Only one post per Proposal Idea is permitted.

4.1.2. The Comment Period. The Proposal Idea shall, without edits, remain open for comment by members in Discourse for 5-days (the “Comment Period”). The Author(s) may only change the content of a Proposal Idea by typing in the comments. Author(s) may request a 72-hour extension of the Comment Period, and moderators may, in their sole discretion, comply with reasonable requests.

4.1.3. Idea Closed. Each Proposal Idea shall be closed by a moderator at the end of the Comment Period (a “Closed Proposal Idea”).

4.2. Step 2 - Draft LIP.

4.2.1. Submission of Draft LIP. Author(s) may submit a draft proposal (a “Draft LIP”), as set forth herein, at any time after the Proposal Idea is Closed. Each Draft LIP must:

(A) incorporate reasonable moderator feedback from Step 1,

(B) be appropriately tagged with one primary category label of either “Ecosystem” or “Procedural” as defined in Section 2 of this LIPP, but not both, and any other tags which may be appropriate, at a time and in a manner as set forth herein, and

(C) comply with all format requirements as set forth in Section 3 of this LIPP.

4.2.2. Moderator Confirmation of Draft LIP. A Moderator shall confirm the receipt and entry of each Draft LIP proposal which complies with this Section.

4.2.3. Numbering of Draft LIP. Each Draft LIP shall be assigned a number in order of its confirmation by a Moderator, starting at 1, as set forth in Section 5 of this LIPP. Once a Draft LIP has been numbered it may not be withdrawn by the Author(s).

4.3. Step 3 – Analysis.

4.3.1. Analysis. Within 28-days of the naming of a Draft LIP, a group of administrators and/or moderators having reviewed the Draft LIP, shall publish a brief report that identifies any unforeseen costs or implementation steps, legal considerations, third-party review requirements, potential conflicts of interest, and other considerations (the “Analysis Report”).

4.3.2. Each Draft LIP and Analysis Report shall then be transmitted together to a team of moderators for review in Step 4.

4.4. Step 4 – Review.

4.4.1. Fitness Review. The moderators review the Draft LIP and Analysis Report for format, completeness, and adherence to the Lunar DAO Code of Conduct, the Lunar DAO Bylaws, and this LIPP. Each Fitness Review shall have one of the following outcomes:

(A) Approved. Draft LIP is Approved and proceeds to *Step 4B - Complexity Review*.

(B) Not Approved. Draft LIP is Not Approved and returns to Step 1 or 2.

(C) Rejected. Draft LIP is Rejected at this stage and may not be resubmitted. Draft LIP may be rejected in cases where the Draft LIP is in Conflict with another LIP (see *LIP Conflicts*), in gross violation of the Lunar DAO Code of Conduct, Lunar DAO Bylaws, this LIPP, or is or suggests a violation of the law, or in cases in which the Moderators have a reasonable suspicion of fraud or other criminal or intentionally misleading or dangerous intent stemming from the content or result of such Draft LIP.

4.4.2. Complexity Review. The moderators review the Draft LIP and Analysis Report, examining the complexity, costs, and implications of the Proposal. Each Complexity Review shall have one of the following outcomes:

(A) Pending to Vote. Proceed to *Step 5 – Live LIP* for Draft LIPs that are “Pending to Vote”, where the costs, content, and implications of approval are considered straightforward, and which pose no risk to the DAO or community.

(B) Board Review. Proceed to *Step 4C - Board Review* for Draft LIPs that require “Board Review”, where the costs, content, or implications of approval are considered complex or a which pose any level of risk to the DAO.

4.4.3. Board Review. Each Draft LIP and Analysis Report tagged for “Board Review” shall be reviewed in its entirety by the Board of Directors and/or its designated Administrator, as follows:

- (A) Initial Determination. Review the Draft LIP, Analysis Report, and notes to determine if Administrative Review is prima facie appropriate, and issue one of the following determinations:
 - (i) “Pending to Vote” – Draft LIP passes to Step 5.
 - (ii) “Pending to Review” – Draft LIP continues to Administrative Review.
- (B) Administrative Review. Review the Draft LIP, Analysis Report, notes, Author communications and all other relevant public information and provide an outcome response document with detailed and relevant information as to why such designation was provided, and issue one of the following determinations:
 - (i) “Pending to Vote” – Draft LIP passes to Step 5.
 - (ii) “Return for Clarification” – Draft LIP is returned to Step 2 for reasons that include but are not limited to: 1) Cost to implement unclear/not able to be calculated; or 2) Potentially conflicting with another proposal.
 - (iii) “Return for Reconstruction” – Draft LIP is returned to Step 2 for reasons that include but are not limited to: 1) Would use more than 5% of the Lunar DAO Community Treasury; or 2) Conflicts with the mission or values of Lunar DAO; or Conflicts with new situation or circumstances.

4.5. Step 5. Live LIP

4.5.1. Live LIP Queue. Each LIP designated as Pending to Vote is placed into the Live LIP queue within 72-hours of such designation.

4.5.2. Moderators shall post all LIPs in the Live LIP queue to Snapshot.org each week. Voting opens on new Live LIPs each week on Thursday at 10pm UTC.

4.5.3. Voting closes on all open Live LIPs each week on Wednesday at 10pm UTC.

4.6. Step 6 – Closed LIP

4.6.1. Closed LIP. A Live LIP opened for voting as set forth in Step 5 of this LIPP which then becomes closed is called a “Closed LIP.”

4.6.2. Closed LIP Labeling. Each Closed LIP shall be labeled as one, but not more than one, of the following designations based its Live LIP vote:

- (A) “Accepted LIP”. A Live LIP which receives the requisite number of votes of “for” shall proceed to *Step 7 – Implementation*.
- (B) “Rejected LIP”. A Live LIP which does not receive the requisite votes of “for” shall not be implemented. A Rejected LIP may be resubmitted at Step 1.
- (C) “Stalled LIP”. A Live LIP which receives zero votes, or in the case of a majority vote threshold receive an equal number of votes “for” and “against”, shall be held for 48-hours for public review, and then returned to “Pending to

Vote” and placed in the Live LIP queue for a second Live LIP vote as set forth herein, excepting Re-Stalled LIPs.

- (D) “Re-Stalled LIP”. A Stalled LIP which is returned for a second Live LIP vote and is again labeled as a Stalled LIP shall not be permitted a third vote, and instead shall be returned to Step 2.

4.7. Step 7 - Implementation. Each Accepted LIP shall be implemented based on the steps provided in the LIP. The Lunar Foundation, DAO leadership, and the Author of the LIP shall take all reasonable and practicable steps to implement the LIP strictly according to the plain meaning of the Accepted LIP.

5. LIP NAMING CONVENTIONS.

5.1. Each LIP shall be named as follows:

5.1.1. “{#} – {title}”.

5.1.2. The number of each LIP shall start at 1, and continue consecutively.

5.1.3. The title shall not include any derogatory, racist, sexist, crude, or violent language, must be between 1 and 13 words, and no more than 85 characters in length.

6. LIP CONFLICTS

6.1. Any Draft LIP which directly conflicts with, or seeks to change, alter, or amend, any rule set forth as directed by any previously Accepted LIP shall not be eligible to become a Live LIP until, at minimum, 150 days after the date of Acceptance of the conflicting LIP.

6.2. Any Draft LIP which directly conflicts with any existing Confirmed Draft, Pending, or Live LIP in any later (higher numbered) step of the LIPP shall be rejected by the Moderators, and shall not become a Draft LIP until after the Conflicting LIP becomes a Final LIP.

7. VOTING

7.1. Each Member may vote on each LIP in Snapshot.org. Snapshot provides a governance consensus mechanism that places fairness, transparency, and low-cost voting at the forefront of its platform, ensuring that each stakeholder can participate.

7.2. Quorum and vote threshold.

7.2.1. The Quorum for voting on any Live LIP in Section 4.5 of this LIPP, shall be a percentage of all possible votes based on the total circulating supply of LNR tokens and total available supply of votes resulting from circulating Lunar Genesis Crystal NFT tokens (the “Total Possible Votes” or “TPV”), as follows:

(A) Ecosystem LIP = 2% of TPV.

(B) Procedural LIP = 3% of TPV.

(C) Constitutional Procedural LIP = 5% of TPV.

7.2.2. For a Proposal to become an “Accepted LIP”, as set forth in Section 4.6 herein, the Proposal must receive the following percentage of votes “FOR” vs “AGAINST”, for each of the defined categories, not counting abstentions, as follows:

- (A) Ecosystem LIP = Greater than 50% of votes “FOR”.
- (B) Procedural LIP = Greater than 50% of votes “FOR”.
- (C) Constitutional Procedural LIP = Greater than 2/3 of votes “FOR”.

7.3. Voting strategy. The voting strategy shall comply with the following:

- (A) 1 Vote per LNR token. Fractional votes are not permitted (fractional holdings of LNR tokens are rounded down to the nearest whole number).
- (B) 20 votes per “Reward Basis” point for each Lunar Genesis Crystal NFT.
- (C) Vote choice shall be binary; “for” vs “against”.
- (D) Vote on Proposals “as-is”, without any changes.

7.4. Voting Delegation. Lunar DAO members may securely delegate their vote to another without transferring any tokens from their wallet as available.