Stakeholder Economics & Tokenization of the Employment Commons

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Overview

Tokenization of the Employment Commons (the "Commons") aligns economic incentives between the Commons' ecosystem stakeholder contributors: Employee Members, Non-Employee Members (referring Members, channel partners, vendors, etc.) and Non-Members. The Commons model allows for "stakeholder capitalism" in a collectively owned, sustainable, and for-purpose (and profit) employment cooperative, as discussed in the Opolis Off-White Paper. The ecosystem tokens are designed as Rewards tokens ("Rewards") as a means of incentivizing stakeholders to engage in certain activities seen as valuable by the Commons.

Functionally, the Commons offers Employee Members the ability to:

- Reap the benefits of group purchasing power for reduced costs on products and services
    - Examples are: Healthcare insurance, technology tools and back-office services
- Share in value creation, with other stakeholders
- Become an "owner" in a shared network that protects its Members' best interests
- Participate in the governance of the Commons

There are five ways to earn Rewards for contributing value to the Commons ecosystem via:

1. Consumption of payroll processing and back-office services as an Employee Member
2. Technology contribution to the Commons via the Opolis Trustee technology stack
3. Channel partnerships or direct referrals of new Employee Members
4. Staking tokens (available to both Members and non-Members)
5. The Commons' Trustee, Opolis, Inc. as a team member, advisor or shareholder

Upon launch of the Rewards program, the Commons will retroactively distribute tokens based on pre-determined/approved program parameters to existing stakeholder Members and contributors, as appropriate (i.e. pre-launch consumption or referrals). Tokens will not be sold directly to the market, nor to outside investors. The only path to receive tokens will be to participate in one or more of the five ways listed.

Initially, voting rights will be allocated to a Board of Stewards ("Stewards") of up to 9 Employee Members (initially 5). Once 1000 Employee Members are reached in the Commons, governance will begin transition to the employee membership, with limited powers still residing with the Stewards.

By staking tokens, all Members earn staking Rewards (in kind), while Employee Members also earn enhanced voting power over and above the single vote given to all Employee Members upon joining. Specifics on enhanced governance allocation will be released by the Board of Stewards prior to the program launch (currently targeted for early 2021).

The Opolis Trustee (Opolis, Inc.) will be rewarded, and hold, tokens in a multisig contract wallet controlled by Opolis leadership. Rewards for technology contributions will be distributed from this wallet or another multisig, based on individual agreements between each contributor and the Trustee.

Initially, employee memberships are limited to those who are qualified to work in the United States. The Commons anticipates eventual global expansion.

The Rewards token is an ERC20 token. Where Web3 technology is implemented, Ethereum based smart contracts, authentication, wallets, primitives or technology interoperable with Ethereum will be used.

Core Activities & Services

The Commons provides technology-enabled administrative shared services (a.k.a. “back office services”) to its Employee Members. These services currently include: payroll processing, compliance, tax withholding/remittance, reporting, accounting, benefits provisioning and administration, collective procurement services, etc. These services are contracted by the Commons to an administrative trustee (“Trustee”) on behalf of Commons’ Employee Members. Currently Opolis, Inc. is the elected Trustee for the Commons.

The core value proposition for joining the Commons as an Employee Member is that independent contractors, solopreneurs, gig workers, etc. have the opportunity to access low cost/high quality health insurance, cheaper and more robust administrative services, and also become an “owner” of the network.

Legal Structure

The Commons is formed as a Colorado Limited Cooperative Association (LCA). Colorado has a flexible cooperative law framework and is often referred to as the “Delaware for cooperatives.” This jurisdiction was selected specifically to utilize a legal structure which supports sustainable benevolence on behalf of the Commons’ Members and stakeholders.

The Commons is legally a separate and independent entity from Opolis, Inc. As Trustee, Opolis has an arms-length commercial relationship with the Commons and is also a member of the cooperative. John Paller, founder of Opolis, serves on the Board of Stewards of the Commons.

Stakeholder Capitalism

The Commons is carefully designed to economically align and reward all participants in the ecosystem to desire the same outcome: Growth in Annual Commons Payroll Volume (“ACPV”). Payroll volume is shown for individual payroll cycles by Periodic Commons Payroll Volume (“PCPV”=ACPV/24). This alignment is critical to the long-term sustainability and viability of the cooperative.

A stakeholder capitalistic framework allows for new possibilities in scaling value, as well as structural benevolence to support Member satisfaction, thus resulting in the long-term value of the Commons.

Token Properties

The Opolis Rewards token is a utility token as defined by the Colorado Digital Token Act of 2019.

Contributors will be rewarded with Rewards tokens for certain activities (i.e. consumption and staking) which are viewed to add value to the Commons. The Commons will not sell tokens directly to the market.

There is no maximum amount that can be rewarded in total nor to any single Member. At ~$8.3B in ACPV, 1 Billion Rewards tokens will have been distributed in aggregate. Based on model estimates, this accounts for approximately 170,000 Employee Members.

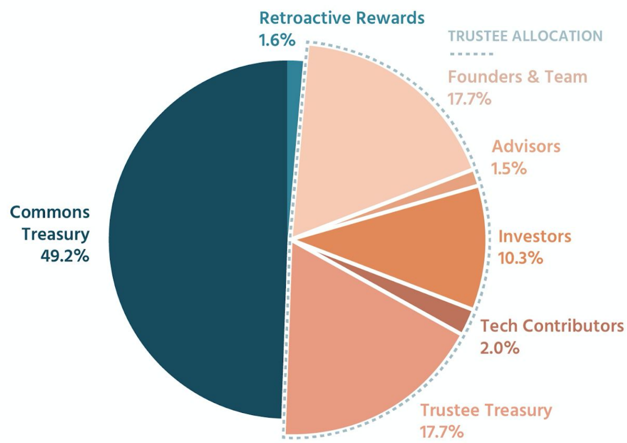
There is no cap on the total amount of tokens which can be distributed. However, as the Commons grows, distribution of new tokens will diminish, based on the difficulty of reaching exponential growth thresholds of ACPV described in the subsequent Payroll Mining section of this paper.

Genesis Allocation

At launch, the Commons will issue 305,000,000 tokens to existing stakeholders, in accordance with the pre-determined/pre-approved program guidelines (i.e. Employee Members who consumed services from the Commons before the program launched will be issued their pro rata share, per the rules of the program). Technology contributors, Trustee (Opolis) stakeholders, and channel partners will also be rewarded retroactively for contribution to the Commons.

The Genesis Rewards allocation is as follows:

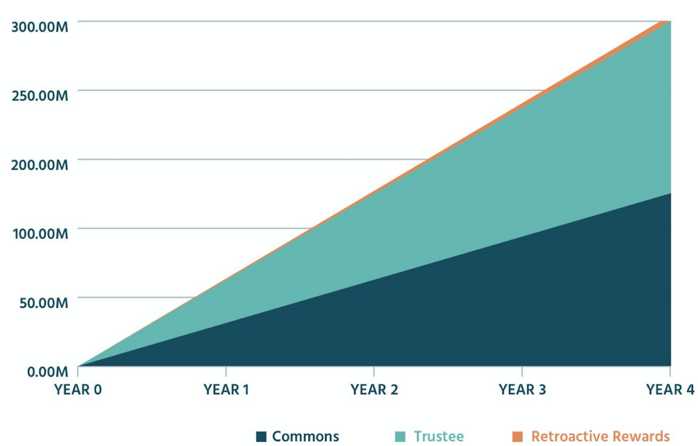
GENESIS ALLOCATION



Tokens distributed through the Genesis Allocation to the Commons Treasury and the Trustee are on a 4-year vesting schedule with vesting and distribution beginning at launch. Note: Investors, Tech Contributors, Advisors, Founders, and Team all fall under the total Trustee allocation.

See below vesting schedule chart for Genesis Allocation. Tokens issued as Retroactive Rewards (1.6% or 5,000,000) are to reward consumers and referral sources that occurred prior to the launch of the program.

GENESIS ALLOCATION VESTING SCHEDULE



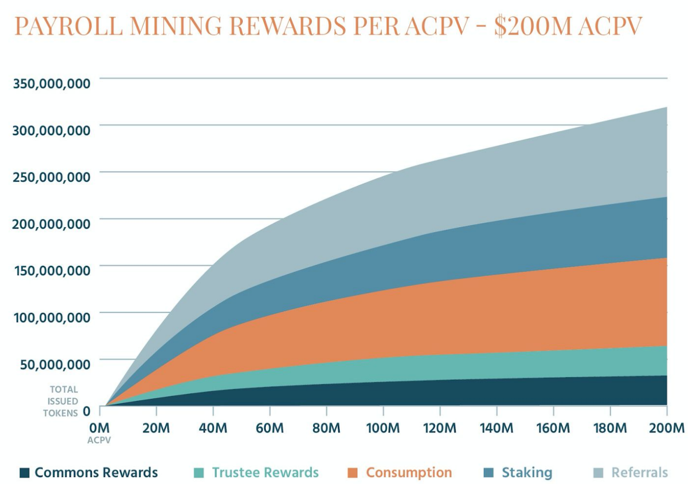
Payroll Mining

The Rewards tokens are minted based on the ACPV growth schedule set forth by the Commons. "Payroll Mining" of 5,000,000 Rewards tokens per block (growth threshold) occurs through a smart contract. Rewards tokens are minted and distributed to stakeholders, first on a linear scale of $50k increases in PCPV growth, and then an exponential growth factor of 5% growth from the previously mined Rewards block.

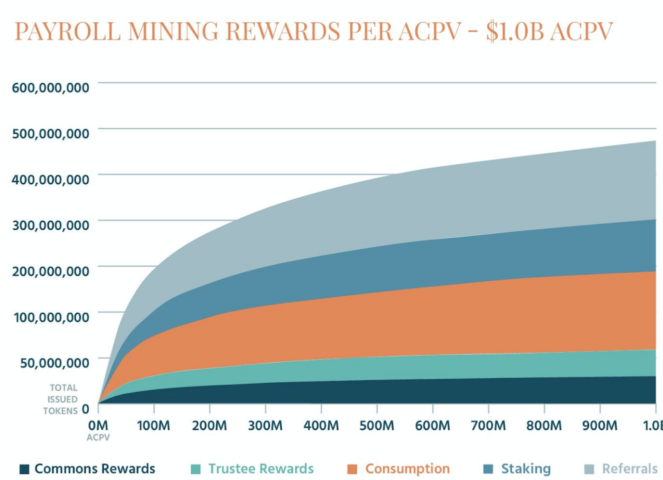
As an example, at $300,000 PCPV (7.2M ACPV), 5,000,000 reward tokens are mined and distributed to stakeholders. The next block will be mined once PCPV reaches $350,000. Upon reaching $1M in PCPV, the block difficulty shifts to a 5% growth rate. For example, at $1.05M PCPV, 5,000,000 tokens are unlocked. The growth needed to mine the next block would be 5% growth or $1.1025M PCPV.

The Rewards program is, by nature, more generous to stakeholders who are early adopters of the Commons. As the ecosystem matures, Rewards blocks stay the same; thus they will be distributed to more stakeholders as consumption, referrals, and staking increase.

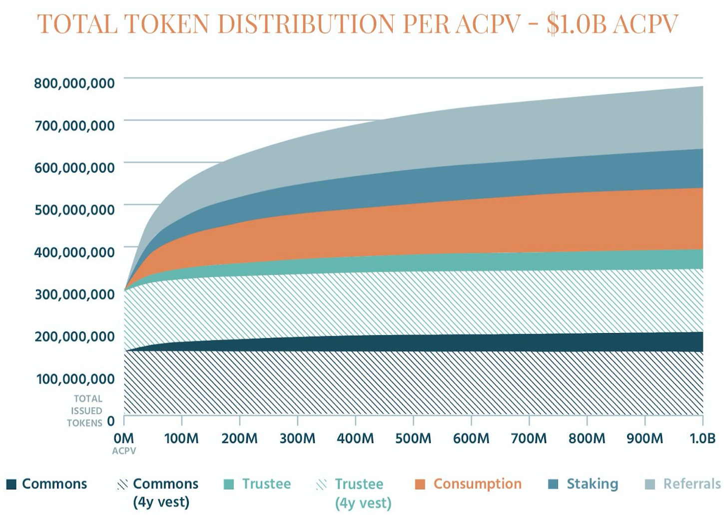
Below is the Payroll Mining Rewards curve, from inception to $200M in ACPV:



Below is the Rewards distribution curve at $1B in ACPV:



Below is the Total Token Distribution model, including Genesis Allocation at $1B in ACPV. (Note that the shaded areas denote tokens that are on the 4-year vesting schedule, previously illustrated.):



The Rewards distribution model is adjustable based on input from the Stewards and Employee Members. No changes will be made for a period of at least one year. A supermajority of both groups would be required to implement any modifications.

Incentives Rewards

Contributors are rewarded for certain activities that are deemed intrinsically valuable to the Commons:

Employee Members can:

- Earn Rewards for consumption of payroll services
- Stake tokens to earn staking Rewards (in the form of more tokens)
- Earn enhanced governance rights by staking tokens
- Earn tokens by referring Employee Members to the Commons

Non-Employee Members can:

- Stake tokens to earn staking Rewards (in the form of more tokens)
- Earn Rewards by referring Employee Members to the Commons
- Earn Rewards by contributing technology to the Trustee native technology stack

Non-Member token holders can:

- Stake tokens to earn staking Rewards (in the form of more tokens)
- Earn Rewards by referring Employee Members to the Commons

Referral Rewards stay in place for the lifetime of the referred Member's tenure with the Commons.

Technology contributors to the native stack of the Trustee will include authentication, exchanges, identity, meta data, reputation systems, legal agreements, lending platforms, payroll remittance, accounting & invoicing, etc.

Token Value

There will be no stated, nor market value to the Commons Rewards tokens. No tokens will be sold to the open market, therefore there will be no implied price or value of a token determined by the Commons. Tokens will only be distributed as a reward for contributing value to the Commons.

Use of Commons' Owned Rewards Tokens

Tokens received by the Commons as part of the genesis allocation will be held in the Commons treasury. Tokens can be dispersed to develop features, fund services, acquire resources, provide Rewards to Members, and administer the ecosystem as determined by the Commons' Stewards. Tokens will be held in a multisig contract wallet controlled by the Stewards until such time as the Commons reaches sufficient decentralization (1000+ Members).

Staking Rewards

Staking tokens incentivizes all token holders, regardless of membership status, to earn staking Rewards.

If an Employee Member chooses to stake tokens, they:

- Receive staking Rewards (in the form of more tokens)
- Earn enhanced governance rights for decision making in the Commons

If a Non-Employee Member or Non-Member chooses to stake tokens, they:

- Receive staking Rewards (in the form of more tokens)

Staking Rewards are structured to incentivize early adoption of the Commons, with Rewards being significantly higher per contributor in early Payroll Mining blocks, in order to drive consumption and to achieve a strong network effect.

Non-Employee Members & Non-Members do not have governance rights, nor the ability to earn governance rights via staking.

Community Fees

Employee Members contribute a fee to the Commons for consumption of services. The Community Fee, set by the Stewards, is 1% of the Member's processed payroll volume, and is assessed based on Member consumption exclusively. In periods where a Member does not consume any Commons services, no fees are charged. Community Fees are used to compensate the Trustee for technology and services provided to the Commons and Commons Members.

A cap on Community Fees may be implemented and is currently under review by the Stewards. This would potentially be set as to encourage higher wage earners to process more volume through the Commons, without the penalty of paying higher fees.

Employee Members may use Rewards tokens to pay for Community Fees, if market conditions allow. Members will also be able to use tokens in exchange for other products and services from Commons service partners.

The Commons' Employee Members can vote to change the 1% fee in the future. Approval of any Member-directed changes will also have to be ratified by the Stewards.

Governance & Voting

As a baseline, the Commons follows a traditional cooperative model of one Member, one vote for Members holding Employee Member stock. Employee Members are allocated additional voting power privileges by staking Rewards tokens. Voting power distribution for the Employee Member class will be fully determined before program launch. The Stewards are considering various models including a quadratic voting structure. If an Employee Member removes all or a portion of their stake, their voting power is reduced based on the reduction of their stake.

Non-Employee Members and Non-Members do not have governance rights, nor the ability to earn them. This is intentional to clearly align voting with the best interests of Employee Members and growing ACPV, while keeping the cost of services low.

In conjunction, initial governance of the Commons is overseen by a 5 person Board of Stewards. Eventually, the Stewards will expand to 9 Employee Members. Stewards are appointed based on expertise and values alignment, in addition to the mandatory requirement of being an Employee Member. No investor Members will be allocated seats within the Stewards in the case the Commons takes on outside investors. Those who serve as Stewards will relinquish their Member voting rights in favor of their Stewardship voting powers.

The initial 5 person Board of Stewards consists of John Paller (Opolis), Yev Muchnik (Launch Legal), Bill Warren (Peeps Democracy), Auryn MacMillan (Gnosis), Barry Goers (Merkle Mountain) with Eric Arsenault (DAOstack) acting as special advisor to the Stewards.

Once the Commons reaches membership of 1,000 Employee Members, governance will begin to shift to the membership, with limited powers remaining with the Stewards. The Stewards will determine and communicate the initial governance to the membership before the Rewards program launches (currently slated for early 2021).

Examples of proposals that may be voted on by the Members are: modifications to the Community Fees, ACPV distribution schedule, Payroll Mining Block Rewards, Trustee election, Benefits selection, Feature requests, Board of Stewards elections, etc.

Example Employee Member Story

To illustrate the Commons, here is a typical Member journey:

- Vitaly is a software developer who lives in Denver, CO with his wife and 3 elementary school-age children.
- He has worked as an independent contractor for almost 10 years since leaving a “full-time” software development role at a well known technology company.
- He most values the flexibility and freedom of freelance contract work. He tells his wife all the time that he is “unemployable” because he just can’t see himself working “for” someone else again as a means to provide for his family.
- He usually has between 4-6 projects per year that he works on, often simultaneously.
- He has a single-member LLC that he uses to bill his customers on a monthly basis, as well as to manage his risk.
- On a yearly basis, his company has revenue of approximately $150K; he pays himself $100K as a salary, and the remaining amount goes toward company expenses.

- His business is just him and he does not employ any other people full-time. He contracts with other independent contractor freelancers or businesses when he needs help.
- To pay himself, he currently uses a traditional payroll company, Gusto, that charges several hundred dollars per month for services he's elected.
- Some of the services he pays for include: payroll processing, tax withholding, and some light HR and accounting services. The services are not very comprehensive and it's a headache to deal with them. He dreads having to deal with it.
- To fill in the gaps, Vitaly also routinely pays several hundred dollars per month to engage the services of a bookkeeper, as well as several thousand per year on tax filings and attorney's fees.
- He also has no access to affordable, high-quality healthcare insurance with Gusto, as he doesn't qualify for "group healthcare" plans, since they connect him to a single-member LLC.
- As a result, he has purchased health insurance from the state healthcare exchange and pays $1,700 per month for comprehensive family healthcare coverage. His coverage is limited to the state of Colorado and doesn't allow for the traveling that he frequently does, at the risk of filing "out of network" claims should something happen while he's out of state.
- After learning about the Employment Commons, it seems like a much better deal, since he would have the opportunity to access low cost + high quality health insurance, cheaper and more robust administrative services, and become an "owner" of the network.
- On healthcare alone, he can save over 40% of what he's paying on his state exchange insurance. He also estimates that the coverage is 25% better than what he was receiving through the state plan.
- He joins as an Employee Member of the Commons on the Opolis website through the Commons' onboarding wizard.
- It takes about a week to get set up, and the process is easy and user friendly.
- His new healthcare will take effect on the first day of the next month and covers him anywhere in the US as "in-network".
- He pays a Community Fee that is 1% of his wages ($1,000 per year) for full scope payroll, HR, accounting and other shared services he elects directly to the Commons. He saves 50% of the monthly cost of processing his payroll.
- Due to the comprehensive nature of services from the Commons, he is also able to significantly reduce his costs with respect to outside bookkeeping, tax and legal fees by over 50%, saving him thousands of dollars per year.
- As Vitaly pays for services at the Commons, he receives Rewards in the form of tokens for his consumption of services from the Commons.
- He also learns that he can receive Rewards if he stakes Commons tokens. He stakes his tokens and multiplies the amount of tokens he owns.
- He also has incentives to refer his friends. He refers a dozen friends who also become Employee Members, and stakes the tokens he receives ongoingly in order to further his stake.
- With staking he also receives increased voting power in the Commons to influence decision-making, with respect to features and services that the Commons is considering. He also got to vote on the new healthcare plans for the coming year.

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