Cornerstone DAO

One Token to Govern All

Litepaper

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Preface:
The remaining questions from the bull market

The last bull run saw exploding complexity in the competition between DeFi protocols and massive value generated by non-DeFi applications. After the market crash in mid 2022, when we look back at the rapid evolution, we observe some of the most salient questions that remain unsolved.

Liquidity bootstrapping

Renting liquidity with excessive token inflation has long been the poison DeFi protocols have to take. However, only the best and luckiest can really use liquidity mining to successfully bootstrap their protocols and complete the transition of value proposition from Ponzi-like token inflation to healthy value-add to users. The rest of the projects, however, enter the death spiral with their tokens dumped incessantly.

Governance value accrual

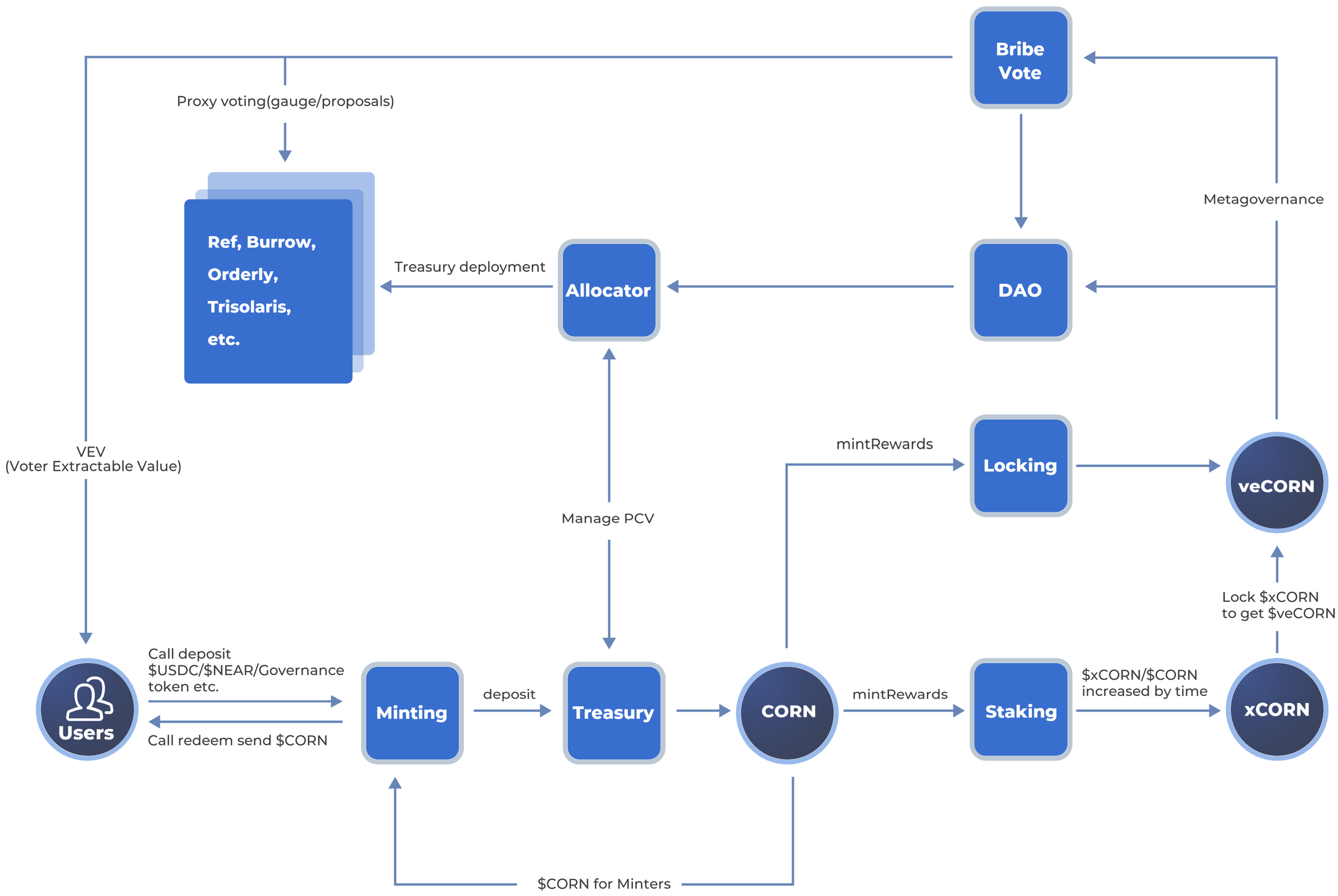
The concept of “governance token” is, in most cases, illusionary. An average user of a DeFi protocol usually has low enthusiasm in governance participation due to a) a sense of indifference, even disenfranchisement facing whales, and b) the failed conversion from governance right to financial profit. While the first cause is embedded in not only DAO governance but all democracies, the second cause is solved neatly by Curve, who introduced gauge voting and thus bribing to DeFi. The materialization of governance rights of $CRV holders is done through collecting bribes from bribe.crv/Votium.
Still, for most projects it’s very difficult to generate as much governance value as Curve does, which may deter a healthy development of their governance.

Ecosystem efficiency

Cannibalization between protocols happens everywhere on blockchains. Redundancy, vicious competition and liquidity/resource fragmentation all affect the overall efficiency of a blockchain ecosystem. While a central planner is the least thing we would want to see on a blockchain, a decentralized platform for deliberation and cooperation, with aligned incentives, is much needed.

What is Cornerstone?

Cornerstone is the metagovernance hub of NEAR-Aurora ecosystem, whose treasury accumulates yield-bearing assets, governance tokens of other protocols, and liquidity pairs as protocol-controlled-value (PCV), and participate in the governance value accrual of all major protocols in NEAR-Aurora ecosystem with proxy voting mechanism.



Minting

Minting is the primary means for Cornerstone to grow its treasury. Minters provide yield-bearing, governance-value-bearing and liquidity assets to Cornerstone treasury, in exchange they get newly minted $CORN at a discount. The yield generated by the assets is accumulated to the treasury.

Staking

Users are encouraged to stake $CORN to the protocol, and receive $xCORN. The $xCORN/$CORN ratio keeps growing with the continuous emission of staking reward which comes from minting and treasury growth. When unstaking, $xCORNs are burnt and more $CORNs are given to the user.

Vote-locking

Users can further vote-lock their $xCORN and receive $veCORN, a non-transferrable token whose balance diminishes with time passing. For example, locking 1 $xCORN for 4 years gives you 1 $veCORN. After 2 years, your $veCORN balance diminishes to 0.5. After 4 years, your $veCORN balance goes to 0, and your $xCORN is released back to you. Users are incentivized to vote-lock $xCORN for two reasons:

Boost

$veCORN can be used to accelerate minting release. For example, a normal minting duration is 14 days, which means minters will receive $CORN linearly during 14 days after they provide assets to the treasury, while with a certain amount of $veCORN, the duration can be shortened to 7 days, reducing the risk taken by minters.

Voting

Only $veCORN holders can decide how to use the Cornerstone treasury assets via DAO voting. This is the “metagovernance” part of the protocol. For example, Trisolaris (the biggest DEX on Aurora) is going to adopt gauge system where locked $TRI holders vote to decide $TRI inflation rewards of each pool. There will be a substantial amount of $TRI in Cornerstone treasury, and $veCORN holders get to decide which pools on Trisolaris they would like to vote for. Bribe platforms will be built on Trisolaris or Cornerstone directly, realizing governance value accrual. Only $veCORN holders will benefit from metagovernance.

Burning

Burning is the ultimate exit option for $CORN holders under extreme circumstances. Since $CORN represents the ownership of treasury assets, its backing price is defined as the aggregated market value of the basket of assets it represents. $CORN should always trade above its backing price because of future yield and governance value. However, if the market price of $CORN stays below its backing price for 5 consecutive days, users can burn their $CORN tokens and receive the pro rata treasury assets back. Burning will form a strong price floor for $CORN.

Treasury utilization

Cornerstone will put its treasury in use, generating income to expand itself. Strategies include but not limited to: providing stablecoins to lending protocols, collecting trading fees from liquidity pairs, staking governance tokens of DeFi protocols to collect platform fees, etc. This differentiates Cornerstone from the so-called “reserve currencies” who just let the treasury sit idly.

Why Cornerstone?

An ever-growing NEAR ecosystem index fund

The Cornerstone treasury will consist of the most robust yield-bearing assets (i.e, $NEAR staking derivatives), mainstream stablecoins ($DAI, $USDC, etc.), governance tokens of major protocols in NEAR ecosystem (i.e, Orderly Network, Bastion, Ref Finance, etc.), and liquidity pairs, making $CORN the best option for everyone who wants to long NEAR ecosystem as a whole. Moreover, all assets will be used to generate yield which grows the holders’ position.

Rebalancing

Cornerstone DAO actively monitors and adjusts the composition of Cornerstone treasury, ensuring the treasury stays healthy and unaffected by extreme price movement of volatile assets. The initial composition of Cornerstone treasury will be roughly 50% in stablecoins, 20% in $NEAR, 10% in $AURORA, 20% in governance tokens. The composition will mainly be maintained through adjusting minting parameters of different assets. Nonetheless, Cornerstone DAO may also directly rebalance its treasury using secondary market, upon approval of $veCORN voters.

Treasury growth without hyper-inflation

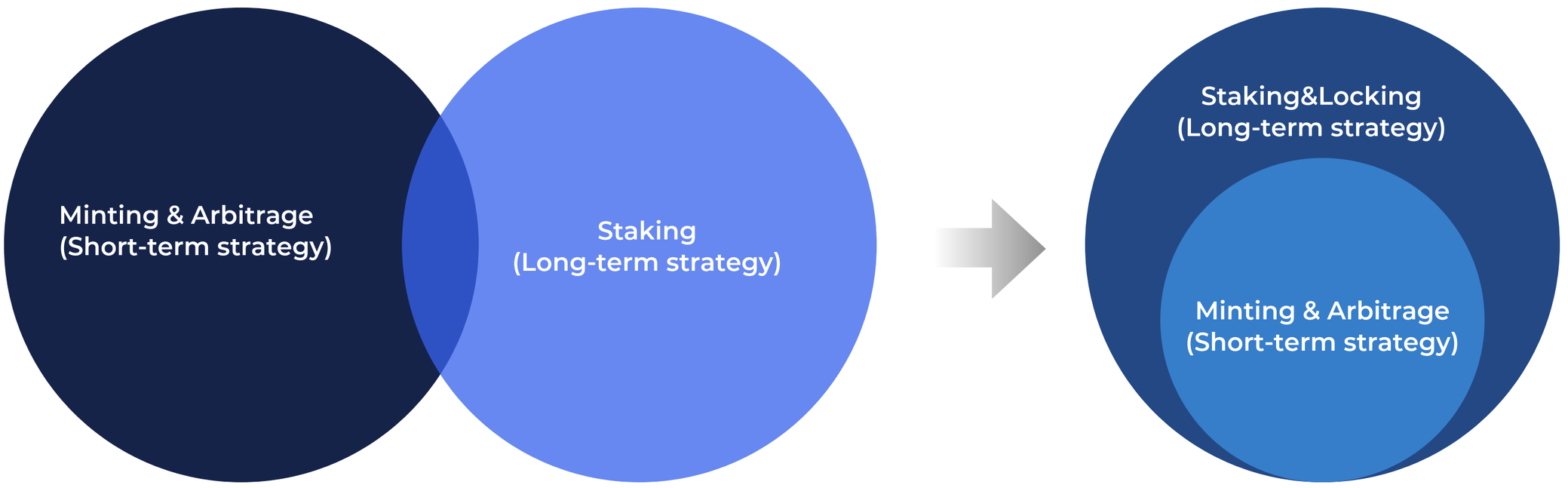
Many protocols using the minting mechanism are actually purchasing treasury assets with hyper-inflation of their own tokens, since the mints need a discount to attract users to purchase. This is not the case for Cornerstone. Quite the opposite, we expect a substantial amount of $CORN mint to be purchased with a **higher-than-market** price, where minters are incentivized by third-party token rewards. For example, Cornerstone may partner with Trisolaris to launch USDC-DAI LP mint. Minters who purchase $CORN with Trisolaris USDC-DAI LP tokens will be rewarded with $TRI. The unique ecosystem positioning of Cornerstone makes this possible, and irreplaceable by other protocols.

Liquidity and governance portal for NEAR DeFi

When fully functioning, Cornerstone will become the unified governance platform for all major protocols on NEAR, Aurora and Octopus. It will act as a liquidity portal for DeFi protocols, and a vote market for both DeFi and non-DeFi protocols. Cornerstone will increase the overall capital efficiency of NEAR ecosystem, and accrue the most value possible to $CORN holders.

Speculators turned into HODLers

There are many arbitrageurs in other minting protocols, who sell tokens for profit after minting with discount, and continue the mint-sell circle with more capital. While it doesn't necessarily harm the protocol in the short term, there is indeed a gap between speculators and stakers. Cornerstone solves the problem by extending the minting duration and introducing vote-lock boost: for speculators who want to play the mint-sell arbitrage, they have to lock at least some $CORN to make this profitable.



$CORNcomics

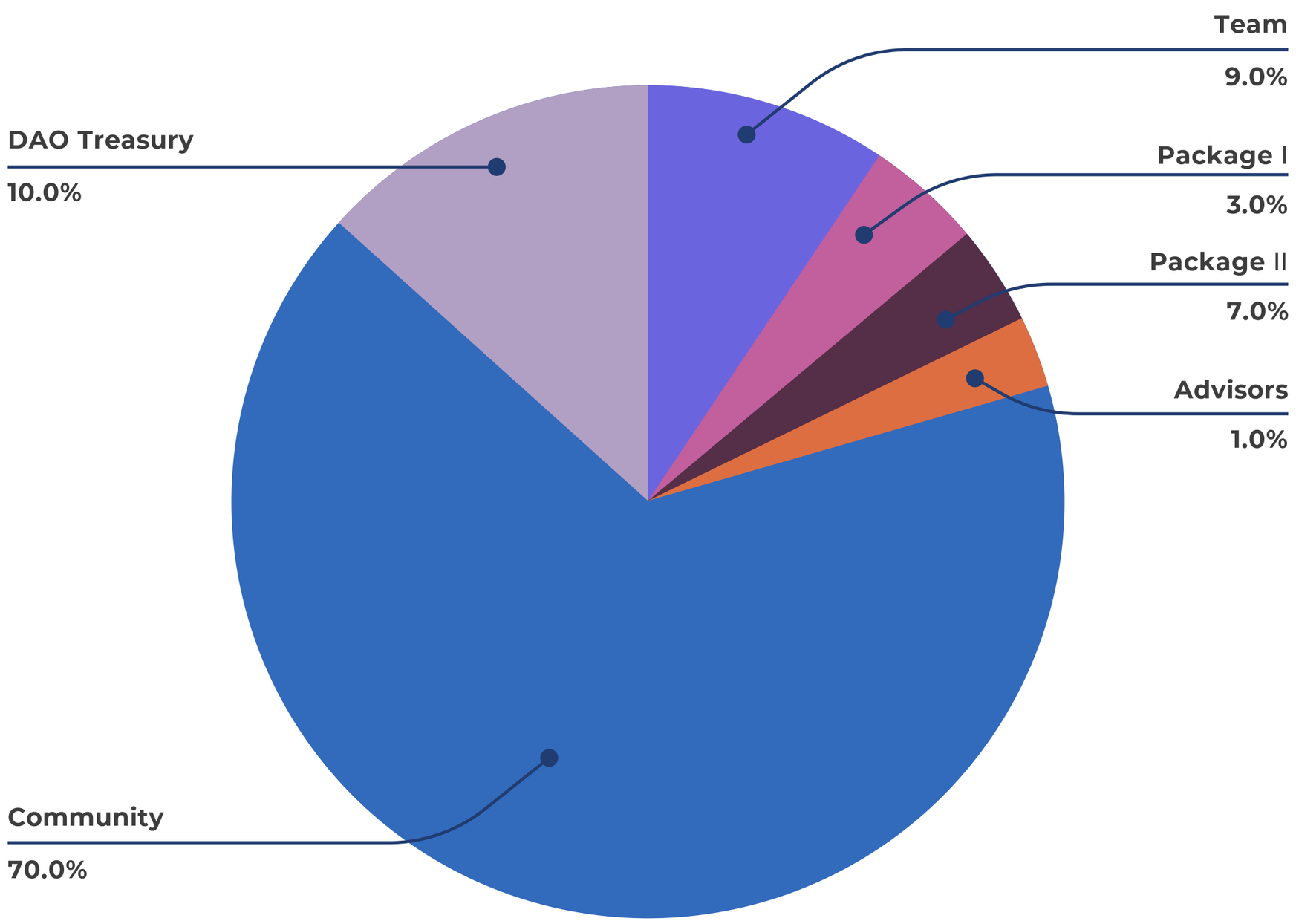
Value accrual of $CORN

- Treasury growth by minting
- Yield generated by treasury assets
- Metagovernance value accrued to $veCORN
- Ecosystem engagement

  - 10% of $CORN will be allocated to the DAO treasury. Protocols without a token can directly use $CORN to conduct governance
  - Cornerstone will incubate new projects by DAO-to-DAO token swap

Token distribution

There is no upper limit on the total amount of $CORN. Each $CORN is back by treasury assets，users have low risk as they can exit (burn $CORN for treasury assets) anytime if $CORN is trading below the basket of tokens it represents. The initial distribution is as following:



- **Community:** Emission by Minting/Staking/Locking and no supply cap (subject to $veCORN voting)
- **Team:** 1M $pCORN and 9% of total $CORN supply (Token split into four parts, each part to be immediately locked into $veCORN for 4/3/2/1 years)
- **Investors:** 255K $pCORN and 10% of total $CORN supply
- **Advisors:** 100K $pCORN and 1% of total $CORN supply (Token to be locked into $veCORN for 1 year)
- **DAO:** DAO treasury: 10% of total $CORN supply and no supply cap (subject to $veCORN voting)