Junction, A Decentralized Merger and Acquisition Protocol
Rani Abou

DAO to DAO merge framework powered by sequential bargaining
Select, Bargain, Merge.
Stronger Together

Blockchains and Game Theory

Blockchains are not about payments per se. They are about a new computing paradigm, a programmable computer that lives in the sky, that is not owned by anyone (or rather, is owned by thousands of people all over the globe, including yourself if you live) and that anyone can use.

Cryptocurrency is the means, not the ends. It is a tool that helps us implement the functionality that we really want, by charging for blockchain usage and/or rewarding actors that contribute to the protocol and keep it running.

Incentives are shaped by the mechanism we choose. We only have to think about how the market will react to the system we create.

Bargaining with an efficient mechanism

A merger or acquisition only takes place after some negotiation or bargaining between two or more parties, one of which is the target company and the others which are all prospective acquirers, on the valuation of the target company/ies.

To allow for the pricing discovery to be self-regulated by the stakeholders themselves, not by a centralized group or a model, I believe a framework closely related to the bargaining problem is needed.

The problem is how to help negotiators achieve both fair and efficient resolutions.

Why M&A matters?

Mergers and acquisitions are not purely a phenomenon of the latter part of the twentieth century: amalgamations between businesses are as old as business itself.

"Repeated pooling and sharing of resources reduces the effective size of fluctuations and increases the time-average growth rate." Ole Peters

A lot of DeFi projects are building towards the same outcomes.

Some DeFi projects need a minimum liquidity to maintain their effectiveness.

"I think we will see an explosion of M&A in DeFi," Ovchinnik said. "M&A is ultimately a perfect tool [for] how you can scale and expand your product line and roll out the long-term horizon."

"@GuilleAngeris and I think an M&A protocol for DeFi will be huge in 2022" - Tarun Chitra, founder of Gauntlet, replying to Aleks Larsen.

What's next once we reach agreement

1st step: Valuation discovery for the two projects

2nd step: Temporary governance tokens are distributed for the participants, in proportion to the valuations plus in proportion to their contribution to their respective projects

3rd step: Continuous negotiation using **smartsettle** infinity where people who can vote by locking their treasury & governance tokens. This will back up the project.

4th step: At some point in the future, decided by governance, the trade gets executed at the final price using a token swap mechanism involving

5th step: Implement rage-quit functions for those not satisfied with the merger and want to leave

How do we make sure that people are incentivized to respect the merger?

Their tokens are locked for a specific period decided by governance

DAO: Decentralized Autonomous Organizations: A group of people working around a specific goal and uses decentralized voting to operate.

The example of FEI and RARI merger, the issue of price discovery?

First of all, we can consider that there are 3 kinds of activeness in a DAO.
- The core team that spent time to create the project know the project very well and holds an important percentage of the project.
- The Active Members and whales, they hold a lot of token and are very at stake about the futur of the DOA, they are not numerous but they have a strategic vision for the protocol;
- The Silent Majority, the most numerous people, that do not hold a major pourcentage and do not vote each time. They often delegate their vote.

Here is the schema representation of a DAOlike FEI and a color code that we will keep. F is for Founder, P for DAO people.

Example of DAO
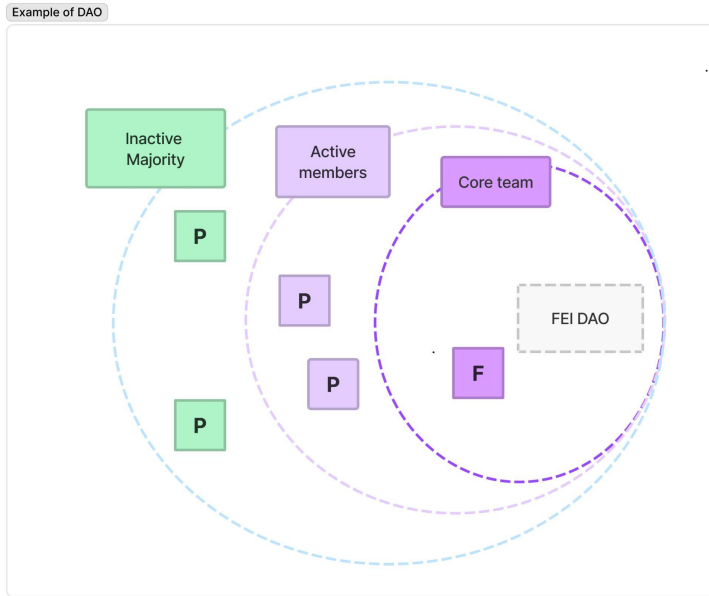
The Fei Rari merger was a very contentious thing. And most of the contention was price discovery where someone said the price, someone said, I want one tenth price. And then people were like, okay, we're going to pull all of the conversation offline and come up with a price and come back.

FEI and RARI negotiation

This was a highly inefficient process that led to a less collaborative merge. Is that one of the early issues that lead to [FEI/RARI 80M$ exploit](#)?

Our architecture with representatives

We propose an answer to this off chain informal negotiation. A third part, called the Junction room, is the official place to negotiate. This time, in each DAO a representative is elected and a bilateral official negotiation begins between the participants.
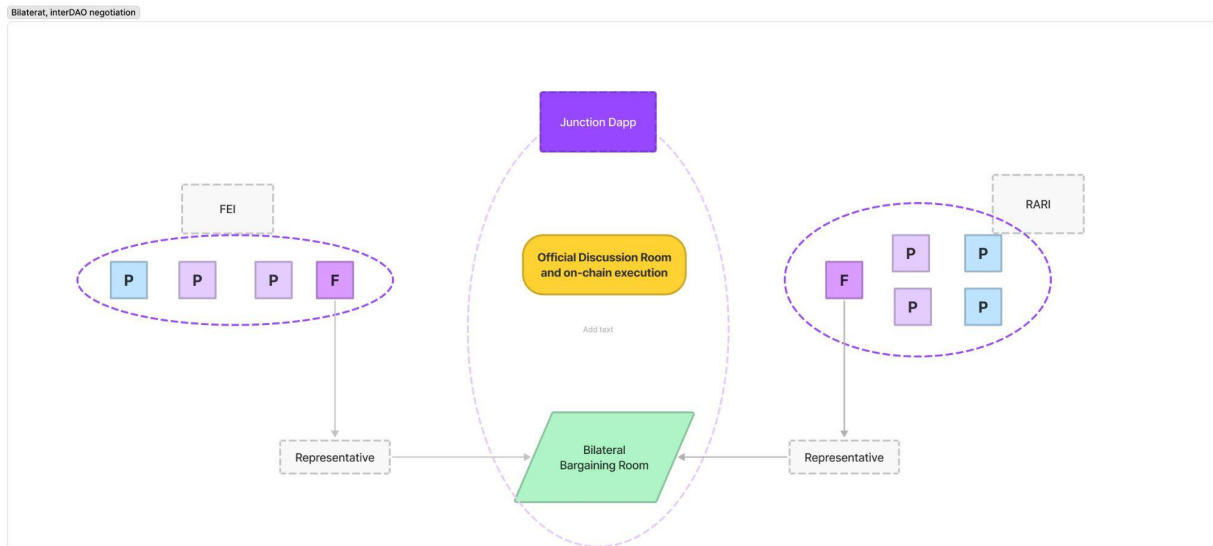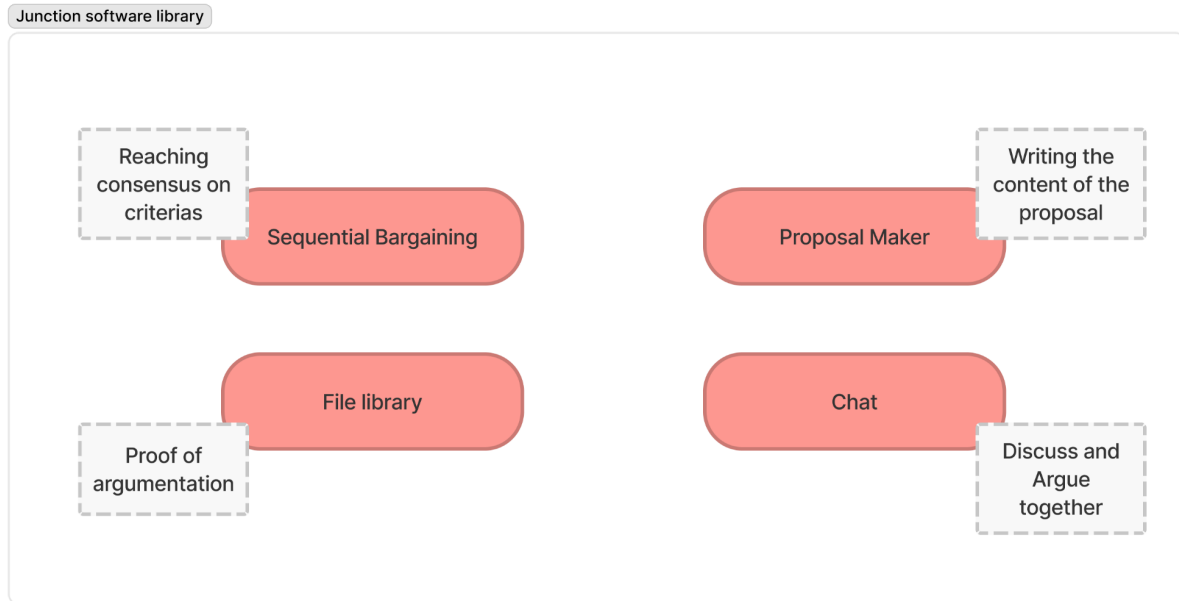

Our architecture without representatives

Why put representatives, we do not need them! This negotiation could be directly multilateral.
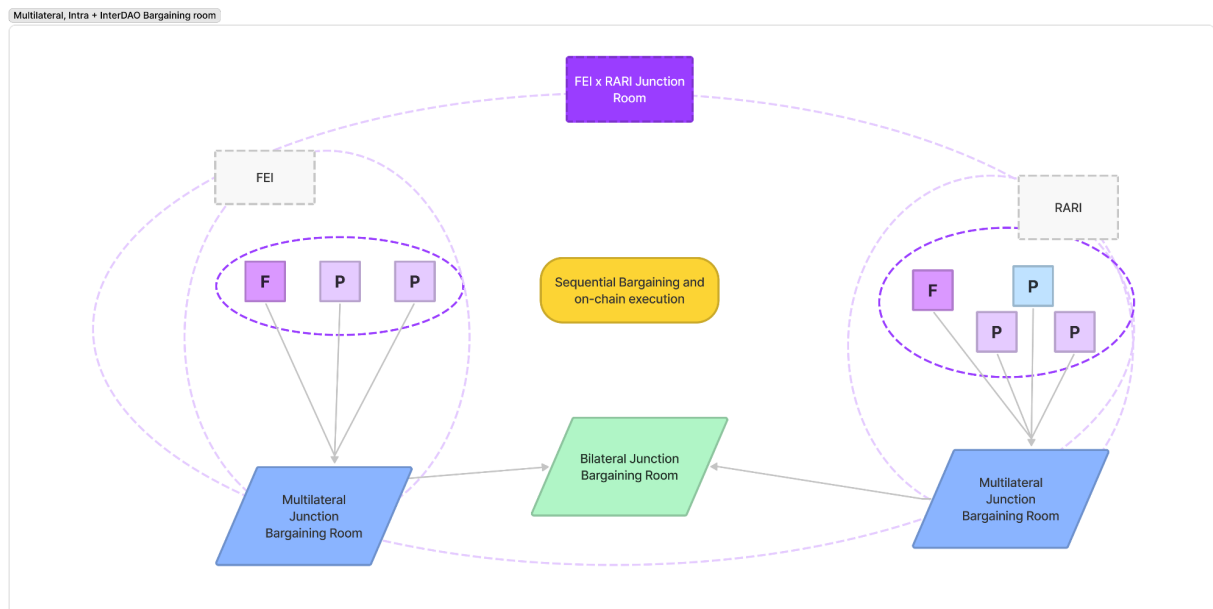
In fact the negotiation could happen with N DAO with M members.

The Junction Room

A library of softwares created to make bargaining easy, the app is composed of softwares: sequential bargaining, chat, File library, dispute resolution…
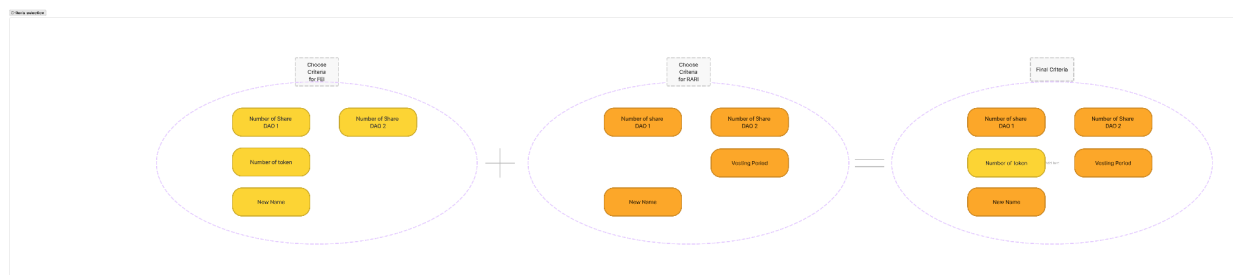
Junction software library

Reaching consensus on criterias	Writing the content of the proposal
Sequential Bargaining	Proposal Maker
File library	Chat
Proof of argumentation	Discuss and Argue together

How to create a room:

Open Junction app
Click on + open a InterDAO bargaining room
Enter the Name of the Room
Enter the Token Name that are accepted
Enter the ContractID of the token that are accepted
The room is opened and only the specific token holder, selected address or NFT holder can access.

How to use sequential bargaining:

Choose the criterias of negotiation, for each project the criteria are different and the importance changes. In this kind of negotiation each case is unique.

Criteria selection

Choose Criteria for FBI

Number of Share DAO 1   Number of Share DAO 2
Number of token
New Name

+

Choose Criteria for RARI

Number of share DAO 1   Number of Share DAO 2
                         Vesting Period
New Name

=

Final Criteria

Number of share DAO 1   Number of Share DAO 2
Number of token   Vesting Period
New Name

Next step is to enter an important weight in the mechanism.

Then, the participants have to enter 4 variables for each criteria, an optimistic, a great, a concessional and a inacceptable scenario. An internal metric system is put in place to quantify the feasibility of each agreement.

The software will play between the public and private information to optimize the deal if it is possible to reach it.

Example of the use of Smart Settle Infinity software to negotiate on FEI and RARI merge.

The software use a neutral third party which is an algorithmic robot to maximize the outcome of the bargaining.

The execution:

Once a deal reaches the Junction room a next step appears, the execution. The purpose is to realize as decided during the agreement and on chain execution. Which means in our case a token swap between the two DAO.

1- First DAO A has made a proposal with DAO B and reach an agreement with Smartsettle Infinity.

2- Smartsettle agreement is published on-chain

3- The outcome automatically triggers a smart contract with the outcome of the negotiation on the parameters, for example here, the valuation of each company, the Vesting schedule and the Funding period.

4- Accept the allowance contract called fund

5- If more than 50% of the tokens are deposit during the vesting period

User journey if FEI and RARI used Junction
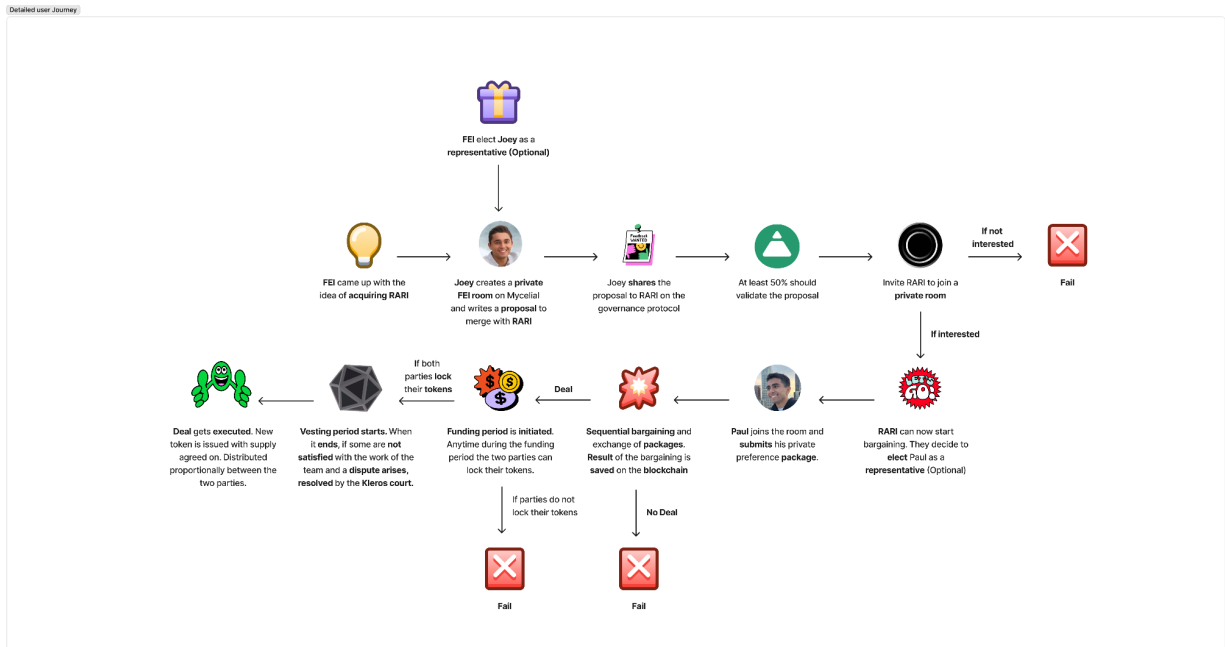
FEI came up with the idea of acquiring RARI

Joey, founder of FEI creates a private FEI room on Junction
and writes a proposal to merge with RARI

Joey shares the proposal to RARI on the governance protocol
At least 50% should validate the proposal, if not it's a fail
Invite RARI to join a private room, if they are interested they join the room
RARI can now start bargaining. They decide to elect Paul (founder) as a representative (Optional)

Paul joins the room and submits his private preference package, his criteria and their importance. He will add few values as an optimistic proposal,a good one, a viable with concession one and an unacceptable one.

Sequential bargaining and exchange of packages. Result of the bargaining is saved on the blockchain. Sometimes there is no deal, it is a failure.

If it succeeds, Funding period is initiated. Anytime during the funding period the two parties can lock their tokens.
Vesting period starts. When it ends, if some are not satisfied with the work of the team and a dispute arises, one part can quit anytime.

Deal gets executed. New token is issued with supply agreed on. Distributed proportionally between the two parties.

Tokenomics:

A collateral will be required to begin a bargaining session, it will be given back if it goes to end and if there is no dispute. If it fails, the protocol gives back the token minus a 1% fee.
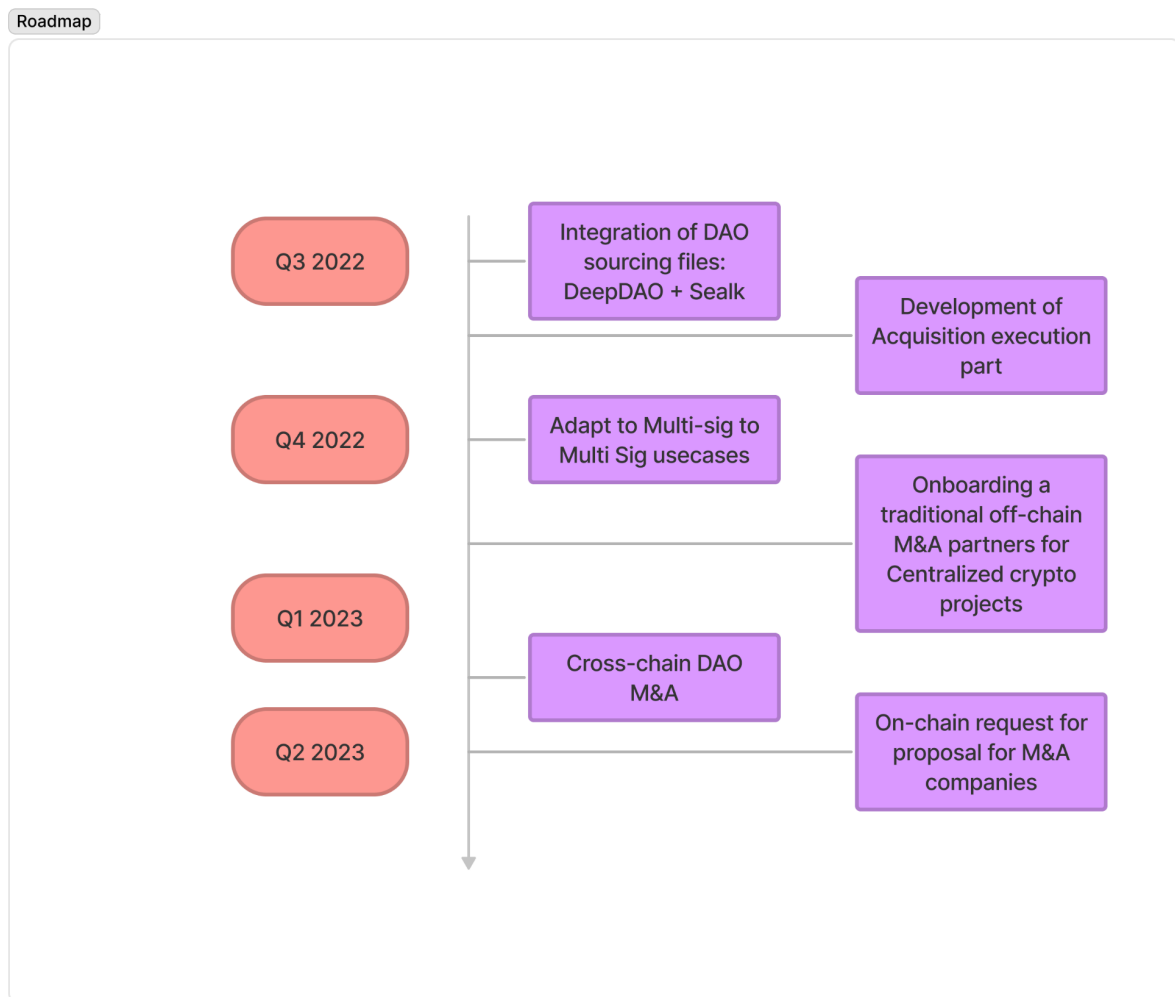
When the vesting period starts, a 1% fee is collected only if the protocol gives back the money.

If a swap is executed we take a 0.5% fees.

Future usecases:

Junction wants to be the number 1 M&A protocol, in this optic and to have a maximum traffic a deal sourcing interface will be created. With information on the DAO, TVL, number of holder, openness to a merge, acquisition, sell will be disclosed. Partners as AI power M&A deal sourcing marketplace will be reach.

Token swap on cross chain DAO

Roadmap

| Q3 2022 | Integration of DAO sourcing files: DeepDAO + Sealk | |
Q4 2022	Adapt to Multi-sig to Multi Sig usecases	Development of Acquisition execution part
Q1 2023		Onboarding a traditional off-chain M&A partners for Centralized crypto projects
Q2 2023	Cross-chain DAO M&A	On-chain request for proposal for M&A companies

Other use cases of decentralized sequential bargaining applied to DAO.
Mainly IntraDAO applications are the future of governance, a really useful DAO tooling that can be applied everywhere.
Inter DAO applications are official complexe negotiations like, M&A process but also business negotiation with other companies or OTC desk.

We want to develop a Mutlisig Private room, some issues are today not tackled at all like the exit procedure for one person in the multisig, also named on-chain divorce. This is relevant when they are some illiquid assets (NFT, immobilier,

DeBarg : future usecases
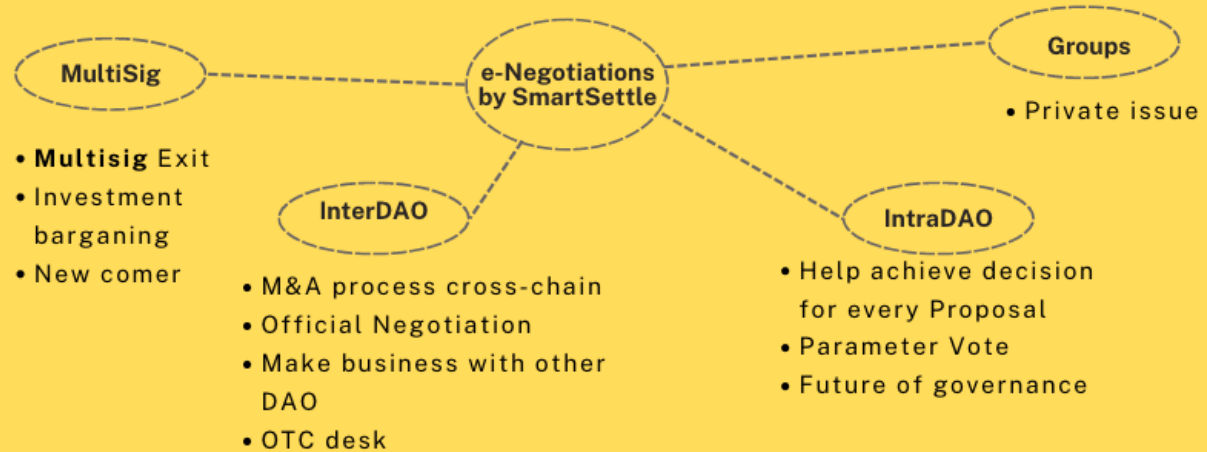
Conclusion.

Better Together is the motto of this hackathon, we want to go further and say stronger together. If we take a metaphor, "The trees 🌳 knew that the power of many stand stronger than the power of one." DAO will need to consolidate each other at some point of their development, more than ever in a bear market. Our goal is to put it in place an all in one framework for Merger and Acquisitions from the Sourcing, via the bargaining and through the execution.

Rani Abou,
Jules Foa,
Joseph Han Bou Assan,
Nandy BA.