

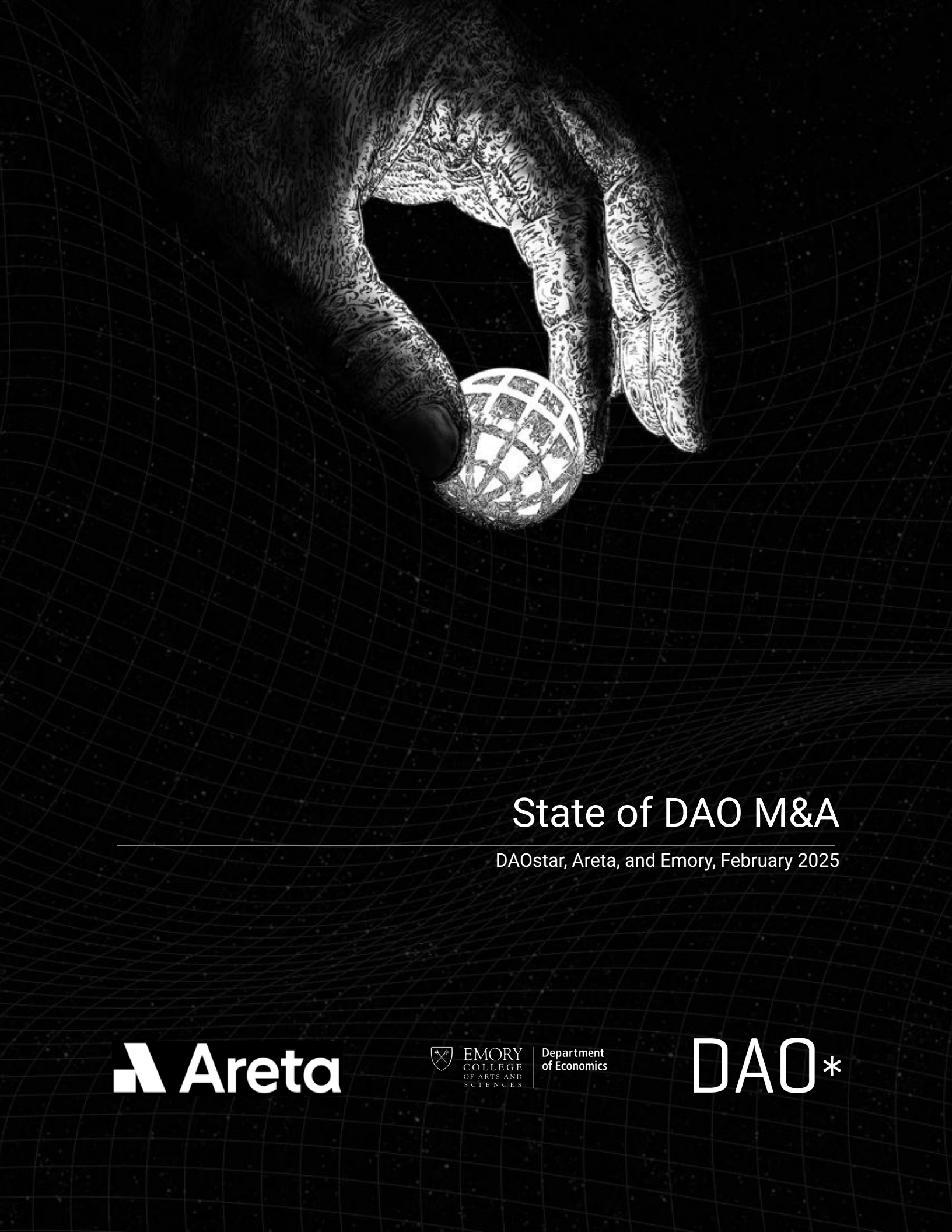


Department
of Economics

DAO*

State of DAO M&A

DAOstar, Areta, and Emory, February 2025



Executive Summary

Mergers and acquisitions (M&A) are a well-established mechanism for growth and consolidation in traditional markets. Decentralized autonomous organizations (DAOs), by contrast, are a nascent organizational form—internet-native, community-governed entities operated via blockchain smart contracts and token-based voting. DAOs typically lack centralized management hierarchy, instead empowering token holders to propose and vote on decisions collectively. As the Web3 ecosystem matures, DAO M&A has emerged as a novel phenomenon, i.e. cases where a DAO merges with, acquires, or is acquired by another entity—whether another DAO or a traditional company—in order to form a combined entity under shared governance. DAO M&A raises unique opportunities and challenges, blending decentralized governance with complex financial and legal considerations.

This report provides an overview of the state of DAO M&A. We examine *four key case studies* of DAO mergers, analyze the *financial metrics and deal structures* involved, discuss the *governance challenges* encountered in merging decentralized communities, and explore the *legal and regulatory considerations* unique to DAO M&A. Finally, we consider the future outlook for these transactions. Throughout, we cite relevant examples and data to illustrate the current landscape of DAO mergers and acquisitions.

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This report is a publication of [DAOstar](#) (or DAO*), the standards body of the DAO ecosystem, in partnership with [Areta](#), a leading Web3 investment bank, and [Emory University](#).

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Introduction

Mergers and acquisitions (M&A) in traditional markets have long been a powerhouse for reshaping industries and realigning economies towards more efficient equilibriums, with global deal value [reaching a record 5.9 trillion USD in 2021](#). Specifically, M&A activities are fundamental tools for organizational growth, market consolidation, and the redistribution of resources. Typically facilitated by investment banks and other advisory firms, M&A can help companies:

- **Expand their market share**, as demonstrated by...
 - Disney's acquisition of 21st Century Fox in 2019, which significantly bolstered its content portfolio and solidified its position in the entertainment industry.
 - Uniswap's acquisition of Genie in 2022 expanded its market share by integrating NFT trading into its DeFi ecosystem. This move allowed Uniswap to position itself as a one-stop decentralized exchange, catering to both fungible and non-fungible asset trading, broadening its appeal and capturing additional user segments.
- **Accelerate entry into new markets**, exemplified by...
 - Stripe's acquisition of Bridge, a stablecoin-focused payments platform, for 1.1 billion USD in 2024, facilitated its swift entry into the digital assets payments sector.
 - OpenSea's acquisition of Gem in 2022 enabled it to enter the NFT aggregation market and attract power users seeking bulk purchasing and analytics features. This acquisition also helped OpenSea maintain its competitive edge against up-and-coming NFT marketplaces and aggregators.
- **Acquire strategic assets to enhance products or disrupt competitors**, as seen when...
 - Amazon acquired self-driving vehicle company Zoox in 2020, advancing its autonomous vehicle capabilities and positioning itself to compete in future mobility markets.
 - Aave's acquisition of Sonar in 2023 gave Aave a powerful social graph tool for enhancing Lens Protocol, making the decentralized social media protocol more robust and feature-rich.
- **Strengthen their teams through acquihires**, such as with...
 - Ripple's 250 million USD acquisition of crypto custody firm Metaco in May 2023 strengthened its infrastructure for enterprise crypto services, catering its product offerings to more institutional clients.
- **Portfolio diversification and optimize resource allocation**, as highlighted by...
 - Google's acquisition of Fitbit in 2021, leveraging health data to expand its wearable technology segment and broader healthcare ambitions.
 - Consensys' acquisition of Treum (creators of NFT platform EulerBeats) allowed Consensys to diversify its portfolio into NFT-based intellectual property markets,

building a bridge between DeFi infrastructure and NFT royalty ecosystems, strengthening its position as a diversified Web3 powerhouse.

- **Fend off potential takeovers through defensive consolidation**, as demonstrated by...
 - Louis Vuitton's merger with Moët Hennessy (itself a defensive merger) into LVMH in 1987 made it resistant to typical corporate raider tactics, though management failures set the stage for a later hostile takeover by Bernard Arnault.
 - We haven't seen an explicit example of defensive mergers in Web3, though many projects actively defend against governance attacks and 51% attacks.

This report focuses on an emerging and exciting frontier in M&A: **DAO M&A**; the cases where a decentralized autonomous organization (DAO) merges with, acquires, or is acquired by another entity—whether another DAO or a traditional company.

Unlike traditional industries with well-defined assets and legal frameworks, DAOs are fundamentally digital, community-owned, and governed by token-holders; all structures that complicate the core elements of M&A. While they retain the basic motives for M&A, DAOs must navigate new challenges in their pursuit of acquired value:

- **Novel Mechanisms.** DAO M&A transactions often involve tokens, a relatively new asset class with compliance implications that vary around the world.
- **Valuation.** Tokens fluctuate significantly, and traditional valuation metrics don't always apply or are difficult to defensibly quantify (i.e. multiples-based, DCF).

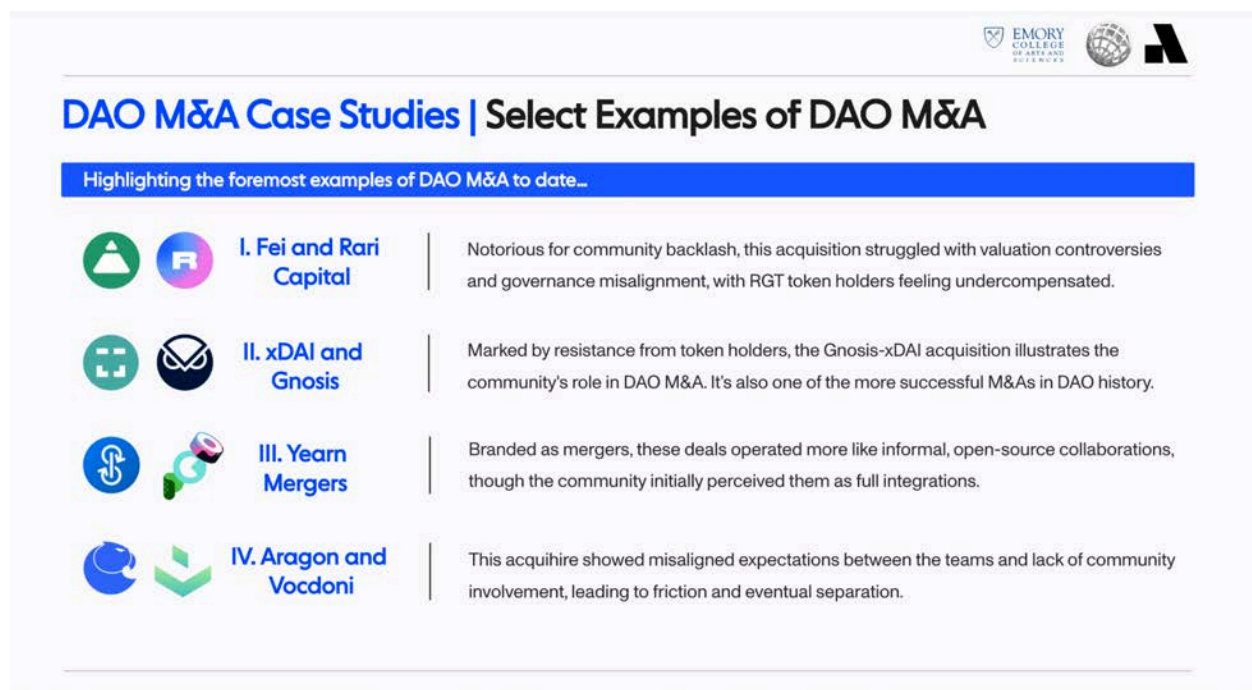


Figure 1. Case studies of DAO M&A covered in this report.

- **Regulatory Uncertainty.** Varying jurisdictions and the lack of clear DAO-specific regulations add complexity.
- **Governance Frictions.** Ensuring alignment among diverse, globally distributed stakeholders is difficult, and hostile takeovers can emerge (e.g. Gnosis' acquisition of xDAI).

In this report, we'll describe some of these challenges and how they show up in examples. We'll deep dive into a few case studies including Fei and Rari, xDAI and Gnosis, Aragon and Vocdoni, and the string of Yearn "mergers". We wrap up with some analysis on the future outlook for DAO M&A, and recommendations for the industry.

Background: M&A in Web3

While DAO M&A is still nascent, acquisitions involving Web3 companies have been unfolding for years. Yet, despite a few years of increasing transaction history, general Web3 M&A activity still lags behind much more mature industries which have had time to refine best practices and develop the necessary financing arrangements, professional services, and muscle memory for executing M&A deals.

Since 2018, there have been [925 M&A](#) transactions involving Web3 companies, highlighting the relative size of the market when considering the 10,072 acquisitions in the Global Banking industry and 57,205 deals within the Software & Internet Services industry during the [same period](#).

Although Web3 M&A has been defined by its relative maturity, that's only a part of the story. Many of the same challenges facing DAO M&A (i.e. regulatory uncertainty, fragmented governance, and liquidity constraints) also impact more traditional crypto-related transactions.

Still, momentum is undeniable as industry tailwinds continue to coalesce, with 2025 already on pace to set a new industry record by deal count, including banner deals such as Stripe's 1 billion USD acquisition of Bridge. The stage is set for the maturation and consolidation of Web3; incumbents are swallowing up newcomers for their tech and users, while institutions and corporations move into the industry amid a broader boom in attention and technological integration.

Methodology

This report synthesizes insights from primary and secondary sources, including public posts on DAO forums, voting records through on-chain contracts as well as off-chain platforms like Snapshot, primary interviews with professionals involved in the M&As being studied, and public case studies on M&A transactions in Web3. We have also incorporated feedback from DAO

ecosystem leaders, M&A practitioners, and community contributors to give a balanced look at the processes and challenges in DAO M&A.

The statistics on DAO M&A used in this report are drawn from several sources, especially a new DAO improvement proposal dataset (Appel and Grennan 2025), which includes 23,957 improvement proposals across 178 prominent DAOs with governance tokens actively traded on secondary markets.

DAO M&A Activity in Summary

Before we dive into case studies, we first characterize DAO M&A activity by examining two related datasets.

First, we analyze a DAO improvement proposal dataset. The data set comes from Appel and Grennan (Appel and Grennan 2025), and is an extension of [the published dataset described in their article \(Appel and Grennan 2023, 2023b\)](#). The data set includes 23,957 improvement proposals from 178 prominent DAOs with governance tokens actively traded on secondary markets. This data set includes both proposals that fail to pass (whether through a negative vote or failing to reach quorum) and those that pass. Each proposal has a title and a description, although the length of the description is nonuniform across DAOs and can vary widely. The content of the proposals was hand-classified into as many as five main categories reflecting its economic purpose. The main categories include finance, governance, management, tokenomics, and viability. In addition, each proposal was also classified into potentially multiple subcategories. For instance, proposals in the management main category could be classified into the following subcategories: (i) compensation and contract negotiation, (ii) delegating responsibility, (iii) goals and strategy, (iv) hiring, firing, and onboarding, (v) training, monitoring, and process development, and, importantly, for our context, (vi) joint ventures and partnerships.

The definition of joint venture and partnership was broad. For instance, [Compound's proposal #125](#) to partner with Gauntlet for risk management services is classified as a partnership. In the traditional corporate context, one may refer to this as outsourcing. But many of the partnerships are more strategic. For example, [this \(rejected\) proposal in Aave DAO](#) was initiated by Maple Finance and proposes a gradual, community-oriented plan to onboard Aave to Maple. The joint venture and partnership subcategory also includes more traditional M&A activities such as [FIP-51](#), the initial proposal for the Fei-Rari merger, as well as multiple proposals involving amendments to the original Fei-Rari proposal such as changes in exchange rates or deadline extensions to vote. Finally, the dataset also includes proposals that involve tokenswaps, such as the one between [SushiSwap and Pickle Finance](#).

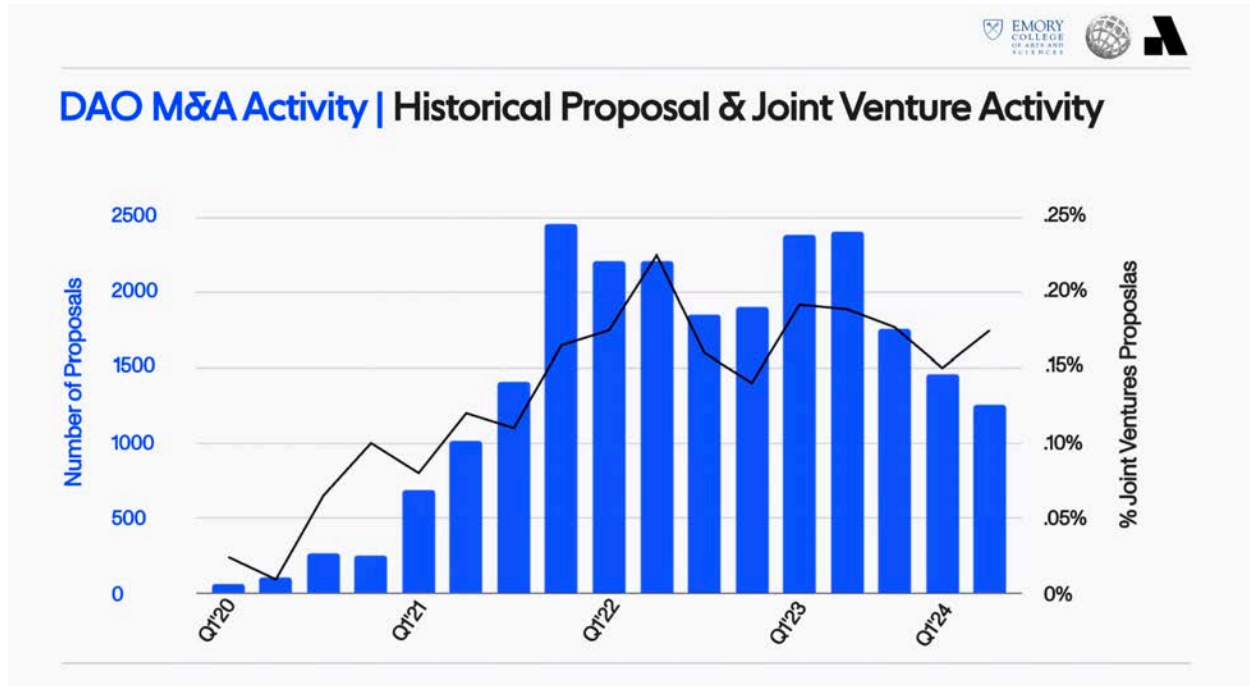


Figure 2. The total number (and percentage) of DAO proposals brought to a vote a subcategory classification of joint ventures or partnerships, a close proxy for the total number of DAO M&As. The bars represent the number of proposals with a starting vote date in the quarter. The dashed line represents the percentage of proposals in that quarter classified as joint ventures or partnerships.

Currently, the number of DAO joint ventures and partnerships is stable. As Figure 2 illustrates, there were hardly any DAO proposals in early 2020, but by 2022 and consistently through 2024, there were about 2000 proposals per quarter. The percentage of proposals in the joint venture or partnerships subcategory peaked with the market highs achieved in November 2021 at over 20%, but in more recent years hovered around 15%. This is consistent with academic research that indicates, at least for equity markets, that periods of high market value relative to book value coincides with periods of intense merger activity, especially for stock-financed deals (Maksimovic and Phillips, 2001; Rhodes-Kropf et al., 2005).

Second, we analyze a dataset with news coverage of M&A activity in the Web3 space. The data came from news articles, both traditional newswires like DowJones and crypto-specific sources like Cointelegraph. The links to these news sources were accessed via Messari.io. We searched their news articles for anything involving M&A activity. This resulted in 963 articles and the data runs through January 2025. We then hand-coded the articles with the acquirer and the target and identified whether each was a DAO as well as the motives for the acquisition. If motives were not listed in that specific article, we then conducted more thorough background research to find the motive.

As Figure 3 illustrates, most M&A activity in the Web3 space has not involved DAOs, despite the substantial size of DAO treasuries and meaningful value creation occurring especially for DeFi DAOs. From left to right on the timeline (2018 Q1 through 2025 Q1), the chart shows two stacked bars per quarter. First, bright green bars for all Web3 M&A activity (i.e., total mergers and acquisitions in the broader crypto/web3 space), and second, dark blue bars specifically for DAO-related M&A deals. Overall, Web3 M&A deal counts remain relatively modest until late 2020, then pick up sharply through 2021 and 2022—mirroring the sector’s bull-market phases. After a dip aligning with the “crypto winter” period, another wave of growth emerges in 2023/2024, culminating in elevated deal counts by 2025 Q1. Throughout these ups and downs, DAO-focused deals (the dark blue portion) consistently lag behind the total Web3 M&A volume but rise and fall in tandem with the broader market cycle, indicating that DAO transactions represent a niche but growing segment within the larger Web3 M&A sector.

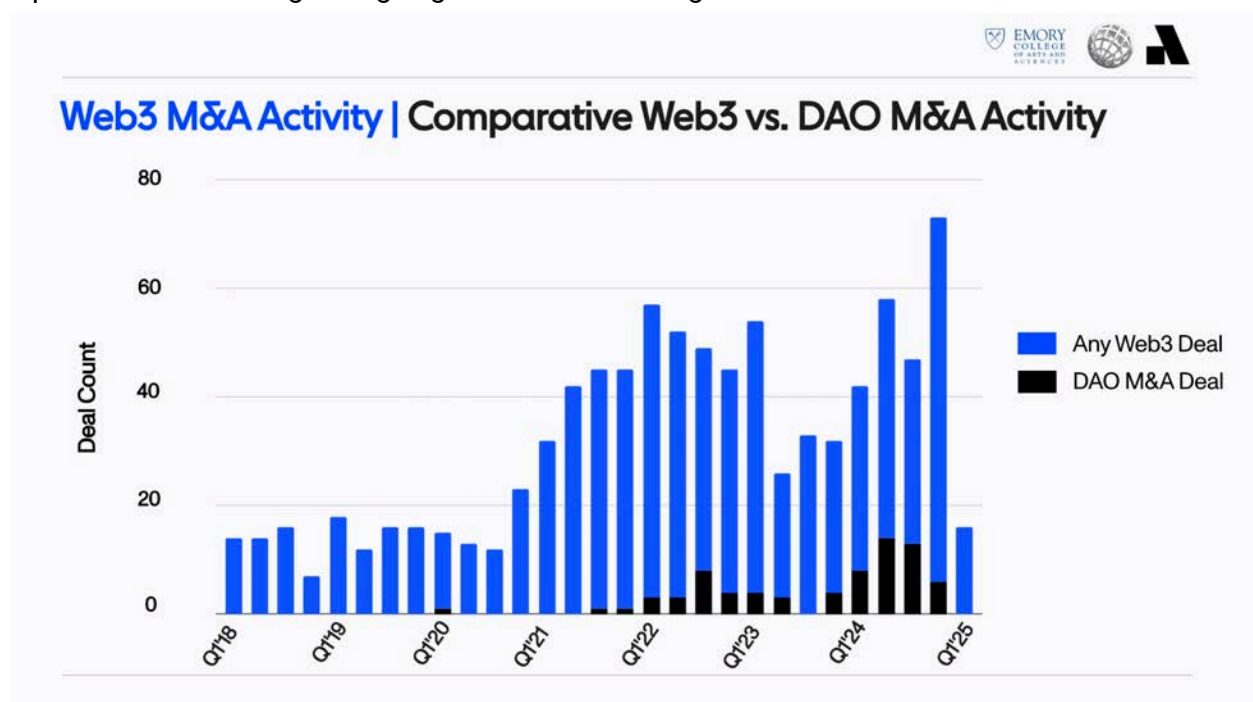


Figure 3. Based on an enriched dataset of news coverage of M&A activity, broken down by general Web3 M&A versus DAO M&A.

We observe some differences in motivation for Web3 vs. DAO M&A activity. Figure 4 below compares the listed motivations from the news article, average disclosed deal sizes, and total observations for general Web3 M&A activity (column 1) vs. DAO-specific M&A deals (column 2), along with the percentage point differences (column 3). Both Web3 and DAO deals cite “accessing new verticals” most often (77 percent and 72 percent, respectively), while citing traditional synergy gains remains relatively low at 16 percent each. By contrast, DAO transactions emphasize acquiring talent or a specific asset (e.g., an operating license) more strongly (49 percent) than Web3 deals (39 percent)—an 11 percentage-point gap, which is statistically significant. Lesser-cited motives in both groups include consolidating power, speed to market, and geographical expansion, though each of these factors appears at slightly higher

rates in Web3 than in DAO deals. Taken together, these results suggest that regulatory uncertainty and valuation challenges in the DAO ecosystem are so pronounced that, to date, M&A activity has largely been confined to acquiring specific assets or talent rather than entire organizations. Consistent with this view, the typical DAO M&A deal is much smaller in total value (around 30 million USD) than Web3's 705 million USD.

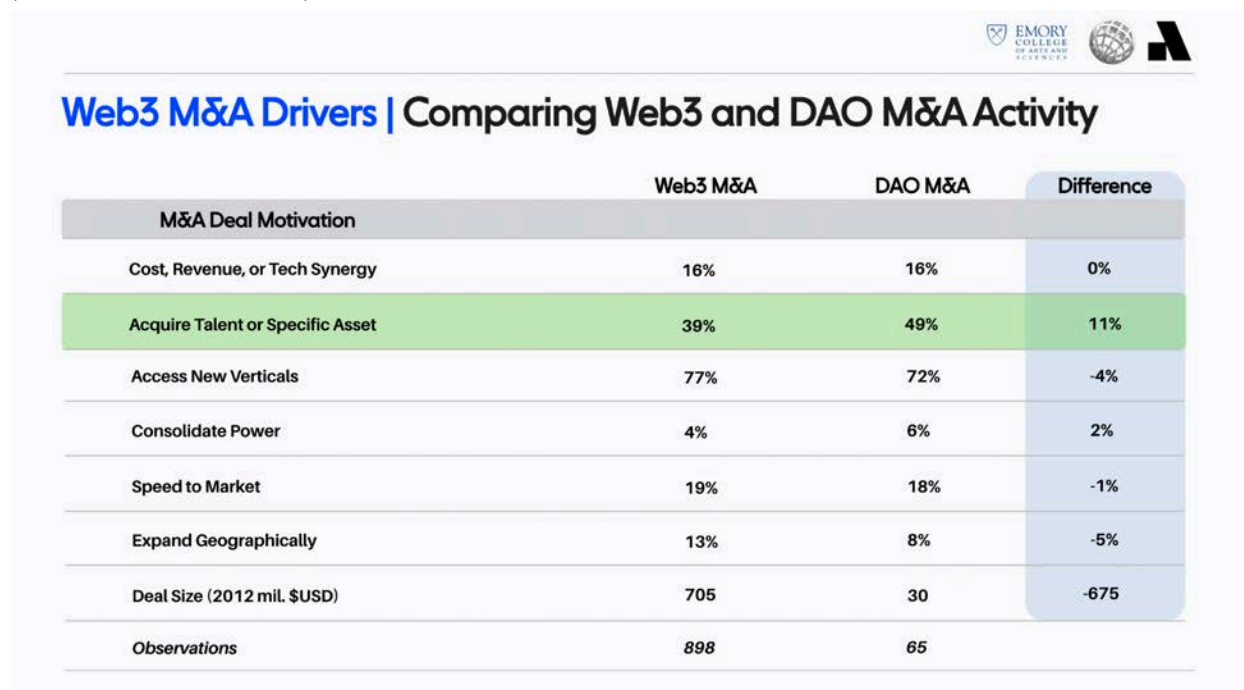


Figure 4. Comparing motivations for DAO M&A vs. general Web3 M&A.

Case study: Fei and Rari

Background

Fei Protocol, known for its algorithmic stablecoin FEI, aimed to integrate Rari Capital's permissionless lending pools to enhance liquidity and stability in DeFi. The merger set an important precedent for future DAO consolidations, but faced significant governance disputes, financial misalignment, and ultimately, operational failure.

The Fei-Rari merger has been [written up at length elsewhere](#), so we will keep our summary short. After discussions spanning only a few weeks led by Fei's founder Joey Santoro and Rari's founder Jai Bhavnani, the two DAOs put forward a merger proposal that was approved by both communities in December 2021. On-chain voting results showed overwhelming support: the measure passed with 93% in favor vs 1% against among Rari's RGT voters, and 90% to 0% among Fei's TRIBE voters. This led to the creation of a unified entity called Tribe DAO, with the Rari ecosystem coming under the governance of the TRIBE token. However, challenges soon emerged: in mid-2022, a major hack of Rari's lending pools inflicted 80M USD in losses, and

governance disputes arose over whether to use treasury funds to reimburse users. Initial governance votes approved full reimbursement, but this was later overturned, sparking backlash. Investor lawsuits and regulatory concerns added pressure, contributing to Fei Labs' decision to wind down the Tribe DAO in August 2022.

While the merger achieved the immediate goal of creating one of the largest DeFi DAOs at the time, it also highlighted that successful integration and long-term governance stability remain difficult in DAO M&A.

Timeline

1. The merger process and timeline began with Rari Capital suffering an 11 million USD hack on May 8, 2021, which raised financial concerns about its long-term viability.
2. On November 16, 2021, Rari founder Jai Bhavnani proposed the merger in FIP-51: Fei <> Rari Token Merge, citing strategic synergies.
3. By December 2, 2021, Fei DAO and Rari DAO initiated separate votes on Snapshot and Tally, ultimately approving the merger with over 90% community support.
4. On December 23, 2021, the merger was executed on-chain, incorporating a token swap (1 RGT = ~26.7 TRIBE - the native token of the merged projects) and Fei assuming Rari's financial liabilities.
5. On January 19, 2022, Fei DAO finalized the merger with FIP-68, confirming governance integration.
6. However, on April 30, 2022, Rari's Fuse pools suffered an 80 million USD exploit, severely impacting financial stability.
7. By August 24, 2022, Fei Labs announced the winding down of Fei Protocol, citing governance struggles, legal risks, and the inability to cover post-merger losses.

Successes

Successes of the merger included the first DAO-to-DAO M&A execution, demonstrating that DAOs could facilitate complex transactions via smart contracts, bypassing traditional legal frameworks. The governance-driven integration process showcased active community deliberation and engagement. The integration of Fei's stablecoin infrastructure with Rari's lending protocol had strong theoretical synergies for treasury-backed liquidity.

The Fei–Rari deal was significant not only for its scale – upon merging, the combined project commanded roughly 2 billion USD in total value locked (TVL) across their platforms – but also for the mechanics and governance process it introduced. The merger was executed via a token swap: RGT token holders were given the right to exchange each RGT for 26.7 TRIBE tokens (a rate set by the merger terms) within a 180-day window. This exchange ratio implicitly valued the two communities' assets and was a critical point for consensus. Additionally, recognizing that some Fei/TRIBE stakeholders might oppose the dilution or new direction, the architects

borrowed from the MolochDAO framework a “ragequit” option that allowed any TRIBE holder who disagreed with the merger to redeem their TRIBE tokens for a proportional share of the Fei Protocol’s treasury (essentially cashing out their stake at intrinsic value) within a short window. Fei’s founder Joey Santoro, who helped initiate the merger, noted that this feature was added specifically to appease dissenting TRIBE holders and ensure alignment—by guaranteeing an exit at fair value, it reduced objections that the deal might harm TRIBE investors.

Challenges

Governance misalignment was a major issue, with Fei’s VC-backed governance (aligned with a16z) conflicting with Rari’s grassroots, community-driven ethos, raising concerns about centralization.

Financial liabilities became a major point of contention as Fei assumed Rari’s hack-related debt (~11M USD), triggering dissent among TRIBE holders who questioned the fairness of the financial burden. Tokenomics risks surfaced as the fixed RGT-to-TRIBE conversion rate faced criticism from Rari DAO members who felt undervalued, and Fei members raised concerns about token dilution. One of the service providers that played a crucial role in structuring the merger withdrew from final execution due to a disagreement over fees. Security vulnerabilities became evident when Rari’s Fuse pool exploit resulted in 80M USD in losses, destabilizing the protocol. Exit strategy failures compounded these issues, with Fei’s winding down in August 2022 leading to disputes over asset distribution. TRIBE holders suffered significant losses while FEI holders were largely made whole.

Recommendations for future DAO mergers

Future recommendations include enhanced due diligence and risk mitigation to ensure outstanding liabilities, security vulnerabilities, and protocol risks are properly accounted for before finalizing agreements. Governance alignment strategies should be implemented to address structural conflicts pre-merger, ensuring that community expectations align with leadership objectives. Transparent compensation models are necessary to prevent backlash, requiring service providers to clearly communicate fee structures upfront. Stronger post-merger integration planning is crucial, with allocated resources for long-term governance alignment and operational sustainability beyond the initial transaction. Security and treasury safeguards must be established, including mandatory smart contract audits and financial contingency plans to prevent catastrophic losses post-merger.

The Fei-Rari merger remains a cautionary tale and a learning opportunity for the DeFi space as it matures. On one hand, the merger showcased the feasibility of on-chain M&A execution; on the other, it also highlighted the risks of governance misalignment, security lapses, and inadequate financial planning that ultimately led to Fei’s shutdown.

Case study: Gnosis and xDAI

Background

Another landmark DAO merger took place in late 2021 with a very different trajectory – the union of Gnosis and xDai, two Ethereum ecosystem projects. xDai was a popular Ethereum sidechain known for stable, low-cost transactions, governed by STAKE token holders. Gnosis was a DAO known for the Gnosis Safe, a prediction market platform, and a large token treasury.

The Gnosis-xDai merger was motivated by the need for greater decentralization, long-term sustainability, and enhanced security, aligning with the broader transition of Ethereum and the blockchain industry toward Proof-of-Stake (PoS) consensus mechanisms. Before the merger, xDai operated under a Proof-of-Authority (PoA) model, which relied on a small set of validators to secure the network. While this approach provided fast and low-cost transactions, it also raised concerns about centralization and long-term network security.

Gnosis, on the other hand, had built a strong reputation in governance tooling, treasury management, and DeFi applications, but lacked a dedicated execution environment. By merging with xDai, Gnosis aimed to consolidate its governance expertise and financial resources with xDai's scalable transaction infrastructure, ultimately rebranding the network as Gnosis Chain. This integration not only facilitated xDai's transition to PoS but also positioned Gnosis Chain as a highly decentralized and Ethereum-aligned Layer 2 solution with over 100,000 validators post-merge.

Despite these ambitions, the merger was [met with significant resistance](#) from the xDai community, particularly over governance shifts, tokenomics, and concerns that xDai was being absorbed rather than truly integrated.

Timeline

1. November 8, 2021 – Gnosis proposes GIP-16, outlining the merger and the rebranding of xDai as Gnosis Chain.
2. November 15, 2021 – A community AMA is held to address concerns, but tensions remain high.
3. December 8, 2021 – Gnosis Beacon Chain launches, setting the stage for the shift to a fully PoS-based network.
4. December 8, 2022 – The merger is finalized, officially dissolving xDai's governance model and incorporating it under Gnosis's framework.

Merger Terms

The merger established several key structural changes:

1. Token Swap – xDai’s governance token, STAKE, was converted into Gnosis’ governance token GNO at a fixed rate of 0.032629 GNO per STAKE, a decision that was widely debated among community members who believed STAKE was undervalued.
2. Treasury Allocation – Gnosis committed 400,000 GNO tokens (worth about 190 million USD at the time) to fund ecosystem development and liquidity incentives, aiming to incentivize builders and expand network adoption.
3. Consensus Mechanism Shift – xDai’s previous Proof-of-Authority (PoA) model was phased out in favor of Gnosis’s Proof-of-Stake (PoS), expanding validator participation from 20 to over 100,000 nodes.

While Gnosis presented these changes as necessary for long-term sustainability, many in the xDai community argued that they had little input in the decision-making process, leading to concerns over governance and centralization.

Successes

The Gnosis-xDai merger had clear benefits from a technical and financial standpoint. By integrating xDai’s high-speed transaction capabilities with Gnosis’s robust treasury and governance tools, the merger helped establish Gnosis Chain as a more scalable and decentralized Ethereum-compatible network. The transition to PoS increased security, decentralization, and validator participation, making it one of the most decentralized chains after Ethereum. Additionally, the merger unlocked substantial funding, with 190 million USD worth of GNO allocated for ecosystem development, attracting more developers and expanding the network’s use cases.

Challenges

The execution of the merger revealed significant governance and communication failures, primarily around token valuations. The lack of clear community consultation fueled discontent among STAKE holders, many of whom felt undervalued and excluded from major decisions. On xDai’s forums, some users decried the merger as effectively a “hostile takeover” by Gnosis, with [one poster writing](#) that “faithful hodlers of STAKE [are] being slapped in the face” by the low exchange rate.

The merger process also exposed the limitations of decentralized governance in large-scale organizational decisions, as it became evident that key negotiations were primarily led by core teams rather than through broad community participation.

Recommendations for future DAO mergers

The Gnosis-xDai case highlights the complexities of DAO mergers when governance transitions and tokenomics restructuring are involved.

The community backlash highlights that merger tokenomics must be aligned with community expectations. Fair valuation of governance tokens is critical in maintaining trust and alignment. The fixed STAKE-to-GNO exchange rate in this merger led to frustration, demonstrating the importance of flexible, market-driven valuation models in DAO token swaps.

While decentralized governance fosters inclusivity, major structural changes require a balance between efficiency and consensus. The merger revealed that decentralized decision-making can slow down or complicate necessary integrations, but excluding community voices creates lasting damage to trust.

Post-merger integration requires structured frameworks. Mergers between DAOs should establish clear transition plans for governance, development funding, and validator coordination. In this case, the rebranding and technical integration were relatively smooth, but the governance transition was abrupt, causing resistance.

While technically successful in creating a scalable, decentralized Ethereum Layer 2 solution, the governance challenges and community backlash revealed the fragility of decentralized decision-making during major structural changes. The merger underscores the need for clearer frameworks for DAO acquisitions, ensuring that future integrations prioritize transparency, fair tokenomics, and sustainable governance structures.

Case study: Yearn Finance “Mergers”

Background

Yearn Finance’s series of “mergers” in 2020-2021—including integrations with Pickle, Cream, SushiSwap, Cover, and Akropolis—were among the earliest examples of cross-protocol collaboration in decentralized finance (DeFi). Unlike traditional corporate mergers that involve full entity consolidation, Yearn’s approach focused on technical interoperability and reputational alignment. These integrations allowed Yearn to expand its product suite, deepen protocol synergies, and contribute to the broader DeFi ecosystem. Yearn positioned these collaborations as mergers, but in reality, they functioned as software integrations and informal partnerships rather than formalized M&A transactions.

The flexible meaning of “mergers” in a decentralized context created ambiguity. In these case studies, terms like merger, partnership, and integration were often used interchangeably. Yearn’s integrations were interoperability-focused rather than entity-driven, meaning teams did not merge into a single organization. Instead, protocols collaborated to improve infrastructure and expand shared resources. The term “merger” was used strategically for branding and marketing purposes rather than to indicate a fundamental structural change.

Lack of formalized governance mechanisms contributed to internal confusion. While Yearn had an active governance forum, many integrations were coordinated informally through small Telegram groups rather than structured community votes. Key decisions were often made by core contributors, [particularly Yearn's founder Andre Cronje](#), without explicit DAO-wide deliberation. This ad-hoc approach led to misalignment and varying degrees of commitment from different teams.

Unlike traditional M&A, which centers on asset consolidation, Yearn's integrations were about mutual resource-sharing, reputational lending, and software collaboration. Some protocols benefited from Yearn's credibility, while others gained technical enhancements to their infrastructure. Pickle's integration, for example, improved Yearn's vault strategies, while SushiSwap's association with Yearn reinforced its brand credibility and community trust. The goal of these "mergers" was to deepen technical interoperability and strengthen DeFi's collaborative landscape rather than create a unified corporate entity.

Successes

Successes of Yearn's integration strategy included deeper collaborations within the DeFi ecosystem, increased innovation through shared development, and enhanced reputational trust. The ability to combine resources across multiple protocols helped reduce friction in DeFi development and allowed teams to build on each other's expertise. Some integrations, such as Pickle, resulted in more efficient vault strategies, while SushiSwap's collaboration strengthened its community and Yearn's leadership influence.

Challenges

Challenges included unclear expectations, governance inconsistencies, and conflicts over decision-making power. Many integrations lacked formal agreements specifying responsibilities, ownership, and governance structure.

The absence of clearly defined roles created tension, particularly when financial issues arose. Some collaborations, like Cover, ended in burned bridges, while Cream's integration led to long-term complications around debt and the Iron Bank lending platform. Yearn's informal approach to mergers resulted in miscommunications, financial entanglements, and reputational risks.

Recommendations for future DAO mergers

Lessons learned from these integrations highlight the need for clear boundaries and expectations in DAO M&A. Future DAO mergers should establish explicit agreements on governance responsibilities, financial obligations, and operational oversight. Even if not legally

binding, contracts should define decision-making power, token allocations, and the long-term structure of the collaboration. Better due diligence and documentation processes would have mitigated some of the issues Yearn encountered. Assessing the financial health of partner protocols, reviewing reputational risks, and standardizing integration frameworks can help avoid misalignment.

The Yearn case underscores the need for a clearer theoretical model for DAO mergers. Traditional corporate M&A frameworks do not apply neatly to decentralized governance structures. Instead of focusing solely on financial transactions, DAO M&A must consider dimensions such as governance, token ownership, operational processes, and community engagement. Without a well-defined framework, DAO integrations risk becoming ad-hoc experiments that lead to unintended conflicts.

Yearn's integrations set an important precedent for cross-protocol collaboration in DeFi, but they also illustrated the risks of informal governance, reputational dependencies, and undefined decision-making structures. Future DAO mergers must prioritize transparency, structured agreements, and clearly articulated governance processes to ensure sustainable and mutually beneficial collaborations.

Case study: Aragon and Vocdoni

Background

Aragon, one of the earliest and most influential DAO governance frameworks, acquired Vocdoni, a blockchain-based voting protocol, in 2020. As the first DAO framework, Aragon was originally created to provide infrastructure for on-chain governance, allowing DAOs to set up customizable voting and treasury management mechanisms. Aragon DAO was created to govern both Aragon, the platform, as well as the ANT governance token.

Vocdoni, on the other hand, specialized in decentralized voting systems built on blockchain technology, aiming to enhance the security, transparency, and scalability of online governance. Before the acquisition, Vocdoni had received grants from the Aragon Foundation, signaling early alignment between the two projects. By integrating Vocdoni's voting technology, Aragon sought to expand its governance capabilities, making its DAO tooling more robust and scalable for digital organizations worldwide.

However, the acquisition came at a time of internal instability within Aragon. The Aragon ecosystem was facing leadership departures, community tensions, and governance disputes. Several core contributors had left the project due to disagreements over its direction, and concerns were rising over centralization within the Aragon Association, the entity that managed Aragon's treasury and development roadmap. Against this backdrop, the Vocdoni acquisition

was conducted without prior consultation with the Aragon community, raising concerns about whether it adhered to DAO principles or mirrored traditional corporate M&A practices.

The deal was executed via the Aragon Association, a Swiss-based legal entity that acted as a centralized steward of Aragon's funds and operations. The Association compensated Vocdoni's team [in ANT tokens](#). While this acquisition marked one of the first known instances of a DAO acquiring another blockchain project, it also revealed deep governance shortcomings in Aragon's decision-making process.

Timeline

1. January 11, 2021 – Aragon officially announced the acquisition via blog posts, Twitter, and Discord.
2. May 27, 2021 – the launch of the Vocdoni product within the Aragon ecosystem.
3. July 5, 2022 – Joan Arús, Vocdoni's co-CEO, was appointed as Executive Director of Aragon, further cementing the integration of Vocdoni leadership within Aragon's governance structure.

Challenges

Lack of community involvement was one of the primary criticisms of the acquisition. Unlike a typical DAO decision-making process that involves transparent governance discussions and token-holder votes, the acquisition was conducted without prior community consultation, with . This lack of engagement led to significant backlash from Aragon community members who felt blindsided by the decision.

Transparency challenges compounded the controversy. Limited communication before and after the acquisition resulted in confusion and speculation about the rationale behind the deal. Community members raised concerns about whether Aragon was following its own governance principles or acting as a centralized decision-maker under the guise of a DAO.

The acquisition underscored broader governance challenges within Aragon. The tension between DAO leadership and community decision-making was evident, as the acquisition process prioritized speed and operational necessity over decentralized governance. The absence of preemptive communication left the community feeling excluded and undermined trust in Aragon's governance structures. Some community members saw this as a failure of the DAO model itself, arguing that decentralized governance was too slow and inefficient to make major business decisions, forcing Aragon to fall back on centralized decision-making to remain competitive.

Recommendations for future DAO mergers

Lessons learned from this acquisition highlight the importance of prioritizing community consultation in major decisions. Future DAO acquisitions should involve transparent discussion, structured governance mechanisms, and clear channels for community input before finalizing agreements. Ensuring transparency in governance processes is critical to maintaining trust and alignment between leadership and stakeholders. Additionally, balancing agility with inclusivity remains a key challenge for DAOs, as decentralization inherently slows down decision-making, yet major organizational changes require broad legitimacy to succeed.

The Aragon-Vocdoni acquisition illustrates the risks of centralization in DAOs when leadership makes significant decisions without community engagement. The case highlights the need for more defined DAO M&A frameworks, ensuring that future acquisitions align with the participatory ethos that DAOs aim to uphold.

Valuation Methodologies

The application of traditional valuation methodologies to DAOs reveals significant challenges across all three primary approaches: discounted cash flow (DCF) analysis, comparable company analysis based on multiples, and market-based valuation.

First, **DCF methods** rest on reasonably estimating future cash flows and appropriate discount rates, but DAOs' unique organizational structure and business models can fundamentally alter both components. Unlike traditional corporate structures where human capital is bound by employment contracts and non-compete agreements, DAOs operate with fluid boundaries where contributors can freely enter and exit the ecosystem. This presents a paradox: while on-chain transparency provides unprecedented visibility into contributor activities and compensation, the absence of traditional employment relationships makes it more challenging to value and retain this human capital.

Another complication to the valuation from an organizational structure perspective is that while network effects in traditional platform businesses follow predictable patterns, blockchain-based platforms, which many DAOs govern, exhibit more complex dynamics due to composability and interoperability. Protocol value can emerge not just from direct network effects, but from the ecosystem of applications building on top of the protocol and the ability to interact with other protocols. These interactions and connections have two consequences. First, the whole system can be greater than the sum of the parts, similar to the way one used to think of conglomerates in the 1990s. Second, the whole system can be fragile and subject to unanticipated price fluctuations as one compromised piece (perhaps through a cyber-attack) may have spillover effects that amplify effects. Third and most importantly, the open-source nature of most blockchain protocols means that competitive moats derive less from proprietary technology and

more from network effects and community engagement—metrics that are simultaneously more transparent but harder to forecast than traditional business metrics.

Beyond organizational structure challenges, there still remain fundamental problems with estimating cash flows and discount rates. While blockchain technology may provide immutable records that can be used to calculate protocol revenue and *historical* cash flows precisely, they do nothing to reduce the fundamental uncertainty in *forecasting* future cash flows. In fact, the rapid evolution of the digital asset space and the regulatory uncertainty regarding liability that many DAOs face may actually increase forecast uncertainty (Grennan, 2025). Turning to the denominator (WACC) rather than the numerator (CFs), even the WACC is harder to calculate in the DAO context. In an optimistic scenario where DAOs can access stablecoin-based financing, one could argue a purely crypto-financed venture has a WACC that is similar to traditional corporate measures based on market rates for debt and equity financing but with crypto-financing. Yet this is crypto, and there is notorious volatility in digital asset prices and in the value of governance tokens. Thus, it is likely that any “crypto cost of capital” would fluctuate widely leading to material M&A valuation changes even in the short amount of time needed to close a deal. Moreover, any adjustments to the WACC, such as looking at different horizons or using implied volatility from options to estimate a “crypto” beta, are likely to be applied in an ad-hoc manner as there are no industry standards yet.

A second common approach to valuation is the **comparable company analysis approach**, but this approach also faces even greater obstacles. Most DAOs reject traditional corporate structures and reporting standards, making it difficult to calculate consistent profitability metrics across protocols. The heterogeneity in token designs and governance structures further reduces the relevance of traditional multiple-based approaches. While some protocols like Uniswap or Aave generate fee income analogous to traditional businesses, others create value through mechanisms that have no clear traditional analogs and thereby, no reasonable set of comparables.

This leaves **market-based valuation** as potentially the most practical approach, though not without its own complications. The limited number of completed M&A transactions involving DAOs provides few reliable comparison points. While the fully liquid nature of governance tokens provides continuous price discovery, these tokens often trade at significant premiums or discounts to their fundamental value due to control rights and speculation. The market's difficulty in pricing these governance rights is evident in episodes like the Gnosis-xDAI merger, where token holder opposition centered not on financial terms but on concerns about protocol autonomy. These governance premiums vary widely across protocols and time, making it difficult to establish reliable benchmarks for valuation purposes.

Looking ahead, while blockchain technology offers the promise of more data-driven valuations for DAOs, realizing this potential requires developing new theoretical frameworks that can account for their unique characteristics. Thus, future valuation models will need to incorporate

not just traditional financial metrics, but also account for DAO-specific features through measures of community engagement and contribution, protocol composability, and governance rights. As the industry matures and establishes clearer benchmarks, valuation methodologies specific to DAOs may emerge that are more reflective of their fundamental value drivers than current approaches. This evolution will likely require augmenting traditional platform economics frameworks with new metrics that capture the unique aspects of decentralized protocols. Until such frameworks emerge, valuation of DAOs is likely to remain more art than science, with even greater uncertainty than in traditional corporate valuations.

Challenges, Redux

DAO M&A is a byproduct of the state of DAOs today: an experiment in organizing human capital that is still in its early innings. The examples discussed in this report highlight the complexity and hurdles facing DAOs looking to pursue this type of growth.

The variance in acquisition outcomes that we've seen to date make it difficult to accurately predict what the future may hold for transactions in this niche. However, one thing is clear: DAOs are just as likely as any industry to leverage M&A as a tool for expansion and evolution.

Rather than speculating on the uncertain future of M&A in this vertical, we explore four core challenge areas that stand in the way of a future surge of DAO M&A: valuation, legal & structural, governance, and finance.

Valuation

We discussed above the challenges of using traditional valuation methodologies to value DAOs. These challenges have profound implications for M&A strategy and execution, underscoring a series of open questions around what is actually being acquired (e.g., the team, the product, or the treasury), how token values might react, and whether the deal structure can withstand the fluid, forkable nature of DAO contributor communities. Traditional “acquihires” may prove elusive when individuals are bound more by shared incentives than by enforceable contracts, prompting concerns about talent retention after the deal closes. Similarly, the risk of front-running or misaligned incentives in token-based transactions tests not only the governance mechanisms of DAOs, but also the viability of classic M&A confidentiality protocols—especially in situations where delegates must vote on key deal terms in a transparent, on-chain setting.

Compounding these challenges is the tension between regulatory uncertainty and the very real need for privacy in negotiations, which often runs counter to DAO principles of openness and community-driven decision-making. Practitioners must tackle questions about how much information to disclose, who gets access, and when, while also navigating disparate tax rules across jurisdictions and the complexities of trust/foundation-based legal structures. The

disjunction between on-chain and off-chain legal processes adds another layer of complexity: even if a DAO community approves a transaction, the legal entities behind token issuance or protocol development may not align perfectly with that on-chain vote. This gap, along with erratic “crypto cost of capital,” helps explain why most observed DAO M&A deals have so far focused on acquiring distinct assets rather than entire organizations.

Looking ahead, the continued development of DAO-specific valuation frameworks—incorporating not only discounted cash flows or traditional multiples but also on-chain data about community engagement, governance participation, and network effects—may eventually reduce these uncertainties. In the meantime, many of the questions that practitioners face—ranging from the impact on team structure and token value, to the interplay between privacy and transparency—remain unresolved. For now, each deal stands as a unique experiment, shedding light on what DAOs and their acquirers can learn about organizing, governing, and valuing decentralized protocols in the face of regulatory flux and rapidly evolving market dynamics.

Key questions:

- How can traditional valuation methodologies be adapted to account for the fluid nature of DAO human capital and governance structures?
- What mechanisms can be used to assess and quantify the impact of network effects, composability, and ecosystem interdependencies in DAO valuations?
- How can DAOs mitigate the volatility and governance premium/discount issues in token-based valuation models?
- What are the long-term implications of regulatory uncertainty on DAO valuation, and how can valuation models account for evolving legal risks?

Legal & Structural Feasibility

DAOs, with their unconventional design and infrastructure, often struggle to find footing within traditional M&A legal frameworks amid a regulatory landscape that remains unclear and fragmented across jurisdictions.

For example, a DAO often holds various assets and intellectual property (IP) – for instance, domain names, trademarks, software code repositories, etc. In a merger, transferring these assets from one entity to another might require legal contracts. If a DAO is not a legal person, who signs those contracts? In practice, many DAOs have foundation companies or core teams that hold IP. For example, the Gnosis Safe spin-off required creating a separate legal entity for the Safe product distinct from the Gnosis DAO. When Gnosis and xDai merged, some arrangements likely had to be made to transfer control of relevant infrastructure. Similarly, Fei Protocol had a legal entity (Fei Labs) associated with its team. While the on-chain vote can mandate that “the treasury of DAO A is put under control of DAO B”, executing that might involve off-chain cooperation by multisig keyholders or companies. Legal contracts between core

teams can outline how assets are exchanged or how liabilities (like outstanding loans or legal disputes) are handled. This is one aspect where DAO M&A still relies on trust in core contributors, as the legal enforcement mechanisms are murky.

Further, structuring a DAO merger or acquisition requires careful consideration of how to combine two sets of assets, tokens, and economic systems. Unlike traditional M&A where deals are often done for cash, DAO deals typically use tokens as the currency – either swapping one community's tokens for the other's or finding a way to bring two tokens under one roof. The case studies above highlight two main structural approaches for DAO M&A: token swap mergers (full unification) that convert one DAO's token into the other's, and operational or partnership mergers (partial integration) that look more like open-source collaborations.

Key questions:

- How can a DAO legally hold equity or ownership stakes, given the absence of foundational structures like an operating company and/or capital company?
- Core functions such as marketing, business development, and developer relations are not fully established in DAOs yet, making it difficult to integrate and manage acquisitions.
- Who within a DAO will be responsible for managing the acquired companies?
- What are the tax consequences of a DAO merger?

Governance and Decision-Making

Governance is arguably the crux of DAO mergers. Decentralized governance adds an additional layer of complexity which can encumber both the efficiency and effectiveness required for executing M&A transactions; this is a novel issue that is yet to be entirely solved. In traditional firms, a merger is decided by boards and often ratified by shareholders; in DAOs, every token holder can be a voter, and proposals play out in a very transparent, often contentious, public forum. The case studies highlight several major governance challenges in DAO M&A: (1) achieving multi-community consensus, (2) voter participation and the influence of founders and whales, and (3) divergent priorities between different ecosystem stakeholders.

Key questions:

- How does the decentralized nature of DAO governance delay or complicate the approval process for acquisitions?
- How can DAOs address divergent priorities among stakeholders (e.g., token holders, foundations, core development teams) to facilitate consensus on acquisition targets and strategies?
- How do DAOs balance transparency with the need for confidentiality in M&A negotiations?

Financial & Strategic Considerations

Ultimately, a community should only pursue M&A if it believes it will produce either a beneficial financial or strategic outcome for the DAO. However, many questions remain about how to justify and quantify these potential benefits.

After a merger, metrics like combined protocol revenue, user growth, and cost savings (if any) become relevant. For example, one might analyze whether Tribe DAO (Fei–Rari) achieved higher usage or more efficient spending than Fei and Rari did separately. In practice, such data is still scarce given the relative paucity of DAO M&As, but over time, communities will want to see that the merger delivered value – whether in the form of increased TVL, higher token price, greater protocol fees, or improved innovation.

It's worth noting that unlike corporate mergers, due diligence in DAO M&A is largely open-source. The code, assets, and even many discussions are public, which can reduce information asymmetry. However, this does not eliminate risk – unforeseen liabilities (like smart contract vulnerabilities or governance baggage) can surface later. Traditional M&A uses legal contracts to handle representations and warranties about liabilities; DAOs lack that formality, so financial risk management is often done through mechanism design (e.g., ragequit to let unhappy stakeholders exit).

Key questions:

- Are token swaps, revenue-sharing agreements, or partnerships more viable than outright equity ownership?
- Can a DAO manage the risks associated with capital allocation for M&A without clear ROI measurement frameworks in place?
- Will acquiring a DAO's native token place undue sell pressure on the token and thereby the ecosystem?

Next Steps

There are signs that innovation in the space is beginning to address some of the challenges to growth in the DAO M&A sector.

For example, emerging models like *SPADAOs*, which mirror SPAC structures in traditional finance, offer a potential pathway for DAOs to engage in acquisitions more efficiently while preserving decentralized governance. New *smart contract templates* for token swaps or treasury migrations, *legal templates* for DAO-to-DAO agreements, and even *platforms that facilitate discovery of M&A opportunities* (a sort of marketplace for DAO assets or partnerships) could address many of the challenges, lower the costs, and decrease the uncertainty associated with existing DAO M&As. *Interoperable standards* like those published by DAOstar could make it easier to coordinate multi-DAO projects and decisions, creating a gradient of options between

partnership and merger. *New deal structures* could make M&A more accessible to large and small DAOs.

Perhaps one of the biggest factors in the sector's growth will be the *cultural normalization of M&A* within DAO communities. For now, M&As are still rare. As the ecosystem builds its muscle memory, eventually executing a merger could become a relatively routine process for well-prepared DAOs. If so, DAO M&As might usher in an era of *protocol conglomerates*, where clusters of decentralized projects unite to collectively govern a broader ecosystem, leveraging their pooled resources and diverse communities.

Much remains to be discovered. As DAOs continue to refine their operational structures and regulatory clarity improves, M&A will become an increasingly important tool for DAOs to grow, consolidate, and move forward. The coming years will reveal whether DAO M&A moves from a handful of case studies to a common strategy in the toolkit of decentralized governance, and how the balance between decentralization and consolidation is struck in practice.

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