

Preamble

Title: Organize the Lido Alliance Program as a Lido-DAO-Adjacent BORG

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Summary

- Following the approval of the [Lido Alliance Proposal](#) in May, Lido DAO contributors have worked with [MetaLeX](#) to propose the creation of a LIDO Alliance workstream, including through the incorporation of a Lido-DAO-adjacent cybernetic organization (BORG) to “legally wrap” the “Alliance workgroup” and the related assets and activities.
- The Lido Alliance BORG Foundation consists of a memberless, beneficiary-less Cayman foundation whose purposes are restricted to furthering the Alliance Program, including submitting or facilitating the proposal of worthwhile Lido DAO Allies to Lido DAO and owning and holding assets contributed by such Lido DAO Allies in onchain multisigs.
- [The Bylaws and other legal docs](#) of the Lido Alliance BORG Foundation provide for legal checks-and-balances between the entity and Lido DAO (explained below).
- To complement the legal check-and-balance mechanisms expressed in the Lido Alliance BORG’s legal documents, the multisigs for holding the Lido Alliance BORG’s operational budget will use [EasyTrack](#), which gives Lido DAO an onchain veto over spending of these assets. The assets contributed by Lido Allies will be subject to legal checks-and-balances with the DAO and held in a transparent 4/7 multisigs staffed by the BORG Personnel. The BORG personnel hope to eventually transition these multisigs to MetaLeX’s forthcoming technology stack to provide a more full-featured set of onchain checks-and-balances mirroring the prescribed legal arrangements.
- This proposal seeks to inform Lido DAO and the broader Lido community of the details of the Lido Alliance BORG and to obtain a signal of the Lido DAO’s support for the structure through an approval of the proposal. If the proposal is approved, the Lido Alliance BORG will be incorporated as described herein.

Motivation

The Cybernetic Organization (CybOrg or ‘BORG’) is a new type of web3 legal structure—a traditional legal entity that uses autonomous technologies (such as smart contracts) to augment the entity’s governance and activities. Just as sci-fi cyborgs (‘cybernetic organisms’) augment humans (natural persons) with robotic organs and limbs or microchip or optics implants, BORGs augment state-chartered entities (legal persons) with autonomous software such as smart contracts. Crucially, legal entities that are BORGs do not merely use autonomous technologies as an incidental part of their business—instead, much like a human might have a robotic prosthesis surgically attached to his shoulder, BORGs are legally governed by autonomous technologies through tech-specific rules implanted in their charter documents. DAO-adjacent BORGs, like the proposed Lido Alliance BORG, require that all or most of the BORG’s assets be held in multisig smart contracts empowering the relevant DAO to directly provide feedback to, and exert certain checks and balances against potential misconduct by, the BORG’s human managers.

The general reasons for using a DAO-adjacent BORG to ‘wrap’ DAO-related multisigs, committees, working groups and similar structures are summarized in Delphi Labs’ seminal article [Assimilating the BORG](#).

More specifically, in the case of the Alliance working group:

- There may be a need or desire to enter into legal agreements with Lido Allies (or related entities or individuals) in order to express and legally enforce each Lido Ally’s commitments to the Lido community and expectations of support from the Lido community. A legal entity is needed to serve as counterparty to such agreements as Lido DAO cannot enter in agreements itself as it lacks legal personality.
- The Alliance working group may need to receive or hold tokens or certain rights in future tokens from pre-token Lido Allies—a legal entity may be needed to own/hold such rights.
- For regulatory reasons, Lido DAO should avoid looking like an on chain ‘venture fund’ or ‘commodities pool’ that holds diversified assets, and thus such assets should be owned by a separate legal entity. (See e.g. [The SEC DAO Report](#)).
- If unincorporated, the Alliance working group runs a risk of receiving involuntary legal classifications, which may carry personal liability for the working group members.
- If unincorporated, the Alliance working group may lack continuity as a result of personnel turnover. A legal entity enables the working group to remain a single cohesive legal person despite personnel changes over time.
- A legal entity can express all the rules and values that Alliance working group members should exert, and can make these rules and values transparent to Lido DAO.

- A legal entity can give the Lido community explicit legally facilitated powers to influence the Alliance working group and program in various ways, such as by requiring Lido DAO approval for new Lido Allies and enabling Lido DAO to initiate removal of directors and co-approve new directors.

The formation of the Lido Alliance BORG also serves the approved GOOSE proposals [here](#) and [here](#) as updated with the approved [ReGOOSE proposal](#) goals as follows:

- By defining the “Community” served by the BORG broadly, to include not only Lido DAO but also stETH holders and node operators.
- By emphasizing pro-decentralization/autonomy values in the “Principles” BORG personnel must use for decision-making.
- By fostering the creation of alliances with other key players in the ETH ecosystem for a broader use of Lido staking systems.
- By including a “Guardian” role on the BORG multisig that is focused on security.

Implementation

- The Lido Alliance BORG is an exempted limited guarantee foundation company incorporated in the Cayman Islands. The BORG does not have any members or beneficiaries, but rather is governed by a relatively change-resistant ruleset embodied in its legal documents (see [here](#)) and the associated multisig smart contracts.
- Cayman foundation companies are a popular choice for DAO wrappers, protocol ‘foundations,’ and other crypto-/DeFi-/web3-related entities. The same features that make such entities useful in those contexts also render them suitable for a DAO-adjacent BORG such as the Lido Alliance Program, i.e.:
- Tax-free status within the Cayman Islands;
- “Memberless” structure so that the entity need not be ‘owned’ by any person(s) and can therefore be operated for non-profit, community-aligned purposes;
- Limited liability for managers and service providers of the entity (except in the event of fraud, crime, or the knowing and intentional breach of the entity’s rules or applicable laws);
- Governance customizability capable of accommodating novel smart-contract-based rules and mechanisms; and
- A jurisdiction with a longstanding commitment to fostering digital asset endeavors and an ecosystem of law firms and other service providers deeply embedded in the crypto ecosystem.
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- Governance customizability capable of accommodating novel smart-contract-based rules and mechanisms; and
- A jurisdiction with a longstanding commitment to fostering digital asset endeavors and an ecosystem of law firms and other service providers deeply embedded in the crypto ecosystem.
- The Lido Alliance BORG is requesting an initial budget of \$125,000 for 2024, as part of the [st2024 v2 EGG](#) request approved in July and is expected to require a yearly budget of \$250,000 from 2025 to operate, which will be requested through subsequent EGG requests. The budget includes director fees, local law firm fees, contributor compensation and any other operational expenses, following the [EGG budget requests framework](#).
- The Board of Directors of the BORG is responsible for running all aspects of the Lido Alliance program and is in charge of the BORG overall. The Directors must sit on all multisigs of the BORG. The initial Directors of the BORG would initially be [@adcv](#) and dsm of [@steakhouse](#). Any future Directors would be approved by Lido DAO and the Board. An individual Director can be removed either by the Board itself or by Lido DAO. An individual Director may also unilaterally resign.
- The Guardians of the BORG are additional members of the BORG’s multisigs appointed by the Board. They generally should follow the Board’s instructions but may refuse to sign a multisig transaction based on security or compliance considerations. The initial Guardians of the BORG would be shik_happens, mac3w, jenya_k, olga_k, alex_l
- All Lido Allies must be approved by the Board and Lido DAO, and the BORG would hold all tokens contributed by Lido Allies in the Alliance Multisigs, which will (at minimum) be 4/7 multisigs consisting of the Directors and the Guardians.

Lido DAO's co-approval is required for all usages of the Lido-Ally-contributed tokens as a security measure—this requirement is initially imposed by virtue of the BORG's Bylaws, and Lido contributors and MetaLeX hope to create additional onchain enforcement of these rules as well, though the technical ability to do so may vary from chain to chain. The addresses and other details of all Alliance Multisigs must be published by the BORG for the Lido community. Operational funds would be held separately at the discretion of the Board and are currently expected to be held in 3/5 multisigs (also using EasyTrack on a quarterly schedule). Mentioned EasyTrack set is requested to be added with a following configuration for the operational multisig:

- AllowedTokensRegistry: [0x4AC40c34f8992bb1e5E856A448792158022551ca](#)
- TopUpAllowedRecipients: (address TBD)
- AllowedRecipientsRegistry: (address TBD):
- allowedRecipients: 0x606f77BF3dd6Ed9790D9771C7003f269a385D942 (ops MS address);
- limit: 250,000 * 10¹⁸ (i.e. \$250K);
- periodDurationMonths: 3
- allowedRecipients: 0x606f77BF3dd6Ed9790D9771C7003f269a385D942 (ops MS address);
- limit: 250,000 * 10¹⁸ (i.e. \$250K);
- periodDurationMonths: 3
- The permitted purposes of the BORG are to further the Lido Alliance Program as it was approved by Lido DAO.
- The BORG Personnel (including the Directors and Guardians) do not owe any direct duties to Lido DAO or Lido community members, but owe duties to the BORG entity, and the BORG entity's purposes are restricted to fulfilling the Lido Alliance Program, which benefits the Lido DAO and broader Lido community.
- Alliance Multisig Members have obligations to identify material conflicts of interest and, in certain circumstances, disclose them to the Lido community.
- Lido DAO approval would be required for any liquidation of the entity or any amendment of the entity's documents that adversely affect the Lido community or any sub-constituency thereof.
- The BORG has a 'supervisor', which is a statutory role in the Caymans intended to monitor a foundation company's compliance with the entity's own rules. The initial supervisor, intended to be temporary, is MetaLeX Pro LLC, the same law firm that led the creation of the BORG in consultation with various Lido contributors. This role is currently uncompensated and MetaLeX has committed to perform the role without additional compensation for up to three months. The final supervisor is expected to be a "Lido OpsBORG" or similar entity, which is currently in ideation phase and will be separately proposed to Lido DAO once various details are finalized.
- If an "Adverse Event" occurs, Lido DAO may directly appoint an "Emergency Supervisor" for the BORG. "Adverse Event" is defined to include egregious violations of law or the BORG's own rules by the BORG or BORG Personnel in connection with the BORG's activities, certain crimes independently committed by BORG Personnel (whether or not related to the BORG's activities), and sustained deadlocks within the BORG's governance/decision-making. The Emergency Supervisor would have broad powers under the BORG's Bylaws and Caymans law, including the power to investigate the Adverse Event, bring lawsuits against BORG personnel in the name of the BORG and to remove and appoint Directors. The Emergency Supervisor role is intended to be temporary and the Emergency Supervisor must resign once the Adverse Event is handled or, in any event, the Emergency Supervisor's tenure is automatically terminated after 12 months if not renewed by Lido DAO. Lido DAO also has the power to directly set the compensation of Emergency Supervisors.
- The BORG Personnel are indemnified by the BORG entity, within certain customary limits. This indemnification would be paid solely out of operating funds and not any of the Lido-Ally-contributed assets, unless Lido DAO approves to use additional funds of the BORG to indemnify the BORG personnel who acted on behalf of the BORG.
- The BORG Personnel would not have personal liability to the BORG for their BORG-related activities except to the extent they engage in gross negligence, willful misconduct, or fraud.
- The BORG Personnel must satisfy various eligibility criteria including not being subject to sanctions, not having previous egregious criminal convictions, and being reasonably sophisticated regarding blockchain technologies.

Additional Reading / References

- [Lido Alliance BORG Bylaws, Memorandum of Association and Articles of Association](#)
- [Proposal for Lido Alliance: An Ethereum-Aligned Ecosystem](#)

- Delphi Labs, [Assimilating the BORG](#)
- [MetaleX Whitepaper](#)
- [UK Law Commission Scoping Paper on DAOs](#) (covering DAO-adjacent BORGs in substantial detail)

Voting & Discussion

Note: The Lido Alliance program has already been approved by the Lido DAO. This proposal solely concerns the manner in which the Lido Alliance program is to be carried out.

The Lido community is invited to weigh in on the proposal. This proposal will be followed by a Snapshot vote with the link published here, when ready.

By voting YES in the Snapshot vote, you indicate support for funding and operating the Lido Alliance BORG as described herein.

By voting AGAINST in the Snapshot vote, you indicate you do not support funding and operating the Lido Alliance BORG as described herein.