



## Tribe DAO Shutdown & Rari Hack Repayments

YOU ARE RESPONSIBLE FOR DETERMINING WHETHER ANYTHING CONTAINED HEREIN IS SUITABLE FOR YOUR PARTICULAR CIRCUMSTANCES, AND FOR SEEKING PROFESSIONAL TAX, LEGAL, AND/OR INVESTMENT ADVICE AS APPROPRIATE. PLEASE SEE THE OTHER DISCLAIMERS AT THE END OF THIS REPORT.

### SUMMARY

- Fei USD is a reserve-backed stablecoin pegged to the US Dollar. To maintain its peg, Fei USD utilizes a Protocol Controlled Value (PCV) mechanism and offers Liquidity-as-a-Service (LaaS).
- In December 2021, Fei Protocol merged with Rari Capital, an open interest rate protocol, and created Tribe DAO as their combined governance entity.
- In April 2022, shortly after the merger, Rari Capital's Fuse lending pools were hacked for \$80 million. Fei Protocol acknowledged the massive hack and offered a [\\$10 million bounty](#) to no response.
- In August 2022, the founder of Fei Protocol, Joey Santoro, [proposed](#) closing down Tribe DAO due to the challenging macro environment, difficulty recovering from the hack, and regulatory risks around stablecoins.
- In September 2022, the Tribe DAO's passed a proposal to reimburse hack victims as the DAO continues its preparations to wind down.

### OVERVIEW

Tribe DAO, a decentralized autonomous organization (DAO) that consists of multiple DeFi protocols, is planning to shut down. A shutdown proposal was [initially submitted](#) on August 20, 2022 by Fei Labs, an entity associated with Tribe DAO, citing the challenging macro environment, difficulty recovering from previous hacks, and regulatory risks as its reasons for winding down.

As of September 21, 2022, Tribe DAO [approved](#) the winddown proposal. This will start the repayment process for hack victims and TRIBE token holders, remove governance power from Tribe DAO, and ultimately dissolve the Tribe DAO.

## TRIBE DAO PROJECTS

Tribe DAO includes three tokens: FEI, TRIBE, and RGT.

### FEI USD (FEI)

[FEI](#) is a decentralized stablecoin that was launched by Fei Protocol in April 2021. It is an algorithmic stablecoin that maintains its peg by using PCV. FEI has lost its \$1 peg a couple of times before returning to its peg after a short time.

### Tribe (TRIBE)

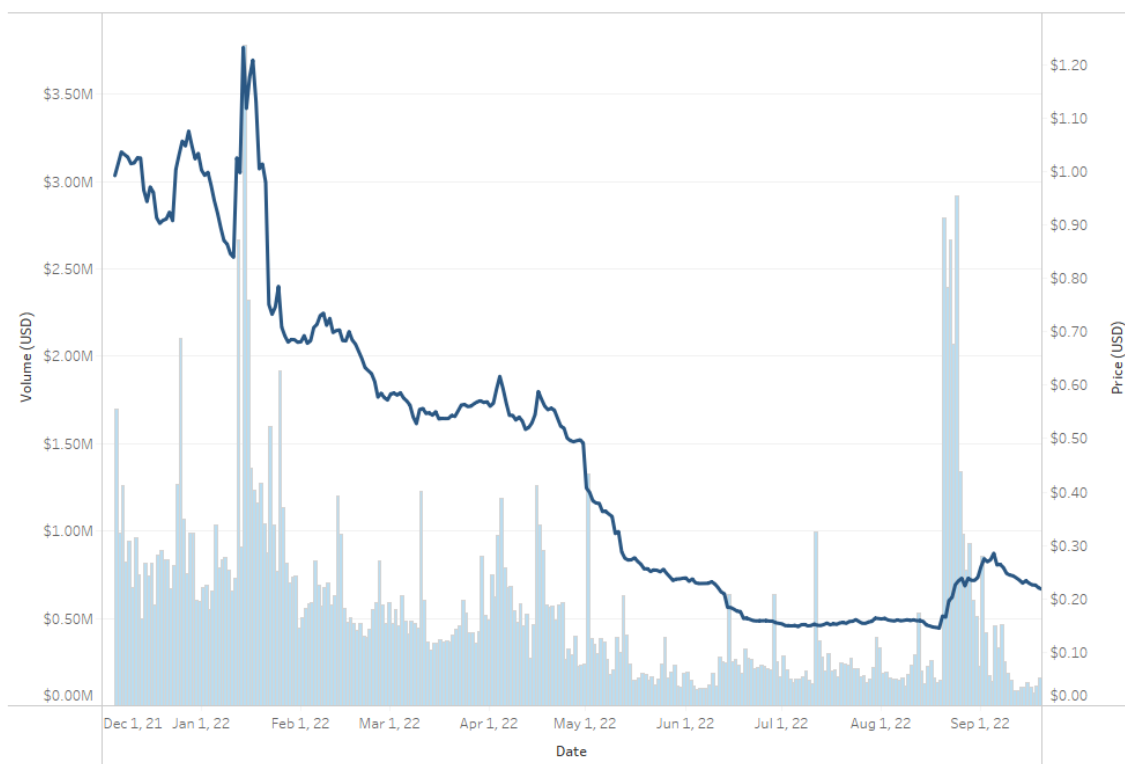
[Tribe](#) is Fei Protocol's governance token that is used to vote on protocol upgrades and FEI stablecoin monetary policy adjustments.

### Rari Governance (RGT)

[RGT](#) is the token that formerly governed Rari Capital, a decentralized protocol for lending and borrowing. As its native token, RGT was used to support the Rari crypto protocol's wide-ranging DeFi investment functionalities. With the merger of Fei Protocol and Rari Capital, RGT and TRIBE tokens were merged, and RGT token holders could exchange RGT for TRIBE with an exchange ratio of 1 RGT = 26.705673430 TRIBE.

**Figure A – TRIBE Weekly Price and Volume**

#### TRIBE Price and Volume (USD)



Source: Digital Asset Research's Market Data

## RARI CAPITAL'S \$80M HACK

Seven of Rari Capital's "Fuse pools" were drained for [\\$80 million](#) on April 30, 2022. Subsequently, Rari Capital [confirmed the exploit](#) and immediately paused ETH withdrawals while working on a fix. Rari Capital's merger partner, Fei Protocol, [offered](#) the hacker a \$10 million bounty to no response. Rari Capital had previously also [lost \\$10M](#) in a hack in May 2021.

The newly passed DAO shutdown proposal will start a repayment plan towards these victims, distributing the remaining DAO-controlled assets to hack victims and TRIBE token holders. The victims of this attack are not only individual users, but also some DAOs, including [Frax Finance](#), [Olympus](#) and [Babylon Finance](#). Details of the repayment plan are available [here](#).

## A LONG JOURNEY

After the Rari Capital hack, Fei Protocol aimed to minimize the damage to the Tribe DAO ecosystem by repaying the victims. In May 2022, TRIBE token holders [voted](#) unanimously to "complete the community" by "repaying the hacker's bad debt." However, a few months passed and no tangible action was taken. Then, the crypto market went south and Fei Protocol made a new request to [re-vote](#) on the hacked victims repayment decision, claiming that the previous vote was invalid with many of the "no" votes coming from members of the Fei team. Despite the protests from TRIBE token holders to honor the initial proposal, the Fei Protocol team contends that the original vote was non-binding since it was not conducted on-chain. Another vote was conducted but it [did not pass](#).

Afterwards, on August 20, 2022, Joey Santoro, the founder of Fei Protocol, announced a [proposal](#) named "TIP 121: Proposal for the future of the Tribe DAO", unveiling the protocol's willingness to repay hack victims by utilizing the DAO's existing assets.

Santoro [confirmed](#) in a Tweet that the repayment proposal for the Rari Fuse Hack passed on-chain and that the victims will be paid in full within [twenty-four hours](#) of starting the claim process. Hack victims will now be [refunded](#) in FEI, an algorithmic stablecoin, while decentralized autonomous organizations (DAOs) will be refunded in DAI, Maker DAO's popular stablecoin. Babylon Finance, Olympus, and Fuji DAO were among the DAOs and users that were mentioned in the forum [discussion](#) that outlined who would be refunded.

Under the proposal that passed:

FEI will be  
redeemed for  
\$1 to 1 DAI

Majority of  
Fuse hack  
victims to be  
wholly  
reimbursed

TRIBE token  
holders can  
redeem for  
pro-rata shares of  
the remaining  
Tribe DAO assets

All Governance  
powers are  
removed

In addition, the proposal said that abolition of governance is a prudent action that removes many of the Tribe DAO's threats and problems. However, it would result in the complete dissolution of Tribe DAO. This resulted in user disappointment, particularly for the early supporters of the merger.

The Tribe DAO shutdown proposal raises a crucial question for the DAO industry: In the event of dissolution, should creditors or equity holders be prioritized first? Although this proposal can be seen as an act of good governance towards token holders, Fei Protocol's intention to dissolve the Tribe DAO is still seen negatively by many, considering that it once was the result of the largest merger in DeFi history.

## **CONCLUSION**

Crypto is an emerging technology that experiments in many areas, including organizational structure. DAOs offer decentralized governance, but decentralized governance has proven difficult. While the dissolution of Tribe DAO does not indicate the failure of the DAO concept, it shows that there is much work to be done before the crypto community can effectively operate in a decentralized capacity.

## DISCLAIMERS

You are permitted to store, display, analyze, modify, and print this report, but only for your own use. You are not permitted to (a) reverse engineer, decompile, decode, decrypt, disassemble, or in any way derive source code from this report; (b) modify, translate, adapt, alter, or create derivative works from this report; (c) copy (except as expressly permitted in the Subscription Services Agreement), distribute, publicly display, transmit, sell, rent, lease or otherwise exploit this report or grant any third party access to it; (d) frame or scrape or in-line link to the this report or use web crawlers, web spiders or other automated means to access, copy, index, process and/or store any of the information herein; (e) create apps, extensions, programs or other products or services that use any of the information herein; or (f) make or have made a service or product using similar ideas, features, functions or graphics of or providing a similar benefit as that provided by this report.

DAR DOES NOT MAKE AND HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES, ORAL OR WRITTEN, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE. WITHOUT LIMITING THE FOREGOING, YOU AGREE THAT YOUR USE OF THIS REPORT IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THIS REPORT IS PROVIDED “AS-IS” AND DAR DOES NOT MAKE ANY WARRANTIES WITH RESPECT TO THE OPERATION, AVAILABILITY, RELIABILITY, ORIGINALITY OR ADEQUACY OF THE SAME. THIS REPORT (INCLUDING ANY INFERENCES OR CONCLUSIONS DRAWN HEREIN) IS BASED ON INFORMATION DAR CONSIDERS RELIABLE, HOWEVER, DAR DOES NOT REPRESENT IT AS ACCURATE OR COMPLETE, AND IT SHOULD NOT BE RELIED ON AS SUCH. THIS REPORT (INCLUDING ANY INFERENCES OR CONCLUSIONS DRAWN HEREIN) IS PROVIDED FOR GENERAL INFORMATIONAL PURPOSES ONLY AND YOU ARE RESPONSIBLE FOR DETERMINING WHETHER ANYTHING CONTAINED HEREIN IS SUITABLE FOR YOUR PARTICULAR CIRCUMSTANCES, AND FOR SEEKING PROFESSIONAL TAX AND/OR INVESTMENT ADVICE AS APPROPRIATE. DAR DOES NOT GIVE TAX, LEGAL OR INVESTMENT ADVICE OR ADVOCATE THE PURCHASE OR SALE OF ANY SECURITY, INVESTMENT, CRYPTOCURRENCY OR DIGITAL ASSET. NONE OF THE INFORMATION CONTAINED IN THIS REPORT CONSTITUTES OR IS INTENDED TO CONSTITUTE A RECOMMENDATION BY DAR TO ACQUIRE, HOLD, INVEST IN, OR USE ANY PARTICULAR COIN, TOKEN, CRYPTOCURRENCY, PROTOCOL, COMPANY OR FOUNDATION.

You assume the entire risk of any use you make or permit to be made from this report. Without limiting the foregoing and to the maximum extent permitted by applicable law, in no event shall DAR have any liability regarding this report for damages, even if notified of such possibility.

The information contained herein is as of the date hereof and is subject to change without prior notice. We may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed in this research. Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance as past performance does not guarantee future results. None of DAR's products or services recommend, endorse, or otherwise express any opinion regarding any “coin”, “token”, “cryptocurrency” “protocol”, “company” or “foundation” and none of DAR's products or services are intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.