

The Constitution of the STORY DAO (the “Constitution”)

This Constitution is effective as of the date it was initially posted and lays out the governance framework of the STORY DAO.

Definitions:

- **“Administrative Budget Wallet”** means the Foundation-owned blockchain account(s) (as well as other assets contributed to or acquired by the Administrative Budget Wallet), which will be designated for use by the Foundation for purposes of operational and administrative costs as well as Story ecosystem growth.
- **“Cayman Islands Law”** means the rules, regulations and laws of the Cayman Islands from time to time.
- **“Constitutional SIPs”** means those SIPs proposed in accordance with the Tokenholder Enumerated Powers set forth in Article I, Section 1(1)(a) of this Constitution, including, for the avoidance of doubt, any SIPs that amend the powers established in accordance with this Constitution or the Foundation Documents, as applicable.
- **“DAO Treasury”** means the Foundation-owned blockchain account(s) (as well as other assets contributed to or acquired by the DAO Treasury) controlled by the STORY DAO in accordance with the SIP Process, this Constitution and the Foundation Documents.
- **“Effective Date”** means the date on which this Constitution was initially posted.
- **“Emergency Actions”** means actions undertaken at an Emergency Meeting, as described in Article II, Section 1(2) of this Constitution.
- **“Emergency Meeting”** has the meaning given in Article II, Section 1(2) of this Constitution.
- **“Foundation”** means Story Foundation, a Cayman Islands foundation company.
- **“Foundation Articles”** means the Memorandum of Association and Articles of Association of the Foundation, as may be amended, revised or substituted from time to time.
- **“Foundation Bylaws”** means those certain Bylaws of the Foundation, as may be amended, revised or substituted from time to time.
- **“Foundation Directors”** means the directors of the Foundation, which have certain powers and duties pursuant to Cayman Islands Law and as further described in the Foundation Documents.
- **“Foundation Documents”** means (i) the Foundation Bylaws; and (ii) the Foundation Articles.
- **“Foundation Supervisor”** means any person appointed as the supervisor of the Foundation, which has certain powers and duties pursuant to Cayman Islands Law and as further described in the Foundation Documents.
- **“Initial Budget Period”** means the three (3) consecutive calendar years commencing on the Effective Date of this Constitution; provided, however, that the first budget year shall be a partial calendar year commencing on the Effective Date through December 31.
- **“Non-Constitutional SIPs”** means those SIPs proposed in accordance with the Tokenholder Enumerated Powers set forth in Article I, Section 1(1)(b) of this Constitution.
- **“Non-Emergency Actions”** means actions as described in Article II, Section 1(3) of this Constitution.
- **“Security Council”** is the council formed in accordance with the Foundation Documents and this Constitution, as further described in Article II.
- **“Security Council Chair”** means the Security Council Member elected by the Security Council to lead its activities and oversee its operational procedures in accordance with the Foundation Documents and this Constitution.
- **“Security Council Member”** means any person appointed to the Security Council in accordance with the Foundation Documents and this Constitution.
- **“SIP”** means a Story improvement proposal, which is a proposal put forth by a Tokenholder to a vote in accordance with the SIP Process. For the avoidance of doubt, SIPs may be put forth solely in respect of the Tokenholder Enumerated Powers.
- **“SIP Process”** means the rules and procedures of submitting and voting on SIPs solely in respect of the Tokenholder Enumerated Powers, as described in Article I of this Constitution.
- **“STORY DAO”** means, collectively, the decentralized community of individuals that own a Token, as evidenced by the Story Network.
- **“Story Network”** means the decentralized layer-1 blockchain, currently titled “Story Network,” designed to enable users to register and control programmable intellectual property assets.
- **“Story Protocol”** means the decentralized, blockchain-based Proof-of-Creativity protocol that enables permissionless commercial activities, such as licensing, with the intellectual property assets registered on the Story Network.

- **“Token”** means the utility and governance token of the STORY DAO, known as \$IP, represented on the Story Network.
- **“Tokenholder”** means any holder of the Token.
- **“Tokenholder Enumerated Powers”** means those rights and powers expressly granted to Tokenholders under Article I, Section 1 of this Constitution, which may only be exercised through the approval of either Constitutional or Non-Constitutional SIPs, as applicable.
- **“Tokenholder Vote”** means a blockchain-based vote of the Tokenholders validly proposed and executed in accordance with the SIP Process and the Foundation Bylaws.
- **“Validators”** means participants responsible for supporting network security, which may include both off-chain governance activities (such as implementing code changes) and on-chain activities (such as attesting to the validity of proposed blocks to achieve network consensus).

Article I: SIP Process

Section 1: Tokenholder Enumerated Powers

1. The Tokenholders may propose and vote on SIPs solely in respect of the actions enumerated in this Article I, Section 1.
 - a. **Requires a Constitutional SIP:**
 - i. Amend this Constitution in any respect, including amending the list of powers enumerated in Article I, Section 1 with the exception of restricted activities enumerated in Article I, Section 3;
 - ii. Provide consent to any proposed changes to the Foundation Documents that materially adversely amend or remove Tokenholder rights;
 - iii. Remove members of the Security Council, in accordance with the Foundation Documents;
 - iv. Elect select Security Council Members following the parameters outlined in Article II, Section 2 of this Constitution;
 - v. During the Initial Budget Period, veto the transfer of an annual operating budget of 10,000,000 Tokens from the DAO Treasury to the Administrative Budget Wallet. Following any initial veto, the Foundation will propose an alternative budget of no more than 8,000,000 Tokens, which also may be subject to a veto. Upon a second (2nd) veto, the budget for the subsequent period shall be set at 5,000,000 Tokens;
 - vi. Following the Initial Budget Period, veto the annual operating budget request made by the Foundation. The Foundation shall submit a proposed annual operating budget no less than fifteen (15) days before the end of the annual operating year which may be subject to a veto. Following the initial veto, the Foundation may propose an alternative budget of no more than 80% of the original operating budget request. If this second (2nd) budget is vetoed, the budget for the subsequent period shall be set at 50% of the original operating budget request; and
 - vii. Appoint and remove the Foundation Supervisor(s), pursuant to the Foundation Documents, provided that the Foundation may not, at any time, be left without a Foundation Supervisor, and there shall be no more than one (1) Foundation Supervisor serving in such capacity at any given time.
 - a. **Requires a Non-Constitutional SIP:**
 - i. Signal community interest in proposed hard forks or upgrades of the then-existing Story Network;
 - ii. Signal community interest in upgrading smart contracts of the Story Protocol;
 - iii. Make non-binding recommendations to the Foundation Directors on topics including the creation of committees, introduction of new dispute and arbitration policies, etc.; and
 - iv. Grant Tokens up to an aggregate per-calendar-year limit of 1 million Tokens; these funds will be transmitted from the DAO Treasury by the Foundation within fourteen (14) days after a SIP proposal has been adopted.

Section 2: Proposal Submission and Voting Mechanism

1. **Eligibility:** Any Tokenholder with at least 10,000 votes, including delegated votes (to the extent delegation of votes is technically available), may submit a proposal solely in respect of any Tokenholder Enumerated Power to enhance the STORY DAO’s ecosystem or governance structures. All Tokens are eligible for voting. Tokenholders may delegate their voting power to trusted delegates, to the extent delegation is technically available.

2. **Submission Process:** Proposals must follow the designated format and be submitted through the official voting platform and a preliminary discussion period of fourteen (14) days is required before formal voting begins.
3. **Voting Platform:** All votes will be conducted using the STORY DAO's official voting platform, which initially shall be located on the story.foundation website.
4. **Voting Period:** Each proposal will have a voting period of fourteen (14) days, during which Tokenholders can cast their votes.
5. **Voting Weight:** Each unstaked Token entitles the Tokenholder to one (1) vote, while each staked Token entitles the Tokenholder to 1.25 votes.
6. **Quorum and Approval Thresholds:**
 - a. **Constitutional SIPs:** The proposals described in Article I, Section 1(1)(a) require a quorum of 30% of the eligible Tokens and a supermajority of 66% of the eligible votes for approval.
 - b. **Non-Constitutional SIPs:** The proposals described in Article I, Section 1(1)(b) require a quorum of 10% of the eligible Tokens and a simple majority (>50%) of the eligible votes for approval.

Section 3: Tokenholder Restricted Activities

1. The Tokenholders may not propose nor approve any of the restricted activities enumerated in this Article I, Section 3.
 - a. Voting to remove any Foundation Directors
 - b. Voting to wind up and dissolve the Foundation itself.
 - c. Voting to amend this Article I, Section 3 and Article II, Section 2(2)(a)(i).
 - d. Engaging in other activities that could negatively impact the Story Network, the Story Protocol or ecosystem, as determined and approved by the Foundation Directors or that would otherwise be restricted under applicable law.

Article II: The Security Council

Section 1: Purpose and Powers

1. **Technical Oversight:** The Security Council focuses on technical governance, primarily concerning network security, and also may approve parameter adjustments to the Story Network and the Story Protocol.
2. **Emergency Actions:** The Security Council is authorized to execute any software upgrade or perform other required actions with no delay to respond to a security emergency should one arise. The Security Council must not use its power to perform Emergency Actions except in a true emergency, such as a critical vulnerability that could compromise the integrity, confidentiality, or security of the Story Network and Story Protocol. Once the immediate threat is resolved and public disclosure will no longer compromise operational security, the Security Council should issue a full transparency report to explain what was done and why such Emergency Action was justified.
3. **Non-Emergency Actions:** The Security Council may also approve and implement routine Story Protocol software upgrades, routine maintenance, and other parameter adjustments in a non-emergency setting. These may include enabling or modifying fees for the Story Protocol, adjustments to the Story Network such as setting minimum staking amounts, adjusting commission rates for Validators, modifying reserve rates for the \$IP pool, and cancelling upgrades.
4. **Self-Governance:** The Security Council may elect a Security Council Chair and create procedures to improve its operational capabilities, including, but not limited to, the establishment of staggered terms for Security Council Members for the purpose of continuity.

Section 2: Composition, Selection and Removal

1. **Membership:** As of the Effective Date, the Security Council is a committee of up to eleven (11) members which is delegated the authority to engage in Emergency Actions and Non-Emergency Actions as described in this Constitution and is otherwise tasked with ensuring that Constitutional SIPs are in compliance with this Constitution.
2. **Nomination and Appointment:**
 - a. The Security Council seats are filled in phases:
 - i. Until **the later of** (x) one (1) year following the Effective Date and (y) the Tokenholders vote to move to the Second Phase by Tokenholder Vote through the approval of a Constitutional SIP (the "**First Phase**"), (i) the Foundation Directors by directors resolution shall appoint up to seven (7)

Security Council Members, and (ii) the incumbent Security Council Members, via a simple majority vote, shall appoint up to four (4) Security Council Members; provided that the Foundation Directors by directors resolution shall appoint at least three (3) Security Council Members to the initial Security Council (the “*Initial Council*”).

- ii. After the First Phase (the “*Second Phase*”), Tokenholders have the right to elect up to a majority of the Security Council Members by Tokenholder Vote through the approval of a Constitutional SIP; provided that any incumbent Security Council Members will be entitled to complete their then current terms.
 - b. Until the Initial Council is elected, all powers and responsibilities given to the Security Council shall be exercised by the Foundation Directors.
 - c. The Security Council shall not owe any fiduciary duties to the Foundation.
 - d. Each Security Council Member serves an initial term of twelve (12) months, which will automatically renew for successive twelve (12) month periods unless and until a replacement Security Council Member is elected, the Security Council Member elects to resign, or the term is otherwise terminated earlier.
3. **Removal Process:** Tokenholders may remove Security Council Members through a Constitutional SIP. Once a Security Council Member is removed, the removed individual may not be a member of the Security Council until twelve (12) months from the removal date.

Section 4: Indemnification

1. **Indemnification:** Security Council Members are indemnified by the Foundation against liabilities incurred in the course of performing their duties, subject to the terms of their agreements with the Foundation.

Article III: Governance Bodies

Section 1: Foundation Directors

1. **Role and Responsibilities:**
 - a. The Foundation Directors oversee the Foundation’s activities, including supporting the growth and development of the Story Network and Story Protocol.
 - b. The Foundation Directors will ensure compliance with Non-Constitutional SIPs and STORY DAO grants.
 - c. The Foundation Directors manage the Foundation’s Administrative Budget Wallet and engage with external parties to build on the Story Network and Story Protocol.
2. **Composition:**
 - a. As of the Effective Date, there are four (4) Foundation Directors.
1. **Powers:** The Foundation Directors may engage in any activity which, in their reasonable discretion, does not contradict the terms set forth in any SIP approved by Tokenholders, this Constitution, the Foundation Bylaws, or the Foundation Articles, including but not limited to the following actions:
 - a. Bind the Foundation to legal agreements;
 - b. Establish subsidiaries of the Foundation;
 - c. Hire employees, advisors, consultants or other service providers;
 - d. Approve transactions from the Administrative Budget Wallet;
 - e. Call and hold Emergency Meetings and coordinate emergency operations with the Security Council, in accordance with the Foundation Documents and this Constitution; and
 - f. Make changes to the Foundation Bylaws if the Foundation Directors believe such changes would improve their ability to fulfill their obligations, subject to any Tokenholder consent rights provided in the Foundation Documents and/or this Constitution.
2. **Appointment and Removal:** The Foundation Directors shall have the authority to appoint additional Foundation Directors and to remove any Foundation Director, with or without cause, in accordance with the Foundation Documents; provided that there must be at least three (3) Foundation Directors at all times.

Section 2: Foundation Supervisor

1. **Role:** The Foundation Supervisor provides oversight of the Foundation Directors and serves a term of twelve (12) months or such longer term until a successor supervisor is appointed.

2. **Powers:** The Foundation Supervisor may appoint and remove the Foundation Directors; provided that there must be at least three (3) Foundation Directors at all times.
3. **Appointment and Removal:** The initial Foundation Supervisor was appointed by the Foundation Directors. Thereafter, the Foundation Supervisor is nominated and removed by Tokenholders through a Constitutional SIP; provided, however, that there shall be no more than one (1) Foundation Supervisor serving at any given time. If Tokenholders fail to elect a Foundation Supervisor, one will be appointed by the Foundation Directors.

Article IV: Improving Story Network and Story Protocol

Section 1: Story Network Improvements

1. **Development of Fork:** A community member develops a new release or new hard fork of the existing Story Network based on feedback gathered from the community.
2. **Community-Initiated Proposals:** Technical recommendations and proposals for upgrades may be initiated by Tokenholders in accordance with a Non-Constitutional SIP.
3. **Upgrade Preview:** Once a proposal is sufficiently developed, an upgrade preview is published, and a poll or snapshot is conducted to gauge community (including Tokenholders and Validators) interest.
4. **Security Council Review:** The Security Council evaluates the proposed release or fork and issues a recommendation on whether to adopt it.
5. **Cooling-Off Period:** The Foundation Directors provide a second level of oversight by reviewing the proposal during a cooling-off period of approximately one (1) week.
6. **Validator Adoption:** If no overriding objections arise during the cooling-off period, the new fork or new release is published. Validators may then independently elect to adopt the updated version of the protocol. Consequently, adjustments to key economic terms such as inflation or fees are not subject to the SIP Process but are instead determined by network consensus through Validator acceptance. Certain parameter changes may still be made from time to time at the determination of the Security Council.

Section 2: Story Protocol Improvements

1. **Development of New Smart Contract:** A community member develops a new smart contract (or smart contracts) for the Story Protocol based on feedback gathered from the community.
2. **Community-Initiated Proposals:** Technical recommendations and proposals for upgrades are initiated by a community member or Tokenholders in accordance with a Non-Constitutional SIP.
3. **Security Council Review:** The Security Council evaluates the proposed contract(s) and issues a recommendation to the Foundation Directors on adoption.
4. **Foundation Director Review:** The Foundation Directors provide a second level of oversight by reviewing the proposal during a cooling-off period of approximately one (1) week. During this period, the Foundation Directors evaluate the proposal for compliance concerns and may veto the recommendation if any objections arise.
5. **Adoption:** If no overriding objections arise during the cooling-off period, the update is adopted.