Kleros TCR Grid+ Compliance Badge Challenge Response

Introduction:

This response is being provided in support of a submission (the "***Submission***") in favor of granting of an Ethfinex Compliance badge to the Grid+ token ("***GRID***") based on GRID complying with the official Ethfinex Listing Criteria available at https://support.ethfinex.com/hc/en-us/articles/115002526172-Listing-a-Token-on-Ethfinex (the "***Listing Criteria***"). The Submission is available for review at https://tokens.kleros.io/badge/0x916deaB80DFbc7030277047cD18B233B3CE5b4Ab/0x12B19D3e2ccc14Da04FAe33e63652ce469b3F2FD. The Submission has been contested by the challenge available at https://ipfs.kleros.io/ipfs/QmUk6FqyX8DDAT2SXQbACuwXXJi9JB41zZPMVibkTMgj2d/gridplus-evidence-v1.pdf (the "***Challenge***"), which may result in a dispute to be submitted to the Kleros Exchange Token Listing Court (the "***Court***") for decision by Kleros crowdsourced jurors.

We hereby dispute and contest the Challenge's claims that GRID do not conform to the Listing Criteria, on two primary grounds: (1) the Challenge misinterprets the relevant Listing Criteria; and (2) the Challenge's factual allegations are inaccurate. As we will show, either of these grounds would be independently sufficient to defeat the Challenge; when considered together, they expose poor due diligence and potential bad faith on the part of the person(s) raising the Challenge.

Challenge re: Criterion 5.2 -At Least 10% of GRID Are Freely Circulating:

Criterion 5.2 of the Listing Criteria requires that *"At least 10% of the total supply is freely circulating in the market or will be freely circulating after the token is released."* To help instruct jurors in interpreting this criterion, the Court provides an example of a token sale that would not satisfy the test – i.e., one in which "100M tokens were minted but only 10M are available to the general public[, with t]he 90M remaining [being] owned by entities who cannot currently sell them.

GRID satisfies Criterion 5.2 because greater than 10% of GRID are "freely circulating." The total supply of GRID is 300M. Of those 300M, 90M (30% of total supply) were targeted for sale in the Grid+ token sale. Of those 90M, 39M (13% of

total supply) were actually sold. None of the sold GRID are subject to any contractual or legal restrictions on transfer, and only 47,899.79 of such GRID have been redeemed in connection with purchasing goods or services from Grid+. (See https://gridplus.io/grid-token) Therefore, simple mathematics demonstrate that greater than 10% of GRID are "freely circulating."

Despite this mathematical fact which can be verified on chain and through official Grid+ sources[1], the Challenge asserts that less than 10% of GRID are "freely circulating." In order to do so, the Challenge advances a bizarre and conjectural interpretation of what "freely circulating" is intended to mean as used in the Listing Criteria. To wit, the Challenge re-defines "freely circulating" to mean something like 'frequently being transferred,' and cites lack of GRID transfers by top holders as evidence that GRID are not "freely circulating." However, this cannot possibly be the intended meaning of "freely circulating" within the Listing Criteria— otherwise each listing on Ethfinex would be accompanied by detailed forensics about how often and which tokens move, along with debates about how much movement is sufficient to qualify as "freely circulating." There is no evidence that Ethfinex conducts such an analysis or that this is how "freely circulating" is meant in the Listing Criteria. On the contrary, the Kleros Court's own guidance on how jurors should interpret "freely circulating" entails that a token is non-freely-circulating when it is "*owned by entities who **cannot** currently sell them*" and, by contrast *is* freely circulating when it was made "available to the general public" and can be sold at any time. Such is the case with GRID—13% of GRID were publicly purchased in the Grid+ token sale and are freely transferable at any time.

Even if the Challenge's interpretation of the Listing Criteria were correct, the Challenge is factually inaccurate. The Challenge claims that "the top 25 holders own more than 90% of total supply and their tokens haven't been moved once" yet a glance at Etherscan quickly demonstrates that this is untrue. For example, top holder #8 (0x25cede402a77a1be0883f3b484b1ee57a43c9311) just received their GRID in a single transaction on March 31, 2019. Top holder #21 (0xbc2177242031943479a747e04c36b3f52abd367e) purchased 2.5M GRID in the crowd sale and moved some out to other addresses via eight additional transactions.

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[1] Grid+ has been more transparent than the majority of projects in the space; their blog has multiple entries detailing the outcome of the crowd sale and the addresses of their holdings. This blog post details the top two accounts and describes their nature: the unsold GRID tokens from the crowd sale and their treasury.

Top holders #24 and #25 ([0xaa0cb7f4872a13e8a112cb588836b055fe1d1d28](#) and [0x035483926d143b394eb9fc8b974b44ebf338dfc7](#) respectively) acquired most of their large positions after the crowd sale.

Finally, the policy and risk assessment concerns underlying the "freely circulating" criterion are not adversely implicated with respect to any GRID that are not currently freely circulating. Because GRID are coupons that Grid+ is contractually obligated to honor upon redemption, cryptoeconomic incentives with the GRID token are atypical and make it exceedingly unlikely that the team will ever release unsold tokens rather than keeping them locked up or burning them. Many projects create revenue-neutral DApps with the plan to fund operations through selling treasury tokens, but with Grid+ each token released represents a financial liability to them and any other firms that employee their open source stack. Every sale of GRID tokens by Grid+ represents a hit to Grid+'s profits and an ongoing contractual liability, and thus there is little incentive to sell or otherwise distribute them in large quantities. This contrasts starkly with typical "no strings attached" utility tokens, which can be sold out of projects' treasuries on a purely non-dilutive basis. Thus, not only are more than 10% of GRID 'freely circulating', but also, any GRID that are not freely circulating pose far less of a risk to GRID holders than the typical "treasury tokens" held by other token issuers.

Challenge re: Criterion 4.1:

"The token has passed a third-party review or security audit that deems it as safe, or be using a well-known audited framework (such as OpenZeppelin) without changes."

The GRID token contract was deployed by the token Sale contract, which originated from the AdChain token Sale contract. After the AdChain token sale, the ConsenSys Dilligence team forked the AdChain contract and began using it as their own pre-reviewed Sale contract (that is, the Sale was verified before GridPlus forked it). The purpose of this setup was to ensure the base functionality was reviewed by the Dilligence team to significantly reduce the "review surface" of any additional features GridPlus wished to add. After the GridPlus sale, the Dilligence team intended to offer this token sale contract as a ready-to-go token sale mechanism.

There was one very small change from the ConsenSys Dilligence token sale contract, which is described in [this commit](#).

This change allows the owner of the contract to withdraw the unsold tokens after the sale has ended. The change was reviewed by the ConsenSys Dilligence team (specifically Gonçalo Sá, who also provided the original repository from which GridPlus forked this small change).

Indeed, the remaining tokens were withdrawn after the sale in this transaction, which is why the Sale contract now has a zero GRID balance.

This transaction is the last successful call to the Sale contract and represents the lifetime utility of this additional feature.

Because the additional feature is designed to only be used once, it represents no additional complexity or risk at this time or in the future. Furthermore, it is not linked to the token itself, only the balance of the original GRID holder: the Sale contract.

Additionally, the Challenge suggests to jurors that audit reports must be publicly posted for perusal prior to the Challenge's date, but this is not part of the Ethfinex listing criteria cited in full at the beginning of this section. "GridPlus [must] present the jurors with a third-party review or security audit (publicly available before the challenge) of the GRID contract" is a misleading claim wrapped in the truth of the contract audit requirement.

Challenge re: Criterion 4.2:

"The token source code must be available open-source."

Because the token was created by the Sale contract, the token source code is found at the Sale contract address. It was (and still is) common practice to deploy token contracts inside of other contracts that create tokens. The source code for all relevant contracts is indeed verified on Etherscan and can be found here.

If you scroll through the source, you will find three contracts:

1. Token - the standard ERC20 API
2. StandardToken - the interface wrapper around the ERC20 API
3. HumanStandardToken - an extension for StandardToken which adds the "ApproveAndCall" function

These are standard token contracts that were audited and used by ConsenSys Diligence at the time of launch.

The deployment of the token from within the Sale contract is found on line 331 of the source code:

```
313    /// @param _price price of the token in Wei
314    /// @param _startBlock the block at which this contract will begin selling its token balance
315    function Sale(
316        address _owner,
317        address _wallet,
318        uint256 _tokenSupply,
319        string _tokenName,
320        uint8 _tokenDecimals,
321        string _tokenSymbol,
322        uint _price,
323        uint _startBlock,
324        uint _freezeBlock,
325        uint _totalPreBuyers,
326        uint _totalTimelockedBeneficiaries,
327        uint _endBlock
328    ) {
329        owner = _owner;
330        wallet = _wallet;
331        token = new HumanStandardToken(_tokenSupply, _tokenName, _tokenDecimals, _tokenSymbol);
332        price = _price;
333        startBlock = _startBlock;
334        freezeBlock = _freezeBlock;
335        totalPreBuyers = _totalPreBuyers;
336        totalTimelockedBeneficiaries = _totalTimelockedBeneficiaries;
```
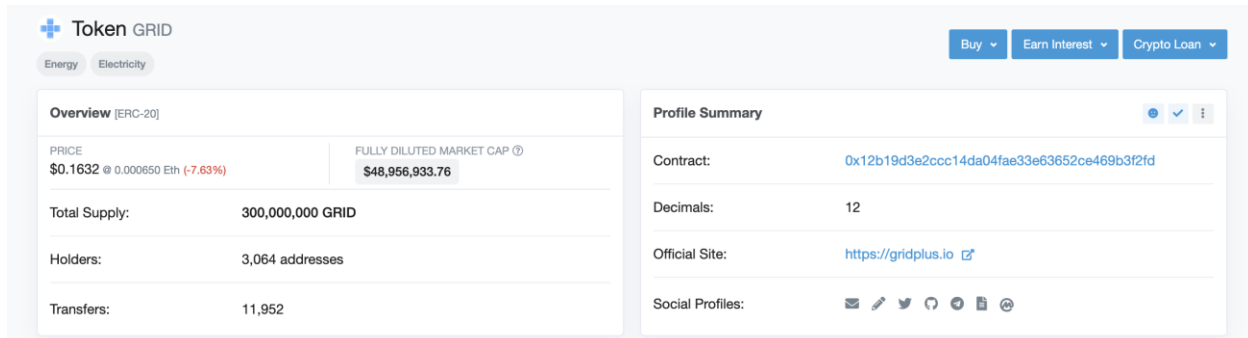
Because the token deployment is happening in the Sale contract's init function, the token was deployed in the same transaction as the Sale contract:

Overview	Internal Transactions Event Logs (1) State Changes New Comments
Transaction Hash:	0xa9e6f00033857b7f15407c7b7bdb7a42f3dbef14eda9428001b8140891b927ce
Status:	✓ Success
Block:	4410815 3420388 Block Confirmations
Timestamp:	⏱ 579 days 22 hrs ago (Oct-22-2017 10:39:34 PM +UTC)
From:	0x73847780fe9605ae8efcad98275175c19b1f3780
To:	[Contract 0x94dc1cf66c8fd62ef3bd7da53f47423862839823 Created] ✓
Tokens Transferred:	▸ From 0x94dc1cf66c8fd62... To 0x94dc1cf66c8fd62... For 300,000,000 ($48,956,933.76) ✦ GRID
Value:	0 Ether ($0.00)
Transaction Fee:	0.012781765 Ether ($3.21)

As we know, the token contract cannot be altered once it is deployed. Once the token was deployed, the sale contract became the sole owner of all GRID, of

which it currently has none. Therefore, it no longer has any control over any GRID tokens and exists merely as an artifact.

Because this takes parameters that were passed to the Sale contract when it was deployed, the token contract is fully described by the verified contract that deployed it. We can see all of these parameters inside the token contract itself using a standard token ABI. They are also marked up nicely on Etherscan:

Therefore, the verification of the token contract itself already exists: its source is verified inside of the Sale contract and its parameters are all described on its Etherscan page (or queryable using the ERC20 ABI).

Challenge re: Criterion 3.2:

"There is a demand for the token driven by an existing or future utility. This utility is obtained from obtaining, holding, participating, or spending the token. The team has identified a reason for the token to exist which is not just fundraising."

The Challenge's claims on this criterion are a pure strawman attack in that it does not even examine how the token is used as described in the white paper or the Grid+ blog and instead attacks an imagined version of the token. The Challenge states "the GRID token is also used for buying a set amount of kWh" and argues "any other cryptocurrency could be used for the payment of electricity instead of GRID". A basic review of the web site would show that, in fact, multiple cryptocurrencies are accepted for payment by current customers: ETH, DAI, and BTC. The value proposition is that GRID is used to remove the markup on 500kWh of energy from any company implementing the open source stack, e.g. Rynergy in Singapore or GridPlus Energy in Texas. Additionally, right now Grid+ accepts

GRID for a discount on the Lattice1 hardware in North America, the E.U., and Singapore with additional jurisdictions coming as further compliance testing is done by regional authorities.

The token clearly meets Ethfinex's criteria: GRID has value from holding or spending the token. GRID is essentially a coupon represented in token form which can be spent to obtain the right to discounted pricing on goods or services offered by Grid+ or other firms that implement their stack.

Conclusion:

The Challenge has failed to present any credible evidence to support its assertions. It contains both misrepresentations of the Ethfinex Listing Criteria and numerous factual inaccuracies. The Challenge's misrepresentation of Listing Criteria (e.g., seeking to create a new definition of "circulating supply" which conflicts with the official guidance) appear to be an attempt to subvert Court proceedings in pursuit of financial gain through knowingly blocking a compliant listing.

The Challenge is without merit and the decision for jurors is clear: GRID is compliant with every aspect of Ethfinex listing criteria and should be awarded an Ethfinex badge.