

TL;DR

A grant that provides liquidity via Uniswap liquidity pools, to generate yield that continuously funds free sophisticated analytics resources, as well as the education and onboarding of new analysts into the Uniswap ecosystem.

Summary:

A recommendation to grant \$25M to enable a self-funding Community-Enabled Analytics program that:

1. Produces analytics that educate the community and drive growth
2. Allocates UNI to participants through bounties
3. Uses Uniswap's own yield mechanisms to sustainably self-fund the program

Flipside will implement a management strategy for the grant that follows 3 basic tenets, intended to enable our goal of buying UNI from those who want to sell it, and putting it into the hands of engaged users, builders, and analysts:

1. Minimize risk of the grant decreasing in value
2. Minimize short-medium term negative price impacts to UNI, while setting up for long term net positive impact
3. Maximize yield under the first two tenets, specifically using Uniswap V3 to generate it

Flipside will leverage all gold-standard technical solutions to achieve each of these 3, including multisig wallets and automated position management wherever possible.

Further details on the CEA program and framework for larger grant constructs can be found in our [ORIGINAL TEMPERATURE CHECK](#) which we are thrilled passed snapshot with overwhelming approval [99.96% support] on June 25, 2021.

Oversight [Update From Temperature Check]

This grant will be utilized to generate yield to power Community-Enabled Analytics. It is critical to us and the community that the assets are managed effectively and are delivering value to the ecosystem. In the event the assets are not delivering value, they should be repurposed for other initiatives to enable ecosystem stability and growth.

Thus, as a build on the previous proposal, we recommend the following:

- For full transparency, fund performance and transaction activities will be broadcast live via a custom dashboard for the Uniswap community.
- An Allocation Committee, whose purpose is to oversee fund execution strategy utilizing a multi-sig process to ensure both effective management and protection/safety of funds - we are exploring Tally's [Failsafe](#) to facilitate this process. The Allocation Committee will be composed of 7 members; 3 from Flipside, 4 Community members [key is to have a community majority, with enough Flipside individuals to execute essential program efforts]
- An Oversight Committee, whose purpose is to ensure that the grant proceeds are applied in a manner consistent with its design. Serves as "guardrails" for the Allocation Committee. The Oversight Committee will be composed of 3 members; 1 from Flipside, 1 representing Uniswap, and 1 independent (community) who may be recommended by either party and agreed to together.
- 3-year term with end of cycle performance review. If utilization of funds are not achieving stated intents and goals of the Proposal, the Allocation Committee may vote [each member gets 1 vote] to resubmit the grant to the governance grant process, with an intent of redirecting funds toward other uses.

Topics of Discussion

Following are answers to topics raised during the Temperature Check:

Q: [Private Feedback] Liquidity providers to the UNI-ETH pool may be negatively impacted, and the UNI token could face constant sell pressure due to rebalancing needs:

As a refresher, here is the proposed strategy that uses only Uniswap-V3 liquidity as the means of yield generation:

- 100% of the grant will be deposited into the WETH-UNI .3% pool, which will be actively managed to an 80%-20% UNI:ETH ratio.
- In simulations, if an 80:20 ratio is maintained each time we rebalance our position, the impact to UNI would be net 0 within 1 year. These simulations estimate a yield of 30% from this position.

- Yield management and bounty distributions will be reported via a regularly updating dashboard - and Flipside will disclose to the wallet address used to manage the liquidity for WETH-UNI.

Related to the feedback, indeed, these are keen observations, and we've debated them vigorously as well. As of this writing, Liquidity Providers in the UNI-ETH pool would certainly experience some dilution with \$25m of funds allocated. While acknowledging this concern, the CEA program will provide tremendous benefits to the Uniswap community and its members.

For example, the creation of additional tools and deep analytics will foster community growth, incentivize protocol usage, and increase both trading volumes and fees to ALL liquidity providers. The ecosystem benefits on the whole would far outweigh the near-term dilutive impacts to UNI-ETH LPs. And, the need to perpetually convert most ETH denominated fees into UNI should create a systematic buy pressure that helps to offset rebalancing activity.

With respect to the potential for unabated UNI price pressure, much debate can and should be had over the specifics of our intended LP strategy. However, it is our belief that this approach is a straightforward one that uses V3's own unique properties to generate capital, while mitigating, and eventually eliminating, the position's negative impact on UNI. Alternative strategies to be used with this grant, such as leveraging the position via Compound or Maker, come with liquidation risks and capital inefficiency (due to collateralization requirements) that we believe could dilute the prospective net benefit of the program.

Specifically, choices about which investment strategies will be most effective for the ecosystem will be ensured by the Allocation and Oversight Committees.

Q: Is Flipside's fee structure too high for an actively managed investment strategy?

Valid question, and one we've been asked in both public and private conversations.

We first want to stress that the core purpose of this program is not

about earning a return on investment. Rather, we propose market-making on Uniswap V3 to generate yield that will be used to continuously fund free analytics resources, as well as the education and onboarding of new analysts into the Uniswap ecosystem.

The yield is split 50% to fund the bounties, and 50% for Flipside to operate and manage all of the services, including data pipelines, transformation for analytics-ready data, sourcing of questions, bounty payouts, custody, yield investment process, fully-staffed support analytics and community teams. Flipside has spent the past four years developing proprietary software and intellectual property for blockchain analytics and, like most other businesses, our compensation is tied to both the technology and community services that we will be providing to the Uniswap ecosystem.

This is structured as a win-win-win.

The protocol utilizes treasury assets to fund the program (win); the yield delivers Uniswap bounties into the hands of ecosystem participants (win); and Flipside is compensated to provide infrastructure to make it possible (win).

Uniswap bounties drive positive user behaviors, increase customer acquisition and retention, and distribute UNI directly to engaged users. This is what Flipside refers to as Native Token Recycling, where yield delivers a return to the broader Uniswap ecosystem, rather than being spent immediately or remaining out of circulation.

The simplicity of the 1:1 bounty:fee ratio ensures that for every UNI Flipside earns, there is an additional UNI distributed to the community.

Q: It's unclear if Flipside has the expertise or is capable of managing these funds:

Flipside was originally formed in 2017 as a registered investment fund, utilizing data science and sophisticated algorithms to inform digital asset allocation strategies. While we transitioned the business into a blockchain analytics company in 2019, we continue to manage a significant balance sheet of digital assets consisting of both active and passive investment strategies.

Our investments span multiple DeFi protocols (11) and blockchains (4), and are supported by institutional-grade custody and security practices (cold storage, multi-sig, etc). As a venture-backed startup, we have best-in-class legal, tax and accounting support, as well as a Treasury Committee to help inform our decision-making processes and strategies. Our leadership has built and exited a number of startups and has delivered shareholder value across multiple organizations.

We are more than adequately positioned to manage the contemplated funds, and have proposed an Allocation and Oversight Governance Construct to provide the additional oversight appropriate for a grant of this magnitude.

Consensus check proposal summary:

- A \$25M grant will utilize Uniswap v3's own yield mechanisms to fund bounties that will deliver perpetual onboarding, education and analytics for the Uniswap ecosystem

- The Grant will ultimately deliver no negative net UNI; maintaining assets in the ecosystem while delivering critical services
- Build: The yield investment strategy will aim to be automated, and guided by a 7-member Allocation Committee; and a 3-member Oversight Committee will provide a check-and-balance to ensure the Grant is being used effectively, who will have the capability to resubmit it to Governance for other services

The previous [temperature check process](#) passed with sufficient support of UNI voters. The following consensus check poll is the second phase of Uniswap's governance process:

[The snapshot poll](#)

will be live for 5 days, from 23:15 UTC on 04 JUL to 23:15 UTC on 09 JUL. If the poll passes with a minimum of 50,000 UNI in support, this initiative will move forward as a formal governance proposal.