

## GridPlus' violation of Ethfinex policy point 4.1

### Proof of ConsenSys not being a "third-party" for GridPlus

Requester is trying to convince the jurors that ConsenSys should be deemed a third-party for GridPlus, proof in this document will however show the opposite. ConsenSys and GridPlus are definitely related in numerous of ways, which is logical as GridPlus actually once was a blockchain energy project at ConsenSys. Later the project was split off from ConsenSys and GridPlus became a startup, operated by ConsenSys. GridPlus, being a ConsenSys spin-off, retained the assets, employees, and intellectual property from its parent company ConsenSys<sup>1</sup>. So although GridPlus being legally called a corporation, does not mean that ConsenSys is suddenly not connected to GridPlus anymore. It still remains its parent company, and thus it's certainly **not a "third-party"**. Therefore, **GridPlus does not comply** with the criteria of point 4.1 of the Ethfinex policy:

- 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.*<sup>2</sup>

### GRID token purchase agreement<sup>3</sup>

The following is quoted from the GRID token purchase agreement:

*"This Token Purchase Agreement (this "Agreement") is being entered into between you (the "Purchaser") of GRID (as defined below) in the Public GRID Sale (as defined below) and GridPlus Inc., a Delaware corporation (the "Seller")."*

*"The Seller is a recently incorporated Affiliate of Consensus AG, a company limited by shares organized under the laws of Switzerland."*

The token purchase agreement explicitly states that GridPlus Inc. is an incorporated Affiliate of ConsenSys AG. According to the definition of *affiliate*, ConsenSys is clearly not to be deemed as a third-party for GridPlus. ConsenSys is closely related with GridPlus, in which they are also financially invested in GridPlus. ConsenSys is a parent company of GridPlus and they are holding a stake in GridPlus's stock.

*"The term **affiliate** is used to describe the relationship between two entities wherein one owns less than a majority stake in the other's stock."*<sup>4</sup>

---

<sup>1</sup> <https://www.investopedia.com/terms/s/spinoff.asp>

<sup>2</sup> [Link to Ethfinex policy](#)

<sup>3</sup> [https://gridplus.io/assets/public\\_sale\\_purchase\\_agreement.pdf](https://gridplus.io/assets/public_sale_purchase_agreement.pdf)

<sup>4</sup> <https://www.investopedia.com/terms/a/affiliate.asp>

## List of sources describing the connection between ConsenSys and GridPlus

Both internal and external sources describe GridPlus as being part of ConsenSys, being operated by ConsenSys, being created by ConsenSys, etc:

*"The concept of the Lattice1 was developed in early 2017 by the ConsenSys-incubated GridPlus team.<sup>5</sup>"*

*"After developing and incubating cutting edge methods for energy trading using Ethereum blockchain technology with our partners, we branched out from the larger ConsenSys team to bring efficiency and savings to the retail energy industry.<sup>6</sup>"*

*"Through this experience, ConsenSys identified the opportunity to form Grid+<sup>7</sup>"*

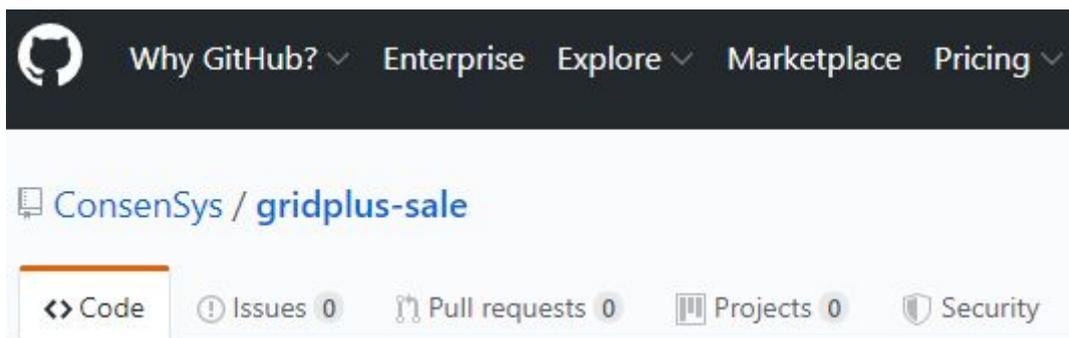
*"Blockchain software company ConsenSys has announced the introduction of a new electricity distribution layer called Grid+.<sup>8</sup>"*

*"Grid+, a blockchain startup operated by ConsenSys,<sup>9</sup>"*

*"The startup, owned by New York blockchain development house ConsenSys,<sup>10</sup>"*

## ConsenSys GitHub<sup>11</sup>

The GridPlus sale contract is even located in ConsenSys' own GitHub. ConsenSys is the author of the GridPlus token contract, while also being the auditor. ConsenSys basically did a security audit on its own code. Thus, we can conclude that the **security audit of the GridPlus token code** is most certainly **not done by a third-party**.



<sup>5</sup> <https://content.consensys.net/wp-content/uploads/GridPlus>

<sup>6</sup> <https://gridplus.io/about>

<sup>7</sup> <https://bitcointalk.org/index.php?topic=2015773.0>

<sup>8</sup> <https://www.ethnews.com/consensys-introduces-grid-based-solution-for-energy-inefficiency>

<sup>9</sup> <https://www.ccn.com/consensys-has-begun-supplying-electricity-using-ethereum-to-texas>

<sup>10</sup> <https://www.greentechmedia.com/articles/read/grid-raises-40-million-as-blockchain-fever-grows>

<sup>11</sup> <https://github.com/ConsenSys/gridplus-sale>

### Employees of both ConsenSys and GridPlus

- Mark D'Agostino Co-founded ConsenSys and was a managing partner; he is also the CEO of GridPlus<sup>12</sup>.
- Karl Kreder Co-founded GridPlus; he was also Director of Energy at ConsenSys<sup>13</sup>.
- Alex Miller Co-founded GridPlus and is its CTO; he was also a software engineer at ConsenSys<sup>14</sup>.

### Conclusion

We would like to remind the requester and the jurors that Kleros is not responsible for the Ethfinex policy and the rules it contains. Ethfinex provided us with a policy and certain rules that we have to rule on. We are not deciding whether a project that applies for the Ethfinex badge is a legit and proper project. Instead, it is our (the "Challenger") and the juror's task to follow specific rules, in particular those rules as set out by Ethfinex.

When it comes to the mail from Gonzales they keep on referencing to, we have already established this to be a non-verifiable evidence that's submitted after the dispute and therefore should not be regarded in this dispute.

Furthermore, point 4.1 of the Ethfinex policy clearly states that the **security audit has to be done by a third-party**, which is obviously not the case for the GRID token. The security audit of the GridPlus token has been done by its parent company. ConsenSys has a stake in GridPlus in numerous ways, and is therefore without any reason of doubt **not a third-party**. Based on these facts, **GridPlus should be rejected** from obtaining the "Compliant with Ethfinex Listing" badge.

---

<sup>12</sup> <https://www.linkedin.com/in/markdagostinocpa/>

<sup>13</sup> <https://www.linkedin.com/in/kkreder/>

<sup>14</sup> <https://www.linkedin.com/in/alexmillier89/>