UNVEST

The universal token vesting protocol

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ABSTRACT

Unvest is a non-custodial vesting platform and token distribution protocol implemented for the Ethereum Virtual Machine. The Unvest smart contracts work in tandem with a hosted front-end and decentralized order books to facilitate the trustless trade of tokens locked in early investor vesting schedules.

Unvest provides free-to-use tools for web3 teams running token offerings, while curating a public-facing dashboard and capturing value from pre-unlock trading activity.

Introduction

Much of the significant gains in bull markets are made in presales.

Investors access low-price tokens in exchange for accepting lockups and vesting schedules lasting 6-24 months. Investors frequently see huge "on-paper" gains but cannot trade their tokens and take profit. Presuming the continuation of a 4 year bear/bull market cycle surrounding Bitcoin's halving events, many tokens sold in a bull market may not vest until the next bear market, wiping out the bulk of paper gains.

For buyers of new project tokens, circulating supply is low and bull market retail prices can be prohibitively high. Buyers interested in taking large positions are forced to bid up the market price with high slippage or negotiate risky, laborious & complicated OTC deals with high fees. Buyers seeking smaller positions can be deterred by the high sticker price compared to a token's presale price.

Founders want to protect their token price and narrative. This is why vesting exists, to deter supply shock on main exchange pairs and liquidity pools. Founders do not universally object to OTC deals in principle, because DEX trading pairs (and price) are not affected. Founders do not have an inherent problem with tokens changing hands before they vest. Therefore, **in the interest of market efficiency, vesting tokens should be tradeable**. In the interest of security, that trading should (if and when possible) happen completely on-chain and trustlessly.

The most efficient way to achieve this is prior to the IDO stage, in coordination with founders.

For founders, determining vesting terms is a complicated undertaking involving back-and-forth consultation with early backers, VCs, retail and influencers.

Even when founders arrive at a vesting schedule that placates all parties, they're still faced with additional work building out their vesting contract. Any bespoke, innovative or advanced vesting features generally mean a minimum $30,000 USD in development/Audit costs and increased risk and delay.

By providing founders with a free-to-use, fully audited, white-labeled vesting tool and claim portal with many useful advanced features, the code required to support **Tradability of Locked Tokens** can be baked-in. Founders get what they want, and the marketplace is better served as a result.

All tokens launched using Unvest's free tools will support on-chain trading of locked positions in a manner that does not impact market price or require DEX liquidity.

Unvest builds and maintains a range of products and services to make this vision a reality.

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UNVEST PROTOCOL PRODUCT SUITE

Indicative only and subject to change

UNV Token

The utility and governance token of the Unvest protocol

Liquid Vesting™ Tokens

Installment based proxy tokens that represent time-locked token positions

Liquid Locks

Lock DEX liquidity, issue proxy tokens that represent the underlying LP tokens

Vesting NFTs

Tradable NFTs that store a balance of locked tokens, supports linear vesting

AirDropper

A free and gas-efficient utility for airdropping unlocked tokens

OTC Marketplace

An interface for trading any ERC-20 peer-to-peer, including LVTs

Product details are described in the following pages.

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Liquid Vesting Tokens

The contract used to enable **Liquid Vesting** for the UNV token will form the basis of a general-purpose smart contract that allows any project to incorporate customizable **Liquid Vesting** into their IDO.

In order to establish Unvest as the leading provider of Liquid Vesting services, the Liquid Vesting service will be free for projects to use (excluding gas fees).

The Liquid Vesting contracts handle the distribution of a project's early investor tokens. To accommodate the widest variety of vesting models, several parameters are configurable. Unvest provides a very simple and friendly user interface to manage the deployment of **Liquid Vesting** tokens. Unvest also provides a simple claim UI.

To facilitate trading of **Liquid Vesting** project tokens, at least two types of markets are supported:
- Uniswap pools (if liquidity is added)
- Peer to peer trading via the OTC Marketplace.

It is up to each project team to decide how to best facilitate trading/liquidity.

Because **Liquid Vesting** tokens exist on-chain and are freely tradeable, anyone can create a DEX or CEX market for any Liquid Vesting token. Unvest provides a dashboard that allows users to browse tokens that have passed through the Liquid Vesting contract, their range of Liquid Vesting Tokens, and the contract addresses and balances of those tokens.

A known limitation of Liquid Vesting using fungible tokens is that it does not handle linear (block-by-block) or high-frequency (daily, hourly) vesting schedules well. One reason is the high gas fees involved in claiming many separate token instances upon maturity. Another is the impracticality of trading against many hundreds of token sub-pairs for each installment.

For linear or high-frequency vesting schedules, Unvest provides a tool for creating **Vesting NFTs**.

The Unvest protocol revenue model is to add a small (2.5%) fee to token swaps and transfers of Liquid Vesting tokens. The fees are only collected while vesting tokens are being traded on-chain. A user that holds their tokens until they're fully vested pays no fees.

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NFT Vesting

For certain vesting models and allocation types, an NFT acting as a wrapper or proxy for unvested Token allocation ownership, works better than a set of fungible ERC-20s.

Let's imagine a typical linear-vesting presale...

Early investors in "XAMPL" token are subject to an 8 month linear-vesting schedule with a four month cliff, tokens vest-by-block and can be claimed with a network transaction whenever the owner chooses.

Before Unvest, vesting and ownership would be tied to an ETH (or other network) address. Transferring these rights on-chain was impossible.

Now, by issuing a set of **Liquid Vesting NFTs**, the ownership rights for each fixed-size basket of unvested tokens can be tied to the ownership of a corresponding NFT.

Linear vesting can continue and be claimed upon multiple times by multiple owners throughout the entire lifespan of the NFT, based on whoever owns the NFT at a given time.

For each participant in their early investment rounds, the project owner generates an NFT. NFTs can be generated by the Unvest contract, or the project can supply their own existing NFTs. Each NFT will represent a fixed amount of unvested tokens. They can vary in size depending on the allocation size of each presale participant. Tokens associated with each NFT are held trustlessly on chain by each **Vesting NFT contract**, which then distributes them to investors when claimed.

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The team uses Unvest's tool to send each participant their NFT, which is then immediately transferable and can be sold on any marketplace that supports the ERC-721 standard. The NFTs can also be viewed and verified on Unvest's own dashboard.

When an NFT is sold or sent to another address, the vested tokens that have already been claimed remain with the original address. The new owner is entitled to claim all tokens that vest for the duration of their ownership of the NFT, until maturity. Less a protocol fee levied on the unclaimed balance.

Project owners can also tie their own original artwork and custom utility features to their NFTs, meaning they may carry additional value, even after all associated tokens have vested and been claimed.

Anyone can airdrop and vest any token to an existing NFT collection, including high profile avatar collections like Bored Ape Yacht Club and CryptoPunks.

Note: As well as linear vesting, Unvest Liquid Vesting NFTs will also support installment-based vesting and other vesting types.

Revenue collection - the protocol only collects fees on NFTs that are on-sold by their original owner, not NFTs that are held to maturity without changing hands. Once an NFT changes hands, a small fee (2.5%) is levied on the unclaimed/unvested balance. The fees collected in the example above would be XAMPL tokens, not the network token (of the chain where the contract is running, eg. ETH). The collected tokens can be used to buy and burn UNV. Long term, fee use will be determined by the Unvest DAO.

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OTC Marketplace

The Unvest OTC marketplace is a trustless on-chain trading interface where anyone can buy and sell locked assets in the form of LVTs.

Instead of using liquidity pools, the marketplace relies on an order book or database of peer-to-peer trade offers - in a similar manner to protocols such as Airswap and 0x.

The Marketplace supports any ERC-20 token on each network it is deployed on - meaning OTC block trading of tokens other than LVTs will also be possible.

Use of the Vesting contracts and OTC Marketplace are open and unvetted - in much the same way that anyone can create an ERC-20 and add a liquidity pair on Uniswap. Unvest adopts a similar approach to discoverability and warnings around duplicate/scam tokens.

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Using LVTs for post-launch funding rounds

Currently, it is atypical for a live project with a circulating supply to pursue a token sale. **Rally (RLY)** proved that post-launch sales are viable with their Coinlist offering in April 2021.

Despite RLY trading on exchanges since October 2020. Rally and Coinlist were able to sell $22M RLY to over 40,000 new holders at a 30% markdown (to compensate for the RLY tokens being locked up for a 12-month linear release).

LVTs enable this functionality in a trustless decentralized manner. Vested tokens can be sold and deployed by established projects as either NFTs or Liquid Vesting Tokens.

As with tokens distributed in IDOs, these Unvest instruments are tradable until maturity on Unvest's OTC marketplace and existing NFT marketplaces.

Teams simply send their tokens to the Unvest **Liquid Vesting or NFT Vesting** tool and specify their desired parameters in the UI.

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Unvest DAO

A Decentralized Autonomous Organization is governed by a governance token. UNV will serve as the governance token for the Unvest DAO. All token owners will be able to submit and vote on proposals using online governance tools.

Over a period of many years, ownership, voting rights and keys will be moved to the DAO, so that the DAO can set the control parameters for the Unvest smart contracts.

As the market for DAO management protocols matures, the community will transition to full DAO control to execute protocol upgrades, feature updates, hiring, marketing and other needs that serve the community.

We do not currently believe that any DAO management protocol or software has reached product market fit. We also do not believe that we should build our own DAO management protocol.

DISCLAIMER

This paper is for general information purposes only. It does not constitute investment advice or a recommendation or solicitation to buy or sell any investment and should not be used in the evaluation of the merits of making any investment decision. It should not be relied upon for accounting, legal or tax advice or investment recommendations. This paper reflects current opinions of the authors and is not made on behalf of Unvest DAO, Unvest Corporation, or their affiliates and does not necessarily reflect the opinions of Unvest Holdings, Unvest Limited, their affiliates or individuals associated with them. The opinions reflected herein are subject to change without being updated.

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