Dik Dik: The Evolution of the Fair Memecoin

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Abstract. The Solana memecoin craze has highlighted both the benefits and the significant downsides to the fair launch pre-sale token distribution methodology. We propose a new model that utilizes the Base L2 chain, a radically transparent system of tokenomics, and incentives that encourage pre-sale buyers to participate in the continued growth of the token's ecosystem.

1. Introduction

Memecoins in crypto have been both controversial and foundational to the growth of blockchain technology. Dogecoin, the original meme token, has a market cap of $26 billion and is in one of the top ten biggest cryptocurrencies by valuation. Dogecoin has no utility, has no intrinsic value, and is a device of pure speculation. Yet, Dogecoin is the reason millions of new users entered into the crypto space, many of whom ended up staying. The meteoric rise of Dogecoin prompted the development of the memecoin sector, each token with their own unique twist, looking to carve out space in different meme niches. As of March 25, 2024, the collective market cap of the top ten memecoins is $56,556,724,723. This figure is greater than the annual GDP of countries such as Luxembourg, Croatia, and Iceland. Our belief is that memecoins are an embodiment of the crypto ecosystem's fun and slightly degenerate nature, and that they are here to stay.

2. Problems

Memecoins are not without issue. Many opportunistic groups with malintent have capitalized on the memecoin trend and created tokens that are designed to steal unsuspecting users' money. Those in crypto for any extended period of time have become deeply familiar with the term "rug pull" where bad actors create a new token, add initial liquidity, and then remove said liquidity after a significant number of buyers purchase the token. This effectively plummets the token value to zero, while the creator is able to make off with the more stable currency that the token is denominated in (typically ETH or SOL). This is the most basic example of a rug pull. Advanced bad actors design smart contracts that give them a back door into the project, an ability to withdraw everyone's, not just their own, liquidity at any time. Other projects have created complex token schemes to limit selling, such as token transfer taxes, where every buy and sell of the token moves a small amount to the creator's wallet (or a different wallet that the creator has specified). Notably, Shiba Inu, the second biggest memecoin by market cap, set up a buy and sell tax that sent the levied coins to the creator of Ethereum Vitalik Buterin's wallet. Token creators marketed this as a burn mechanism, claiming their token was "deflationary". All went wrong for Shiba Inu holders when Vitalik dumped the almost $2 billion worth of tokens on the market and donated the proceeds to charity.

3. Pre-Sales

As the most recent upsurge in Bitcoin persists, the memecoin frenzy has returned—this time on Solana. A new mechanism has been implemented by these memecoins: pre-sales. This is where token creators have participants send funds to the creators' wallet before

the token is released. When the time of launch arrives, the creator sends the pre-sale participants new tokens equivalent to the amount of funds the pre-salers contributed. The creator of the token takes the funds sent by the contributors, as well as, some portion of the token supply and adds it to a liquidity pool, effectively creating a market for the token. The pre-sale was designed to be a solution to the classic memecoin pump and dump. It aims to benefit holders for being early participants in the project, while also creating a large initial market for the token. Another supposed benefit of token pre-sales is that, in most cases, the token creator promises to either burn or lock the Liquidity Pool (LP) tokens they receive when they provide their assets to the liquidity pool. The LP tokens are in essence keys to the vault of tokens, and burning them effectively removes, or at least significantly reduces, the chance of a rug pull.

4. Weaknesses of Pre-Sales

Pre-sales come with their own host of problems. Firstly, many bad actors promise a token, but then end up vanishing with the funds. Since there is no binding contract, this is always an option for pre-sale creators. The second issue comes after pre-sales make it to the initial token launch. Certain creators such as Dekadente and Slerf raised so much capital from such a large magnitude of different wallets, that they faced issues with the Solana blockchain when attempting to distribute the newly minted tokens. Solana latency increased under the weight of the transactions and the launches were inevitably delayed, leading to angry and disappointed investors. More concurrent factors come into play when the relative lack of technical understanding that pre-sale founders have is taken into account. While attempting to destroy the LP tokens, Slerf also sent the tokens meant for

pre-sale investors to a burn address. Around $10 million worth of $SLERF tokens, money initially sent by pre-sale investors, was permanently burned. Additionally, some creators end up falling back on initial promises. Certain founders put only a percentage of what was initially promised into the LP, saving the rest for “marketing” and “team expenses”—essentially soft rugging their token holders. The last problem we perceived in the Solana pre-sale fervor was the delay before pre-salers received their tokens. Often, liquidity would be added to the LP minutes to hours before the pre-sale tokens were sent to contributors, a practice which is not fair to the initial buyers. This leaves pre-salers in a state of panic, with the market making large moves while they wait for the promised tokens to hit their wallets.

5. Solution

We propose a new pre-sale strategy focused on radical transparency and technical efficiency. One of the first issues of pre-sales—scalability—can be solved by creating tokens on a chain that has a better ability to operate under stress. This is why we’ve selected Base: An Ethereum Layer 2 scaling solution built by Coinbase. With Base we will not face Solana latency issues and outages—problems that have plagued both memecoin degens and regular users alike. Base’s scalability comes with the downside of higher fees, an issue that can be combated with an efficient token distribution method. With our pre-sale we plan to initiate a mass wallet distribution airdrop only if we have a small to medium amount of pre-salers contributing. Otherwise, we will create a smart contract that allows users to claim their token directly from our website. Additionally, our claim or airdrop will be enacted thirty minutes to an hour before tokens are added to the

Liquidity Pool. This will allow pre-salers time to safely acquire their tokens before the stress of the official launch, giving them more safety and optionality when the LP does go live. Concerns regarding pre-sale users creating their own LP's and effectively rugging uneducated buyers are mitigated with the fact that our own LP contract address will be posted from all our Official Channels. We will warn users to wait for our LP creation before buying any Dik Dik tokens from the open market. This is just the first step in creating a Fair Memecoin. The second is a tokenomics system that has been designed with both the future of the ecosystem and the safety of users in mind.

6. Tokenomics

One of the primary advantages of the Dik Dik platform is the extensive and transparent tokenomics methodology. Care has been taken to balance the needs of all parties involved in the first truly Fair Memecoin. Precedent has been given to the token buyers, particularly the pre-sale contributors. The distribution is as follows:

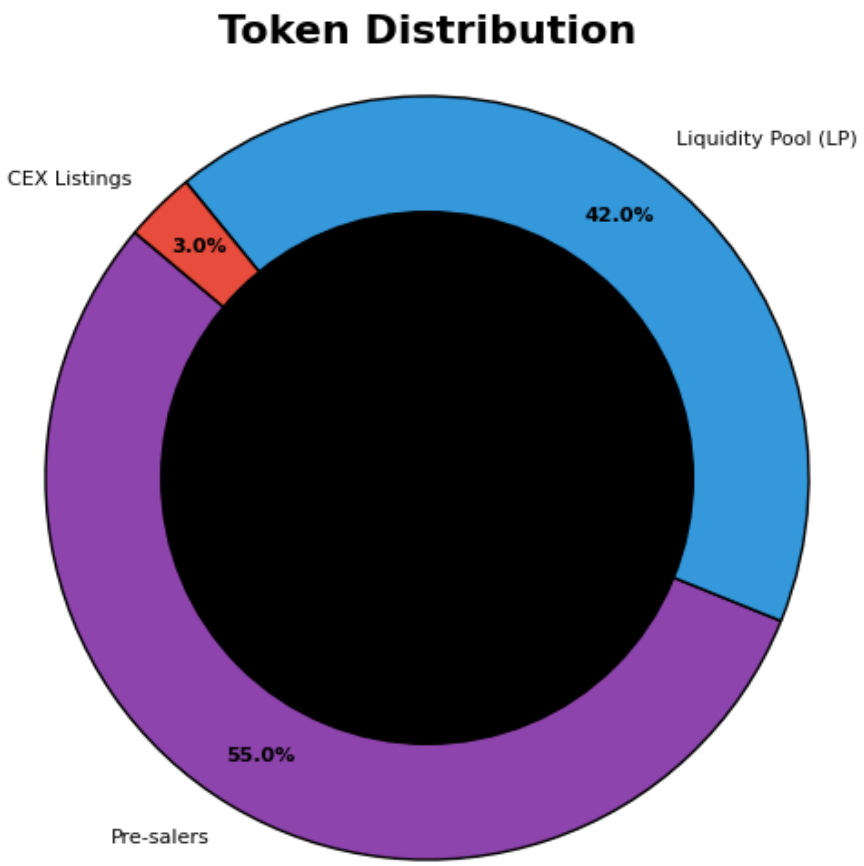
Initial Token Supply: 21 billion (in honor of the 21 million $BTC max supply).

Token Distribution: 55% to pre-salers, 42% to LP, 3% reserved for Centralized Exchange Listings (CEX listings).

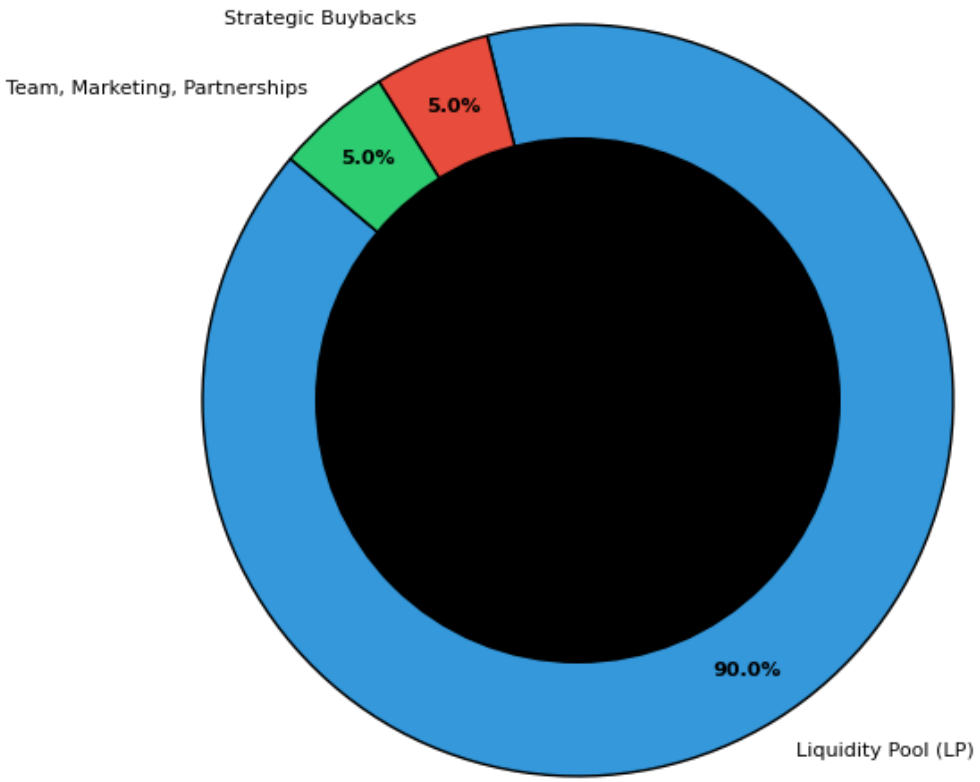
ETH Fund Distribution: 90% to LP, 5% reserved for strategic buybacks, 5% for team, marketing, and partnerships.

LP Tokens: 50% burned, 5% 6-month lock-up, 10% 1-year lock up, 10% 2-year lock-up, 10% 3-year lock-up, 15% 4-year lock-up.

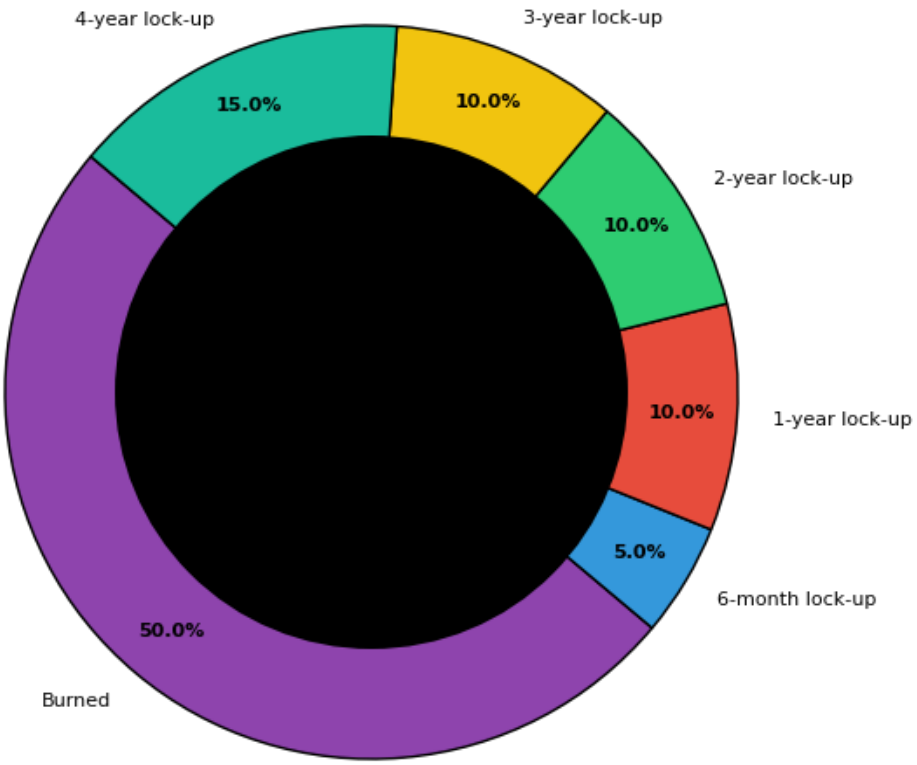
Strategic Buyback Fund: >= 70% of Dik Dik tokens bought with the Strategic Buyback Fund will be used for CEX listings. The remaining tokens will be used for marketing and giveaways, with a small portion returned to high engagement holders who prove critical to the tokens continued exposure.



ETH Fund Distribution



LP Tokens Distribution



7. Tokenomics Explained

Pre-salers are sent 55% of the token supply. Typically token pre-sales return 50%. This gives pre-salers incentive to contribute, as they receive an outsized portion relative to what they initially gave. We reserve a small amount of the initial tokens for CEX listings which have proved to be pivotal for memecoin's exposure to the mass market. Many crypto users are unfamiliar with DeFi and buying tokens on Decentralized Exchanges. Independently managing assets, while creating and storing private keys can be stressful and risky for non-technical users. These participants need to have an outlet to engage with our token. The CEX serves this purpose, which is also why the majority of the tokens purchased from the buyback fund will be used for CEX listings.

With the ETH Fund distribution, we aim to create a balance between token growth, benefit to users, and compensation to the team. We thought that 5% for the team was fair, given we need to offset the development cost and infrastructure build out for the token.

For LP tokens, we selected a 50% burn, which effectively locks half of the token liquidity eternally. This gives users freedom to buy and sell without the fear of a LP cash out. We opted to lock the remaining tokens because we want to remain somewhat flexible as the project continues to develop. In all likelihood, the LPs that reach the unlock period will either be re-locked or burned, but we wanted to give leeway in case of an extreme liquidity event or a CEX listing/partnership that requires a large number of tokens. The lock-up distribution shows our long-term horizon for this project.

Lastly, we have allocated a small portion of the tokens gained from the buybacks to be distributed to high engagement users, that help propel the project forward.

8. Conclusion

As crazy and counterintuitive as they are to most investors, we believe memecoins are here to stay. They, in some way, represent the soul of crypto. Madness, mania, money, and community—combined with a little bit of breakthrough technology. We want to set a precedent for the way memecoins are introduced to the DeFi ecosystem, as well as crypto users as a whole. By implementing fair launch practices which recognize and learn from the mistakes of past tokens, by creating a comprehensive tokenomics system that leaves no aspect of the token to the imagination, and by using a L2 chain that can handle the full load of the memecoin mayhem, we will break the bounds and barriers of what was previously thought possible. This is not a memecoin. This is a revolution. Dik will rise.