

L30: Distribution and Vesting

Module D: Tokenomics

Blockchain & Cryptocurrency

December 2025

- Understand token allocation categories and their purposes
- Analyze vesting schedules and cliff periods
- Evaluate the impact of unlock events on token price
- Apply distribution analysis to real projects
- Case Study: Solana token unlocks

Definition: The initial allocation of tokens among different stakeholder groups.

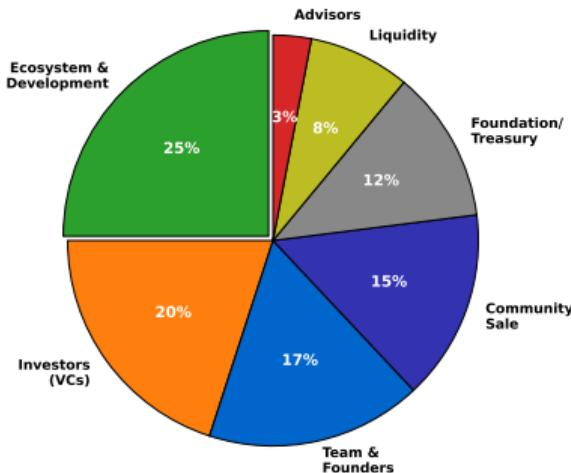
Common Allocation Categories:

- Team and Founders / Early Investors (Seed, Series A/B/C)
- Advisors / Community Sale (ICO/IEO/IDO)
- Ecosystem Development / Liquidity Provision
- Foundation/Treasury / Airdrops

Goal: Balance early supporter rewards with long-term community alignment.

Typical Allocation Breakdown

Typical Token Allocation (Healthy Project)



Insiders (Team+VCs+Advisors): ~40% | Community: ~60%

Red Flag: Team + Investors \geq 50% indicates high centralization risk

Purpose: Incentivize long-term commitment and alignment.

Best Practices:

- Allocation: 15-20% of total supply
- Vesting: 4 years minimum
- Cliff: 1 year (no tokens until 12 months)
- Linear unlock after cliff

Why Long Vesting?

- Prevents “pump and dump” by insiders
- Demonstrates commitment to project
- Aligns incentives with long-term success
- Builds trust with community

Example: Team gets 20M tokens, 1-year cliff, then 416,667 tokens/month for 48 months.

Investor Allocation Rounds

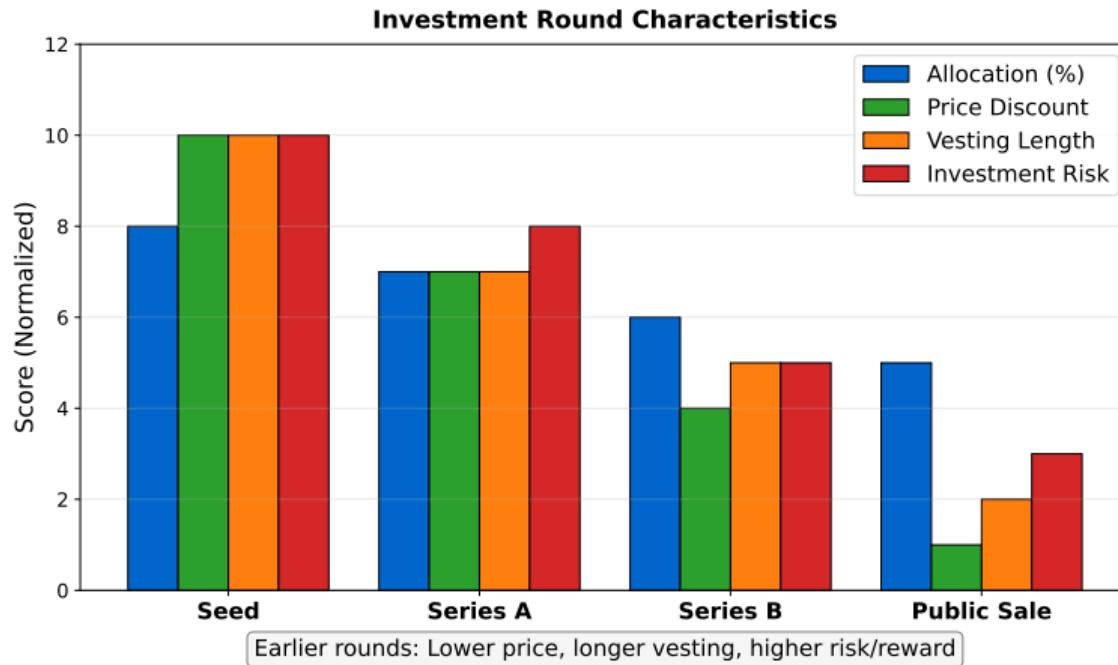
Typical Investment Rounds:

Round	Allocation	Price	Vesting
Seed	5-10%	Lowest	2-3 years
Series A	5-10%	Low	18-24 months
Series B	5-10%	Medium	12-18 months
Public Sale	10-15%	Highest	0-6 months

Key Considerations:

- Earlier investors = longer vesting
- Discount compensates for higher risk
- Too many investors = fragmented governance

Investment Round Characteristics



Earlier rounds get bigger discounts but longer lock-ups and higher risk

1. ICO (Initial Coin Offering) - 2017 Era

- Direct token sale to public
- Minimal regulation (historically)

2. IEO (Initial Exchange Offering)

- Conducted on centralized exchange
- Exchange vets project (some due diligence)

3. IDO (Initial DEX Offering)

- Launch on decentralized exchange
- Immediate liquidity

4. Fair Launch

- No pre-sale or VC rounds
- Everyone buys at same price (Example: YFI)

What is Vesting?

Definition: A schedule that controls when token holders can access their allocated tokens.

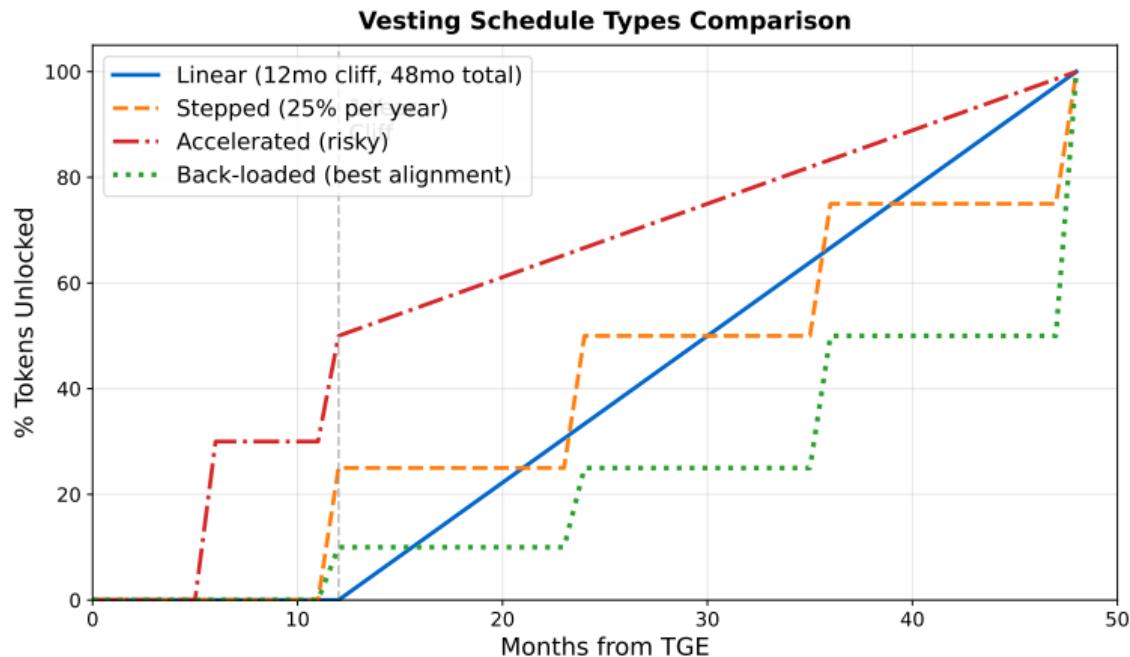
Key Terms:

- **Cliff Period:** Initial waiting period before any tokens unlock
- **Vesting Period:** Total duration until all tokens are unlocked
- **Linear Vesting:** Equal amounts unlock at regular intervals
- **Unlock Event:** Specific date when tokens become transferable

Example:

- Total allocation: 1,000,000 tokens
- Cliff: 12 months (0 tokens unlocked)
- Vesting: 48 months total
- After cliff: 27,778 tokens unlock per month for 36 months

Vesting Schedule Types



Back-loaded vesting provides strongest long-term alignment; accelerated is risky

Cliff Periods

Purpose: Ensure minimum commitment before any tokens unlock.

Typical Cliff Durations:

- Team: 12 months
- Investors: 6-12 months
- Advisors: 6 months
- Community: Often 0 (immediate unlock)

Why Use Cliffs?

- Prevents immediate dumping
- Tests commitment of team/advisors
- Provides time for project to mature
- Reduces initial circulating supply

Investor Perspective: Cliffs protect against early team departures.

Definition: Dates when large amounts of vested tokens become tradable.

Market Impact:

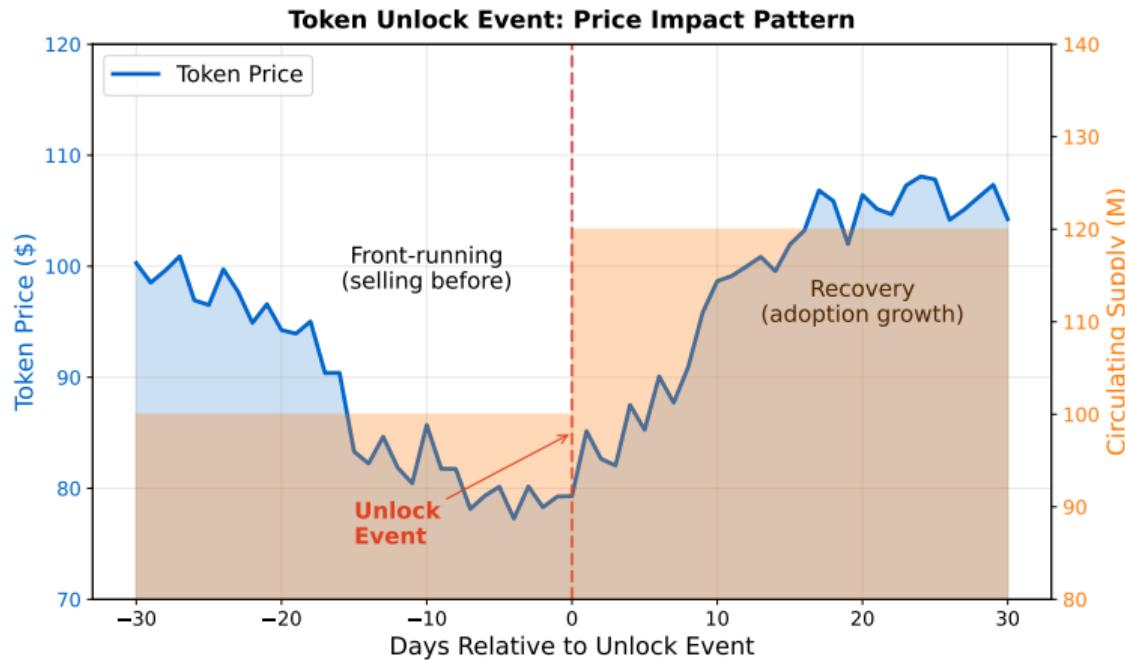
- Increase circulating supply
- Potential selling pressure
- Price often drops before/during unlock
- Market anticipates and prices in

Types of Unlocks:

- ① **Cliff Unlocks:** Large one-time release
- ② **Linear Unlocks:** Continuous monthly/daily releases
- ③ **TGE (Token Generation Event):** Initial launch unlocks

Tracking: Use tools like Token Unlocks, Messari, CoinGecko to monitor upcoming events.

Unlock Event Price Impact



Market front-runs unlocks; price typically drops 15-20% around major events

Case Study: Solana (SOL) Unlocks

Background:

- Total supply: 500M SOL (inflating to 700M by 2030)
- Major unlocks from 2021-2025
- Massive VC backing (a16z, Multicoin, etc.)

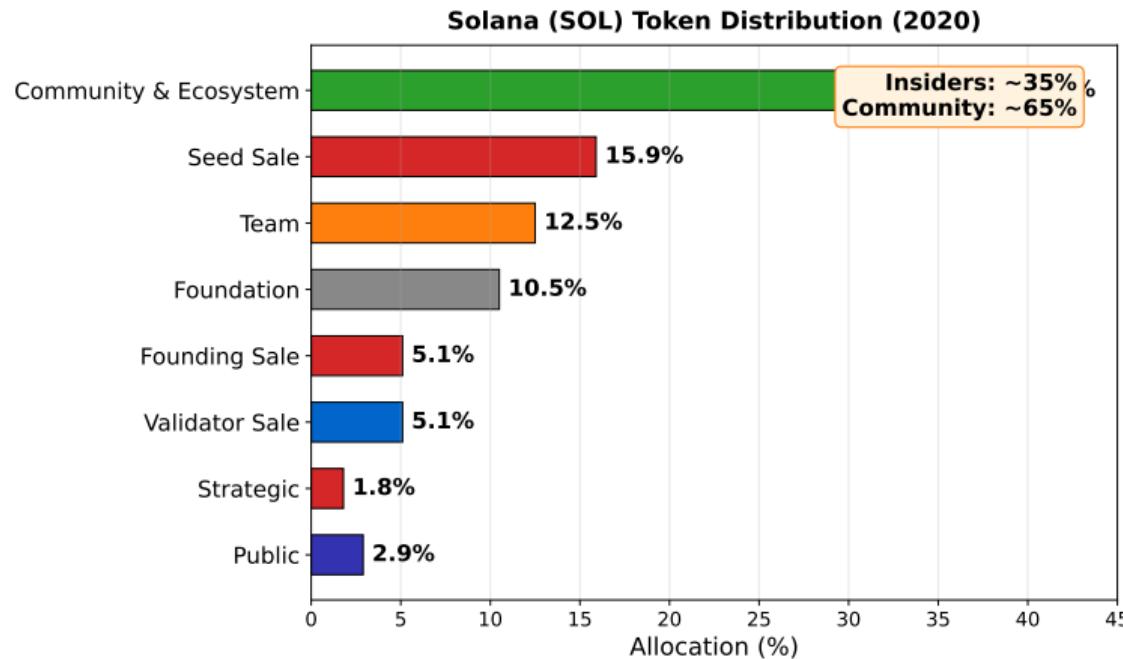
Key Unlock Events:

- **Jan 2023:** 13.8M SOL unlocked (seed investors)
- **Mar 2023:** 17.8M SOL unlocked (early investors)
- **Ongoing:** Monthly validator/foundation unlocks

Price Impact:

- SOL price dropped 15-20% around major unlocks
- Long-term recovery as adoption grew

Solana Distribution Breakdown



Insiders 35% with long vesting helped manage dilution over time

Strategies to Mitigate Selling Pressure:

① Staking Incentives

- Offer high yields to lock unlocked tokens
- Example: Solana staking 7% APY

② Gradual Unlocks

- Daily/monthly instead of quarterly
- Smooths supply shock

③ Lockup Extensions

- Voluntary additional vesting
- Bonus tokens for extended locks

④ Strong Fundamentals

- Demand growth offsets supply increase

Airdrops as Distribution

Definition: Free distribution of tokens to users based on specific criteria.

Common Airdrop Types:

- **Retroactive:** Reward past users (Uniswap UNI)
- **Holder Airdrop:** To existing token holders
- **Task-based:** Complete specific actions
- **Governance:** For DAO participation

Benefits:

- Bootstrap community
- Decentralize ownership
- Reward early adopters

Risks:

- Airdrop hunters (not genuine users)
- Immediate selling pressure

Famous Airdrop: Uniswap (UNI)

September 2020 Airdrop:

- 400 UNI per address that used Uniswap before Sept 1, 2020
- 250,000 addresses eligible
- Total airdropped: 150M UNI (15% of supply)
- Value at claim: \$1,200 per user

Impact:

- Instant governance decentralization
- Massive publicity and user growth
- Many users held long-term (strong community)
- Set standard for future DeFi airdrops

Key Insight: Retroactive airdrops reward genuine users, not speculators.

Warning Signs:

① Excessive Insider Allocation

- Team + VCs \geq 50%

② Short or No Vesting

- Team vesting $<$ 2 years
- No cliff period

③ Opaque Distribution

- No published allocation details
- Unknown wallet holders

④ Centralized Control

- Foundation holds \geq 30% indefinitely

2024 Trend: Points Programs

What are Points?

- Off-chain loyalty system tracking user activity
- Converted to tokens at future TGE
- Replaced traditional airdrops as primary distribution mechanism

How Points Work:

- ① Protocol tracks user actions (deposits, trades, referrals)
- ② Users accumulate “points” proportional to activity
- ③ At TGE, points convert to tokens based on total points issued

Examples (2024):

- **EigenLayer**: Points for restaking
- **Blast**: Points + Gold for L2 deposits
- **Ethena**: Points for USDe staking

Criticism: Opaque, favors whales, mercenary capital

Key Takeaways:

- Token distribution determines ownership concentration
- Healthy projects: Team + VCs \downarrow 40%, long vesting (3-4 years)
- Cliff periods prevent immediate insider selling
- Unlock events create predictable selling pressure
- 2024 Trend: Points programs replacing traditional airdrops
- Transparency in vesting builds trust
- Always check Token Unlocks before investing

Next Lecture: Token Classification and Valuation - Regulatory frameworks and how to value tokens.

Questions for Reflection

- ① Why do early investors typically have longer vesting than public sale participants?
- ② How did Solana's unlock events impact its price trajectory?
- ③ What are the pros and cons of retroactive airdrops vs. task-based airdrops?
- ④ How can a project mitigate selling pressure during major unlocks?
- ⑤ What vesting schedule would you design for a new token launch?