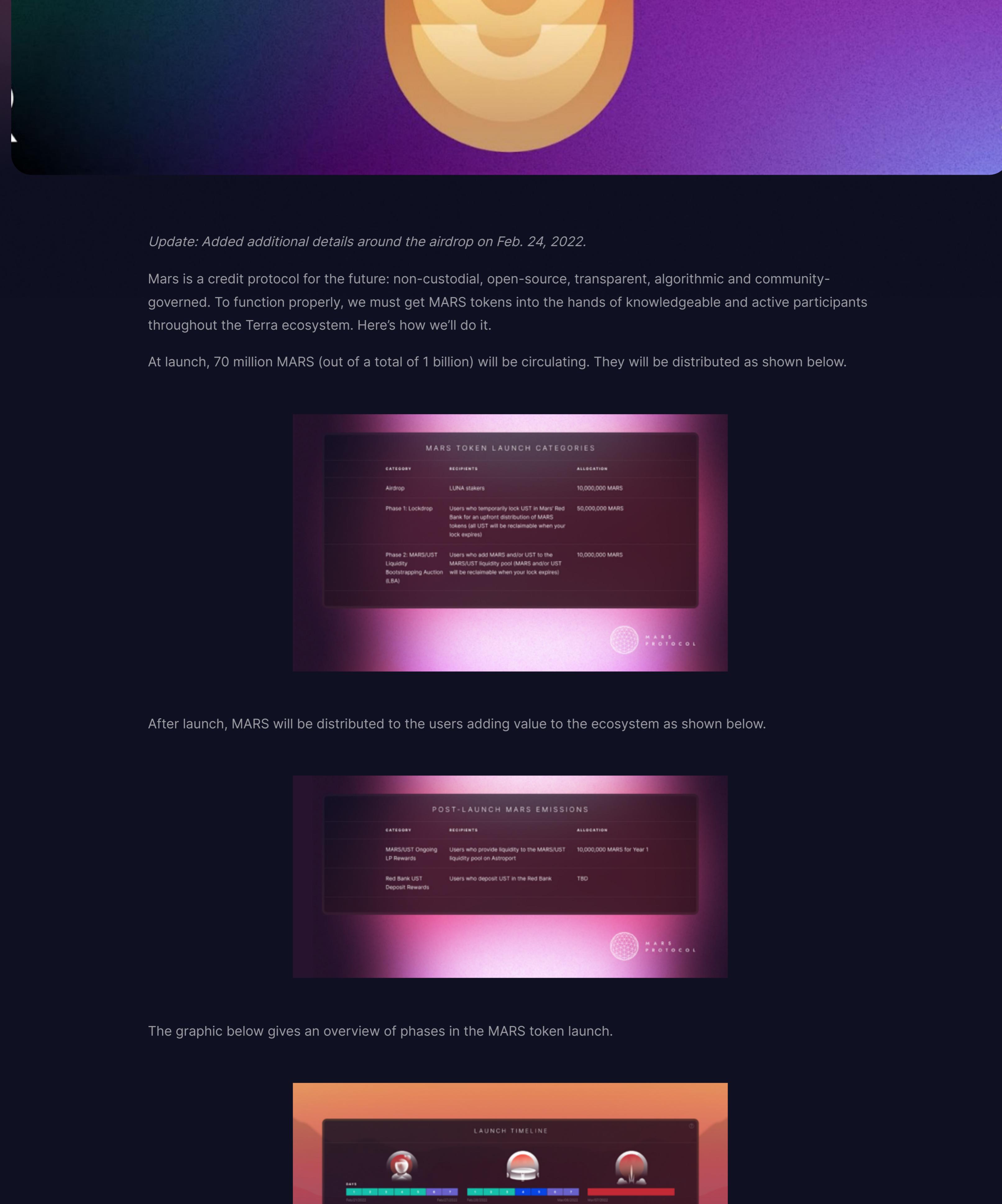


Mars Updates

MARS Distribution Plan: The MARS token launch, lockdrop and more

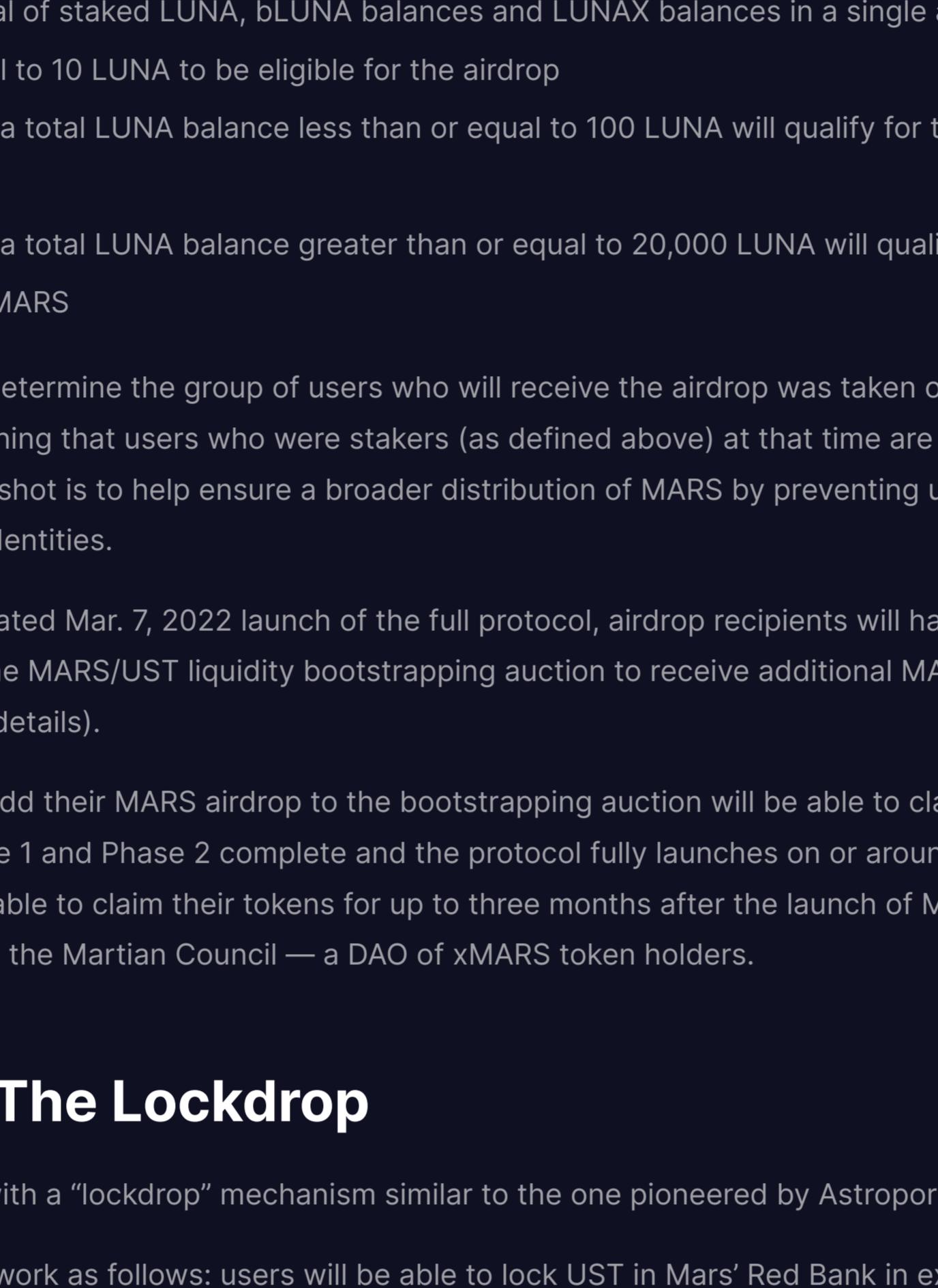
FEBRUARY 10, 2022



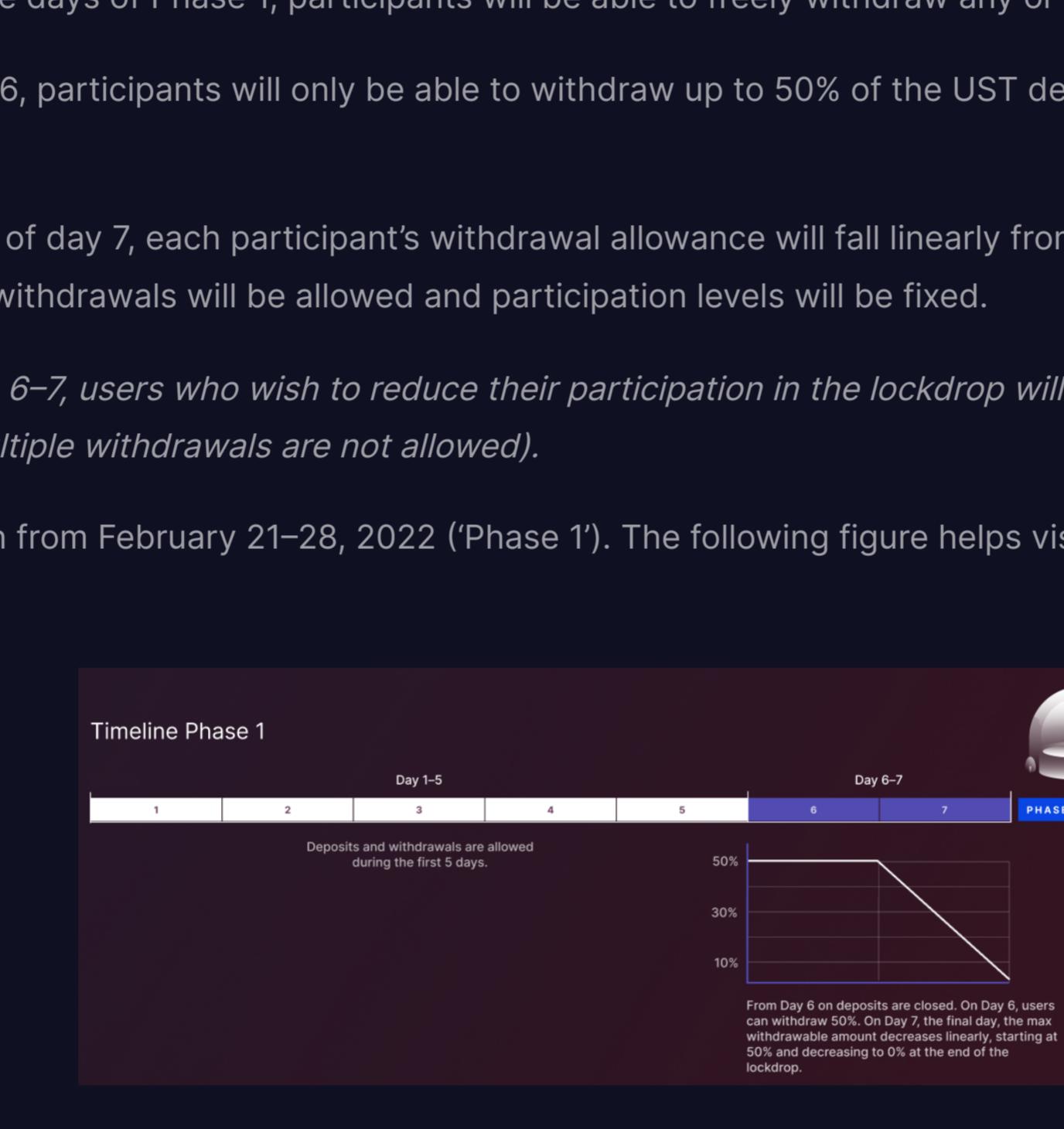
Update: Added additional details around the airdrop on Feb. 24, 2022.

Mars is a credit protocol for the future: non-custodial, open-source, transparent, algorithmic and community-governed. To function properly, we must get MARS tokens into the hands of knowledgeable and active participants throughout the Terra ecosystem. Here's how we'll do it.

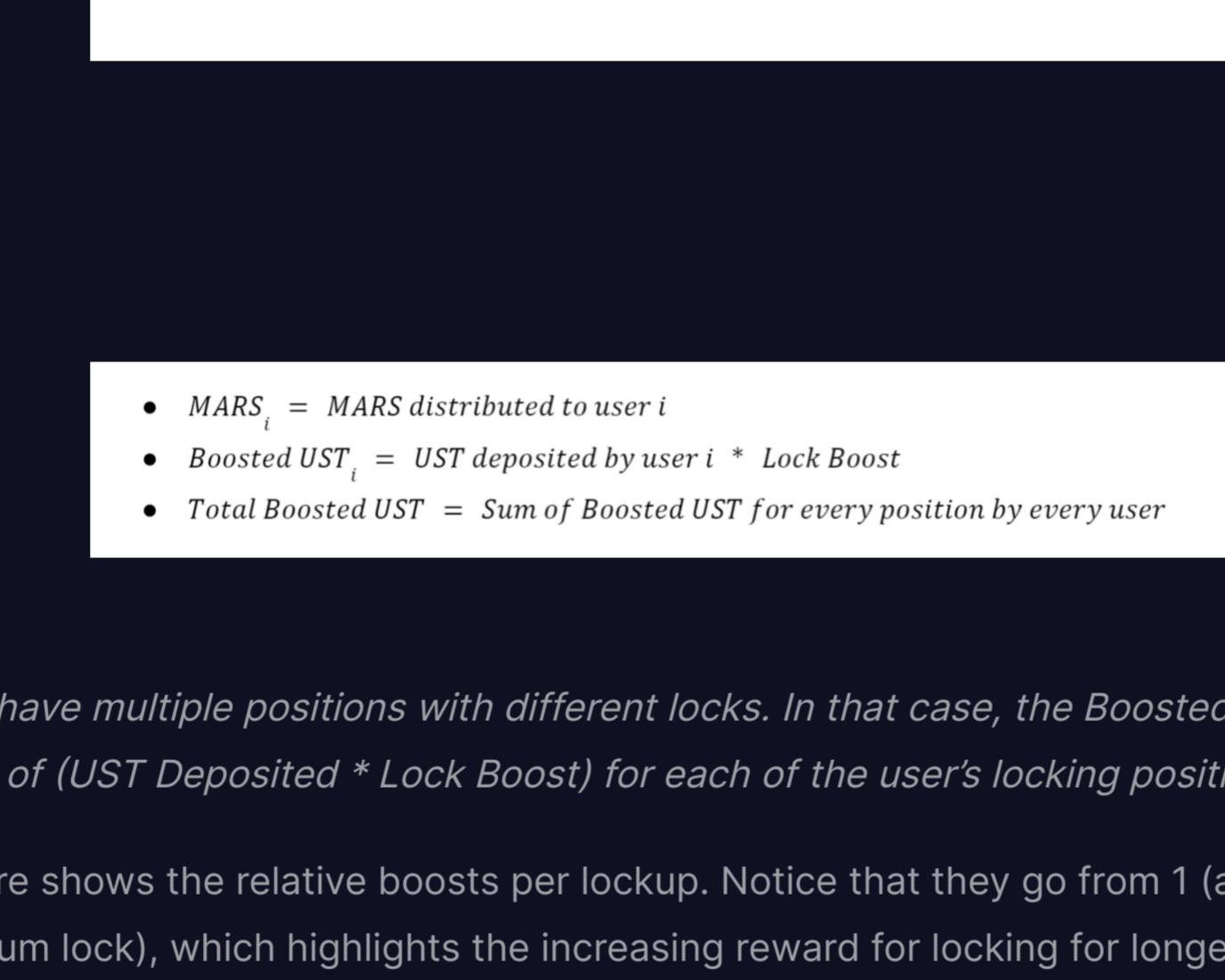
At launch, 70 million MARS (out of a total of 1 billion) will be circulating. They will be distributed as shown below.



After launch, MARS will be distributed to the users adding value to the ecosystem as shown below.



The graphic below gives an overview of phases in the MARS token launch.



In the following sections, we'll expand on the details behind each of these phases and groups. Keep in mind that the information in this document is subject to change. You can follow the project on [Twitter](#) for updates.

The MARS airdrop

The following groups will receive a one-time distribution of 10,000,000 MARS:

- LUNA stakers (including stakers on [Stader Labs](#))
- bLUNA holders (including bLuna collateral depositors on [Anchor Protocol](#))
- LUNAX holders (a liquid staking token from Stader Labs).

Please note the following:

- All data for Stader LUNA stakers and LUNAX holders will be provided by Stader Labs.
- LPs for LUNA, bLUNA and LUNAX will not be eligible for the MARS airdrop.

Airdrop parameters:

- The sum total of staked LUNA, bLUNA balances and LUNAX balances in a single address must be greater than or equal to 10 LUNA to be eligible for the airdrop
- Wallets with a total LUNA balance less than or equal to 100 LUNA will qualify for the minimum airdrop of 18.47 MARS
- Wallets with a total LUNA balance greater than or equal to 20,000 LUNA will qualify for the maximum airdrop of 3694.64 MARS

The snapshot to determine the group of users who will receive the airdrop was taken on Jan. 1, 2022 (Terra block #5,895,050), meaning that users who were stakers (as defined above) at that time are eligible to receive the airdrop. This snapshot is to help ensure a broader distribution of MARS by preventing users from gaming the airdrop via Sybil identities.

Before the anticipated Mar. 7, 2022 launch of the full protocol, airdrop recipients will have the option to lock their MARS tokens in the MARS/UST liquidity bootstrapping auction to receive additional MARS tokens (see "Phase 2" below for further details).

Users who don't add their MARS airdrop to the bootstrapping auction will be able to claim and transfer their MARS tokens once Phase 1 and Phase 2 complete and the protocol fully launches on or around Mar. 7, 2022. Airdrop recipients will be able to claim their tokens for up to three months after the launch of Mars. Any unclaimed tokens will be returned to the Martian Council — a DAO of xMARS token holders.

Phase 1: The Lockdrop

Mars will launch with a "lockdrop" mechanism similar to the one pioneered by Astroport.

The lockdrop will work as follows: users will be able to lock UST in Mars' Red Bank in exchange for an upfront distribution of MARS tokens which are claimable once Mars launches. The locked UST deposits will help Mars bootstrap liquidity for one of its most important markets: UST.

Phase 1 will last seven days. Users can participate in the lockdrop at any time during the first five days of the seven-day period by locking UST in the Red Bank. Starting on day 6, no new deposits will be accepted and only limited withdrawals will be allowed from days 6–7. This unique model limits manipulation by "whales" who may deposit large amounts of UST to discourage deposits by others only to withdraw the majority of their UST before the deposit deadline is reached.

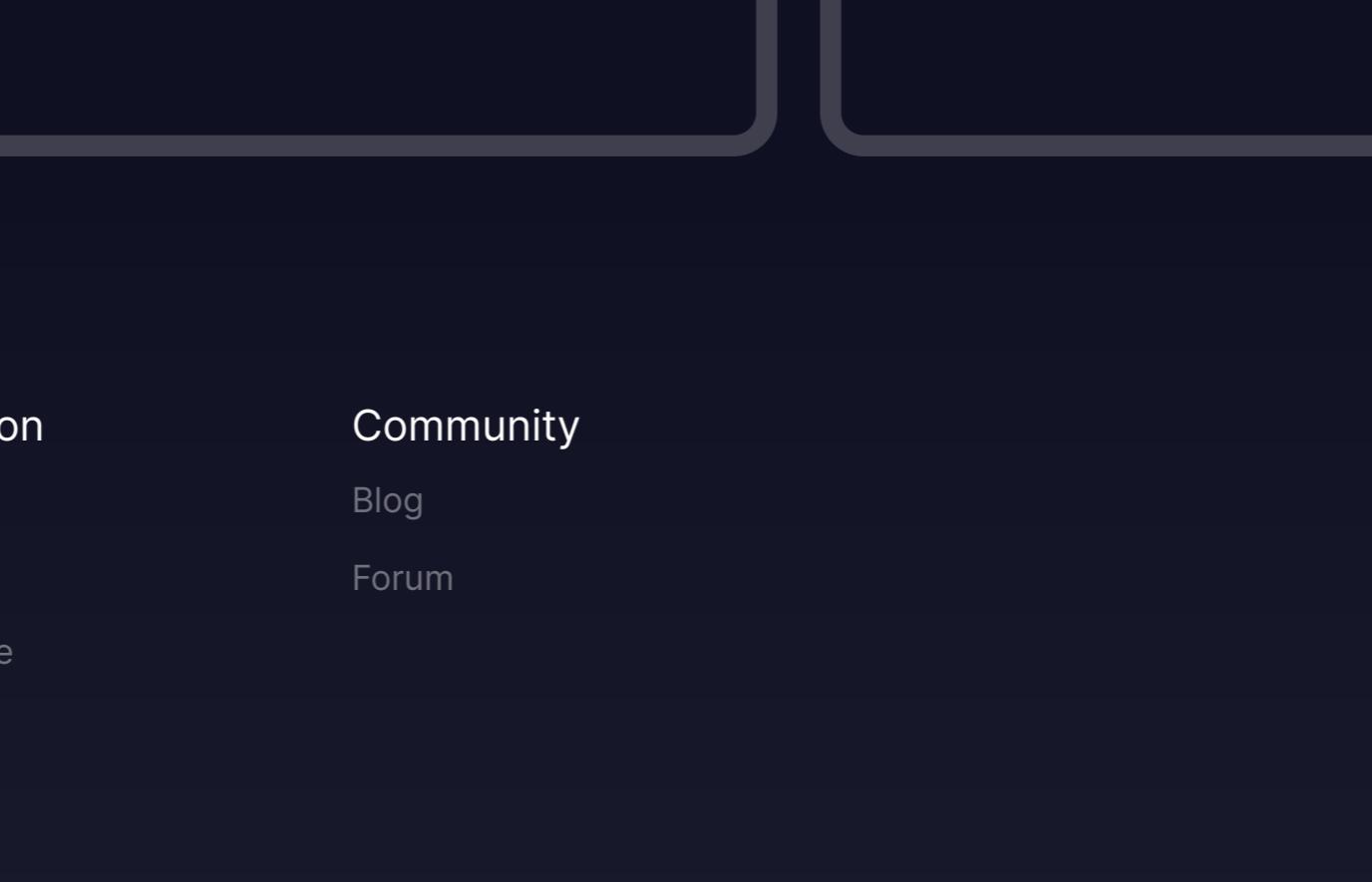
During the first five days of Phase 1, participants will be able to freely withdraw any or all of their deposited UST.

Starting from day 6, participants will only be able to withdraw up to 50% of the UST deposited during the initial five-day period.

During the course of day 7, each participant's withdrawal allowance will fall linearly from 50% to 0%. By the end of the day, no more withdrawals will be allowed and participation levels will be fixed.

Note: During days 6–7, users who wish to reduce their participation in the lockdrop will only be able to withdraw UST one time (multiple withdrawals are not allowed).

This phase will run from February 21–28, 2022 (Phase 1). The following figure helps visualize this 7-day process.



Users participating in the lockdrop must lock their UST in the Red Bank for at least 3 months. The longer a user locks their UST (in three-month increments up to 18 months), the more MARS tokens they will receive. Specifically, the longer the lockup, the higher a boost a given user will receive and thus, the more MARS rewards they will receive. The precise amount of MARS tokens distributed to a given user will be determined as follows:

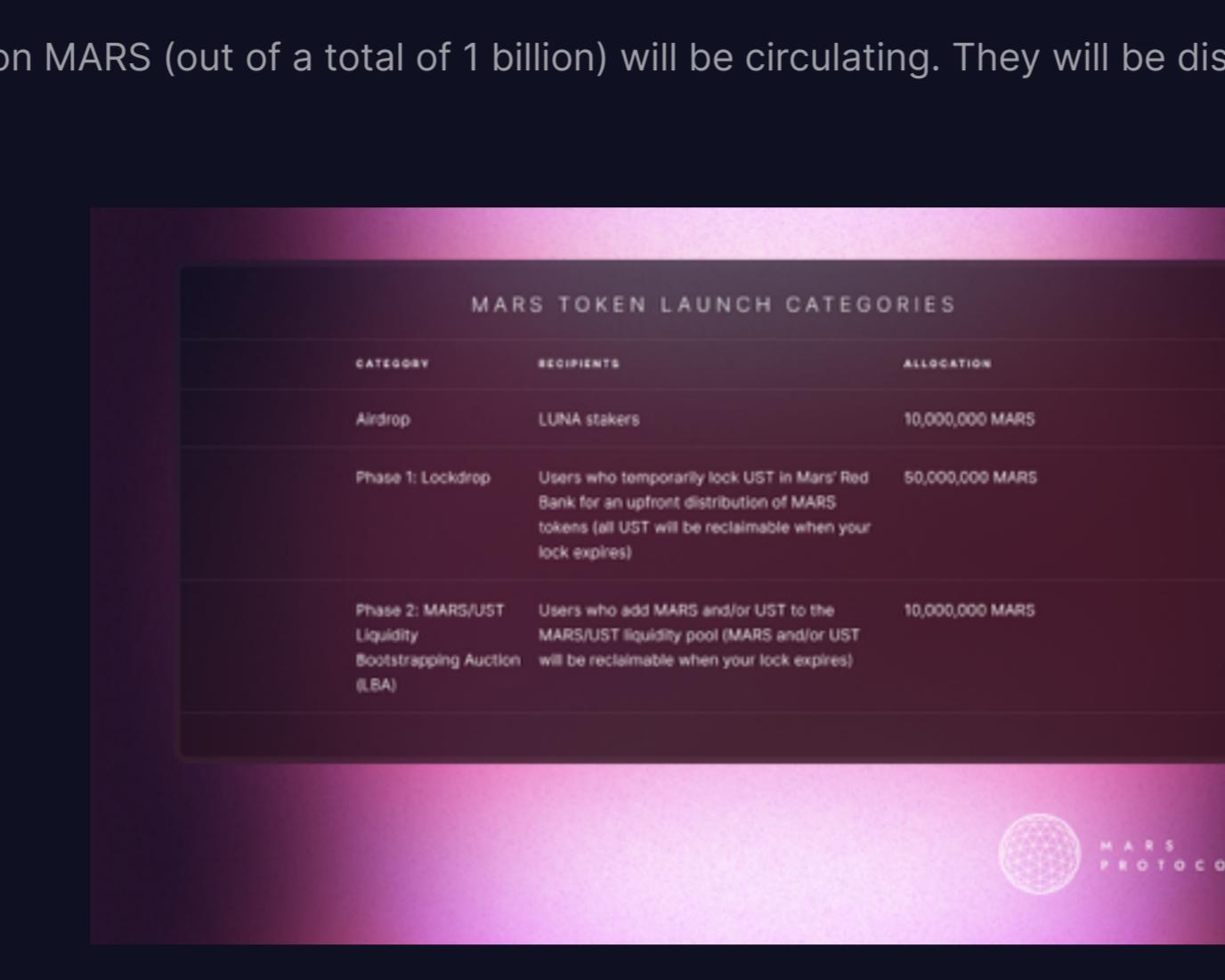
$$MARS_i = \frac{\text{Total MARS for Lockdrop}}{\text{Total Boosted UST}} * \text{Boosted UST}_i$$

Where:

- $MARS_i$ = MARS distributed to user i
- Boosted UST_i = UST deposited by user i * Lock Boost
- Total Boosted UST = Sum of Boosted UST for every position by every user

*Note: A user may have multiple positions with different locks. In that case, the Boosted UST for that particular user would be the sum of (UST Deposited * Lock Boost) for each of the user's locking positions.*

The following figure shows the relative boosts per lockup. Notice that they go from 1 (at minimum lock) to more than 14 (at maximum lock), which highlights the increasing reward for locking longer periods of time.



With the launch of Mars Protocol, lockdrop participants will earn interest (in the form of token rewards) from the Mars protocol like any other Mars depositor, based on the applicable rates determined by the protocol. **Please note** that you will not be able to use your lockdrop deposit as collateral for borrowing. When your lock expires, you will be able to reclaim your UST in the form of msUST, which represents UST deposited in the Red Bank. From there, you can immediately use it as collateral for borrowing or withdraw it as UST.

Note: Participation in Phase 1 involves significant technical risks and uncertainties. Please carefully review the "Disclaimers" section at the end of this article for important information about the nature of such risks, the practical irreversibility of the relevant blockchain transactions and the absence of reliable or readily available remedies for any loss or impairment of tokens or other damages you might suffer by participating in Phase 1.

Phase 2: The MARS/UST Liquidity Bootstrapping Auction

Phase 2 will run from February 28–March 7, 2022. During these seven days, users will be able to commit MARS and/or UST to the bootstrapping auction and thus participate in a user auction of the MARS that was obtained by users in the Airdrop or Phase 1. By the end of the bootstrapping auction, all committed tokens (MARS and UST) will be used to initialize a MARS-UST liquidity pool on Astroport. In this sense, the bootstrapping auction acts as a price discovery mechanism for MARS tokens — which really means they will act as a value discovery for Mars governance (the Martian Council). Specifically, the bootstrapping auction will work as follows:

For MARS participants:

- They will be able to commit MARS tokens to the pool during the first 3 days. Note that the only MARS tokens available for Phase 2 will be those granted to lockdrop participants and airdrop recipients (during Phase 1). These two groups won't be able to claim or transfer their MARS but only commit them to the pool; alternatively, they could wait for the end of Phase 2 to claim their tokens.
- The decision to commit MARS to the pool is irreversible; once committed there's no going back.

For UST participants:

- They will be able to freely deposit and withdraw for the first 5 days (the additional 2 days given to UST depositors allows for fair price discovery given that these depositors will know the exact amount of MARS they are bidding for).
- The 6th day, they will only be able to withdraw up to 50% of their committed UST.
- During the 7th day, the amount of UST they will be able to withdraw will decrease linearly to 0%.

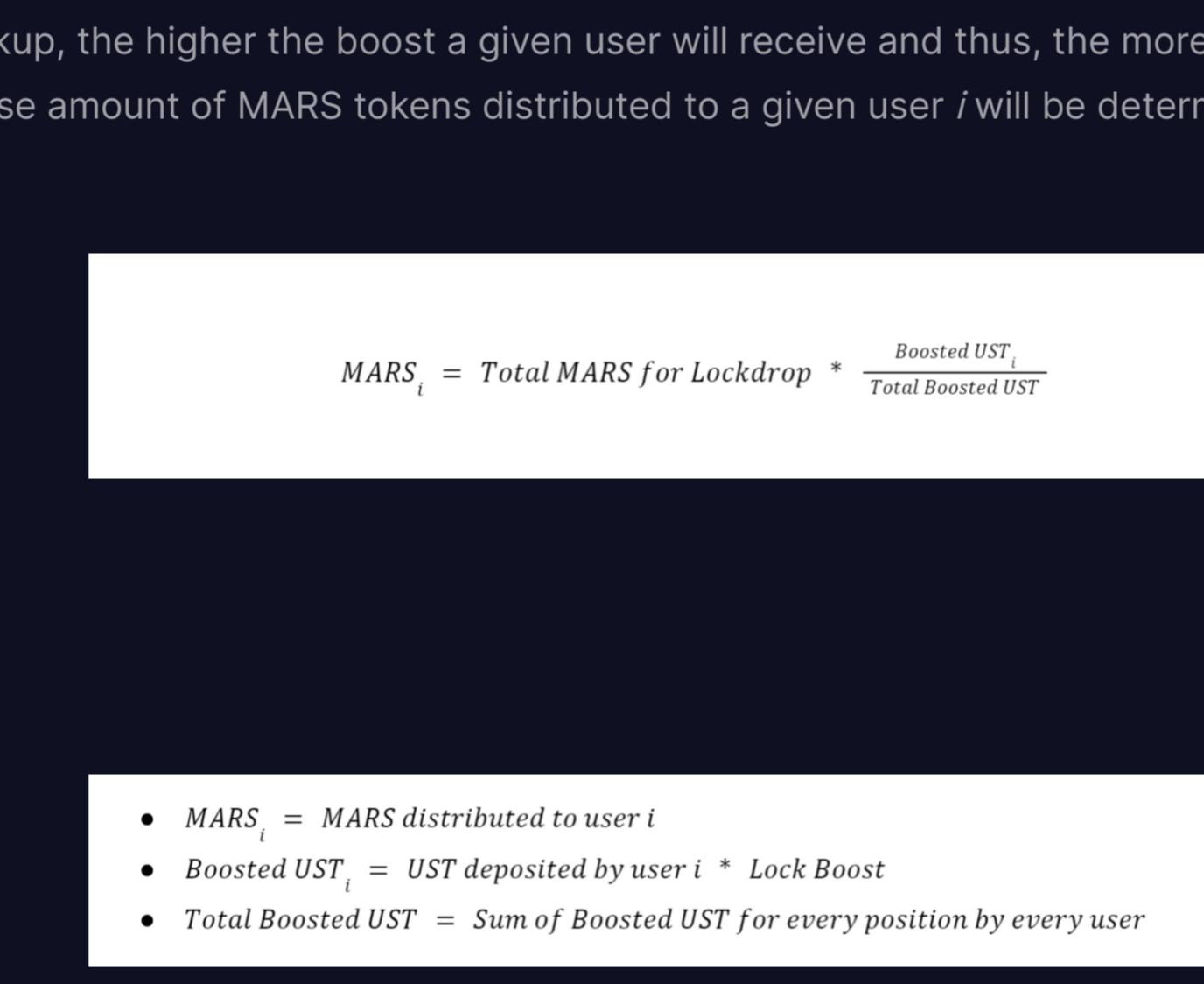
Note that users will be able to participate with both tokens (MARS and UST) if they so desire.

As was said before, by the end of Phase 2, all assets committed to the bootstrapping auction will be used to initialize the MARS-UST pool on Astroport. One result of this dynamic is that at the end of the bootstrapping auction, participants will have a claim on MARS-UST LP shares, rather than any single asset (for example, a user who deposits UST will have a claim on MARS-UST LP shares by the end of the LBA). These LP shares would be initially locked and vested linearly for a period of 90 days.

In exchange for participating in the auction, users will receive a share of 10,000,000 MARS tokens that unlock linearly over 30 days from the launch of the full Mars Protocol around March 7. Half of these tokens (5,000,000) will be distributed to MARS participants and the other half to UST participants. Both will be distributed in proportion to the user's commitment.

Note that pool participants will also be earning ongoing liquidity mining rewards, as will be explored in the next section.

The following figure summarizes how the bootstrapping auction will work.



With the launch of Mars Protocol, lockdrop participants will earn interest (in the form of token rewards) from the Mars protocol like any other Mars depositor, based on the applicable rates determined by the protocol. **Please note** that you will not be able to use your lockdrop deposit as collateral for borrowing. When your lock expires, you will be able to reclaim your UST in the form of msUST, which represents UST deposited in the Red Bank. From there, you can immediately use it as collateral for borrowing or withdraw it as UST.

Note: Participation in Phase 2 involves significant technical risks and uncertainties. Please carefully review the "Disclaimers" section at the end of this article for important information about the nature of such risks, the practical irreversibility of the relevant blockchain transactions and the absence of reliable or readily available remedies for any loss or impairment of tokens or other damages you might suffer by participating in Phase 2.

MARS-UST Ongoing LP Rewards

10,000,000 MARS tokens will be distributed during the first year of the protocol's launch to users who provide liquidity to the MARS-UST pool on Astroport. These tokens will be distributed evenly (block by block) throughout the year. As was mentioned above, bootstrapping auction participants will also earn these rewards while their tokens remain in the pool.

The ongoing LP rewards will begin at launch.

Red Bank UST Deposit Ongoing Rewards

At launch, there will be no MARS rewards for UST depositors. All else being equal, the more UST locked during the lockdrop, the less ongoing rewards for UST deposits are needed. In a similar vein (all else being equal), the more UST demanded from the Red Bank, the more ongoing UST rewards are needed.

To this end, the decision to activate UST depositor rewards will be left to the discretion of the Martian Council once Mars launches. It is expected that this approach will result in a better outcome that optimizes the use of MARS rewards.

Closing thoughts

We believe Mars Protocol will be the foundation for a new constellation of not just financial products but of governance and collaboration, too. We aim to seed life on a new planet... one that takes the best of the old world and uses it to build something radically new. And we hope you'll join us on the journey.

Follow [Mars](#) on [Twitter](#) for the latest updates from Mission Control.

DISCLAIMER

This article does not constitute investment advice. Before interacting with Mars, review the project disclaimers [here](#).

Previous post: [A vision for the 'Fields of Mars' and contract-to-contract \(C2C\) lending](#)

Next post: [Mapping the journey to Mars](#)



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