

LSX Bonding Zone Litepaper

Zones Bonding Pools & Smart Token Interplay

Lunarspace | LSX Bonding Zone Litepaper: v.1.0 | February 2024

Disclaimer: This litepaper is intended for informational purposes only and does not constitute financial advice, investment recommendations, or an endorsement of the Zones ecosystem. The content presented herein reflects the current understanding and development plans of the Lunarspace team and is subject to change as the project evolves. Potential participants should conduct their due diligence and consult with professional advisors before making any financial commitments or decisions based on the information provided. Lunarspace and its affiliates shall not be liable for any direct or indirect losses incurred as a result of relying on the information contained in this document. Lunarspace reserves the right to modify, amend, or update the content of this Litepaper at any time without notice. By accessing and using this Litepaper, you acknowledge and agree to the terms and conditions outlined herein.

Abstract

This litepaper delves into the intricate architecture of the Bonding Zone within the Zones ecosystem, a pioneering operational utility platform by Lunarspace. At the heart of this ecosystem lies a dual-token model, harnessing the power of LSX and HAMP to fuel an innovative financial structure. The LSX Bonding Zone strategy is crafted to offer organizations a unique blend of operational efficiency, financial empowerment, and blockchain-enabled transparency. By exploring the symbiotic relationship between the Bonding Pools, LSX, and HAMP tokens, this document aims to articulate the mechanisms that drive engagement, reward participation, and ensure the sustainability and growth of the ecosystem. The paper further outlines strategic initiatives for future development, aiming to bolster the financial robustness and utility of the Bonding Zones, thereby setting new benchmarks in the integration of blockchain technology for business utility platforms.

To fully understand this litepaper, you should read the following technical documents:

»» [LSX Smart Token Litepaper](#)

»» [Zones Ecosystem Whitepaper](#)

LSX Bonding Zones

The LSX Bonding Zone serves as the financial core of the Lunarspace ecosystem, facilitating the bonding of LSX to CORE (LSX/CORE) by organizations in their Zones Bonding Pool. This bonding process is pivotal for activating the Zone's treasury, facilitating the reward protocol, and sustaining the Zone.

Zones Bonding Pools | Zone Vaults

Zones Bonding Pools, also referred to as Zone Vaults, are the financial repositories acting as decentralized digital treasuries for each Zone. These pools enable organizations to lock up LSX tokens to power their Zone and dictate how much LSX they earn from HAMP rewards. For Utility Zones, 500 LSX tokens must remain locked in the vault forever.

Engagement and Growth Incentive

Zones Bonding Pools are designed to incentivize ongoing interaction within the Zones ecosystem. By rewarding valued actions and processes within the Zone via HAMP, the platform fosters a digital environment of action, efficiency, and accountability.

LSX Bonding Process

As Lunarspace's utility token, LSX plays a crucial role in the Zones ecosystem, facilitating seamless transactions and contributing to ecosystem sustainability. It serves as a liquidity provider, enabling users to bond their tokens to activate Zones and sustain the reward protocol.

Decentralized Digital Treasury

Organizations invest in their digital treasury by bonding CORE to LSX within their Zone's Bonding Pool. This process stabilizes the Zone by securing its financial base and enables a suite of functionalities specific to the business's operational needs.

Zone Activation

To activate Zones and participate in ecosystem activities, users must bond a minimum amount of LSX tokens. This bonding requirement ensures commitment and contributes to ecosystem stability. Additionally, LSX bonding provides users with an opportunity to earn a monthly yield, enhancing liquidity and security.

LSX and HAMP

The LSX Bonding Zone operates on the dual-token model of all Zones, utilizing LSX as the native stored value and HAMP as the reward and utility token. LSX serves as the liquidity instrument for transactions, governance, and bonding within the ecosystem, while HAMP is utilized for work-to-earn rewards and user-centric KPMs.

Token Flow and Interplay

The LSX Bonding Zone and Zones Bonding Pools operate within the Lunarspace ecosystem, where the flow and interplay of LSX and HAMP tokens are essential for maintaining liquidity, incentivizing participation, and ensuring the stability of the protocol.

LSX Token Flow:

1. **Minting:** LSX tokens are generated by users within the Zones ecosystem as rewards for active participation and engagement, primarily through the Human Activity Mining Protocol (HAMP).
2. **Bonding:** Organizations bond LSX tokens to CORE within their Zones Bonding Pool, establishing a financial base for their Zone and enabling participation in the ecosystem.
3. **Redemption (Phase 2):** LSX tokens can be redeemed for other assets or utilized within the ecosystem for governance, transactions, and other activities once Phase 2 is initiated.

HAMP Token Flow:

1. **Activity Mining:** HAMP tokens are earned by users through active engagement and participation within their respective Zones, as tracked by the Human Activity Mining Protocol.
2. **Conversion:** HAMP tokens are automatically converted into LSX tokens at a predetermined ratio (1:100), enhancing liquidity and facilitating participation in bonding and other activities.
3. **Revenue Allocation:** Revenue generated from Zone spin-up costs is allocated as follows: 1/3 for Lunarspace OpX, 1/3 for the Zones Bonding Pool, and 1/3 held as USDC for LSX redemption in Phase 2.

Interplay between LSX and HAMP:

1. **Liquidity Provision:** The automatic conversion of HAMP tokens into LSX tokens enhances liquidity within the ecosystem, ensuring seamless transactions and operations.
2. **Reward Mechanism:** HAMP tokens serve as a reward mechanism for user activity, incentivizing engagement, and participation, while LSX tokens represent the underlying value and utility within the ecosystem.
3. **Economic Stability:** The interplay between LSX and HAMP tokens fosters economic stability within the ecosystem, as users are incentivized to participate in bonding and other activities, thereby securing the financial base of their respective Zones.

Smart Contracts

The LSX Bonding Zone is powered by six smart contracts: LSX Vault, Exchange LSX, Merkle Airdrop, Mint LSX, Zone Contract, and Zone Factory. These contracts facilitate bonding, liquidity management, LSX allocation, supply management, operational link to Zone Bonding Pools, and onboarding of new Zones.

1. **LSX Vault:** Manages the storage and distribution of LSX tokens within Zones Bonding Pools, ensuring the security and integrity of the ecosystem.
2. **Exchange LSX:** Facilitates the exchange of LSX tokens for other assets, enabling liquidity provision and seamless transactions within the ecosystem.
3. **Merkle Airdrop:** Handles the distribution of rewards and incentives to participants based on predetermined criteria, promoting engagement and participation.
4. **Mint LSX:** Manages the minting of new LSX tokens, controlling the token supply and ensuring the stability of the ecosystem.
5. **Zone Contract:** Governs the operations and interactions within each Zone, including bonding, reward distribution, and governance mechanisms.
6. **Zone Factory:** Enables the creation and deployment of new Zones within the ecosystem, fostering growth and expansion.

LSX Revenue Generation

Redemptions: Lunarspace takes a 1% fee on all LSX redemptions, with the remaining 99% of LSX going to the LSX Vault. This fee structure ensures the sustainability and growth of the LSX Bonding Zone and Zones Bonding Pools.

LSX Phase 1: Bonding

During Phase 1, LSX tokens are locked up, and there's no outward market for LSX except for specific campaigns and pre-sales within Zones. Users who contribute to Zones Bonding Pools may receive rewards and incentives, such as HAMP tokens, for their participation. These rewards can add value to the participants' holdings and encourage continued engagement with the Zones ecosystem.

Revenue Generation

1. **Utility Bonding Zones:** Utility Zones serve as the fundamental infrastructure for all web3 activities, providing a secure and reliable environment for users to participate in bonding. To create a Utility Zone, 500 LSX must be allocated to the Zones Bonding Pool. To keep the Zone active, 500 LSX must remain locked in their Zone Vault.
2. **Initiation of HAMP Rewards:** During Phase 1, HAMP rewards are initiated to incentivize user participation in bonding activities. These rewards are distributed to users who complete designated tasks within the Zone.

Revenue Allocation

- **1/3 for Lunarspace OpX:** A portion of the revenue is allocated to Lunarspace Operations (OpX), covering initial operational expenses, development costs, and ecosystem establishment. This allocation ensures the successful launch and operation of the Lunarspace platform during its early stages.
- **1/3 for the Zones Bonding Pool:** Another portion of the revenue is directed towards the Zones Bonding Pool, incentivizing users to contribute assets and participate in bonding activities. This allocation enhances the liquidity and security of Zone Bonding Pools, creating a robust foundation for future growth and development.
- **1/3 held as USDC for LSX Redemption in Phase 2:** The remaining portion of the revenue is held as USDC, reserved for LSX redemption in Phase 2. This allocation ensures the availability of funds for users who wish to redeem LSX tokens once Phase 2 is initiated, providing liquidity and flexibility within the Lunarspace ecosystem.

LSX Phase 2: Staking

In Phase 2, LSX is unleashed for trading, swapping, and transferring on the open market. Liquidity pools (LPs) are established, enabling LSX to be swapped for CORE and other IBC tokens. This phase introduces arbitrage opportunities, where users can exploit price differences across different platforms, enhancing market efficiency and liquidity.

Revenue Generation

- 1. Establishment of Liquidity Pools (LPs):** LPs are established to provide liquidity for LSX trading pairs, enabling seamless swapping and trading activities within the Lunarspace ecosystem. These LPs play a critical role in enhancing market depth and facilitating efficient price discovery.
- 2. Introduction of Arbitrage Opportunities:** The increased market activity and availability of LSX tokens on various platforms introduce arbitrage opportunities for users. By exploiting price differences across different platforms, users can contribute to market efficiency and liquidity while potentially generating profits.
- 3. Yield Generation for the LSX Bonding Zone:** Revenue generation in Phase 2 also focuses on generating yield for the LSX Bonding Zone. This may involve implementing various strategies within the LPs to optimize returns and incentivize further participation in bonding activities.

Revenue Allocation

Revenue generated from Zone spin-up costs and other activities during Phase 2 is allocated to ensure the sustainability and growth of the Lunarspace ecosystem. Here's a breakdown:

- **1/3 for Lunarspace OpX:** A portion of the revenue is allocated to Lunarspace Operations (OpX), which covers operational expenses, development costs, and ecosystem maintenance. This allocation ensures the continuous improvement and evolution of Lunarspace's products and services.
- **1/3 for the Zones Bonding Pool:** Another portion of the revenue is directed towards the Zones Bonding Pool, incentivizing users to contribute liquidity and participate in bonding activities. This allocation enhances the stability and security of the Lunarspace ecosystem while rewarding participants for their engagement.
- **1/3 for LSX LP Strategy and Revenue Generation:** The remaining portion of the revenue is allocated towards LSX Liquidity Pool (LP) strategy and revenue generation. This includes managing LPs, optimizing yield farming strategies, and implementing initiatives to enhance liquidity provision and market efficiency.