State of Hermes DeFi: March 2022

Since the inception of Hermes DeFi eight months ago, our goal has always aimed to exemplify and embody our core values; Safe, Transparent and Fast. Throughout the course of **Hermes' early adoption**; the entire Hermes team has worked tirelessly to present to the community an ideal product that delivers on each and every one of the items targeted within our roadmap. With ambitions to build and develop an application that meets those needs, numerous conversations are held to decide what avenues to take to achieve those results. Let us be clear, no decision is made lightly and without in-depth conversations between Valley, Austin, the development team, *and* the moderators. On top of that, we aim to bring critical discussions to the forefront of our community (#Governance) and present the options we create and look for your feedback. As investors, community members and individuals with whom we engage daily, we look forward to listening to the advice, guidance and ideas each and every one one of you can offer.

First and foremost, we want to make it clear that our commitment to make Hermes successful and you as investors successful, **remains our priority**. Simply put, they go hand-in-hand, and not one before the other. We recognize not everyone within our community may be happy with the outcome of each of our decisions, but we aim to satisfy as many as we can–and learn what others may have desired. No product can achieve 100% satisfaction, especially in its early stages, we recognize that. As such, we wish to provide a very detailed recap of major decisions that occurred from **December 21, 2021 (IDO of PLTS)** until today. This document represents a fantastic effort from **Maba078** and **Aaron** to realize our core value of transparency. We always want our community to be informed and aware of our development process in its entirety, including the moments that aren't always positive.

Timeline Recap

Chapter 0: Research

We identified Harmony as the blockchain of choice to expand to in November of 2021 via governance vote. In our search for DEXes that could host our liquidity, we entered into a partnership agreement with ViperSwap/VenomDAO. As part of our agreement to bring liquidity to their platform (earning them trading fees) and offering utility to their tokens (14.4% of emissions directed to xVIPER, wsWAGMI, and VIPER), they agreed to:
1. Whitelist our IRIS and PLTS tokens before they launched.
2. Publish a Medium article announcing our launch on their platform.
3. Add a PLTS/DAI community farm to their platform.
4. Whitelist our smart contract for single-staking of wsWAGMI from interfering with the Diamond Hands Incentive program.

None of these commitments were fulfilled by ViperSwap.

Chapter 1: Launch

On **12/21/21**, the PLTS IDO on Harmony began, filling 100% of the pre-sale allocation in around 4 days. Half of these funds were made available as initial liquidity on **12/27/21**. If you've been with Hermes long enough, you would notice that PLTS represents an improved version of the tokenomics of Apollo. Despite token-launch bots driving the price of PLTS to over $1, the price stabilized above $0.15, representing a successful IDO process.

On **January 15th**, a governance vote was held to increase effective PLTS emissions by incentivizing the creation of a Hermes DeFi validator node. This initial Harmony governance vote gathered a total of 616,000 voting power (maximum theoretical ~1.5M) across 34 users. With this vote passing, the first PLTS emissions from the treasury were approved. Since then, we have been working on developing a smart contract that allowed us to perform this task. **While delayed in implementation**, this has produced a completely new DeFi primitive unique to Hermes Defi – hONE (Hermes Staked ONE), which is a *trustless* mechanism of liquid staking, unlike existing alternatives which rely on management from a development team that take a 10% fee. In this way, our community directly impacted the development trajectory of Hermes. This contract is currently awaiting auditing from Certik, and hONE will be a hallmark feature of The Hermes Protocol.

PLTS emissions began the week of **12/27/22** and were planned to last 8 weeks. We targeted **February 14th** to be the final week for emissions and an additional month for auditing and allowing for time for any unexpected issues to be addressed. **In hindsight, this timing was a poor design choice and we acknowledge this should have been reviewed further, In any new application, you want to underpromise and overdeliver your product. This is not an excuse, this is simply a statement of what occurred.**

Chapter 2: Growth

As our community on Harmony began to expand, in particular our Discord, we recognized and invited a set of outstanding community members to become moderators (1-11-2022). **We thank RuckiTV, CouchPotitu, Mars Bob, Safehaven, ArmutBey, and Aaron for their amazing moderation, support, and leadership in our community.** Shortly after this, our first team hire, **Aaron B – Community Lead**, joined us on January 16th to help establish and develop constant, effective communication with our community as our Community Lead. On top of this, Aaron would work towards reaching out to other platforms to begin the process of establishing partnerships to bring in liquidity onto the Hermes Defi platform.

In addition to expanding the team, the [Hermes RPC](#) was launched (managed by Austin & Wendel). We recognized a need from both Harmony as well as the community to provide more services than just our upcoming DEX platform to support the network. We hosted [Hermes week](#) during the final week of January to help draw attention and expand our community as well; understanding that continued growth is key to sustainability and long-term success for any platform. Every day of this week we presented what our team was working on. The pace of their development **has not slowed**, and we are looking for more ways to show what we are working on without an undue burden in communicating this (instead of spending time building).

Our partnership with Tranquility City was launched on **1/27/22** with an AMA that day to help highlight what the partnership brings. These discussions allowed for Austin to vocalize ideas about the project, review our roadmap, and helped bring new ideas to light.

In the background, Valley and Austin had been communicating extensively with Giv from the Harmony team to coordinate our [launch grant application](#). With a feature-rich product already available on the mainnet, we were easily able to demonstrate that we deserved a place within the Harmony ecosystem. The very next day after the Tranquility City AMA, our **$50,000 launch grant** was approved by Harmony. Since then, we quickly achieved 4/5 milestones, and these funds are still [held in reserve](#). After this, our team shifted their focus to a dream that few even dreamed of attempting – bringing Uniswap V3 to a new blockchain.

Chapter 3: Ambition

On January 31st, we sent our application to Uniswap for the V3 grant. For those unfamiliar, Uniswap V3 is a DEX/AMM smart contract framework with generational improvements compared to the older Uniswap V2 framework. We believe it's important to highlight some of the major "behind the scenes" aspects that went into this grant. **It was also at this time that we welcomed Maba078 and Valclereon to the moderation team, our sincerest thanks and appreciation to them as well.**

Some of the major issues we are experiencing *now* stem from the tremendous amount of work that Valleyrider and Austin dedicated towards the application. The decision to apply for Uniswap V3 came with a tremendous risk vs. reward payoff, which was considered when the team committed to this bid. The workload that was placed upon the shoulders of Austin and Valley at this time forced them to spend more time on the application process than was initially anticipated. As a result of this, the management of PLTS emissions were not the focus of our efforts. Because of this, there were some oversights in adjusting emissions until **it was later**

than we would have liked. So let's dive deeper into this time period of end of January/early February to highlight these specifics:

<div align="center">The Uniswap V3 bid</div>

1. The ability to bring a new generation swap to Harmony would have been **tremendous** in providing a cutting edge exchange currently only available on three blockchains. The features and functions that V3 brings to the table were desired, but we were unable to generate interest from any whales despite *extremely generous* financial concessions.
2. We experienced extreme price volatility during the Uniswap voting period (2/9-2/14) where IRIS spiked up to $4 and PLTs peaked at $.70c.
3. The realization of a gap between end of emissions and when the DEX would launch became apparent during this period. There was a prompt [governance vote response](#) from the team to propose modification to the emissions schedule at that time. However, the emissions rate was not updated as quickly as we would have liked, leading to the current gap of ~19.5 days.
4. [Deposit fees were reduced](#) to help attract investors, reducing the compensation of our developers in an effort to maintain attractiveness of investment to Hermes.

Chapter 4: Transition

Throughout the lifetime of PLTS, we have commonly used the term "Pre-Sale" to describe the main utility of PLTS. Numerous individuals have asked why we labeled it as such, and we want to delve further into the discussions regarding that. People have asked why not IPO/ICO, and the best response we can offer regarding this comes from the risks of becoming labeled as a "securities" token. We want to be able to avoid this if possible, which requires the work around of being a "pre-sale" token and requires an active involvement for the user to complete a task to receive the token. As we move towards the end of March, we recognize the emissions concern is extremely valid and want to provide *reasons* for investors to stay with us during this transition time. Many other projects **rely on investor trust or the promise of a product**, and we hope that we have convinced our most loyal community members that their patience will be well placed. Our new [WONE bank mechanism](#) was developed to reward yield farmers during the transition time from the end of farming to the start of our DEX (~19.5 days).

Chapter 5: Reflection

At no time have we thought about anything but ensuring we hold up to our values of Safe, Transparent and Fast. As part of this, we would like to highlight some areas of improvement that we can see to help make Hermes better. We welcome constructive feedback and additional insight from our community.

1. How do we incorporate more checks and balances into our decision making process to help ensure proper due diligence is conducted for internal decision making? How do we ensure that this does not hinder the speed of our development?

2. How do we continue to organically grow our community? What role does paid advertising play in our mission to bring DeFi to all? What is the best use of revenue and investment funds to do so in order to successfully grow Hermes DeFi?
3. Hermes DeFi received an investment from Harmony, but what does that truly mean for us?
   a. During the EthDenver event, Austin did more than socialize and network with other individuals there. As a representative of Hermes DeFi, he was able to walk in with a 2M market cap product and convince the Harmony team that they were worth a $305,000 investment. Some of those key points came from the Hermes Foundation, Ecosystem usage for tokens as well as our long-term aspirations to develop a one-stop ecosystem for both new and experienced DeFi users.
   b. To be clear, we received $305,000 in $ONE tokens for $305,000 in HRMS (-15% market discount). This means **Harmony has taken a huge stake in our success**, and we hope to increase exposure through 'official' channels.
   c. One of the major focuses of Valley and Austin at this moment is the **attraction of further private sales** to solidify the payments of our developers for the next six months and secure deep liquidity upon launch of our DEX.

Chapter 6: Dilemma

The [transition from PLTS to HRMS](#) presented a mathematical dilemma. It was our initial goal to provide a 1:1 $ for $ conversion between these two tokens. We developed the tokenomic distribution of HRMS and received a $305,000 investment from Harmony before the PLTS to HRMS swap mechanism was **fully** defined. Because of this, we are locked into our terms of agreement that we presented to Harmony. Current token prices reflect a loss for PLTS to HRMS transitions, however, we have developed a method that will:

1. Reward long-term token holders, including those in the bank.
2. Enable a market-driven effective launch price of HRMS.
3. Pay *extremely attractive* APRs during the transition from the end of farming to the launch of The Hermes Protocol through emissions of 500,000 PLTS from the treasury.

Our final product, the [Hermes WONE Bank](#), is a unique mechanism designed to address all of these points. Users will be able to deposit WONE to earn PLTS, and receive HRMS/ONE LP's at the same moment of the launch of our DEX. This is the result of weeks of discussion between Valley and Austin, our developers, and our moderators. We discussed the ratio of Bank bonus, how to raise the HRMS floor price while keeping our investment commitments, and discussing various potential buyback and burn mechanisms. We want to express to our community and our investors that when we say we faced difficult decisions and had to wipe the board clean and rethink an effective strategy, **we are not mincing our words**. We had strict limitations with our financial investments, contracts already created reflecting specific breakdowns, as well as how to best use the existing treasury. The **FLEX** allocation of platform fees was one idea to help support and mitigate losses but again, no idea was perfect and came at some risk/downside.

Ultimately, we believe the plan that was enacted with the usage of the WONE bank is the best method to reduce any potential loss while at the same time raising the effective price of HRMS on launch and approaching (or even exceeding!!!) a 1:1 dollar conversion.

Chapter 7: Our Commitment

One final item we would like to bring to the forefront is that as a DEX, we view ourselves as being a face for DeFi. We are a direct gateway for users to come into the DeFi world and we aim to bring a 100% satisfactory experience by providing an experience that is simple, educational, and efficient. We **cannot stress enough** the fact that **we own our mistakes** that have occurred. We have gone through numerous internal discussions about how to provide some relief to this miscalculation and what we continue to strive towards in the future. Community interactions, feedback and overall engagement within our forums on Reddit, Discord, and Telegram are crucial to our success **and we are listening.**

As part of the release of this document on 3/5/2022, we (Austin, Aaron, and Maba) will be holding an AMA in our Discord on Sunday March 6th at 3PM EST / 8PM UTC. See you there. https://discord.gg/8BFHaTfG?event=949719618568720404

Do not stop demanding excellence from us because we expect to deliver on our goals, our promises and when we let you down, we let ourselves down.

Your Hermes Team

Valleyrider, Austin, a.Maik, Wendel, Kami, Marvin, PestCtrl, Aaron