

The stability of PLTS/HERMES price during the transition period between the end of \$PLTS farming (Est. ~ Feb 21st), the unlock of funds within the bank (Est. ~ March 30th) and the beginning of \$HERMES emissions has been a topic of much internal and public discussion. Currently, there is an estimated **37 days** between the end of farming and the release of funds from the bank. We have every intention to have The Hermes Protocol completed by this time, but the launch timeline of The Hermes Protocol will be dictated by a few major events.

First, the acceptance or denial of our Uniswap V3 license application. Our Snapshot Vote we have decided to focus our development efforts on Uniswap V3. In the event our proposal isn't accepted, we may face a delay due to transitioning our DEX framework to the Uniswap V2.

Second, the availability and speed of audit services. We have reached out to multiple smart contract auditing firms to acquire quotes for audits for our smart contracts. Depending on pricing, availability, and speed, we may choose to do two rounds of auditing for our contracts. Audits can take weeks to process, and we want to launch with a fully audited platform.

Third, our own development capabilities as we try to launch with as many features as possible. This includes the development of smart contracts that gracefully handle the exchange of PLTS to HERMES (in progress now), a brand new UI, and basic DEX functionality (Swap, Farm, stake IRIS, charts).

Our partnership agreements have centered around the minting of new \$PLTS from farming emissions. When farming emissions end, we will likely see an exodus of tokens from our platform, as there would be no incentive to remain staked at Hermes. With max token supply of PLTS being reached and a large gap between the end of farming and our bank unlocking, the Hermes DeFi team would like to propose three governance votes to help maintain the stability of our platform during this period.

1. Emissions of 400,000 PLTS from the Hermes Treasury to extend farming rewards. **OR** Reduction of current PLTS emissions rate from 1.0/block to 0.5 per block to extend farming reward period (same amount distributed).
2. Emissions of 200,000 PLTS from the Hermes Treasury to incentivize \$PLTS liquidity until the bank unlock.
3. Approval of 2% of HERMES total supply being allocated to reward participants as a bonus for participating in the bank. 1% each to PLTS (DAI, LUMEN, UNI, and MAGIC earning) and 1% to PLTS/DAI LP (if Snapshot vote 2 passes).

(In all options the deposit fees are lowered to 1% in the worst case.)

These proposals have been discussed extensively, and we believe that some form of approval of these proposals is in the best interest of all Hermes investors. These emissions would constitute the majority of the Hermes \$PLTS reserves, which are meant to be used exactly in these sorts of situations (to promote long term platform stability). Notably, the Hermes Treasury

will receive a significant allocation in the tokenomics of HERMES, whose value is directly tied to \$PLTS and the long term success of our platform. The details of these proposals are as follows:

Snapshot Vote 1 (Extended Farming)

Option 1: Emissions of 400,000 PLTS from the Hermes Treasury to extend farming rewards.

To help incentivize the maintenance of TVL and continue to reward stakers, we propose to allocate 400,000 PLTS to extend the life of our farms. To accomplish this, we will have to re-deploy new contracts that do not depend on minting PLTS to feed their rewards. Overall, the emissions of PLTS from these contracts will be lower than the end of farming rate but will extend farming time significantly. We propose to target an overall emissions rate of 0.3 PLTS per block, giving us ~1.3M blocks or an additional **30 days** of farming, leaving around a 7 day gap until the bank unlocks. These emissions will be split across our products as follows:

Asset	Percent of NEW	New PLTS per block	Percent of OLD	Old PLTS per block	Ratio of previous emissions	Current APR (%)	Current Liq (\$)	Projected APR (%)
Vaults	0.133	0.04	0.045	0.0495	0.889	125	930000	111.11111
IRIS	0.133	0.04	0.125	0.1375	0.320	91	1331906	29.12
1UNI	0.017	0.005	0.005	0.0055	1.000	95	50594	95
ROY	0.033	0.01	0.04	0.044	0.250	138	279777	34.5
APE	0.017	0.005	0.005	0.0055	1.000	140	34610	140
LUMEN	0.083	0.025	0.105	0.1155	0.238	144	703066	34.285714
COSMIC	0.033	0.01	0.04	0.044	0.250	207	186600	51.75
MAGIC	0.050	0.015	0.05	0.055	0.300	150	250000	45
wsWAGMI	0.033	0.01	0.06	0.066	0.167	138	419390	23
IRIS/ONE	0.200	0.06	0.14	0.154	0.429	436	309686	186.85714
PLTS/DAI	0.200	0.06	0.3	0.33	0.200	550	526445	110
stONE/WONE	0.067	0.02	0.085	0.0935	0.235	88	937646	20.705882

Option 2: Reduction in PLTS block emissions rate from 1.0 (week 7) to 0.5. No multiplier changes would be applied. Assuming this goes into effect around ~2,500,000 PLTS emitted (2 days from Feb 10th, 2022), this would extend farming for **~23 days**, leaving a gap of 14 days. It may also be possible to further extend farming with an additional vote to use the Hermes treasury.

Asset	Current APR (%)	Current Liq (\$)	Projected APR (%)
Vaults	125	930000	62.5
IRIS	91	1331906	45.5
1UNI	95	50594	47.5
ROY	138	279777	69
APE	140	34610	70
LUMEN	144	703066	72
COSMIC	207	186600	103.5
MAGIC	150	250000	75
wsWAGMI	138	419390	69
IRIS/ONE	436	309686	218
PLTS/DAI	550	526445	275

Snapshot Vote 2 (PLTS/DAI liquidity incentives)

In the event of snapshot vote 1 passing in some regard, we would be able to incentivize a PLTS/DAI farm for most of the time until the bank unlocks. However, we would like to propose an additional reward mechanism for investors who lock PLTS/DAI within the bank itself. This would have the effect of ensuring that there is tradeable PLTS/DAI liquidity if/when the emissions incentivizing the PLTS/DAI farm end. Because locking LP's* should be considered a risky investment, we must provide adequate rewards to compensate. To this end, we propose distributing 200,000 PLTS from the Hermes treasury directed towards a new bank contract (Lock PLTS/DAI, earn PLTS).

Currently, There is ~\$525K in ViperSwap PLTS/DAI LP staked in our farms at an APR of ~550%. To be a worthwhile investment, the APR of the PLTS/DAI LP lock must exceed this if there is any overlap with farming emissions. If Snapshot Vote 2 passes by halving the emissions rate, the farm APRs in this example can be halved.

We will perform a few examples to estimate the APR given a certain deposit into the bank. For simplicity, we assume that the duration of PLTS payout is constant, 200,000 PLTS over 14 days. Ideally, these 14 days would be positioned to cover any gap in farming emissions.

200,000 PLTS is currently equal to \$130,000 (\$0.65 ea) or a payout of \$9,285 per day.

Scenario 1: 250K PLTS/DAI LP deposited in bank (100K moved from farm).

Farm decreases to 425K and APR increases to 654%

Bank increases to 250K, APR is $\$9,285/\$250,000 = 3.71\%$ daily ROI / 1,354% APR + LP fees

Scenario 2: 400K PLTS/DAI LP deposited into the bank

Bank increases to 400K, APR is $\$9,285/\$400,000 = 2.32\%$ daily ROI / 846.8% APR + LP fees

***PLEASE NOTE: Locking LP tokens means you will NOT be able to break your LP until the swap into HERMES. This means you may be subject to impermanent loss (even though PLTS is paired with a stablecoin).**

1. We do retroactive snapshots (HMY API) of accounts that have been locked in the bank and set a gradient of bonus rewards based on their weighted balance over the 8 weeks of farming.

Ex. (Made up numbers)

Account	PLTS Banked Week 1-2 Avg	PLTS Banked Week 3-4 Avg	PLTS Banked Week 5-6 Avg	PLTS Banked Week 7-8 Avg
Austin	10,000	15,000	15,000	25,000
Valley	5,000	10,000	15,000	20,000
Joe	0	0	5,000	8,500

Formula = (user staked at block / total staked at block) * 100 * Weekly Bonus Multiplier

Weekly Multiplier	2.5	2.5	2.5	2.5	Total Bonus Effect	Total Bonus Reward Token allocation (ex. 5,000)
Austin	66.66	60	42.85	46.72		
Valley	33.33	40	42.85	37.38		
Joe	0	0	14.3	15.9		
Weekly Effect (Austin)	166.65	150	107.1	116.8	540.55	2,702.75
Weekly Effect (Valley)	83.33	100	107.1	93.45	383.88	1,919.4
Weekly Effect (Joe)	0	0	35.75	39.75	75.5	377.5
MAX	250	250	250	250	1,000	5,000

Pros:

- Rewards longterm investors in the bank, even retroactively.
- Would be calculated daily for maximum accuracy and fairness.
- A fair and even distribution

Cons:

- Requires Austin to do some Data Science in R, but he has been doing this for 5 years.