Inverse <> Olympus Partnership Recommendation

The way I view Olympus' and Ohm forks' product is they are tokenized treasuries that can trade at both discounts and premiums with very inefficient management and a narrative surrounding it (reserve currency for OHM, environment friendly for KLIMA, ETH denominated treasury for SQUID, governance power for LOBI and BTRFLY and so on...)

The lifecycle of these protocols follow:

During the early phases protocols heavily capitalize on the premium relative to their Net Asset Value (book value); investors are fueled by a conviction that the token should trade at a premium for a number of reasons, but mainly:

1. If the treasury is worth x then the token should be worth at least x + whatever else they're building on top (Temple - farming strategies, Redacted Cartel - the hidden hand, etc)
2. Narrative premium
3. AMM pricing (1$ of buys in the LP pair increases the Marketcap by a lot more than 1$)
4. Lack of shorting mechanisms (No way to short then hedge with whatever the treasury is holding)
5. The idea that APY will make up for any price losses

The key points missed during this phase and why it may end up trading at a discount eventually are:

1. Treasury is always centralized (at least to some extent). Trust discount
2. The only thing linking the token with the treasury are social agreements or smart contracts that can be replaced/modified by the owner
3. Even with the best of intentions one of these treasuries stands no chance in deploying efficiently vs a private individual (very hard to deploy, very easy to frontrun for pricing, yield opps and many other things)
4. A big chunk of the treasury is sitting in the LP that contains the token (given that it currently trades at a premium to NAV in the future this LP will be worth less until an equilibrium is found)

So when you're trading at a premium you have three ways to capitalize on it as a protocol:

1. **Bonds** (introduce supply into circulation at a certain rate and securing a larger treasury whilst the token is temporarily trading at a fat premium). The game theory is that as long as the bonder goes on to just stake their tokens and not sell them in the market to secure the bond discount as profit (this is true early on in the flywheel but turns into delusion later on, gOHM bonds are a good example in the present day).
2. **Market selling** (Ohm forks don't do it because it looks bad, plus you're directly affecting the market price. Bit more honest mechanism than letting others dump after capturing the discount in the later stages of the cycle but it'd just speed things up flywheel-wise)

3. **DAO to DAO swaps**: This is the dream when you're trading at a big premium (not a DAO to DAO swap but this is why the purchase of Votemak by Redacted by giving BTRFLY was a smart one)

Sooner or later (due to an attention game/lack of interest) your token will slowly start bleeding (even faster if you still have bonds at high rates - like SquidDAO) until backing price is reached. This is when the tension between DAO contributors and tokenholders starts to be seen much more clearly. On the one hand you have a very inefficient treasury which is sitting with unused stablecoins and LPs getting awful annualized fees, DAO contributors and the core team usually want to maintain as much of this treasury as possible as doing otherwise would mean the death of the project (no more payrolls, no more funding whatever project they were working on to revitalize the token value). On the other hand you have tokenholders who are now claiming the treasury to be used to either defend the backing price or distribute the treasury and shutdown the project, some examples:

- Squid DAO: Distribute the treasury and close shop
- Spartacus: Slow rug
- Olympus: Inverse bonds to defend liquid backing (larger max drawdowns than initially expected)
- Lobis: Locked veFXS positions, no backing defense
- Temple (Defend a minimalistic version of backing), use the treasury to yield farm on major pools

Concluding thoughts:

1. Everything is reflexive/a flywheel up to a certain point (even Bitcoin due to the flywheel between adoption, price increases and speculation)
2. Not every flywheel is the same, get familiar with the playground of the ponzu you're playing in, know the rules, know the outcomes, expect the worse, play for the best r/r
3. Things are usually grey (most things aren't necessarily good or bad)

In Ohm's case, project may appear to have all to prove, nothing to lose. But I ask, given the above information and where Olympus is in this lifecycle, if such an integration and the onboarding of this 'type' of audience would be a net positive for Anchor and for our ecosystem as a whole.

From a Risk perspective, Olympus is not compliant with our partner prerequisites. That is,

- Protocol suffers from key-person dependency (Zeus figure, cult following)
- Protocol has not addressed market risks inherent to operating their product - how do they stop the bleeding?
- Protocol is currently at risk of being shut down by regulators (SEC is aware of ponzi scheme)
- Protocol has a questionable governance process. There have been many layoffs.
- Protocol has a questionable public roadmap with can no longer count on a loyal userbase.
- Protocol has a negative reputation in the crypto space

Furthermore, with an aggregate score of 0.63, $gOHM as an asset is graded "Fair" according to our Safety Score, a metric that accounts for market cap, liquidity, volatility, and swap and transfer values, the asset is volatile, and has recent history of capitulations and mass

liquidations (due to 9,9 model). The Inverse Finance risk team will continue to monitor the ‘health’ of $gOHM and $sOHM, but advises the DAO not to pursue this integration.