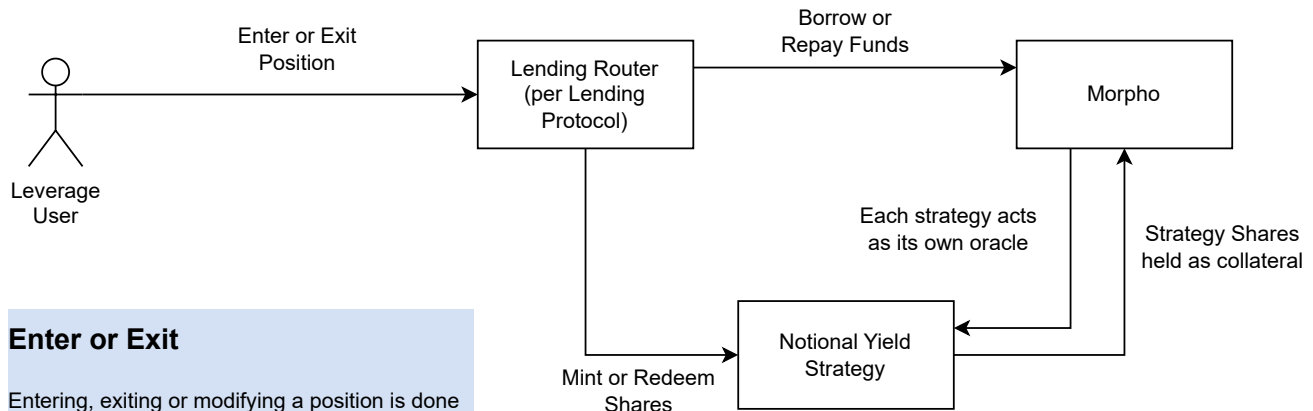


Notional Exponent Architecture



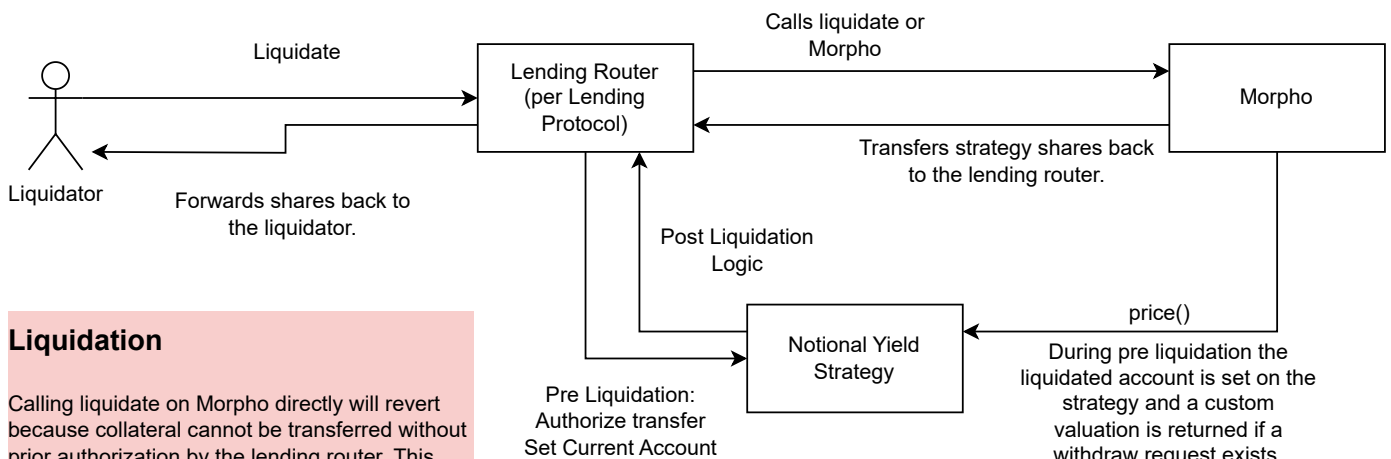
Enter or Exit

Entering, exiting or modifying a position is done via the lending router. Each yield strategy will create its own market on Morpho where the strategy shares will be held as collateral. The only way to mint or burn strategy shares will be via the Lending Router.

Users cannot mint shares outside of the lending router and then supply it as collateral to Morpho directly

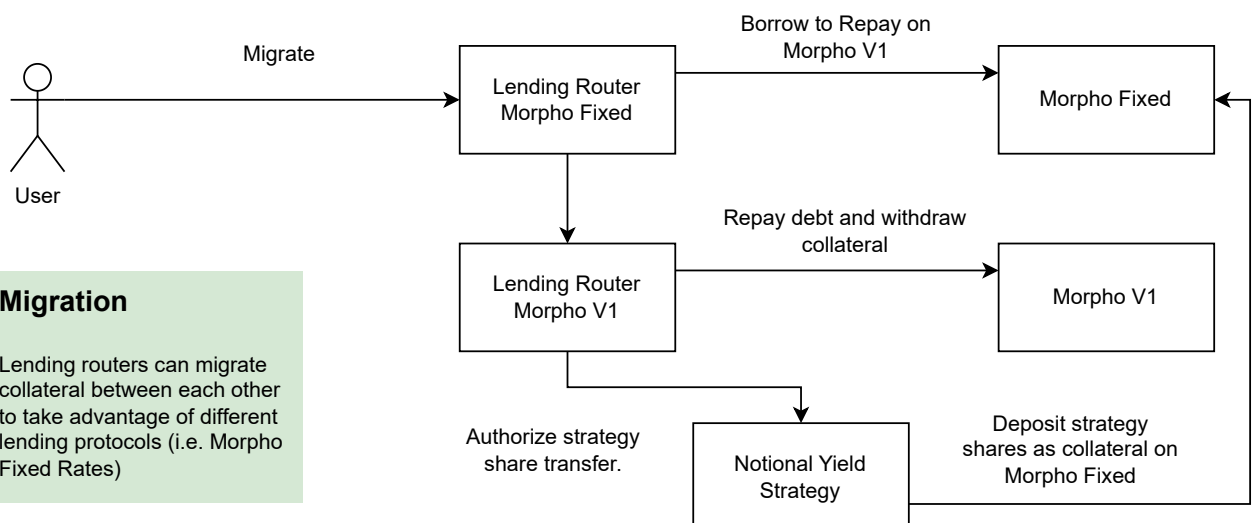
Loan Tokens

We do not (and cannot) proxy the 'supply' and 'withdraw' methods which supply the loan tokens to the market. We integrate with the public allocator to ensure there is sufficient liquidity in our markets.



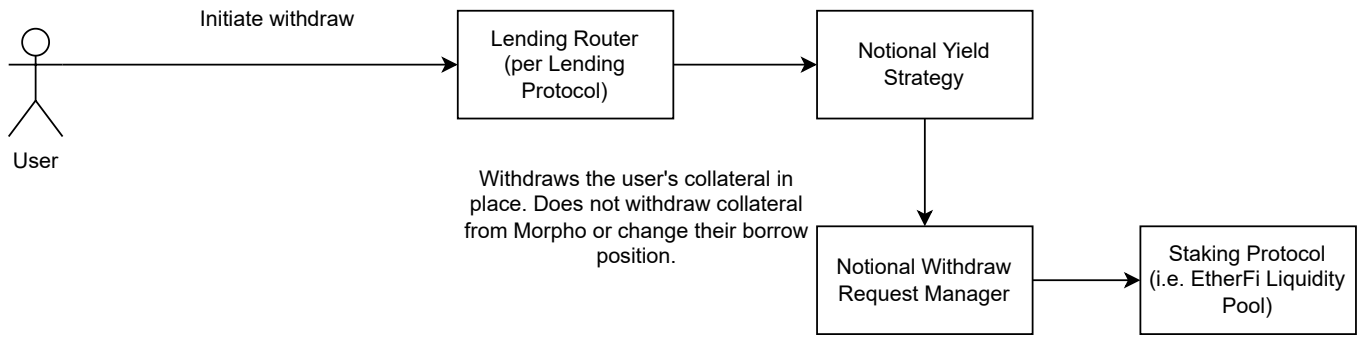
Liquidation

Calling liquidate on Morpho directly will revert because collateral cannot be transferred without prior authorization by the lending router. This allows us to run pre and post liquidation logic pertaining to each strategy.



Migration

Lending routers can migrate collateral between each other to take advantage of different lending protocols (i.e. Morpho Fixed Rates)



Withdraw Request

Users are able to withdraw staked tokens in place while keeping their borrow position open. This may change the valuation of their collateral tokens because withdrawing staked tokens is non-fungible.

Checking health factors via Morpho directly will not capture the deviation in valuation, however, since liquidation calls must be proxied through the Lending Router accounts cannot be liquidated without getting the proper valuation. In practice, a withdraw request will generally slightly increase the valuation of the collateral and decrease it's volatility so adjustments will generally move the account toward a positive health factor.

Creates a partially fungible "withdraw request" which can have a separate valuation from the rest of the strategy shares.

