

Project Name: BarnBridge

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Number of OP tokens requested: 600,000 \$OP

Timeline for distribution: 8 months

L2 Recipient Address:

Relevant Usage Metrics: (TVL, transactions, volume, unique addresses, etc.)

- ~10k BOND holders
- 1,000 DAO members
- \$15M in TVL across the BarnBridge protocol

Optimism alignment (up to 200 word explanation):

- BarnBridge is moving its DAO to Optimism & will deploy its new Smart Yield v2 product on both Optimism & Ethereum mainnet. We're also planning to migrate our BOND token to Optimism. We believe Optimism will drastically reduce friction associated with using Smart Yield v2 & enable a far wider range of our users to participate in governance (i.e., vote on proposals at far cheaper gas prices). Further, we've had our Smart Alpha product deployed on Optimism since Oct 202. Smart Alpha has had about \$30m in exit transactions across all networks & Optimism was among the first L2 networks we launched it on. Finally, we maintain a close relationship with the Synthetix ecosystem & have had early discussions around closer collaboration and opportunities for integrations on Optimism.

Proposal for token distribution (under 1000 words):

- We hope to leverage an allocation from the \$OP Governance Fund to 1) incentivize Smart Yield v2 users, 2) bring sustainable liquidity to our platform on Optimism, 3) reward dedicated builders working to enhance the Barnbridge platform & 4) incentivize BOND holders to vote to migrate our DAO & governance fully to Optimism.

How will the OP tokens be distributed?

Total Ask: 600,000 OP Tokens

SMART Yield Users: 33.33%

Optimism LP: 25%

Builders: 25%

Move BOND's governance: 16.67%

How will this distribution incentivize usage and liquidity on Optimism?

Even before the collapse of Luna we have spent almost 7 months completely rebuilding how fixed income and incentives for fixed income work in crypto. It was obvious that just printing more tokens for higher APYs/APRs was not going to end well so we wanted to reassess. This is also why our TVL dropped from its height of \$600m to \$16m (currently). We wanted to rebuild the entire system without focusing on ponziomics.

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It's obvious when we decided to pivot and focus on a new rewards mechanism that was more long term focused.

However, utilizing tokens (or let's call this unsustainable reward mechanisms) to attract original entrants is an age-old use case in both finance and the broader markets. So we still will be utilizing token rewards in our system, they will just result in more market driven fixed income rates.

It would be amazing if we could use the OP token as well to jumpstart liquidity to a place where we won't need ongoing liquidity longer term (which is the hope of variable income protocols and capital markets like AAVE and Compound).

Upon launch, we believe BarnBridge on Optimism will be the MOST sustainable and MOST long term focused fixed income mechanism. This should make sense given that we were the first mainstream or major launch of fixed income in defi and we have been extremely focused on that vertical since launching SMART Alpha on Optimism last September.

Why will the incentivized users and liquidity remain after incentives dry up?

- Incentivizing more capital allows the pool to earn more yield which gets distributed in the next epoch, therefore increasing demand for that epoch. This creates a positive liquidity loop where more capital = more earnings = more capital = ...

Over what period of time will the tokens be distributed?

- We would look to incentivize our pools for 6 months with the OP tokens allocations.

How much will your project match in co-incentives?

- SMART Yield: This is difficult to estimate because we are bonding our token to liquidity providers on the LP positions of SMART Yield. In other words, our DAO will be accepting risk as the sole liquidity provider. Due to this, we will have a unique way of providing liquidity to this system. However, we expect our liquidity to far exceed the dollar value of this grant.
- LP (BOND/USDC [or LUSD]): We want the most liquid stablecoin on Optimism or WETH to pair with our longer term liquidity incentives. I think it's our responsibility, within reason, to match or exceed the incentives. However, we will begin porting liquidity to Optimism when our main net pool (that we cannot turn off) ends. At that time, we have no idea what the value of the token allocated for this will be and it could potentially exceed our treasury. For that reason I think we need to use discretion but recognize that we should not solely rely on Optimism tokens. So there are scenarios that our incentives will be higher and vice versa but I think the people reading this will be very happy if ours are less at that time due to a run up in the OP token price.

Edit: after reading this feedback we have changed the ask from 3m tokens to 600k tokens and changed the distribution to this:

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