**Token Burn-to-Value Redemption Mechanism**

When a user **burns a token**, they receive **USDT (or another stable asset) in return**. This provides liquidity and stability while ensuring token holders can **redeem value directly from the treasury**.

**1. How the Burn Process Works**

✔ **User initiates a burn transaction** → Sends token to a burn contract.

✔ **Smart contract verifies burn request** → Ensures eligibility and treasury balance.

✔ **Treasury releases equivalent value** → USDT, ETH, BTC, or SOL is sent to the user.

✔ **Burn event is recorded on Solana** → Ensures transparency and prevents double-spending.

**2. Price Calculation for Redemptions**

Since the token is backed by **gold, silver, and Bitcoin**, the **burn value is calculated based on treasury reserves**:

Burn\ Value = Token\ Quantity \times Treasury\ Backing\ Price

Where:

• **Treasury Backing Price** = A weighted average of **gold, silver, and Bitcoin prices**.

• **USDT Payout** = Stable equivalent based on this calculated price.

**3. Example Burn Transaction**

✔ User **burns 100 SMT tokens**

✔ Smart contract **checks treasury price** → Each token is worth **$2.50 USDT**

✔ Treasury releases **$250 USDT** to user

✔ Burn event is **logged on Solana**

**4. Ensuring Treasury Stability**

To prevent **treasury depletion**, the **burn function can be limited** by:

✔ **Daily burn limits** → Prevents draining funds too quickly.

✔ **Dynamic burn pricing** → Adjusts USDT payout rate based on treasury reserves.

✔ **Governance control** → DAO can adjust burn parameters as needed.

**5. Why This Matters**

🔥 **Creates a built-in liquidity exit** for token holders.

📊 **Maintains stable token economy** by reducing supply over time.

🔄 **Incentivizes long-term holding** since token value is linked to real-world assets.