Rating
72/100⭐

Snapshot	
Ticker	BTRFLY
Current Price:	$598.27
Market Cap:	$191,875,785
Circulating Supply:	320,822
Token Type:	ERC-20
Sector:	DeFi

Note: [Redacted] Cartel is a relatively complex project and this report provides the ins-and-outs of everything within the protocol. If you would prefer to not read the detailed, 10-page version, there is a TL;DR version on the final page of this document. It will provide a high-level overview of [Redacted] and will touch on the main points of the protocol.

Introduction

[Redacted] Cartel launched in the middle of last December; just as the name suggests, there was an element of secrecy to it and its end goal. This, along with a massive 200,000% APY at launch, drew the eyes of investors early on. However [Redacted] also, of course, had a real product to go along with this - a product that sets its eyes on Curve Finance and the war surrounding it. The Curve Wars (which we will expand on later) are what served as the ground for the protocol to build upon; without them, there would be no [Redacted]. The ultimate goal for [Redacted] is to eventually have a majority say over the Curve gauges (which will also be discussed later). The protocol categorizes itself as a subDAO (or authorized fork of) OlympusDAO, and it uses similar tokenomics. However, [Redacted]'s tokenomics are tweaked to incentivize the accumulation of as many Curve ecosystem and governance tokens into its treasury as possible. The mechanics of the protocol involve bonding and staking actions which lead to distributing [Redacted]'s native token BTRFLY. To fully understand the structure of the protocol, we should briefly examine OlympusDAO and how it operates.

OlympusDAO

As previously mentioned, [Redacted] Cartel is an OlympusDAO (OHM) fork, which essentially means that the protocol copied its open-sourced code (as well as economic structure) and used it as their own, but with slight changes. There have been dozens of OHM forks created over the last half year so it is nothing new, but what separates [Redacted] from the other forks is that it targets the Curve Wars and the tokens/capital associated within that crusade. The objective for OlympusDAO is to create a decentralized reserve currency, by primarily accruing stable assets into the treasury. [Redacted] differentiates itself from Olympus by acquiring more volatile governance

assets for its treasury, as well as taking advantage of yield-generating strategies that CVX and CRV offer.

Note: For the following paragraphs in this section, every reference of OlympusDAO can be replaced with [Redacted] Cartel and every reference of OHM can be replaced with BTRFLY. The reasoning behind this is because [Redacted] copied Olympus' code which essentially means that they share the same fundamentals for bonding and staking.

There are two methods that define OlympusDAO (and therefore [Redacted]) - bonding and staking. Bonding is essentially the process where Olympus acquires assets for its treasury. The bonding procedure is carried out by issuing the protocol's native token (in OlympusDAO's case, this is the OHM token), in exchange for another asset that will be placed into the treasury. There is, however, a stipulation behind the process of bonding. The user must surrender the asset immediately, while instead Olympus has a specific amount of time to issue OHM in return (14 days for this protocol, although it is 5 days for [Redacted]). OHM is distributed to the user linearly until the end date is reached. Why would anyone do this if they do not receive the full asset at the same time of the exchange? It is because the user is receiving a discount on the OHM itself. Users receive more OHM from this process than they would if they exchanged OHM for the treasury asset directly from a market maker or DEX. In order for the exchanged asset to be distributed at a discount, there has to be some measures taken. There must be a way of computing the price of OHM relative to the price of the treasury asset, right? In comes a liquidity pool.

This leads us to our next brief point of "protocol owned liquidity" (POL). Protocol-owned liquidity is exactly what it sounds like. The protocol owns its own liquidity, which essentially means that the treasury backing OHM is actually, in part, just OHM liquidity itself.

The other mechanism behind OHM is staking. Staking is the procedure of essentially locking up your OHM in a smart contract to receive additional OHM for "free". Every (roughly) eight hours, an event called an epoch occurs where rebase rewards—in proportion to the reward rate that has been established and voted on by the members of the protocol—are given to individuals that stake. OHM and its spinoff forks (also referred to as rebase DAOs) are known to have exceptionally high APY percentages, which draw attention from users because of the rewards.

You can read more about the OlympusDAO protocol, bonding, staking, and POL, by reading our report on OHM.

The Curve Wars

In order to understand the entire reason [Redacted] Cartel was built, we need to understand the concept of the Curve Wars. If you already understand what this is, you can certainly skip to the next section. If you are new to this concept or just need a refresher, here is a brief high level overview of what the Curve Wars entail.

Protocols that are invested into the Curve Wars want to acquire as many Curve Finance (CRV) tokens as possible in order to incentivize

liquidity providers on the Curve Finance platform. So, what is Curve Finance? It is a decentralized exchange for stablecoins that has over $19 billion in liquidity - the most of any DeFi protocol in existence. This, combined with what we'll learn in the next paragraph, makes it extremely important.

Curve uses liquidity pools, and every liquidity provider (LP) earns fees whenever a trade is made on the protocol. Curve's native token, CRV, can be staked, which gives you a token (in return) called veCRV, which can be used to boost rewards for certain pools and for voting rights. Votes and rewards are weighted by both the number of tokens and the duration for how long they have been staked on the protocol. The longer time that they have been staked, the better (due to increased reward percentages). The minimum lock up period is one week, while the maximum is *four years*. Users receive more veCRV as time progresses which is then used to vote for boosted rewards for LPs in the liquidity pools that they utilize the most. This is all in order to generate the highest returns for their protocol's depositors.

If this brief summary was confusing or if you just want a more detailed analysis on the Curve Wars, I highly suggest watching this video or clicking this link. However, the three main points to take from this are: (1) Curve controls the most stablecoin liquidity in DeFi, (2) CRV can be locked up for up to four years, via staking, to get veCRV, and (3) veCRV can be used to boost rewards for certain LPs and for voting power. CRV gauge voting is the principal reason to control veCRV voting power. If rewards for LPs are boosted in a certain pool, what will likely happen? More liquidity will flock to that pool.

This has resulted in what is known as the Curve Wars, where many different protocols are competing to obtain as much CRV as possible in order to gain more power over Curve's liquidity. You should also know that Convex is currently a leader here, controlling more Curve voting power than any other protocol.

There are layers to the Curve Wars and at the time of writing, [Redacted] is at the top of the pyramid (for now). See **Figure 1** for a visual of the layers.

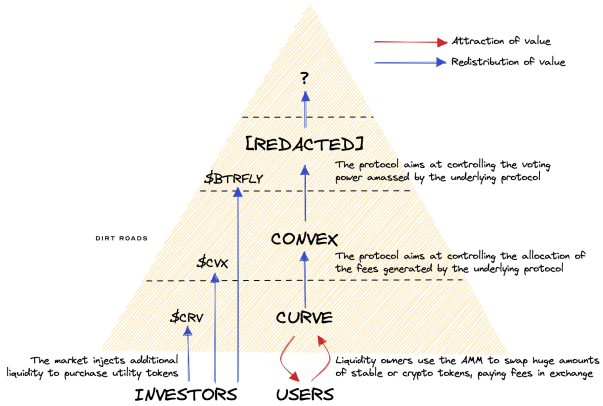

Figure 1 *- "Curve Wars: Plata o Plomo" found here*

What is [Redacted] Cartel?

So, what is the purpose of [Redacted]? Just like all other players in the Curve Wars, their ultimate goal is to accumulate as much Curve Wars-related assets as possible. It does so by issuing Curve and Convex (see our Convex Finance report here) bonds, in exchange for its BTRFLY token (which is very analogous to OHM). As previously mentioned, [Redacted] utilizes the yield-generating strategies that both Curve and Convex offer.

The locked Curve ecosystem tokens are placed into the [Redacted] treasury which therefore

generates growth of the treasury itself, which leads to the increase in both BTRFLY and the Curve ecosystem token's intrinsic value.

Why would individuals give their CRV tokens to [Redacted]? The major benefit stems from being given the protocol's native token, BTRFLY. The BTRFLY asset is liquid. When indirectly staking the Curve ecosystem tokens (through vlCVX and cvxCRV), they are locked for a set amount of time and users may not want to lock their tokens because they may want that liquidity in the near future. [Redacted] on the other hand, does not need the liquidity, therefore they can lock the tokens to receive maximum yield and rewards. By doing so, they accumulate voting power over Curve which can then be used to benefit by voting in favor of the liquidity pools that align in favor of the protocol's interests. **It is a simple game of incentive alignment.**

[Redacted] has made waves in the DeFi space ever since its inception in mid-December. Their initial bootstrapping event raised nearly $74M worth of OHM, CRV, and CVX at the time (see **Figure 2**).

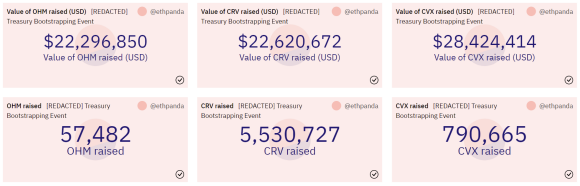

Figure 2 *- [Redacted]'s Dune Analytics page here*

The [Redacted] Cartel has expanded to other assets besides the staple Curve War-motivated tokens, such as FXS and TOKE. Although these two assets do not play any major part in the Curve Wars, they do, however, have their own benefits that [Redacted] can harness in bulk.

They both have bribing characteristics for their respective protocols. For FXS, the protocol has adopted a similar structure to Curve where the veFXS token gives users the ability to vote on FXS-farm boosts, earn yield, and other rewards. You can read more about the adoption here.

Regarding TOKE, the "TOKE (Liquidity) Wars'' have been gaining momentum, and the cartel announced an acquisition of Votemak (which you can read a more detailed explanation on by clicking this link). TOKE allows token holders to earn LP fees without having to deal with deploying them to various pools. While Convex focuses primarily on Curve, Tokemak allows the users to deploy tokens to other major decentralized exchanges. It is quite similar to the veCRV and veCVX model, but available for any tokens on any exchange. What does this mean for [Redacted]? It will soon be running a TOKE bribing strategy (where the protocol will benefit from TOKE bribes for the TOKE in its treasury, and through Votemak) while acquiring more voting power over TOKE and CVX. The protocol will have a substantial amount of power over the future of liquidity if their goals are hit and the plan works out in their favor.

Catalysts

[Redacted] released a roadmap for expected updates and adjustments to fix some issues related to the protocol, which you can view here. The document provides solutions to the five primary issues that they currently have in scope:

1. Thin liquidity pool
2. Rebase token market uncertainty
3. Pairing against a volatile OHM token
4. Lack of BTRFLY use-cases

5. Unsustainable emissions and tokenomics

For this report, we will discuss the upcoming catalysts for Q1 which are:

(a) *Operation Thecosomata* to help with the thin LP
(b) Ecosystem Expansion to help with rebase token uncertainty
(c) *Hidden Hand* V1 to help with BTRFLY use-cases
(d) [Redacted] v2 *Harberger Model* to help with tokenomics

This is quite an abundance of upcoming events that could give the protocol a jolt of energy as OHM forks have suffered major losses early on in 2022 (which will be expanded on later).

(a) *Operation Thecosomata* is a plan to pair BTRFLY minted directly from the treasury, with an interest-free OHM loan to further bootstrap the LP pool, which essentially allows the protocol to grow their LP position. The operation gives [Redacted] the possibility of quickly growing the protocol owned liquidity (POL) by twice the value of their debt facility.[1] It basically provides a more cost effective way to grow the LP than bonding (selling BTRFLY for LP tokens like BTRFLY-USDC LP) because the protocol does not have to entice bonders by offering a discount.

(b) The protocol has been slowly expanding its ecosystem by partnering with Dopex, JonesDAO, Market.xyz, as well as FXS and TOKE. By acquiring these assets to be placed into the [Redacted] treasury, they are expanding on protocols that are relatively new, but also have strong core development teams that have shown their capabilities in the past. Integrations with these protocols should help the BTRFLY token as well.

(c) Governance over the protocol is currently the only use-case for the token. The [Redacted] team has created an innovative proposition to provide the BTRFLY token with more utility. That is where the Hidden Hand marketplace comes into play. The Hidden Hand marketplace will be a bribery platform that lets other protocols with vote-escrow tokens to access a marketplace that lets others bribe their token holders to vote for their best interests. [Redacted] will earn 4% fees that are distributed back to both BTRFLY stakers and the treasury. This allows for stakers to generate more income while also boosting the treasury. One example of protocols using this marketplace would be Tokemak creating a market for protocols to bribe TOKE holders to vote for new core reactors and TOKE rewards.

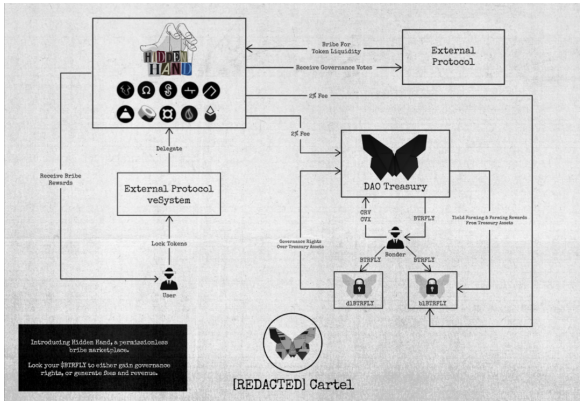

Figure 3 *- [Redacted] V2022 PPT here*

(d) As of lately, rebase tokens (e.g. OHM, TIME, KLIMA, etc.) have been hit exceptionally hard. This is due to a combination of (necessary) APY reductions, whale selloffs, investigations that led to team members being serial fraudsters, questions of long term value and sustainability, and more. [Redacted] plans on implementing a Harberger Taxation model to help assist in the concept of DAO governance.

To provide a high level overview of the model, it is based on an economic theory that aims to help even out the distribution and balance of power between public and private ownership. The bonding mechanism would thus be eliminated, which would create a more sustainable, long term mindset for the protocol. In this new Harberger Taxation model, liquidity providers (LPs) will be forced to pay a small fee (in the form of burning that position) to continue their farming activities. Investors seeking only to hoard assets and maximize yield will receive less value from the voting and governance tokens than protocols that seek to actually use them. Why is the model beneficial for governance tokens like BTRFLY? Because it is designed to improve the allocation efficiency of assets for those who are more likely to apply them for its intended purpose, as opposed to just holding them with no intention of utilization. In other words, the most active participants are rewarded, which for a long term model, this is incredibly necessary. This is by far the best catalyst as it improves the tokenomics and possibility of staying relevant for years to come.

Competitive Advantage

As you can see in **Figure 4**, the [Redacted] Cartel is in third place in the "Convex Wars" (which is just who owns the most veCVX).

DAO	Total CVX	7 Day Change	30 Day Change
Frax	1,563,187	14,984	286,785
Badger	1,093,116	-76,668	-140,294
Redacted	1,057,760	30,500	120,989

Figure 4- *DAO CVX Leaderboard here*

Convex is currently in the lead of owning the most veCRV, and, if it theoretically wins the Curve Wars and owns **all** of the veCRV, then whoever controls the most veCVX would win the Curve Wars via proxy. [Redacted] is aiming to do that, and over 60% of the treasury is in CVX and CRV, which you can see in **Figure 5**.

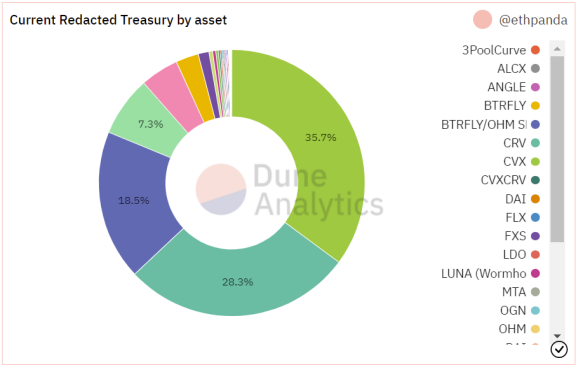

Figure 5- *Dune Analytics here*

[Redacted] is utilizing these yield-earning strategies within the Curve Wars to become a major player in the crusade. By using rebase tokenomics, it is trying to become a black hole for the assets that correlate with the Curve Wars. Being the first to do anything (in any

category, really) provides a massive advantage of credibility, idiosyncrasy, and innovation. However, as the Curve Wars rage on, the possibility of new players coming into the space is quite high. Another protocol can theoretically piggyback on [Redacted] and become a "fourth layer" to the Curve Wars, if [Redacted] controls enough power to make it worth doing so. Time will be the defining characteristic of how (and when) things change within the space.

Tokenomics

Due to [Redacted] being a subDAO of OlympusDAO, the tokenomics are quite similar to the protocol. They were briefly mentioned in the *OlympusDAO* section, but I will provide more details here. The biggest question that new investors ask is, "what is the token backed by?" The answer to that question lies within the [Redacted] treasury. The BTRFLY token is backed by the value of everything inside of it, and, as the Curve Wars progress, the value of these assets, in theory, will rise.

There has been a recent change in tokenomics that has to do with the previously-mentioned sustainability factor. The OlympusDAO bootstrap methodology (distribute a ton of native tokens, like OHM, by selling bonds) can only be sustainable for a brief period of time. Just as Olympus has been reducing its extremely high APY, [Redacted] is beginning to reduce its as well.

At the time of writing, their APY percentage is 59,188.25%, which is absurdly high. They are in the process of slashing that rate all the way down to 1,000% APY which may sound detrimental to investors, but it is considered a revamp to the tokenomic model that will help the protocol's long-term sustainability. Since every BTRFLY token must be minted against an asset in the treasury, if the APY is too high and there is not an extremely high volume of bonds being sold (this volume naturally cools off over time), [Redacted] will run out of BTRFLY to distribute and the APY would be 0%.

Different Tokens Inside [Redacted] Ecosystem

1. BTRFLY - The governance token backed by the assets inside the treasury.
2. xBTRFLY - A derivative of the main BTRFLY token that is issued once a token holder stakes in the protocol. If you stake BTRFLY, you receive xBTRFLY in return. This token automatically receives rewards, through rebases and in the form of more BTRFLY, that are generated by the protocol. This token can be redeemed at a 1:1 rate for regular BTRFLY (unstaked) at any time.
3. wxBTRFLY - A wrapped version of staked BTRFLY. To put it simply, this is essentially a token that can be transferred to other blockchains as opposed to just sitting inside of the staking vault like xBTRFLY. It still collects rebase rewards, but it allows for more mobility and versatility than xBTRFLY.
4. pBTRFLY - This has a similar mechanic to private tokens. This is what is allocated to the team, investors, and OlympusDAO due to its partnership. What is different about these tokens compared to tokens in other protocols is that they are supply vested. The more BTRFLY tokens that are in circulation, the more pBTRFLY tokens are available to be unlocked. This is beneficial

because it (a) doesn't allow for an "all at once" unlock period where owners quickly dump huge amounts of tokens, and (b) demonstrates long term alignment since, to redeem these tokens for BTRFLY, the protocol must successfully generate revenue to mint new BTRFLY that is backed by that revenue.

There are a lot of protocols in DeFi working to implement new and innovative "ve-tokenomics". [Redacted] is working on a plan to take advantage of this new model, but by adding a twist. Instead of creating a veBTRFLY token, they are planning on releasing rlBTRFLY (revenue-locked) and glBTRFLY (governance-locked) tokens.

1. rlBTRFLY - A way for retail users to receive daily in-flow and revenue generated by the [Redacted] protocol. It is essentially used to generate higher yield.
2. glBTRFLY - is more for DAOs as opposed to retail investors. DAOs acquiring BTRFLY can leverage the [Redacted] voting power for their own internal interests. If you are a DAO that wants access to voting power, this is the coin that should be used.

These new tokenomics may sound confusing, and they somewhat are, but a more simple way to describe them would be that rlBTRFLY holders would get higher rewards per BTRFLY than if they were to just lock the CVX (or other tokens) themselves. Why? Because half of the supply would only be locked for governance. glBTRFLY would get higher governance influence than just buying and locking said governance tokens. The reason for this is because only half of the supply would be generating yield, and not used for governance. For now, these two new tokens are only a concept but eventually plan on being proposed to the DAO for a vote on implementation in April 2022 (see **Figure 6**).

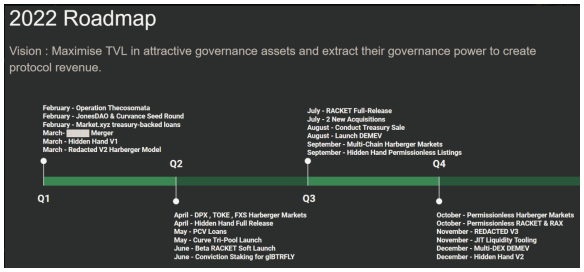

Figure 6 *- [Redacted] V2022 PPT here*

Team Analysis

The developing team of [Redacted] is partially anonymous so it makes it hard to provide a rather detailed analysis on the group. Anonymous founders are not rare in the DeFi space, so this is not a huge cause for concern. Still, from what I can gather from podcasts, protocol documents, and their Tweets, the team looks to be motivated. 0xSami and RealKinando are the innovative (as you can see with their ideas of revamped tokenomics) founders of the protocol. According to 0xSami's Twitter bio, he is a research analyst for Messari, a well renowned crypto research firm. There is very little information on the duo, but they are willing to go on podcasts and share their insights with the community, so that is a positive.

Risks

The risks of investing into BTRFLY are the same in investing in other protocols, to an extent.

1. Smart contract risk is always number one. The possibility of an exploit in the source code can be detrimental to anyone invested in any protocol. The protocol has been audited, but that does not guarantee against something wicked happening where a hacker barges in and exploits the smart contract. This does, however, have to do with every protocol on the blockchain, not just BTRFLY.
2. The second risk is that the treasury funds are all held in a manual multisig wallet. Trusting the multisigs is really all that can be done here. The treasury contract is guarded by a 4 of 7 multisig (which means 4 of 7 individuals need to approve any transaction for the treasury).
3. The third risk to note for BRFLY stems from the treasury value. The risk here is twofold: (1) the assets in the treasury can decline in value, and (2) regardless of #1, the BTRFLY token can itself trade below its treasury value. This happens with many OHM forks, as faith in the team or vision falters, and due to there being no direct redemption option to trade in the token for its treasury value, investors may prefer liquidity even at a discount to the token value.
4. Another risk for [Redacted] is the (slim) chance of the Curve Wars dying out. I personally don't see this happening any time soon, especially with how DeFi and stablecoins are monumental in the cryptocurrency space. Curve is the biggest stablecoin swap exchange and the fight over the protocol gauge is very major.
5. The association with OlympusDAO could also be considered a risk as well. The concept of rebase tokens dying and OHM not being sustainable for the long term is definitely a concern. Especially considering that nearly 18% of the treasury is in BTRFLY/OHM LP tokens.[2] A lot of the liquidity is denominated in OHM and as the OHM value shrinks (which is exactly what has happened), the BTRFLY token value drops along with it.

Rating Summary

[Redacted] Cartel is most certainly an innovative protocol that, under the hood, looks to be evolving in the right direction. The upcoming roadmap for 2022 and the catalysts associated with it look to be quite substantial for benefiting the protocol. The expansion into the TOKE Wars could be a massive advantage in the coming months, as well as their launch of the Hidden Hands marketplace that is set for March 2022. The fact that [Redacted] is transitioning to a new tokenomics concept is definitely bullish for the protocol. It used the bootstrapping mechanisms that made Olympus so great in the early stages, but is now moving away from the high staking emissions as they are transitioning into V2. The team is bright and has strong conviction on how the protocol will perform in 2022. Although they are not doxxed, the participation in podcasts and seminars shows that they are not willing to hide completely.

Overall, [Redacted] is an innovative protocol with goals that can most certainly be reached. If the protocol continues to shine in acquiring CVX, CRV, and other Curve Wars related assets,

and the momentum of the Curve Wars continues, the possibilities of [Redacted] being a winner are relevant.

BTRFLY Ratings
Catalysts: 16/20
Competitive Advantage: 14/20
Tokenomics: 15/20
Team Analysis: 13/20
Risks: 14/20
Total: 72/100

TL;DR Version

[Redacted] Cartel is a protocol that takes advantage of yield-generating strategies to establish a strong position in the Curve Wars. What exactly are the Curve Wars? It is a race between certain DeFi protocols to try and ensure that their preferred liquidity pools are offering the highest CRV rewards. Curve Finance is a decentralized exchange for stablecoins, and the CRV token is the governance token for the protocol. CRV is valuable because it allows holders to claim Curve's trading fees and influence the allocation of further issued CRV; it also is the highest Total Value Locked (TVL) within DeFi, hence the high competition to control it. To dumb it down, the more CRV a protocol has, the more weight they have for making decisions on certain pools, which they can then choose to allocate the best rewards for the pools that align with their own protocol's interest. The more CRV-related assets a protocol owns, the more power they have to reward their own protocol.

[Redacted] is an authorized OlympusDAO (OHM) fork which means that they use bonding and staking mechanisms, as well as a treasury to hold and accumulate governance tokens within the Curve ecosystem. So, what is the purpose of [Redacted]? Just like all players in the Curve Wars, their ultimate goal is to accumulate as much Curve Wars-related assets as possible, to accrue voting power across various DeFi protocols. The BTRFLY token is currently used for governance over [Redacted], and provides exposure to the treasury that backs the project. The protocol's 2022 roadmap looks to be exciting and full of innovative measures to hopefully keep the protocol sustainable for a long period of time. The incorporation of a new tokenomics model, proceeding to gain exposure in the TOKE (Liquidity) Wars (which is a new battle generating momentum that is similar to the Curve Wars), and a new marketplace for protocols to use, could be three reasons why the protocol could do well in the upcoming year. However, risks that include OHM association, a treasury guarded by seven individuals as opposed to the DAO members, and heavily relying on the Curve Wars, could be some concerns to think about before investing.

How to Buy

You can swap ETH for BTRFLY using Uniswap, or if you have OHM, you can swap OHM for BTRFLY on Sushiswap. If the bonding mechanism is something that excites you, you can head over to https://app.redactedcartel.xyz/bond and bond with the available assets that are on the dashboard. Keep in mind that there is a five day vesting period before receiving your full BTRFLY if you decide to bond.

Citations

1. https://docs.google.com/presentation/d/1z0BTfir5unw8wTn5m4LHD9zX7k241

0LZi24BSeCMvRY/edit#slide=id.g10c7ddd87e1_0_130

2. https://dune.xyz/ethpanda/Redacted

Links

Website: https://www.redactedcartel.xyz/

Whitepaper/Documents: https://redacted-cartel.gitbook.io/redacted/welcome-to-the-cartel/perennial-usdbtrfly-thesis

CoinGecko Listing: https://www.coingecko.com/en/coins/redacted-cartel

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