Alto Foundation Transparency Report

2025-26

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Introduction

This document is a report on the state of the **Alto Foundation** and provides a **high-level overview** of the current **operations, financial health, security initiatives, and technical milestones** as we transition into our next phase of growth. The aim is to provide the community with a transparent view of how resources are allocated, how risks are mitigated, and how the protocol is being positioned to capture long-term value.

Disclaimer

- **Temporal Accuracy & "Snapshot" Limitation:** The data, metrics, and financial figures presented in this report are accurate **only as of the date of publication** (August 2026). Because blockchain networks and decentralized markets operate continuously, the protocol's financial state, treasury balances, debt ceilings, and collateral ratios will have changed by the time you read this document. The Alto Foundation and its contributors under no circumstances undertake any obligation to update, revise, or republish these figures retroactively.

- **Transition-Related Financial Discrepancies & Accounting Errors:** The financial and treasury metrics presented in this report span periods of operational transition, specifically the handover from former contributors and service providers to the current independent service provider. Due to differences in historical ledger tracking, data migration methods, and the reconciliation of legacy reporting systems, some historical financial figures may contain accounting errors, omissions, or discrepancies. While the current contributors have made exhaustive, good-faith efforts to audit and reconcile all balances, some legacy data points cannot be independently verified and should be treated as estimates.

- **No Legal Effect, Representation, or Admissibility:** The information, data, and analysis contained in this Transparency Report are provided strictly for community-informational purposes. This document does not constitute a prospectus, a legal representation, or a certified financial audit. Under no circumstances should the contents of this report be interpreted, construed, or used as legal proof, formal evidence, or a legally binding statement of fact in any court, arbitration, regulatory proceeding, or other legal dispute. The Alto Foundation makes no formal warranties, express or implied, regarding the legal or regulatory status of the figures or operations described herein.

- **Forward-Looking Statements & Development Projections:** This report contains "forward-looking statements" regarding upcoming protocol developments, product launches (such as the un-deployed Staking and Rewards modules), expansion phases, and roadmap milestones. These projections represent the software contractor’s technical roadmap and expectations based on reasonable assumptions, but they are **not guarantees of future execution**. Technical development in Web3 is highly volatile. Actual results, timelines, or final product features may differ materially due to smart contract complexities, auditing bottlenecks, regulatory changes, or shifting market priorities.

- **Yield Projections, Financial Estimations & Third-Party Dependencies:** Any projected earnings, APYs, or yield figures mentioned in this report are based on historical performance and current configurations of external partner protocols (e.g., Curve, Convex or Frax Finance). These figures are dynamic and fluctuate based on network gas fees, pool liquidity depth, market volatility, and external governance voting.
    1. **Third-Party Risk:** Alto is indirectly exposed to any vulnerabilities, hacks, governance changes, or failures within these external protocols.
    2. **No Guarantee:** Historical yield performance is not indicative of future financial results.

- **Smart Contract & DeFi Protocol Risks:** Interacting with decentralized finance (DeFi) protocols inherently carries unique and significant risks.
    1. **Residual Code Risk:** Despite undergoing 10 comprehensive smart contract audits with top-tier firms, no amount of auditing can entirely eliminate the risk of bugs, zero-day exploits, or logical vulnerabilities.
    2. **Peg Stability Module (PSM) & DUSD:** While DUSD utilizes a PSM and strict debt ceilings to maintain its peg, black swan events, severe market liquidations, or loss of confidence in backing assets (e.g., sUSDe, SyrupUSDC or frxUSD) could cause DUSD to trade away from its $1.00 USD target.

- **No Offer, Solicitation, or Financial Advice:** Nothing in this Transparency Report constitutes financial, investment, legal, or tax advice. The contents of this document are compiled solely for informational and educational purposes to promote transparency from the Alto Foundation within the Alto community. Interacting with the Alto protocol, minting DUSD, or providing liquidity involves high-risk mechanisms, and users must conduct their own independent research and assess their risk tolerance before participating.

- **Regulatory Status & Availability:** Certain features described in this report, including references to a native token, staking and reward mechanisms, are proposed or not yet deployed. Their implementation, structure and availability remain subject to applicable legal and regulatory requirements and may be modified, restricted or not made available in certain jurisdictions.

Executive Summary

Alto was originally founded on the principles of community governance. However, before the DAO could reach full operation, the former Service Company resigned by mutual agreement with seed contributors after nearly three years of development that yielded no workable product, deliverables, or usable code.

In response, a dedicated group of community members and independent contractors coordinated to form an alternative, interim solution. Despite the immense difficulty of rebuilding under these conditions, these contributors **successfully developed and deployed a fully functional protocol**, delivering on the ecosystem's original promises.

Most efforts have been focused on **four different fronts**; development, risk management, security and ecosystem growth.

- **Development:** The primary objective has been to rapidly deploy a functional product without compromising on security.

  Alto comprises **five core components**: Lending, DUSD, the Peg Stability Module (PSM), Staking, and Rewards. Currently, **three of these pillars** are **live**. The remaining two have been **fully developed and audited** but await deployment, as their functionality depends on the protocol's native token launch. Current development efforts are focused on **optimizing the live contracts** to exceed industry standards, unlocking Alto's full potential.

  Within the **Lending module**, we have successfully deployed curated vaults and **DUSD Earn products**, paving the way for future **permissionless vault curation**. Additionally, development is underway for **Isolated Positions**, a key market innovation that gives Alto a distinct competitive edge.

  On the **DUSD front**, a **yield-bearing version** is under development to drive cross-protocol DeFi integrations during the upcoming expansion phase.

  Finally, the **PSM architecture** has been updated to enable **permissionless liquidations**, allowing the protocol to tap into PSM liquidity and ensure a resilient, seamless liquidation mechanism.

- **Risk Management:** Alto is committed to delivering a robust risk management framework that serves as the bedrock for a thriving ecosystem. At the end of the first quarter 2026, a strategic decision to pivot from an external risk management firm to an in-house model was made. Since then, Alto has completed a **collateral assessment framework**, launched a **public analytics dashboard** showcasing key protocol metrics, and begun final development on its **internal risk monitoring protocol**.

These three pillars are essential prerequisites to **scaling the DUSD supply** into the millions beyond the **Protocol-Owned Liquidity** (POL). Establishing **proper risk controls** provides the necessary foundation for transitioning from a guarded state to **phased scaling**, allowing the protocol to safely and gradually increase debt ceilings as it enters its **expansion phase**.

- **Security:** Balancing security with audit cost efficiency has been a primary focus for us. Alto underwent **10 smart contract security audits** conducted by a group of different security firms and solo auditors, including **Enigma Dark, BailSec**, and **Cantina**. These comprehensive reviews evaluated the protocol's core lending markets, liquidation engine, oracles, staking mechanics, reward systems, Peg Stability Module (PSM), and vault architecture. Notably, **zero critical vulnerabilities** were identified across the entire suite of audits.

- **Ecosystem Growth:** During the second quarter of 2026, we designed and implemented a **self-sustaining liquidity flywheel** to ensure the long-term capital efficiency of the ecosystem. This foundation step was key in **scaling the protocol**, providing **deep liquidity**, DeFi integrations and **self-sustaining revenue streams** to incentivize growth.

  Deep integration with the **Curve ecosystem** and a strategic partnership with **Frax Finance** have successfully established a strong foundation for future scaling. By pulling these strategic levers, the protocol has unlocked **double-digit yields** revenue streams that will accelerate growth once the internal risk monitoring protocol is fully operational.

Governance Structure

This section aims to provide an overview of the **governance and control architecture** of the protocol and explain its function**.** There are **five different control structures:**

1. **Owner Safe**
   - **Address:** 0xc49bf619CC9A68F84A6C9aB88506F2627565a4D0**.**
   - **Threshold:** 3 of 5
   - **Description:** Operating as the protocol's Governance Safe, this entity acts as the proposer, executor, and canceller for the **primary protocol timelock**. Through this timelock mechanism, it maintains the power to upgrade eligible contracts, modify protocol parameters and roles, adjust ceilings, configure oracle and liquidation settings, and manage registry entries.

     Additionally, it serves as the DUSD Vault Curator, granting it the authority to immediately lower vault market ceilings, execute rebalancing within authorized caps, and propose market removals or ceiling increases.
2. **Main Protocol Timelock Smart Contract**
   - **Address:** 0xfAe841679dc1A93D225ECc827E4BbF3e8d703F86.
   - **Threshold:** 3 of 5[1] (Inherited from Owner Safe).
   - **Timelock:** 1 hour[2].
   - **Description:** Serving as the **true administrator** and **owner** of the **core mutable protocol contracts**, this component requires the Owner Safe to approve and schedule any updates. Its 1 hour timelock restriction applies universally, even to modifications regarding the timelock's own administrative roles.
3. **Treasury Safe**
   - **Address:** 0xA1148A1b94262540994Cf9Aa431A13ad39764228**.**
   - **Threshold:** 4 of 7[3].
   - **Description:** Responsible for **holding** and **transferring treasury assets**. It handles treasury-specific swaps via permissioned Universal Stability Modules (USMs) and accepts designated treasury inflows.
4. **Pauser / Freezer Safe**
   - **Address:** 0x1c11d2d42929bd17aB7212b79c91862Adfa8bbe4**.**
   - **Threshold:** 1 of 5[4].
   - **Description:** Functions exclusively during **emergencies** to immediately freeze DUSD minting and burning mechanism (excluding DUSD transfers), alongside market and USM protocols. It also acts as the DUSD Vault protector, possessing veto authority over any proposed risk parameter changes.

[1] This threshold is scheduled to be updated to 4 of 7.
[2] All timelocks are scheduled to be updated and increased up to 24 hours.
[3] This threshold is implemented on ethereum mainnet and will be extended to additional chains where it is deployed..
[4] This threshold is scheduled to be updated to 1 of 7..

5. **DUSD Vault:**
    - **Address:** 0x6954785783c6EE90400fA715E591fBbA0D0Bd749.
    - **Owner:** Main Protocol Timelock.
    - **Curator:** Owner Safe. It is the primary administrative entity exercising ultimate authority over protocol fee structures and fundamental governance configurations.
    - **Guardian:** Pauser Safe. It is a protective oversight authority with unilateral veto power over pending administrative modifications and risk parameter adjustments.
    - **Allocator/updater:** 0x7db7C14533a4186EcC07950F78835859320835Be. The allocator can reorder queues and rebalance only among already-approved markets and within existing caps. But it cannot raise caps, change ownership, or upgrade the protocol.
    - **Timelock:** Separate internal vault timelock of **24 hours** for risk-expanding vault changes.

Protocol Overview

Alto is an EVM-compatible credit lending ecosystem built around its proprietary, overcollateralized stablecoin (**DUSD**), which utilizes the **LayerZero OFT** (Omnichain Fungible Token) standard. DUSD powers two distinct markets with unique risk profiles:

- **Mint Markets:** The protocol acts as the credit counterparty. Collateral deposited here actively backs the DUSD peg.
- **Borrow Markets:** A user acts as the counterparty, and the risk is borne entirely by DUSD lenders. Collateral deposited here does not back the DUSD peg.

Market Features & Composability

Both Mint and Borrow markets are composable and support all common token standards, including **ERC-20** (e.g., Curve LPs) and **ERC-4626**.

- **Mint Markets** onboard blue-chip collateral to secure the stablecoin's core backing.
- **Borrow Markets** host long-tail assets and feature both **isolated pools** and **curated vaults** (which can be configured as **permissioned or permissionless**).
- **Core Mechanics:** Both market types support partial liquidations and built-in automatic leverage functions.

Ultimately, Alto is a versatile protocol engineered to seamlessly adapt to any on-chain environment without compromising on performance or security.

Protocol Token Mechanics & Liquidity-as-a-Service (LaaS)

The protocol's tokenomics are designed to offer **Liquidity-as-a-Service (LaaS)** by completely eliminating traditional token emissions and reshaping traditional liquidity mining programs. Instead, it utilizes a novel option-based reward system. The proposed Rewards module, which is not yet deployed, is intended to use an option-based reward mechanism following the launch of the protocol's native token, subject to final implementation and applicable legal and regulatory requirements.

How the Reward Option Mechanism Would Work:

- **Zero Base Emissions:** Under the proposed design traditional token emissions would be set to zero. Instead, eligible users may receive **Reward Options** linked to a protocol's native token.
- **Option Parameters:** These Reward Options would feature a specific strike price, an expiration date, and a pre-determined discount relative to the spot market.
- **Distribution:** Eligible users with open debt positions may receive Reward Options in accordance with the applicable protocol parameters. Each Reward Option provides the holder with the right, but not the obligation, to acquire native tokens through the protocol's reward mechanism at the applicable strike price during the relevant exercise period.

Post-Exercise Options for Users:

If implemented, upon users exercising their reward options and acquiring the native tokens, they would be able to:

- **Stake** them to capture a portion of the protocol's revenue.
- **Hold** them as a long-term asset.
- **Sell** them directly on the decentralized markets.

Impact on the Protocol:

When users choose to exercise their options, the mechanism facilitates a mutually beneficial exchange:

- **Users** receive the governance token.
- **The protocol** accumulates other assets (such as USDC or USDT, depending on the EVM chain), building **Protocol-Owned Liquidity**.

Major Developments

Developments in the 4th quarter of 2025

The biggest milestones were the development and **deployment of the protocol,** alongside a newly upgraded codebase featuring a **Peg Stability Module**, a redesigned **Staking Mechanism**, and a new **Referral System**. Additionally, we launched a **live** Development Roadmap to enable community tracking of ongoing development in real time.

Developments in the 1st quarter of 2026

The protocol launched **in** a **guarded beta phase** with a **limited debt ceiling**, establishing strict guardrails to protect against bad debt accrual and maintain **a stable DUSD peg**. During this initial phase, popular **yield-bearing assets** such as **SyrupUSDC** and **sUSDe** were onboarded amongst others.

On the **front end**, we rolled out three major updates: first, the integration of live **ARO reward accruals**; second, a new **"Strategies"** section showcasing available yields across the platform; and finally, a **"TGE-Checker"** allowing users to verify snapshot details, calculate potential future airdrop conversions, update recipient wallets, and review vesting schedules.

On the **backend**, the **referral system** was developed and an update was deployed to include a **management fee** on the Borrow Markets. This management fee is currently not activated to support the initial growth phase.

Developments in the 2nd quarter of 2026

Major implementations in this quarter include **The Alto Liquidity Program**, implemented through a joint effort of technical and business development integrations. Joining the Curve ecosystem set the foundations of a self-sustaining economic flywheel that **puts Protocol-Owned Liquidity (POL) to work** while ensuring deep liquidity. Additionally, Alto entered into a **strategic partnership with Frax Finance** that enabled Alto to access **risk-adjusted yield** thanks to Frax Finance on-chain tokenized **US treasury bills** infrastructure.

On the backend, we integrated **Curated Vaults** into the **Borrow Markets**, enabling users to allocate DUSD across approved markets within defined parameters and caps. Finally, **permissionless liquidations** were developed to facilitate a resilient and cascade-proof liquidation engine.

Future developments in the 3rd quarter of 2026

Implemented features

1. **DUSD Earn:** On the development side, a **new incentive program** was implemented, providing **10% APY**[5] to DUSD lenders with a limited capacity of DUSD 200,000 as of the time of the report. The yield comes from revenue sharing from the Protocol-Owned Liquidity deployed on the Curve LP and it is redistributed weekly.
2. **Dashboard Analytics:** A public dashboard with all **relevant key measures** of the protocol has been published as part of the internal risk monitoring protocol. This feature allows users to make informed decisions on their debt positions and have an understanding of the risk exposures of the protocol at a higher level.

Features in progress

1. **Branding & Design:** A new **front end** has been already designed and is waiting to be implemented once high priority tasks are finished. The new front end is more intuitive and user friendly.
2. **Isolated Positions (Lite):** multipurpose tokenization of debt positions that unlocks DeFi legos integrations. This Lite version paves the way for a major implementation later on that will increase Alto's versatility and give the protocol a great competitive edge on the modular lending landscape.
3. **Internal Risk Monitoring Framework:** this is the Alto's **real-time risk mitigation engine**. It continuously stress-tests the protocol's solvency, monitors oracle health, and evaluates stablecoin peg stability. By utilizing on-chain data streams and quantitative modeling, the framework converts raw network data into actionable safety parameters.

   At present, **conservative debt ceilings** are intended to keep the protocol within safe risk parameters. However, establishing this robust risk-monitoring infrastructure is paramount to unlocking our next phase of development, driving **cross-protocol integrations**, and safely **scaling the DUSD supply**.

Features planned

1. **Dynamic Interest Rates:** A dynamic **peg-defense mechanism** that transitions fixed interest rates in the Mint Market to variable rates when the peg is under stress. By raising borrowing costs, this mechanism incentivizes users to close their debt positions, which drives buying pressure on DUSD on the open market to restore its peg.
2. **Staked DUSD (sDUSD):** The **yield-bearing** version for DUSD, engineered to accumulate **all protocol-generated fees**. This utility is critical for integrating DUSD into external lending venues and yield-primitive protocols (such as **Pendle** or **Royco**), laying the groundwork for the protocol's upcoming **expansion phase**.

[5] The **APY is not guaranteed** and is subjected to change any time in the future.

Security Audits

The purpose of this section is to provide the community with a high level overview of the audit process, findings and overall operational security expenses. For a more in detail view of the audits, you can read the publicly accessible reports on our github.

Alto codebase has undergone **ten different audits** by three different firms covering all different core contracts of the protocol between July 2025 and June 2026. **Zero critical vulnerabilities** were found across all audits.

Security Review Engagements

The **Alto codebase** comprises **five different contracts**; Lending, DUSD, PSM, Staking and Rewards. Additionally, periphery contracts such as Oracles, Leverage, Vesting or Liquidations must also be audited among others.

You can find a **general overview** of the audits in the following table:

Scope	Date	Provider	Report
Lending, Liquidations & PSM	June 2026	Cantina	Report
DUSD Vault	April 2026	Cantina	Report
Lending	February 2026	Cantina	Report
Oracles, DUSD & Vesting	December 2025	Cantina	Report
PSM	November 2025	Cantina	Report
Staking & Rewards	November 2025	Bailsec	Report
Oracles, DUSD, Vesting, Leverage & Staking	November 2025	Enigma Dark	Report
Lending & Leverage	November 2025	Bailsec	Report
Rewards	September 2025	Enigma Dark	Report
Lending	July 2025	Enigma Dark	Report

Risk Classification

Smart contract security reviews vulnerabilities are evaluated using an industry-standard **Severity Classification Matrix** that measures **two variables: Impact** (the potential extent of financial or operational harm) and **Likelihood** (the probability and ease of an exploit occurring). By plotting findings along this spectrum, security auditors categorize issues into distinct risk tiers such as Critical, High, Medium and Low. The table below outlines the standard nomenclature used across our audit reports.

SEVERITY	Impact: High	Impact: Medium	Impact: Low
Likelihood: High	CRITICAL	HIGH	MEDIUM
Likelihood: Medium	HIGH	MEDIUM	LOW
Likelihood: Low	MEDIUM	LOW	LOW

Critical Risk refers to severe threats that could lead to a total loss of funds or a complete shutdown of the protocol. **High Risk** is reserved for serious issues that could cause partial fund loss or major feature disruption under specific conditions. **Medium Risk** covers moderate flaws that pose limited risk or require complex, unlikely steps to pull off. **Low Risk** includes minor code glitches or best-practice slip-ups that do not directly endanger user money.

It is worth noting that **Informational** and **Gas Optimization** findings are categorized as low-severity issues that carry zero direct security risk to protocol funds. **Informational findings** focus on code quality, maintainability, and clarity, while **Gas Optimizations** focus on EVM (Ethereum Virtual Machine) performance and efficiency.

Vulnerability Summary

SEVERITY	Count	Fixed	Acknowledged[6]
Critical Risk	0	0	0
High Risk	3	3	0
Medium Risk	12	2	7
Low Risk	30	16	14
Gas Optimizations	5	2	3
Informational	71	34	35
TOTAL[7]	121	57	59

Alto commissioned **ten independent reviews** across **three firms**, well above typical practice, and the reviews were substantive; two firms produced working proof-of-concept exploits. Against that level of scrutiny, the record shows: **Zero Critical vulnerabilities**, against an industry baseline where 93.9% of long-running programs surface at least one; all High-severity findings fixed and verified; a Critical-plus-High share of 2.4% against 17.2% industry-wide, roughly one-seventh the rate; 81% of findings falling in the Low or Informational tiers, reflecting **code quality** rather than security exposure; a most-recent review of the newest code returning zero findings at Low severity or above; and one review achieving complete remediation.

Bug Bounty Program

Alto has an active **Bug Bounty Program** effective from December 11, 2025. This program offers rewards paid in Mainnet USDC ranging from flat $3,000 (Medium) up to $100,000 (Critical, calculated as 10% of affected funds with a $20,000 minimum) for **responsibly disclosed vulnerabilities** strictly within deployed **Alto smart contracts**.

Excluded from scope are third-party integrations, previously reported issues, and known non-fixes. To remain eligible for payout and public recognition, security researchers must **maintain strict confidentiality**, refrain from opening public GitHub issues, and submit detailed reproduction reports directly to **security@altofoundation.org**.

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[6] **Acknowledged** means the software provider reviewed the finding but chose not to modify the code, having accepted the risk, deemed it a false positive, or concluded that a fix was impractical due to low impact, high gas costs, or potential breaking changes.
[7] The total aggregate of 'Fixed' and 'Acknowledged' findings may not equal the 'Total Count' due to discrepancies between developers and security providers regarding unacknowledged findings.

Operational Expenses

Fourth Quarter of 2025

The majority of the budget was allocated to **development, risk management, and security audits**, with **security** receiving over a **third of the total** fourth-quarter budget. Our security spend is cost-efficient, which we achieved by collaborating closely with independent, vetted auditors affiliated with established security firms. The Q4 spike in the **security budget** compared to other quarters was driven by the necessity of a comprehensive, full-protocol audit, in contrast to subsequent reviews that targeted specific updates and ad-hoc patches.

Development was our **second-highest expense** category, totaling $71,196. Alto firmly believes that the majority of our budget should be channeled to engineering rather than superficial marketing stunts, and this is what we remain committed to.

Our third-largest expenditure was **Risk Management**. During this quarter, we outsourced risk management to an external firm, which ultimately proved inefficient. Consequently, we shifted dependencies during the second quarter and transitioned to an **in-house model**.

	Q4 2025 Expenses	**$**
I.	Software Engineering	$71,196
II.	Security & Audits	$132,053
III.	Risk Management	$50,000
IV.	Business Development	$15,606
V.	Marketing & Design	$14,045
VI.	Legal & Administrative	$27,227
VII.	Infrastructure & Others	$30,068
	Total Operational Costs	**$340,195**

First Quarter of 2026

The **first quarter of 2026** experienced a temporary budget spike driven by several key operational factors. Most notably, **transitional phases** within the **legal and risk management** departments required a comprehensive overhaul of both the legal and risk framework infrastructure. However, these front-loaded costs averaged down significantly when accounting for the second quarter, which saw a **sharp decline** in spending across both categories.

Finally, we contracted a third-party provider for **marketing support**; however, this initiative did not prove cost-effective, and the contract was promptly terminated the following quarter. Consequently, while Q1 represents our highest-spending quarter, the surge is balanced out when averaged with the subsequent quarter, which stands as our most cost-efficient period.

	Q1 2026 Expenses	$
I.	Software Engineering	$91,248
II.	Security & Audits	$79,999
III.	Risk Management	$63,610
IV.	Business Development	$25,000
V.	Marketing & Design	$38,332
VI.	Legal & Administrative	$66,736
VII.	Infrastructure & Others	$11,790
	Total Operational Costs	**$376,715**

Second Quarter of 2026

Q2 2026 **budget decreased 25%**, driven by the successful transition of risk management and legal counsel services, alongside a nearly **50% reduction** in marketing expenditures.

The foundation remains committed to cost optimization. We project next quarter's budget to keep this downtrend in Q3 2026, a trend further bolstered by the fact that the protocol has begun generating revenue.

	Q2 2026 Expenses	**$**
I.	Software Engineering	$86,248
II.	Security & Audits	$52,999
III.	Risk Management	$43,500
IV.	Business Development	$35,000
V.	Marketing & Design	$20,000
VI.	Legal & Administrative	$21,983
VII.	Infrastructure & Others	$23,505
	Total Operational Costs	**$283,235**

Treasury Assets

The treasury of the foundation is primarily composed of **stablecoins**, which represent approximately **88%** of its total value, alongside strategic holdings in CVX and ETH.

Acquired under the **Alto Liquidity Program** to power our Curve ecosystem flywheel, CVX is treated not as an operational expense, but as a productive asset. It currently generates an estimated 15% APY while amplifying our overall deployed liquidity. Meanwhile, the treasury's ETH holdings are earmarked to cover network gas costs.

The bulk of the stablecoin reserve consists of frxUSD and DUSD. Notably, the treasury's DUSD holdings were minted via the protocol's permissioned Peg Stability Module (PSM) using frxUSD as collateral.

This is not an exhaustive list of assets held in the treasury and only assets worth more than USD 1,000 are showcased below.

Treasury Assets as of 27/08/2026		**$**
I.	DUSD/frxUSD Liquidity Pool[8]	$2,042,830
II.	vlCVX[9]	$305,751
III.	DUSD	$100,409
IV.	USDC	$10,777
V.	ETH	$2,518
Total Treasury Assets		**$2,462,285**

[8] The DUSD/frxUSD liquidity pool is split across different venues for capital efficiency, **meaning the LP composition and deployment venues may vary over time**. At the time of this report, these positions comprise Convex Finance, StakeDAO, and Yearn Finance.

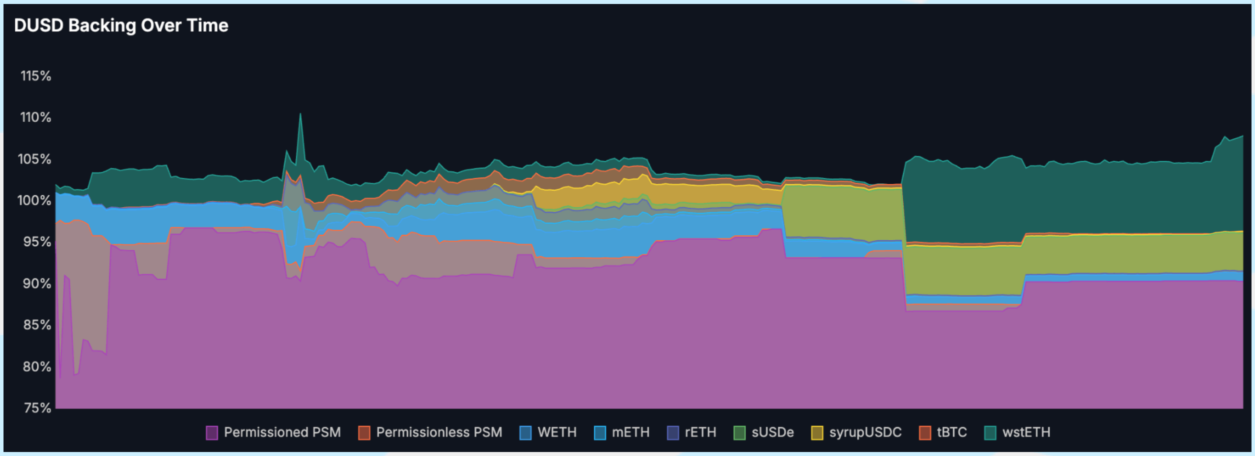
[9] **vlCVX** stands for **Vote-Locked CVX**. It represents Convex Finance native tokens that users have locked on the Convex Finance platform for a minimum period of 16 weeks to exercise **governance and voting rights.**

Protocol Metrics and Revenue

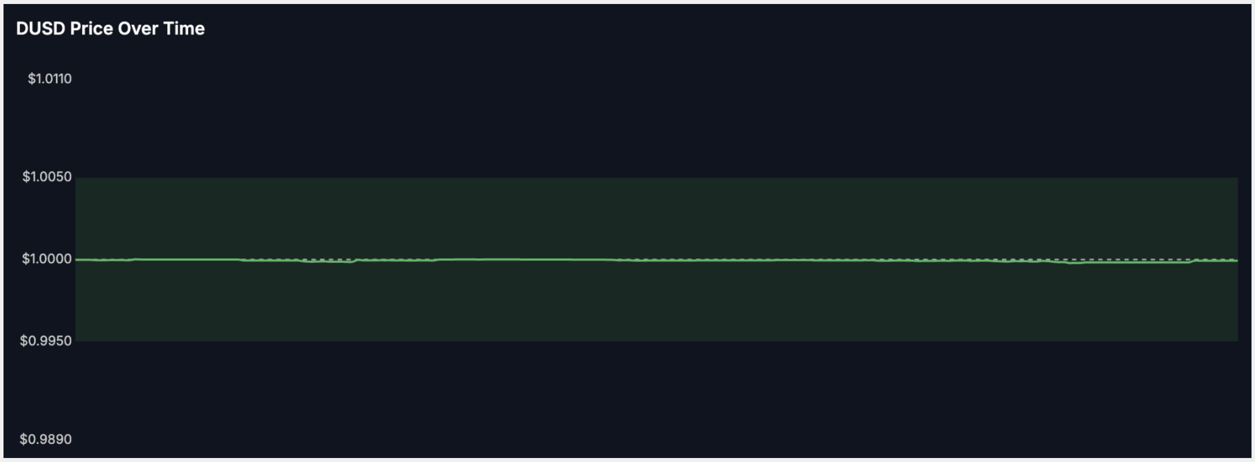
DUSD Metrics and Peg Stability

DUSD has an active circulating supply of **$911,000**. The stablecoin remains over-collateralized, with a **108% backing ratio** supported by **$981,000 in combined reserves**. This strong collateral foundation is anchored primarily by $823,000 in Peg Stability Module (PSM) USD collateral alongside $158,000 in Mint Market collateral, establishing a resilient capital base designed to absorb market fluctuations.

Structurally, DUSD's risk and liquidity profiles are optimized to defend its peg while maximizing capital efficiency. Approximately 98% of all circulating DUSD is deployed directly within the Curve Pool to ensure deep market depth and minimal trading slippage for users. Supporting this, the underlying backing composition is heavily weighted toward hard assets, while the remaining reserves are strategically diversified into liquid, productive assets like wstETH (11%) and sUSDe (5%).



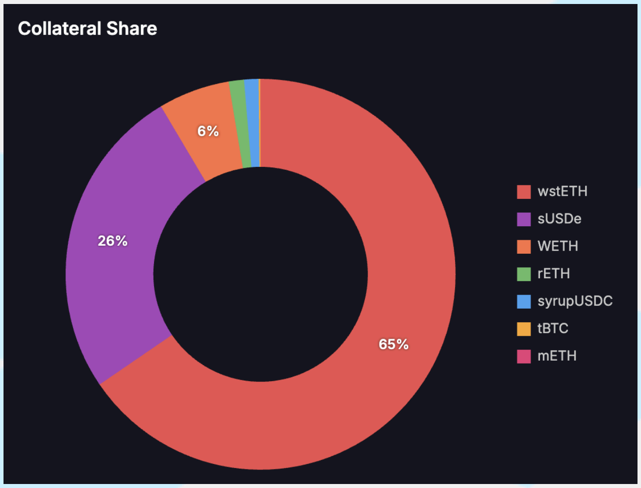
The DUSD peg exhibits resilience and structural security, consistently maintaining its $1.00 target. This stability is underpinned by a **108% over-collateralization ratio**, anchored by premium stablecoin collateral within the Peg Stability Module (PSM). Supported by a redundant defense framework, combining immediate arbitrage mechanisms via the PSM and the Curve pools, DUSD has **maintained its peg since deployment with no incidents**.



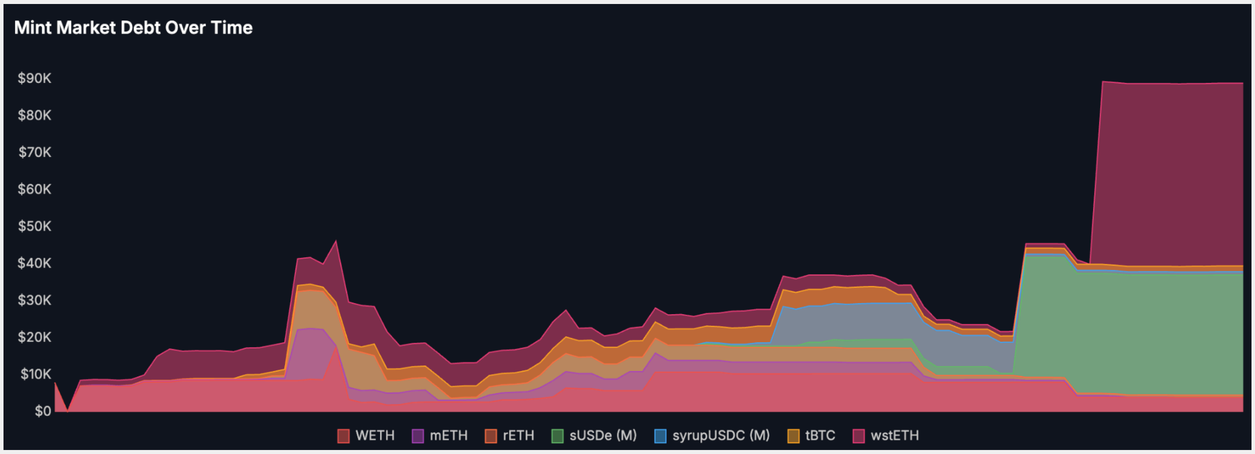
Protocol TVL

Currently, the protocol's debt ceilings are strictly capped in anticipation of the upcoming **Internal Risk Monitoring Framework**. Having launched in a **Guarded Beta** phase, Alto will soon transition to an **expansion phase**, where we project rapid growth in accrued DUSD debt driven by our yield-bearing leveraged strategies.

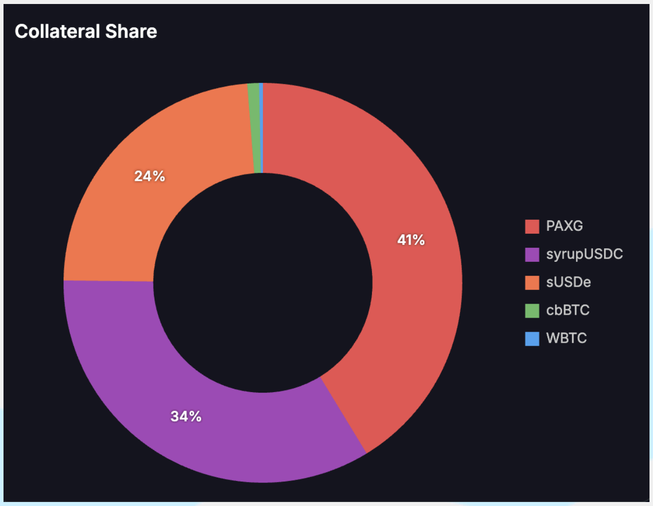
1. **Mint Markets:** The Mint Markets serve as the core collateral-backed minting engine for DUSD, currently securing $160K in total collateral against $88K in total debt. This relationship results in a 181% backing ratio, signaling excellent safety margins while preserving $142K in remaining capacity to support future expansion.



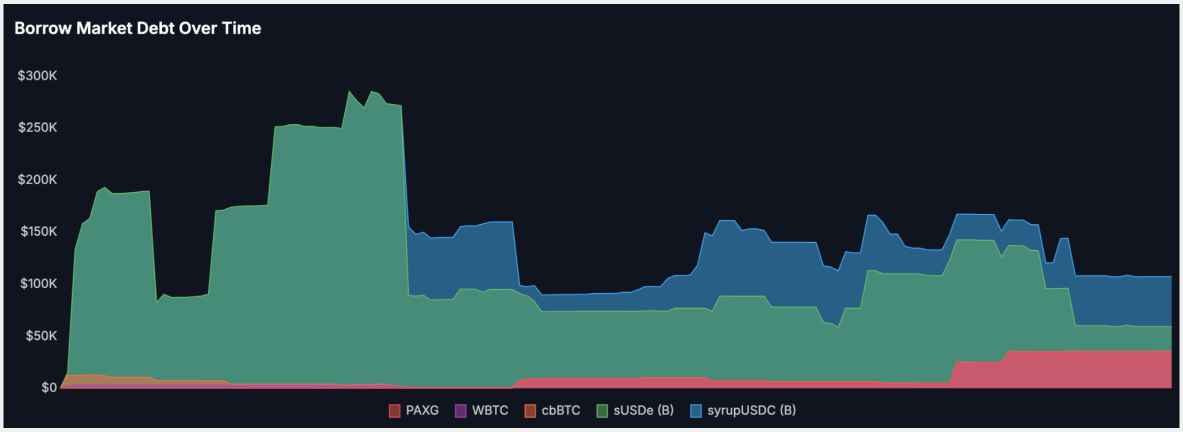
The protocol's collateral composition is optimized for capital efficiency and yield generation, heavily dominated by wstETH (65%) and sUSDe (26%), with WETH (6%) and smaller tranches of high-quality assets like tBTC, rETH, syrupUSDC, and mETH providing additional stability and diversification.



2. **Borrow Markets:** The Borrow Markets represent the protocol's DUSD-supplied lending framework, presently securing $155K in total collateral against $106K in total debt to yield a 146% collateralization ratio. Borrowers within these isolated markets enjoy a competitive 2.35% average weighted borrow rate.



The supporting collateral base is well-diversified and strongly anchored by three primary productive assets: PAXG (41%), syrupUSDC (34%), and sUSDe (24%), with minor residual shares in cbBTC and WBTC ensuring a risk-mitigated foundation for the protocol's lending operations.



Protocol Revenue

The implementation of the Curve and Convex Flywheel through the [Alto Liquidity Program] represents a foundational return to **Alto's core philosophy**: the strategic deployment of **Protocol-Owned Liquidity** (POL). By activating these **strategic levers**, Alto has established a productive, capital-efficient economic flywheel. This system generates [substantial revenue] that boosts key ecosystem growth incentives, such as the [DUSD Earn program], which currently offers **10% APY to DUSD depositors**.

With projected annualized revenues currently sitting approximately around **$500,000** at the time of this report, this is proof of what can be accomplished when an ecosystem controls its own liquidity. Ultimately, these mechanics position Alto as an **effective, autonomous, and self-sustaining DeFi product suite.**

Final Thoughts

The 2025–2026 period marks a transformative pivot for Alto, moving from a critical restructuring in late 2025 to the **successful deployment of a fully functional credit ecosystem**.

By prioritizing rigorous security auditing, capital preservation, and structured development, we have successfully stabilized the protocol's financial foundation. As of August 2026, the treasury boasts over **$2.46 million in assets**, approximately 88% composed of stablecoins and **productive yield assets**.

Looking ahead, the protocol is exceptionally well-positioned to transition from its defensive, cost-optimized posture into a **high-growth expansion phase**. By migrating to an in-house risk management model and enforcing strict budget controls, Alto has successfully reduced operational overhead while igniting a capital-efficient Protocol-Owned Liquidity (POL) flywheel. This flywheel is already generating substantial earnings while ensuring deep liquidity. The impending launch of the proprietary **Internal Risk Monitoring Framework** together with the **yield-bearing version of DUSD** represents a vital piece of this puzzle, providing the real-time guardrails necessary to safely lift debt ceilings, deploy novel yield-bearing primitives, and scale the DUSD supply securely.