

USD VAULT

IPOR Fusion Vault Prospectus

Vault Architecture & Yield Mechanics · August 2026

THE BITCOIN DOLLAR USD VAULT

The USD Vault is a dollar-denominated yield product that targets 8%+ on USDC deposits by deploying capital through a structured leveraged position in sBTCD — the yield-bearing Bitcoin Dollar token.

This document details the construction of that vault: how capital flows in, how yield is generated and managed, and how the position is maintained and unwound.

Target Structure	
Deposit asset:	USDC
Network:	Ethereum mainnet
Target net APY:	8%+
Yield engine:	2× leveraged sBTCD position
Execution:	Morpho isolated lending pools, flash loans
Rebalancing:	Passive via internal RFQ / Coincidence of Wants
Vault Wrapper:	IPOR Fusion

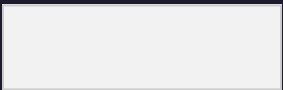


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EXECUTIVE SUMMARY

The Bitcoin Dollar USD Vault provides capital-efficient, BTC-neutral exposure to leveraged sBTCD yield on IPOR Fusion, deployed on Ethereum mainnet.

The vault runs a leveraged yield strategy using sBTCD — the yield-bearing Bitcoin Dollar staking token — as its core instrument. Users deposit USDC. The vault acquires sBTCD, deposits it as collateral into a Morpho isolated lending pool, and borrows wBTC to achieve 2× leveraged sBTCD exposure at a target 50% loan-to-value (LTV) ratio.

sBTCD is backed by the BTCD Portfolio, which holds approximately 50% BTC assets and 50% USD assets (additional information can be found at <https://www.btcd.fi>). The vault's wBTC debt offsets the BTC component of the collateral, leaving the net position **USD-denominated with no directional Bitcoin price risk**.

Under current assumptions, sBTCD yields approximately 8% APY. With 2× leverage and after accounting for wBTC borrowing costs (~3% APR) and rebalancing friction (~1–3%), the strategy targets a **net APY in excess of 8%**.

STRATEGY

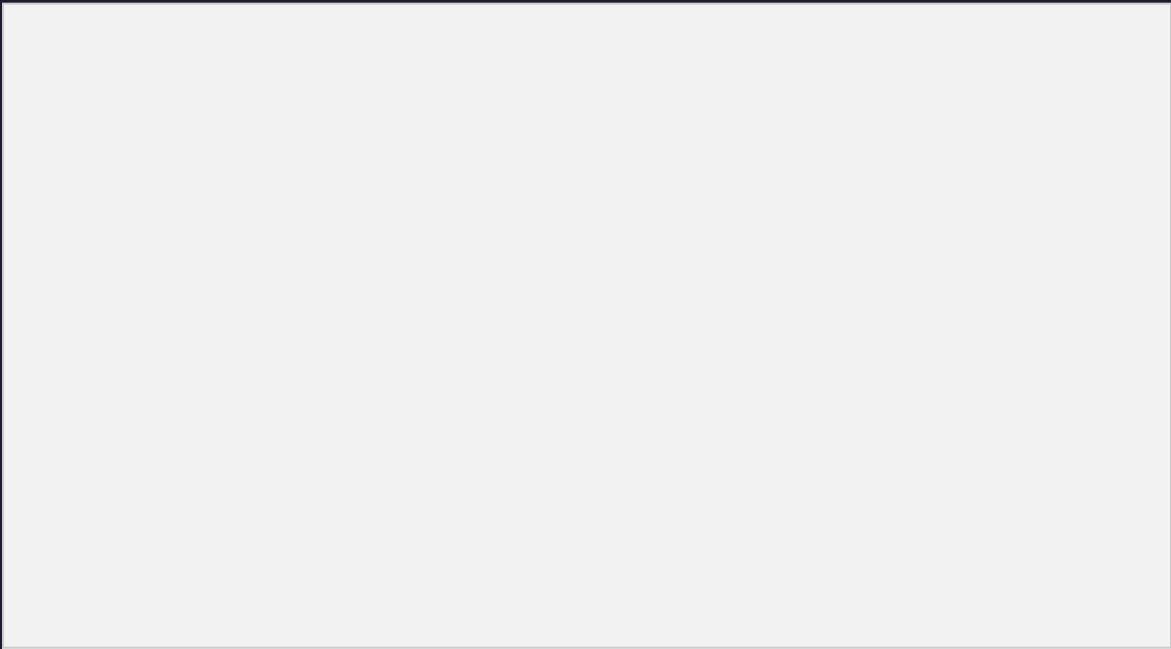
How it works

From a single USDC deposit, the vault executes the following sequence to achieve 2× leveraged sBTCD exposure with BTC-neutral net positioning:

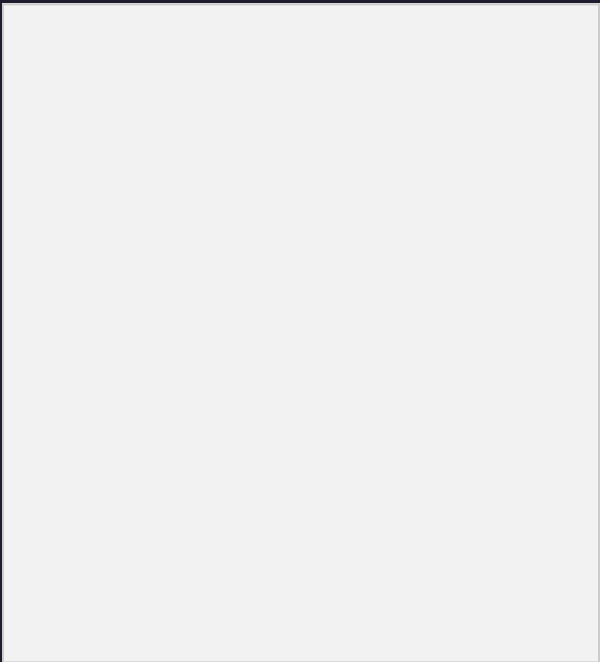
1. User deposits USDC into the USD Vault.
2. Vault mints or swaps USDC into sBTCD — the yield-bearing Bitcoin Dollar staking token, backed by a portfolio of ~50% BTC and ~50% USD assets.
3. sBTCD is deposited as collateral into a Morpho isolated lending pool.
4. Vault borrows wBTC against that collateral, targeting a 50% loan-to-value (LTV) ratio — \$100 of BTC debt against \$100 of initial sBTCD collateral.
5. Borrowed wBTC is swapped into additional sBTCD, which is deposited as additional collateral.
6. Final position: ~2× sBTCD exposure, ~1× wBTC debt, at 50% LTV.

Flowchart

Fund Flows



Target USD Vault Position



Why USD-Neutral?

sBTCD itself holds approximately 50% BTC and 50% USD. The vault's debt is denominated entirely in BTC (wBTC). These two exposures offset: the BTC component of the collateral is matched by BTC-denominated debt, leaving the net position USD-denominated with no directional Bitcoin price risk.

Parameters

Parameter	Value	Reasoning
Deposit Asset	USDC	Widely held stablecoin with deep on-chain liquidity; compatible with Morpho lending pools
Network	Ethereum mainnet	Maximum composability with Morpho, IPOR Fusion, and existing BTCD infrastructure
Target LTV	50%	Produces 2× leverage on sBTCD.
Yield Engine	2× sBTCD	sBTCD is the yield-bearing form of BTCD, earning from productive asset allocation (primary) and volatility monetization (supplementary)
Debt Asset	wBTC	BTC-denominated debt offsets BTC exposure within sBTCD, creating USD-neutral net positioning
Rebalancing	Internal RFQ + external fallback	Internal matching with BTCD Portfolio minimizes slippage, fees, and MEV. External execution as safety valve
Withdrawal	Atomic, single-tx	Flash-loan unwind repays debt, releases collateral, retires sBTCD, and returns USDC. No cooldown

RISK

Assets

- ▶ **sBTCD / BTCD backing risk:** sBTCD is backed by the BTCD Portfolio, which holds approximately 50% BTC assets and 50% USD assets deployed into yield-generating strategies. The underlying assets carry their own risk profiles — including smart contract risk of the yield strategies, custodial risk of the wrapped BTC (wBTC, cbBTC), and market risk from the BTC allocation. A significant de-peg or exploit affecting the underlying assets could impair sBTCD's value.
- ▶ **wBTC counterparty risk:** The vault borrows wBTC as its debt instrument. A failure of the custodian or a wBTC de-peg event could create a mismatch between the vault's BTC debt and the BTC component of its sBTCD collateral.
- ▶ **USDC depeg risk:** Users deposit USDC and receive USDC on withdrawal. A USDC depeg event would affect the value of deposits and the USD sleeve of the underlying BTCD Portfolio.
- ▶ **Oracle risk:** The vault relies on price oracles to determine collateral values and LTV ratios. Stale prices during volatile markets or oracle manipulation could trigger premature liquidations or prevent timely rebalancing.

Protocol

- ▶ **Smart contract risk of Morpho and IPOR Fusion:**
 - Morpho is an established lending protocol with growing TVL and multiple audits. However, the vault uses Morpho isolated lending pools, which carry distinct risk from Morpho's core markets.
 - IPOR Fusion launched in September 2024 and has since reached an AUM of \$200m+. Every integration of DeFi protocols goes through multiple levels of testing to ensure the highest level of security.
- ▶ **Smart contract risk of BTCD / sBTCD:** The BTCD protocol manages the minting, staking, and retirement of BTCD and sBTCD. A vulnerability in these contracts or in the vault's interaction with the BTCD Portfolio could lead to a loss of funds. Bitcoin Dollar's protocol has gone through several audits; they can be found on the [Bitcoin Dollar Docs](#).
- ▶ **Governance risk:** Protocol parameter changes (LTV targets, rebalancing bands, fee structures) are subject to governance decisions via the FISC governance token. Unfavorable parameter changes could impact vault performance.

Strategy

- ▶ **Liquidation risk:** A sudden, large move in Bitcoin's price could push the vault's LTV beyond safety bands before rebalancing can occur. If LTV exceeds the liquidation threshold on Morpho, the vault's collateral may be liquidated at a penalty, resulting in a



loss for depositors. The vault's wide tolerance bands and internal RFQ mechanism are designed to minimize this risk, but extreme volatility events remain a possibility.

- ▶ **Interest rate risk:** wBTC borrow rates on Morpho fluctuate based on utilization. A sustained increase in borrow costs could compress or eliminate net yield. If borrow costs exceed leveraged sBTC D yield, the vault would require deleveraging.
- ▶ **Rebalancing execution risk:** While the internal RFQ mechanism is designed to reduce friction, there is no guarantee that internal matches will always be available. External execution is the safety valve but may incur slippage, fees, and MEV exposure, particularly during volatile markets.
- ▶ **Liquidity risk:** Withdrawals are executed atomically via flash-loan unwind with no cooldown. However, during extreme market stress, flash loan availability or Morpho pool utilization could temporarily constrain withdrawal execution.



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Risk of loss. Investing in digital assets is not suitable for every investor. There is a substantial risk of loss, and losses may exceed an initial investment. Material risks include but are not limited to: market volatility of underlying assets (BTC, WBTC, stablecoins); smart contract bugs or vulnerabilities; failure, exploit, or insolvency of integrated third-party infrastructure (lending markets, oracles, custodians, stablecoin issuers); liquidity constraints on withdrawals or redemptions; adverse rebalancing outcomes due to slippage, oracle dislocation, or engine failure; evolving regulatory treatment of digital assets and DeFi protocols; and uncertain tax treatment across jurisdictions.

No guaranteed returns. Any referenced yields, APY, or APR figures are targets only and are not guarantees or promises of future performance. Actual yields may be materially lower, zero, or negative. Past performance does not guarantee future results. The value of BTCD or sBTCD may not accurately track the value of underlying assets.

Non-custodial. Interactions with the protocol are non-custodial. Users are solely responsible for the security of their private keys, wallets, and transaction authorizations. Transactions cannot be reversed, cancelled, or recovered.

Third-party references. References to third-party protocols or providers do not imply endorsement in either direction. Any third-party data cited reflects our interpretation and has not been reviewed by the third party.

User responsibility. It is each user's sole responsibility to determine whether use of BTCD, sBTCD, or any related product is lawful in their jurisdiction. By interacting with the protocol, users represent they are not a U.S. Person and are not located in a prohibited jurisdiction.