



Quarterly Report

SEPTEMBER 2023



2020

2021

2022

2023



Beefy.com
DAO

Beefy DAO

QUARTERLY REPORT – Q3 2023

To the community, users and tokenholders of Beefy:

Welcome back for the latest installment of Beefy's financial performance reporting. To paraphrase a famous revolutionary, in Web 3.0, sometimes there are quarters where nothing happens, and then there are days where years happen. The third quarter of 2023 has been revolutionary for Beefy, witnessing a complete overhaul of how our protocol and DAO operate. There is a lot to talk about.

In contrast to earlier reports for [Q1](#) and [Q2](#) of this year, the introduction to this Q3 report primarily reflects on the significant changes from this quarter to help readers understand what has happened and why, and how this is reflected in Beefy's financial performance. Significant changes to the reporting format will necessarily follow in the planned Q4 report, rounding out a year of significant developments and changes in the way that readers think about Beefy's finances and performance.

Migration

In mid-May 2023, the DeFi world was shocked by critical technical issues with one of the most popular bridging service providers – Multichain. Rumors circulating in the media suggested that the failures had been caused by the detention of a single core developer. Full details of the story and its impact on Beefy have been [published on the Beefy website](#), but ultimately the rumors were true; on 14 July 2023, Multichain announced that it would be shutting down.

Historically, Multichain had been the sole bridging service provider for the \$BIFI governance token, supporting Beefy's cross-chain expansion from its second chain to its twentieth. The insecurity of Multichain meant the insecurity of the \$BIFI token, as the thousands of bridged copies held across 19 different chains could potentially lose their backing at any moment. In these circumstances, it was agreed that Beefy's only choice would be to migrate to a new governance token and a new bridging service.

Within 2 weeks of Multichain's announcement, a migration plan had been formulated and run [through Beefy's governance process](#), with a resounding 99.67% majority vote from 11,000 \$BIFI tokens. The plan proposed a migration of the \$BIFI token to Ethereum – by far the most secure smart contract platform in existence – together with new bridging arrangements across multiple providers. It also proposed to change the distribution of Beefy's governance incentives, by having all vault revenues and incentives flow through Ethereum, while bridging only the incentive-bearing \$mooBIFI token to other chains. As a result, \$BIFI holders will no longer be forced to either accept a lower level of incentives or chase yields from chain to chain, as all incentives will now be paid out equally on Ethereum.

The migration was completed on 24 October 2023, with the vast majority of tokens successfully distributed across the Ethereum and Optimism blockchains. The new token bridge, revenue bridges and incentives programme are all now live and fully functioning. And, with seed liquidity and snapshot voting now in place, Beefy is ready to continue expanding the presence of the \$BIFI token across different chains and projects. The future looks bright.

With that said, there were a number of instances where bridged \$BIFI tokens were being held in a way which made it impossible for their beneficial owner to be identified or distributed to. For instance, contracts on chains where the new \$BIFI token hasn't been deployed will not necessarily have the same address on the chains where it has, so \$BIFI can't just be sent to the same address. All such leftover \$BIFI are being held for manual distribution in the Beefy Treasury. If you think your holdings have been negatively affected by the migration and you may have a claim for more tokens, you are urged to reach out in the #BIFI-claims channel on the [Beefy Discord server](#).

Beefy DAO

Third Quarter

Beyond Beefy, the third quarter of 2023 has seen continued turbulence across the wider industry. Regulatory actions in the US have continued to progress against Coinbase and Binance, as well as [various new SEC cases](#) against Celsius, Hex/PulseChain and celebrity NFT project Stonercats. The US commodities regulator – the CFTC – has also shown increased interest in the industry, [issuing surprising orders](#) against three DeFi protocols for offering derivatives products. Though the promise of US elections in 2024 leaves hope that the regulatory climate may change in the next year, the position for many builders and users in Web 3.0 is still somewhat scary and uncertain.

The spotlight also continued to be directed towards the notable villains of the last bull cycle and the ongoing criminal and civil proceedings against them in various jurisdictions around the world. Too much attention is still being directed to the wrong people, and this report seeks to avoid perpetuating this vicious cycle. Likewise, the pace of hacks and attacks continued, with Curve, Balancer, Conic, Mixin and Exactly all losing millions of dollars during the quarter. When combined with the failure of Multichain mentioned above, it's unsurprising that many outsiders still have a gloomy view of the industry's prospects. Electric Capital [reports](#) that the number of monthly active developers in Web 3.0 fell a further 10% in the third quarter, back below the equivalent amount 2 years ago in September 2021.

In terms of markets, the total crypto market capitalization across all assets shrank by about \$100 billion over the quarter to \$1.1 trillion. Prices for \$BTC and \$ETH fell around 10%, though each consolidated their market share as many "altcoins" fell between 10–20%. Average trading volume also continued to fall from \$30–40 billion to \$20–30 billion per day. Even as the situation shows signs of improving in the fourth quarter, near-term market conditions remain uncertain.

Regardless of market conditions, Beefy continues to march forward with building new products, growing our community and delivering value to thousands of users. Our efforts have remained focused on safely and indiscriminately delivering the best of opportunities from the latest and greatest chains and protocols. In that regard, Beefy's third quarter has been a success, with over 200 new vaults and 2 new blockchains — [Polygon zkEVM](#) and [Base](#) — being launched on the protocol.

With that said, avid followers of Beefy's financial performance will note that the third quarter has been weak, particularly when compared to the rest of this year. The migration has had a noticeable effect, forcing \$BIFI holders to withdraw from \$BIFI LP vaults (which paid fees to the protocol), in favor of Earnings Pools (which do not pay fees). Likewise, the end of our bribe programmes noticeably impacted on the liquidity flywheel, meaning less bribe revenue from partner DEXs. Total treasury vault income was \$349,619 in the second quarter, meaning an **adjusted loss of \$176,812**.

Key Achievements

Despite the gloomy outlook and dent in profitability, Beefy has continued to deliver on its core strategy throughout the third quarter. Notable highlights include:

- launching on Polygon zkEVM and Base;
- preparing to migrate \$BIFI to Ethereum;
- sponsoring EthCC in Paris and ETHArgentina in Buenos Aires;
- deploying 227 new vaults;
- hosting 23 launchpool boosts;
- paying out \$5,704 in bribes; and
- succeeding in applying for Season 4 of Optimism's grants programme.

Beefy DAO

Last quarter, the commentary in our financial report emphasized the durability of the protocol and DAO as a core theme of the report. This quarter, the entire Beefy project has focused squarely on our migration, and improving upon the dynamics and designs set down at Beefy's inception. The redesigned Beefy protocol and DAO have been shaped by the decisions and preferences of today's community, as well as our many learnings from Beefy's 3-year history. Each now features cutting-edge technology that is fit for the current generation of DeFi applications and communities.

As a reminder, the redesigned protocol and DAO adopt the following crucial changes:

- The [\\$BIFI token](#) has been redeployed to Ethereum to ensure it benefits from the strongest security available on any smart contract platform;
- Beefy's [governance incentive programmes](#) have moved from chain-localized programmes, to a single universal programme on Ethereum, with all participating \$BIFI benefitting from equal incentive distribution;
- To facilitate the universal incentive programme on Ethereum, revenue arising from every vault and chain that forms part of Beefy's protocol will be bridged back to Ethereum using the new [Revenue Bridge](#);
- Users will continue to have access to \$BIFI on other blockchains, but through the bridging of our incentive-bearing \$mooBIFI token, users on any chain can still benefit from governance incentives; and
- Our [\\$BIFI bridge](#) will adopt the xERC20 design to allow Beefy to own and manage the bridging contracts, and use multiple bridging providers, including 4 initial options.

It is hoped that the complete overhaul of the protocol and DAO's technical design will catapult Beefy into the modern age, and help to deliver substantial improvements to the experience for all users, tokenholders and contributors.

As the industry marches slowly forward towards mass adoption, it's clear that Beefy's share of challenges and struggles have helped to forge a strong and robust protocol and community that can withstand the test of time. In spite of the range of challenges and changing circumstances faced each day by the project, Beefy as a community has never been more bullish about the project's future.

Looking Forwards

Given the significant changes in the third quarter, it is expected that Beefy's fourth quarter will also be unusual. The introduction of the new revenue bridge will fundamentally change the way that Beefy's various treasury contracts operate, and will localize funding and expenses to Ethereum and other core "hub" chains. It is therefore expected that the Q4 report may again look quite different from the previous ones. Hopefully, from 2024 on, a consistent approach to financial reporting and performance will have been solidified.

At the time of publication, Beefy had completed the migration of the \$BIFI token and launch onto its 23rd blockchain, Gnosis Chain, with many others still in the pipeline. The contributor team's attention is now turning to implementing the new Optimism grant, and continuing to build out the developing ecosystems across the handful of new chains Beefy has arrived on this year. The fourth quarter of 2023 will undoubtedly be a busy one to finish up a significant year of progress and development for Beefy.

Beefy DAO

Reporting

In the third quarter, Beefy has again upgraded its approach to financial reporting by partnering with Crypto as a dedicated service provider and key partner for accounting and back-office solutions. In supporting 14 of Beefy's live blockchains, Crypto provides significant cost savings and efficiencies in managing the DAO's finances, and has already demonstrated how increasing financial transparency and awareness can contribute to monitoring and maintaining the project's security.

As described below, the introduction of Crypto brings with it access to live pricing data for the vast majority of Beefy's assets and transactions. This means that this quarterly report sees significant upgrades and changes from the last version. The patience and positive feedback of the community have been greatly appreciated, as the contributor team works to rapidly iterate on and improve reporting processes. If you – the reader – like what you see in this report, you too can join us by reaching out to us on [Discord](#), [Telegram](#) or [X](#).

Together, let's build the future of finance!



Beefy DAO
STATEMENT OF INCOME
(Unaudited)

		<u>\$USD</u>	
		<u>2023 Q2*</u>	<u>2023 Q3</u>
Revenues:	Notes		
Treasury Vault Income	3-4	\$ 535,396	\$ 349,619
Validator Income	5	\$ 39,746	\$ 27,486
Bribe Income	6	\$ 46,801	\$ 13,332
Boost Income	7	\$ 2,734	\$ 2,891
Market Making Income	8	\$ -	\$ -
On Ramp Income		\$ 96	\$ 16
Grant Funding	9	\$ 6,840	\$ 0
Gross Income		<u>\$ 631,613</u>	<u>\$ 393,344</u>
Costs:			
Contributor Funding	10	\$ (316,810)	\$ (398,295)
Boost Spending	7	\$ (11,172)	\$ (115,151)
Operational Costs	11	\$ (168,165)	\$ (70,739)
Marketing & Events	12	\$ (41,873)	\$ (46,786)
Bribe Costs	6	\$ (113,516)	\$ (5,704)
Total Costs & Expenses		<u>\$ (651,535)</u>	<u>\$ (636,675)</u>
Net Income		<u>\$ (19,922)</u>	<u>\$ (294,667)</u>
Income from Grant Funding	9	\$ (6,840)	\$ -
Grant Spending	9	\$ 123,724	\$ 117,855
Adjusted Net Income	9	<u>\$ 96,963</u>	<u>\$ (176,812)</u>

*Restated Q2 figures following the move to live pricing data. See Note 1 for more information.

See accompanying Notes to Financial Statements below.

Beefy DAO
BALANCE SHEET
(Unaudited)

	Notes	\$USD	
		End of 2023 Q2*	End of 2023 Q3
Ethereum Validator	5	\$ 61,905	\$ 55,684
Fantom Validator	5	\$ 158,788	\$ 109,864
Fuse Validator	5	\$ 7,723	\$ 6,812
Non-current Assets		\$ 228,416	\$ 172,360
Market Maker Assets	8	\$ 388,891	\$ -
Protocol-owned Liquidity	13	\$ 484,497	\$ 3,294
Other Investments	13	\$ 32,977	\$ -
Other Tokens	13	\$ 487,845	\$ 542,042
BIFI		\$ 201,361	\$ 664,956
WBTC		\$ 329,584	\$ 369,382
ETH		\$ 99,438	\$ 251,683
Natives		\$ 161,342	\$ 144,490
Current Assets		\$ 2,185,934	\$ 1,975,846
Stablecoin Investments	13	\$ 1,207,196	\$ 1,348,122
Stablecoins		\$ 1,453,651	\$ 1,530,220
Cash & Cash Equivalents		\$ 2,660,847	\$ 2,878,342
Total Assets		\$ 5,075,196	\$ 5,026,548
Total Liabilities		\$ -	\$ -
Net Assets		\$ 5,075,196	\$ 5,026,548
Equity	14	\$ 5,075,196	\$ 5,026,548

*Restated Q2 figures following the move to live pricing data. See Note 1 for more information.

See accompanying Notes to Financial Statements below.

Beefy DAO

NOTES TO FINANCIAL STATEMENTS

Note 1. General

This report has been produced by Beefy contributors and not by external accountants or auditors. The figures provided have not been professionally audited, and are intended for informational purposes only.

The data in this report is primarily presented in terms of the US dollar, which is the base accounting currency for the DAO. Beefy's Treasury has deliberately chosen to operate primarily in USD-denominated stablecoins to ensure stability and consistency in its financial activities.

With the adoption of Crypto's enterprise-grade accounting solution, accurate live pricing information has become available for on-chain DeFi activity for 14 chains. As these chains cover the majority of Beefy's activities, the decision has been taken to move to valuing all transactions around the time of the transaction, thereby abandoning the average price over the quarter approach adopted in Q2.

For assets without live pricing on Crypto, the daily price of assets — either taken from Beefy's own pricing database or from free public sources — has been adopted in place of the live price. As a result, the Q2 figures in this report have been restated to address the small differences between near-live pricing and the quarterly-average pricing adopted originally. In the Q4 report, this updated approach will be adopted across all of the 2023 data. The result is an increasing level of accuracy, with the hope that the final steps towards fully-live pricing can be gradually taken over the coming months.

Readers should note throughout that the figures in this report are estimates prepared to the best of the authors' knowledge and available information at the time of reporting. Please refer to the disclaimer below for further details on its limitations.

This report has been prepared on the assumption of some prior knowledge on the part of the reader. For further questions about the content of this report or the operations of Beefy more generally, please consult [the documentation](#) or reach out via [X](#), [Discord](#) or [Telegram](#).

Note 2. Data Sources & Methodology

The preparation of this report benefits from the vast majority of Beefy DAO's financial activities and data being recorded on public blockchains. In theory, most of the figures produced in this report should be reproducible independently by any party seeking to audit Beefy's finances. With that said, it is recognized that the complexity of the methodology and extent of reliance on manual review for categorization of transactions may still present a barrier to full auditability. More work remains to continue building the transparency of Beefy's finances.

The key off-chain data sources for this report have been pricing data, which has primarily come from two categories of sources. The first — public crypto asset price services, such as Coingecko — provide a convenient source of data on live prices. This includes all sources of pricing data adopted by Crypto. The second — Beefy's own application programming interfaces (APIs) — capture extensive data on the current value of Beefy's vaults, as well as the value of the underlying assets of each vault and the ratio between the two (the price per full share). Beefy uses a mixture of public and private APIs to power its web application, so some of this pricing data may not currently be available to users.

Finally, information on Beefy's market-making income is taken entirely from reports provided by Beefy's current market maker — System 9. As market-making activities often cover centralized exchanges, it is expected that some degree of market-making income will always remain offchain.

Note 3. Protocol Vault Revenue

Though the scope of this report covers only the financial position of the Beefy DAO rather than the Beefy protocol, it is nonetheless interesting to see the total amount of fees captured by Beefy's vaults and the amount of value delivered to holders of the \$BIFI token through the protocol's governance pools.

Protocol vault revenue is equal to the combined value of Treasury vault income and governance pool incentives recognized in the quarter. In theory, it reflects the aggregate [fee structure](#) of Beefy vaults, excluding the small allocations to strategists and harvest callers.

By contrast, governance pool incentives reflect only the inflows of tokens into the Beefy governance pools on each chain. The amount of inflows depend on a number of factors, including when the governance pool was set up (often sometime after launch on a new chain), the configuration of fee batching automation versus direct payments, and the number of vaults still using an old fee structure.

The USD value of incentives paid out on each chain over the last two quarters is set out in Fig. 1 below. The noticeable decrease in Q3 coincides with the migration of the \$BIFI token and redesign of incentive distribution methods, which has meant incentives arising from new chains have not been paid out using the method now being retired. As such, the incentive figures for the third quarter are an anomaly that is expected to be rectified moving forward.

Fig. 1. Protocol Vault Revenue

	\$USD	
	2023 Q2*	2023 Q3
Treasury Vault Income	\$ 535,396	\$ 349,619
Governance Pool Incentives	\$ 288,926	\$ 122,960
Protocol Vault Revenue	\$ 824,322	\$ 472,579

Fig. 2. Governance Pool Incentives by Chain

	\$USD	
	2023 Q2	2023 Q3
Arbitrum	\$ 22,570	\$ 9,270
Aurora	\$ 107	\$ 29
Avalanche	\$ 2,869	\$ 1,040
BNB chain	\$ 13,967	\$ 7,716
Canto	\$ 97,538	\$ 5,254
Celo	\$ 147	\$ 25
Cronos	\$ 899	\$ 551
Ethereum	\$ 20,833	\$ 7,321
Fantom	\$ 9,906	\$ 3,929
Fuse	\$ 560	\$ 421
Kava	\$ 10,766	\$ 1,074
Metis	\$ 2,644	\$ 1,217
Moonbeam	\$ 235	\$ 111
Moonriver	\$ 597	\$ 400
Optimism	\$ 67,202	\$ 35,784
Polygon	\$ 38,086	\$ 48,819
Total Governance Pool Incentives	\$ 288,926	\$ 122,960

Beefy DAO

Note that governance pool incentives are not included in the calculation of gross or net income in Beefy’s income statement. Instead, only the Treasury vault income figure dealt with below is included to reflect income attributable to the DAO.

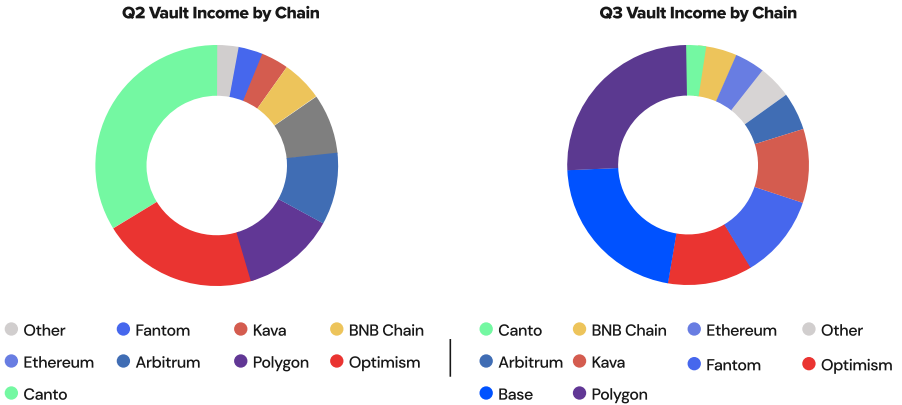
Note 4. Treasury Vault Income

Treasury vault income means the amount of Beefy treasury inflows arising from fees charged on Beefy’s vaults. This includes fees charged for optional vault tooling, such as Beefy’s ZAP V2. Protocol vault revenue also includes the portion allocated to governance pool incentives, which are attributable to the protocol and not the DAO.

In line with comments in Note 3 above, the decline in figures in the third quarter is an expected result of both the \$BIFI token migration and the declining market conditions. Market sentiment continues to struggle as more new products and chains steal attention among the same (or even shrinking) amounts of capital in the market. In the reverse, the migration has forced the discontinuation of all of our \$BIFI LP vaults (which were revenue generating), and the migration of nearly all \$BIFI liquidity into our Earnings Pools (which do not generate revenue). Though it is hoped that conditions will improve as the migration has completed and the market continues to pick up, it is not yet clear whether the final quarter of 2023 will produce better or worse results in terms of vault revenue.

As with the second quarter, the figures for the third quarter reveal an ever-moving feast of activity across Beefy’s 17 live chains. Most notably, activity on Canto declined significantly over the quarter, having previously been the largest chain in Q2. In its place, Base emerged as the second-largest chain, despite launching a month into the quarter. Polygon PoS and Optimism continued to lead the way, though swapping their contribution to total revenue. Kava and Fantom surprisingly benefited from significant activity following the Multichain collapse, as the majority of bridged assets had been issued by Multichain, resulting in significant trading activity.

Fig. 3. Treasury Vault Income by Chain



Beefy DAO

In our last report, we commented on the increasing consolidation of Beefy's then-largest chains (Canto, Optimism, Polygon, Arbitrum, Ethereum and BNB Chain). By contrast, Q3 has shown a rapid pace of change as BNB Chain, Ethereum and Arbitrum have all noticeably stepped back, and other chains like Kava, Fantom and Base have stepped forward. In such circumstances, the key observations are that Beefy's diversity of products is favorable in rapidly-changing and temperamental markets, and our strategy of deploying quickly and comprehensively to new and exciting chains is effective at capturing changing demand and retaining overall TVL. Moving fast in the right direction is key.

Fig. 4. Treasury Vault Income by Chain

	\$USD	
	2023 Q2	2023 Q3
Arbitrum	\$ 47,109	\$ 16,973
Aurora	\$ 17	\$ 5
Avalanche	\$ 5,219	\$ 1,896
Base	\$ -	\$ 79,727
BNB Chain	\$ 24,870	\$ 13,827
Canto	\$ 176,096	\$ 8,522
Celo	\$ 27	\$ 4
Cronos	\$ 1,589	\$ 977
Ethereum	\$ 42,767	\$ 14,114
Fantom	\$ 18,163	\$ 38,353
Fuse	\$ 91	\$ 68
Kava	\$ 19,947	\$ 34,697
Metis	\$ 4,434	\$ 2,250
Moonbeam	\$ 413	\$ 206
Moonriver	\$ 1,056	\$ 3,091
Optimism	\$ 120,255	\$ 42,560
Polygon PoS	\$ 67,726	\$ 86,643
Polygon zkEVM	\$ -	\$ 2,538
zkSync	\$ 5,615	\$ 3,168
Total Treasury Vault Income	\$ 535,396	\$ 349,619

Note 5. Validator Activities

Validator income means the estimated earnings from operating blockchain validators to help secure some of the networks that Beefy operates on. The precise arrangements for payment to validators vary from chain to chain, but as income is often tied to the frequency of blocks that a validator has had the opportunity to propose (and these opportunities are somewhat random in nature), validator income can vary significantly on the same chain and over the same length of time. These figures do not include any of the ongoing costs associated with operating validators (which are captured in Note 11 below), or the capital cost of setting up a validator in the first place.

Beefy DAO

As of the end of the third quarter, Beefy operates validators for three blockchains: Fantom, Fuse and Ethereum. Each operates in a slightly different manner, with different tooling available for the relevant network. As a result, calculating validator income requires slightly different methodologies for each validator. The net figures for the third quarter are as detailed in Fig. 5 below.

Fig. 5. Validator Income

	\$USD	
	2023 Q2	2023 Q3
Fantom	\$ 37,859	\$ 26,187
Fuse	\$ 1,287	\$ 895
Ethereum	\$ 600	\$ 404
Total	\$ 39,746	\$ 27,486

	2023 Q2	2023 Q3
Fantom	\$FTM 95,967	98,002
Fuse	\$FUSE 19,755	20,559
Ethereum	\$ETH 0.32	0.23

For the Beefy Fantom validator, earnings paid in \$FTM tokens are automatically claimed on a weekly basis. Historically, earnings were immediately swapped into Wrapped Bitcoin (\$WBTC), before being sent to Beefy's Fantom treasury. However, as Fantom's \$WBTC was issued by Multichain, the value of this token has collapsed, and Beefy has instead moved to swap earnings in Axelar's \$axlUSDC. Fantom validator income is calculated as the aggregated value of \$FTM validator inflows, converted at the actual price assigned upon their arrival into Beefy's Fantom treasury.

For the Fuse validator, earnings are paid in \$FUSE tokens to the validator consistently at the time blocks are validated. The available tooling for Fuse is the most limited of the three, necessitating a simplified method. The calculation uses the difference between the quantity of \$FUSE tokens staked by the validator at the start and end of the quarter to calculate the quantity of \$FUSE earnings, and applies the price of \$FUSE at the end of the quarter to that quantity to calculate earnings in USD.

For the Ethereum validator, following the Shanghai/Capella upgrade in April 2023, Beefy's earnings from staking rewards are regularly withdrawn to the Ethereum treasury through partial withdrawals. The calculation aggregates the value of these Treasury inflows, priced at the time of the inflow.

Beefy DAO

The assets held by each validator at the end of each quarter are shown in Fig. 5.

Fig. 6. Validator Assets

	\$USD	
	2023 Q2	2023 Q3
Fantom	\$ 158,788	\$ 109,864
Fuse	\$ 7,722	\$ 6,812
Ethereum	\$ 61,905	\$ 55,684
Total	\$ 228,416	\$ 172,360

	2023 Q2	2023 Q3
Fantom	\$FTM 522,094	523,332
Fuse	\$FUSE 134,774	155,333
Ethereum	\$ETH 32.01	32.01
\$ETH Withdrawals	\$ETH 1.350533	0.228012

Using the quantity of tokens staked in the validator at the start of the quarter, the return on invested capital (ROIC) of each validator can be estimated on a quarterly and annualized basis, as shown in Fig. 7 below.

Fig. 7. Validator ROIC

	Quarterly ROIC	
	2023 Q2	2023 Q3
Fantom	15.19%	18.77%
Fuse	15.33%	15.25%
Ethereum	1%	0.72%
Weighted Average	12.50%	12.80%

Beefy DAO

	Annualised ROIC	
	2023 Q2	2023 Q3
Fantom	76.03%	98.99%
Fuse	76.94%	76.45%
Ethereum	4.05%	2.91%
Weighted Average	74.20%	67.06%

Note 6. Bribe Activities

Bribes refer to payments from and to Beefy through third-party decentralized exchange protocols, used to incentivize votes towards preferred pools in liquidity incentive gauge votes. By targeting timely votes and bribes through partner exchanges, Beefy can achieve outsized returns in terms of the value of incentives paid on its liquidity pools (when compared with the net cost of bribe activities). This rewards Beefy liquidity providers and encourages greater liquidity for \$BIFI token pools on the targeted exchanges.

Where Beefy holds a veNFT, in some cases it receives regular bribe payments from the relevant exchange protocol in a variety of currencies for voting in a given epoch. Some exchanges do not provide any such payments, so Beefy typically prioritizes bribe programmes with those that do. Bribes are generally paid out in stablecoins, though Beefy has used other native tokens in some instances and grant-funded tokens where permissible.

During the third quarter, Beefy halted all ongoing bribe programmes following the decision to migrate the \$BIFI token to Ethereum, and ceased to spend the allocated [recurring monthly bribe budget](#). Each bribe programme was premised on Beefy's participation in providing, as well as receiving, bribes, with all bribes being directed towards \$BIFI liquidity pools. With the push to exit all \$BIFI liquidity positions, the decision was also taken to halt bribes towards \$BIFI liquidity pools. Though earnings continued on some platforms, the overall scope of Beefy's bribe activities declined significantly in the quarter.

The total value of bribes over the second quarter is detailed in Fig. 7 below. The comparable figures for the second quarter totalled \$113,516 in bribe cost, of which Velodrome grant-funded bribes were the majority. The second quarter saw revenues of \$46,801 against \$113,516 in bribe costs.

	USD		
	Q3 Bribe Revenue	Q3 Bribe Costs	Q3 Net Position
Arbitrum	\$ 2,853	\$ 1,000	\$ 1,853
Avalanche	\$ 250	\$ 500	\$ (250)
Base	\$ 748	\$ -	\$ 748
BNB Chain	\$ 1,433	\$ 500	\$ 933
Canto	\$ 1,465	\$ -	\$ 1,465
Fantom	\$ 1	\$ -	\$ 1
Kava	\$ 2,451	\$ 500	\$ 1,951
Optimism	\$ -	\$ 2,704	\$ (2,704)
Polygon	\$ 2,165	\$ -	\$ 2,165
zkSync	\$ 1,965	\$ 500	\$ 1,466
Total	\$ 13,332	\$ 5,704	\$ 7,628
Total less Grant Funding	\$ 13,332	\$ 3,000	\$ 10,332

Fig. 8 Bribe Income & Costs

Beefy DAO

Note 7. Boost Activities

Boost activities refer to Beefy's launchpool boosts, which are an effective means of marketing vaults and delivering additional value to Beefy's partners. Boosts work by allocating a fixed amount of promotional rewards for a set period of time. Rewards can be provided by partners (to promote their own products and liquidity), by Beefy, or by a combination of the two. Users then stake their vault deposit tokens into a special boost contract for the duration of the boost period, and rewards accrue linearly throughout that period, divided by TVL across all participants in the individual boost contracts.

In Q3, Beefy spent 77,630 \$OP tokens on its own Boosts (valued at \$115,151 at the time of each initial boost transaction). It also handled boosts on behalf of partners, totalling \$79,532 in value (again measured at the initial boost transaction). Beefy also often charges small fees for handling boosts on behalf of partners, which collectively totalled \$2,891 of additional revenue over the quarter.

It should also be noted that boost activities are occasionally used as part of wider business arrangements with partners. Beefy's [third quarter proposal](#) to Stargate DAO is a good example, where Beefy allocated Optimism grant funding to \$STG token liquidity in exchange for a contribution by the Stargate DAO to TVL for its Optimism \$STG vault on Beefy. More details on this relationship and the positive impact of boost activities are available [here](#).

Note 8. Market Making Activities

Market making income refers to earnings derived from buying and selling Beefy's \$BIFI token in public markets to maintain liquidity and provide a counterparty to external trades.

At the start of 2022, Beefy partnered with System 9 – a professional market making service provider – to engage in market making activities and bolster liquidity for the \$BIFI token. In exchange for Beefy providing the required seed capital, System 9 handles all market making operations, and both organizations share in any profits generated by these activities.

The assets held by System 9 on Beefy's behalf for the last two quarters are shown in Fig. 9 below. In view of the \$BIFI migration and associated volatility around the token's supply, the decision was taken in early July to withdraw all liquidity managed by the market maker until the migration has been completed and trading can safely resume. Operations were resumed in the course of October 2023 and will be reflected in the fourth quarter report.

Fig. 9. Market Making Assets

Q2 2023	\$USD	Q3 2023	\$USD
BIFI	\$ 139,502	BIFI	\$ 0
Stablecoins	\$ 218,517	Stablecoins	\$ 0
FTM	\$ 26,627	FTM	\$ 0
Total Assets	\$ 384,646	Total Assets	\$ 0

Beefy DAO

Market making profits do not necessarily correlate with market conditions. Though times of high activity and trading give rise to lots of transactions, trades in either direction can give rise to profits or losses where Beefy's assets are being traded for more or less than their value.

Profits from marking making activities are only paid out to Beefy and System 9, where the addition of the current monthly net profit causes the total net profit across all previous months to exceed the aggregate amount of profits paid out over all previous months. As all liquidity was withdrawn in Q3 and no income was produced in Q2, a summary of income from market making activities has been omitted from this report.

Note 9. Grants

Grants refer to income and expenditure arising from external grants provided to Beefy by third parties. Where appropriate grant funding is available to support DeFi projects to develop and expand, Beefy always seeks to participate to bolster its range of activities and potential reach. As income and spend relating to Beefy's grants are exceptional, this report adopts total grant spending in each quarter as an adjustment to Beefy's net income figure to reach an accurate picture of profitability without the grant.

As described in the [Q1 report](#), Beefy received an Optimism ecosystem development grant in 2022 for 650,000 \$OP tokens. In particular, Beefy's grant focused on incentivizing liquidity on Optimism through Beefy and new development activities. With the migration of our \$BIFI token, various of Beefy's incentivized liquidity activities have been paused or scaled back, including the use of grant funding for bribes. Beefy's grant-funded bribes for the quarter amounted to some 2,000 \$OP tokens, or \$2,703.87 in market value.

In spite of the reduction in grant-funded activities, Beefy hosted its second annual Boost Week in July, utilizing a combination of grant funding and partner incentives to deliver an onslaught of vault boosts. As with 2022, Boost Week 2023 focused on the use of Beefy's \$OP grant funds, resulting in \$115,151 in boost funding over the course of Q3. Nonetheless, eagle-eyed readers may have noticed that the balance of Beefy's OP tokens has actually increased during the quarter, as the funds previously used for BIFI-OP liquidity on Optimism were returned for the duration of the migration.

To end on a positive note, at the end of September 2023, it was confirmed that Beefy will receive a further grant from the Optimism Governance Fund for 210,000 \$OP tokens. Beefy's [proposal](#) focuses on the next iteration of ZAP technology and a comprehensive incentive campaign to support its launch. The proposal received the [highest score](#) in its category cycle and the joint-highest award amount across the entire season. The grant rules require that all incentives be distributed over a 6-month period, which is expected to commence in Q4 and continue for at least the duration of the first quarter of 2024.

Note 10. Contributor Funding

The agreed budget for contributor funding for the quarter was \$401,000 (\$131,000 for [July](#) and \$135,000 for [August and September](#)), plus \$2,000 per month for [financial reporting and accounting](#). All budgets are allocated in USDC, so may fluctuate slightly above or below the allocated amount in US Dollars due to the use of live pricing data. In Q3, each budget (in USDC terms) was not exceeded, and on various occasions, the full budget was not used.

Beefy DAO

Fig. 10 Contributor Funding

	\$USD			
	Contributors	Moderators	Accounting	Monthly Total
July	\$ 112,462	\$ 12,188	\$ 6,000	\$ 130,650
August	\$ 119,715	\$ 12,799	\$ -	\$ 132,513
September	\$ 120,117	\$ 15,015	\$ -	\$ 135,132
	\$	\$	\$	\$
Total	\$ 352,294	\$ 40,001	\$ 6,000	\$ 398,295

Note 11. Operational Costs

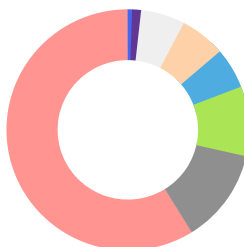
Operational costs means all payments relating to the procurement of core services and products required to facilitate Beefy's ordinary operations. This can be further broken down into: (i) Gelato automation; (ii) Beefy Cowllector automation; (iii) Beefy's fee batching automation; (iv) development gas and costs; (v) auditing costs; (vi) infrastructure costs; (vii) accounting costs; (viii) gas for treasury operations; and (ix) other types of costs, including external contractor fees and paid bounties, among other things.

The breakdown between these separate categories for the last two quarters is shown in Fig. 11 below, with a visualization in Fig. 12.

Fig. 11. Operational Costs by Use

	Spend on Operations (\$)	
	2023 Q2	2023 Q3
Gelato Harvest Automation	\$ 50,913	\$ 40,975
Cowllector Harvest Automation	\$ 6,596	\$ 8,884
Fee Batching Automation	\$ 616	\$ 142
Development, Operations & Gas	\$ 105,062	\$ 7,272
Other	\$ 4,979	\$ 13,466
Total Operational Costs	\$ 168,165	\$ 70,739

Fig. 12. Operational Costs by Use



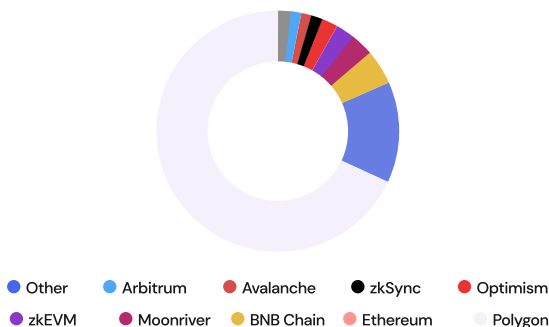
● Fee Batch Gas
 ● Treasury Council Gas
 ● Infrastructure Costs
 ● Accounting Costs
● Auditing Costs
 ● Development, Operations & Gas
 ● Cowllector Harvest Automation
 ● Gelato Harvest Automation

Beefy DAO

Notably, the third quarter continued the trend of a growing divergence between automation costs for the Beefy Cowllector and our Gelato infrastructure. As the rollout of Gelato across more of Beefy's chains continues, and more and more use cases for Gelato automation arise, it is to be expected that reliance on the Cowllector will continue to diminish for the bulk of Beefy's volume. One example of the change is the heavy reliance on Gelato tooling to automate swaps of Treasury assets throughout the quarter, which enabled a dramatic improvement in time costs and swap efficiency for the Treasury. During the third quarter, Beefy used this technology to dollar-cost average over \$100,000 into \$BTC and \$ETH tokens, which are respectively up over 10% at the time of writing.

The changing approaches to automation are also reflected in the allocation of operational assets by chain, with Ethereum and Polygon continuing to account for the majority of operational costs. This also reflects the continuing demand for payments on these chains by external parties, over and above most of Beefy's other chains. Beefy's Optimism Grant was also used to fund development costs relating to new products and services, including the cost of auditing.

Fig. 13. Operational Costs by Chain



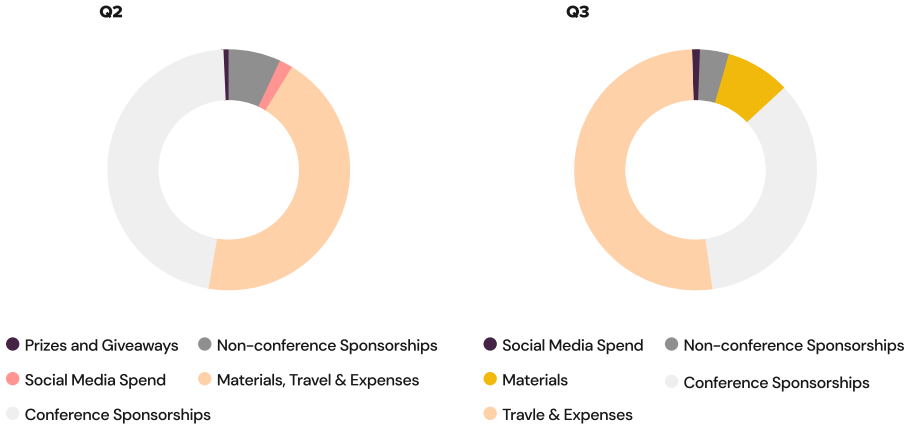
Note 12. Marketing & Events

Events refers to the costs (i.e. sponsorship and materials) and expenses (i.e. travel and expenses) associated with Beefy attending and exhibiting at industry events and conventions.

In the third quarter, Beefy sponsored and attended ethCC in Paris, France, as well as ETHArgentina in Buenos Aires, Argentina. Conference sponsorship for ETHDenver 2024 was also paid. Though attendance at a couple of further conferences is planned for Q4, the total amount of expenditure in the second half of 2023 is expected to be below the [approved budget](#) passed in May.

Beefy DAO

Fig. 14. Marketing & Events by Use



As with Q2, conference sponsorships and associated travel and expenses were by far the largest categories of marketing costs for Beefy in Q3. Beefy also continued its run of successful co-sponsored social events alongside key conferences with our friends at Halborn (among others). Total spend on marketing and events during the quarter was \$46,786, up slightly from \$41,873 in Q2.

Note 13. Protocol-owned Liquidity & Other Investments and Assets

In addition to the operating capital needed for day-to-day operations, Beefy’s treasury also houses other tokenized assets or investments. This includes both strategic investments and capital deployed for protocol-owned liquidity (PoL).

Up to the \$BIFI migration, maintaining PoL on all of Beefy’s chains has been necessary to support the \$BIFI token, both to enable new users to access the token and to provide existing holders with an option to exit their position if needed. PoL also provided the liquidity needed for BIFI Maxi vaults to repurchase \$BIFI for distribution to stakers. Other Beefy-issued tokens like \$beFTM and \$binSPIRIT also require liquidity to be maintained.

Post-migration, the \$BIFI token will no longer automatically be on all chains by default, and all incentives generated by activity on different chains will be directed back to Ethereum by way of the Beefy revenue bridge, meaning a bridged token is no longer necessary for incentive distribution. During the migration process, PoL positions were also at significant risk due to the higher volatility in \$BIFI’s price. As such, the decision was taken in early July to break all remaining liquidity for the \$BIFI token residing in Beefy’s treasuries.

Beefy DAO

Fig. 15. Protocol-owned Liquidity

		\$USD	
		End of 2023 Q2	End of 2023 Q3
Trisolaris BIFI-ETH	Aurora	\$ 32,657	\$ -
Beefy Solisnek AVAX-BIFI	Avalanche	\$ 17,165	\$ -
TraderJoe WAVAX-BIFI	Avalanche	\$ 14,772	\$ -
Beefy Thena Gamma BNB-BIFI	BNB Chain	\$ 39,169	\$ -
Beefy Velocimeter BIFI-CANTO	Canto	\$ 20,827	\$ -
Sushi BIFI-CELO	Celo	\$ 13,771	\$ -
VVS WCRO-BIFI	Cronos	\$ 24,699	\$ -
Beefy Monolith BIFI-ETH	Ethereum	\$ 49,388	\$ -
Beefy beFTM	Fantom	\$ 5,042	\$ 3,247
Beefy binSPIRIT	Fantom	\$ 2,484	\$ 47
Uniswap BIFI-WFUSE	Fuse	\$ 7,263	\$ -
Beefy Equilibre BIFI-KAVA	Kava	\$ 44,883	\$ -
NetSwap BIFI-METIS	Metis	\$ 13,566	\$ -
BeamSwap BIFI-GLMR	Moonbeam	\$ 8,711	\$ -
Sushi WMOVR-BIFI	Moonriver	\$ 6,458	\$ -
Beefy Velodrome BIFI-ETH	Optimism	\$ 29,338	\$ -
Beefy Velodrome BIFI-OP	Optimism	\$ 154,305	\$ -
Total Protocol-owned Liquidity		\$ 484,497	\$ 3,294

Beyond PoL, Beefy's range of investment assets can be broken into three categories: (1) "stablecoin investments", reflecting positions in liquidity pools that include only blue-chip stablecoins like \$USDC and \$USD; (2) "other investments", reflecting other liquidity pool positions not only including stablecoins; and (3) "other tokens", reflecting any other tokens held but not actively invested by the Treasury. The latter category primarily consists of grant funds, together with some small amount of other tokens airdropped or otherwise distributed to the Beefy's treasury.

Fig. 16. Other Investments & Assets

		\$USD	
		End of 2023 Q2	End of 2023 Q3
Stablecoin Investments		\$ 1,207,196	\$ 1,348,122
Other Investments		\$ 32,977	\$ -
Other Tokens		\$ 487,845	\$ 542,042
Total Other Investments & Assets		\$ 1,728,018	\$ 1,890,164

Beefy DAO

For accounting purposes, all investments and PoL are considered current assets in so far as Beefy maintains the ability to close the position and return to the underlying assets in a relatively short space of time. By contrast to validators, where funds are locked until an unlock or withdrawal is initiated, all of Beefy's PoL and investment positions are relatively easy to exit under normal market conditions.

As mentioned in Note 1 above, the unrealized change in value of PoL and other Treasury assets over the quarter has not been included as a line item for the income statement. Though this kind of accounting treatment is common in some major jurisdictions, there is a common concern that recognizing unrealized profits or losses in each financial statement can distort the underlying economic picture, as the current market position becomes the primary driver of whether or not the business is recognized as profitable, even where it is clearly generating more than it is spending.

Note 14. Equity

Equity is intended to represent the net book value of an organization, which is equivalent to the amount of assets that will be returned to stakeholders in the event that operations are efficiently and completely wound down at a given moment in time. It reflects the proportion of an organization's total assets that are attributable to the investment of stakeholders' time and resources, as opposed to those attributable to debt financing.

Beefy carries no debt, and so all assets are recognized in its equity figure. Beefy has also not received paid-in capital, as the \$BIFI governance token was distributed nearly immediately after its fair launch. No par value is recognized for the \$BIFI token. Generally speaking, Beefy's operations have been able to continue only because of the loyal and committed support of its contributors, and as a result of the protocol becoming both revenue-generating and profitable over the course of its history.

Quarterly Report

SEPTEMBER 2023

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