C42S Security Token

Whitepaper v1.0

Version: 1.0
Date: September 2025
Issuer: CyTel42
Jurisdiction: EU (MiFID II context)
Website: C42Securities.com

1. Executive Summary

C42S is a **regulatory-compliant security token** that provides **exposure to recoveries from legal claims** — including online gambling losses, crypto fraud, and consumer abuse cases — processed and monetized through the ClaimBack42 platform and managed by **CyTel42**, the issuing entity.

C42S is issued to either:

- **Approved claimants** who legally assign their claims via a **Claim Monetization Agreement (CMA)**, or

- **Professional investors** who purchase the token to gain exposure to a diversified pool of vetted legal recovery assets.

The C42S token grants holders a **contractual right to proportional distributions** from net collections, subject to the waterfall, covenants, and terms set out in the **Program Terms** and **CMA**.

2. Purpose of the Token

- Enable **tokenized participation** in legal recovery pools.

- Provide **liquidity and monetization** to approved claimants via token issuance.

- Offer **professional investors** exposure to an **uncorrelated, real-world asset class** with high upside potential.

- Enhance **transparency, auditability, and automation** in legal enforcement proceeds.

Business Model

a) Claimant Flow

1. Claimant passes **eligibility test** on ClaimBack42.

2. Receives a **Claim ID** and enters into the CMA.

3. Claim is **legally transferred to CyTel42**.

4. Claimant receives **C42S tokens** based on the assessed claim value.

b) Investor Flow

1. Investor reviews program docs on C42Securities.com/token-info.

2. Submits eligibility form + passes KYC.

3. Receives C42S via direct allocation or secondary market.

4. Participates in distributions based on the net collections pool.

c) Recovery & Distribution

- Claims are enforced via **legal, regulatory, and private mechanisms**.

- Collected funds flow into the **C42S recovery pool**.

- Distributions are made on a **pro-rata basis** to eligible C42S holders, per the waterfall logic.

4. Technical Design

Feature	Description
Token Type	ERC-20 compatible Security Token (non-redeemable)
Rights Embedded	Contractual right to participate in revenue waterfall
Chain	Deployed on EVM-compatible chain (mainnet or permissioned)
Custody	Self-custody or via compliant CASPs
Metadata Access	Program updates via C42Securities.com/token-info
Restrictions	Only eligible token holders; non-transferable to ineligible persons

5. Legal & Regulatory Framework

- **Issuer:** CyTel42, acting as tokenization & monetization platform operator

- **Jurisdiction:** EU-based, governed under **MiFID II** and **national securities law**

- **Security Token Classification:**

    o Fungible instrument with embedded revenue rights

    o Falls under financial instruments per MiFID II Annex I Section C

- **Offer Model:**
    - No public offering
    - Distribution limited to eligible claimants and qualified investors
    - Documentation: Program Terms, CMA, Whitepaper, Risk Factors
- **No promise of redemption, peg, or yield**

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6. Claim Monetization Agreement (CMA)

The CMA governs the relationship between the claimant and CyTel42 and sets out:

- Legal assignment of the claim
- Token issuance logic (C42S allocation)
- Rights of the claimant/token holder
- Reporting, verification, and eligibility framework
- Risk acceptance and waiver structure

Reference: cytel42.com/cma

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7. Token Economics (Simplified)

Parameter	Value
Max Supply	Dynamic, based on claims monetized and capital raised
Distribution Types	(a) Claimant issuance, (b) investor allocation
Use of Proceeds	Legal costs, enforcement, claim screening, admin
Revenue Source	Net recoveries from monetized claims
Distribution Model	Quarterly (target), pro-rata based on C42S holdings
Secondary Market	Optional, subject to future regulatory approval

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8. Risk Factors (Summary)

- Enforcement timelines are unpredictable.
- Legal outcomes are not guaranteed.

- Claims may be unenforceable or uncollectible.

- Regulatory changes may affect token classification.

- Secondary market liquidity is not assured.

- CyTel42 acts in discretion under program governance.

Full details available in Program Terms & Risk Annex

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9. Governance & Transparency

- **Program terms publicly accessible**

- **Update cadence:** Monthly investor notices + material event triggers

- **No voting rights** or corporate governance claims

- **Audit trails:** Stored via secure CMS + off-chain registry

- **Contact & compliance:** cytel42.com/contact

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10. Legal Disclaimers

This whitepaper is not an offer to the public or solicitation to purchase securities. C42S is offered solely to **eligible parties** under applicable law, and the purchase of C42S involves **substantial risk**. Prospective participants must read the full Program Terms, CMA, and Risk Factors before acquiring or accepting C42S.

Appendices

- **Appendix A:** Sample CMA (PDF)

- **Appendix B:** Term Sheet (PDF)

- **Appendix C:** Risk Annex (PDF)

- **Appendix D:** Legal Opinions (available on request)