CYLS

CYLR Tokenomics

Reward Token

Version 1.0 | January 2026

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Participants should conduct their own due diligence and consult independent professional advisers before engaging with any aspect of the described ecosystem.

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CYLR Tokenomics

> - Token: CYLR — Reward Token
> - Network: Solana (SPL)
> - Supply: Variable (minted from Treasury USDC proceeds)
> - Contact: admin@cyls.exchange

Why CYLR?

CYLR is the reward token of the CYLS ecosystem. When the Treasury sells CYLA for SOL, CYLR is minted based on the USDC-equivalent value of the net SOL proceeds and becomes claimable by eligible CYLA holders following a snapshot.

CYLR may be held or traded. Eligible and KYC (Know Your Customer) - verified participants may redeem CYLR for CYLT, a yield-bearing, real-estate–backed security token, subject to applicable legal and compliance requirements.

Important Notice: This document is for informational purposes only and does not constitute an offer to sell, or a solicitation of an offer to buy, any tokens or securities. Any offering of CYLT tokens will be made only pursuant to definitive offering documents.

1. What Is CYLR?

- CYLR is the reward token of the CYLS ecosystem.
- CYLR is minted when the Treasury sells CYLA for SOL, based on the USDC-equivalent value of net SOL proceeds generated from those sales.
- Minted CYLR becomes claimable by eligible CYLA holders, distributed proportionally to their eligible CYLA holdings following a snapshot.

- Eligible, KYC (Know Your Customer) -verified participants may redeem CYLR for CYLT, the yield-bearing, real-estate–backed security token, subject to applicable legal and compliance requirements.
- CYLR does not represent a direct or indirect claim on protocol revenues, profits, assets, or treasury funds.

For a complete overview of the system design, eligibility criteria, and distribution mechanics, refer to the CYLS Project Whitepaper.

2. Design Principles

- Simple mental model — CYLR is counted as whole units (6 decimals on-chain, displayed as integers)
- Fast & Inexpensive — runs on Solana SPL, so claiming is inexpensive
- Anti-abuse by design — claims are capped and require snapshot eligibility
- Clear separation — CYLR is for rewards; CYLA is for community access; CYLT is the regulated security

Note: CYLR has no transfer hooks or taxes. All earning controls (caps, deny-lists) operate at the rewards program level. Freeze authority is retained as an emergency control during early phases.

3. Token Specifications

> - Network: Solana (SPL standard)
> - Decimals: 6 on-chain, displayed as whole units in UI
> - Total supply: Variable — minted from net USDC proceeds of Treasury CYLA sales
> - Mint authority: Held by 3-of-5 multisig with 72-hour timelock
> - Freeze authority: Retained by 3-of-5 multisig for security/fraud response during early phases

Rationale: Unlike CYLA (which permanently renounces freeze authority), CYLR retains freeze authority because reward distribution programs are higher-risk targets for abuse or exploits. This control will be periodically reviewed and may be removed as the system matures.

- Transfer hooks: None at TGE (standard SPL token behavior)
- Transfer tax: 0% — CYLR is freely transferable with no protocol fee. (Gas fee may apply)

4. How CYLR Is Created (Sale-Based Mechanism)

CYLR is minted when the Treasury sells CYLA for SOL, based on the USDC-equivalent value of net SOL proceeds generated from those sales.

Treasury Sale Process

- The Treasury holds 70% of the total CYLA supply (700M tokens).

- The Treasury sells CYLA for SOL on supported exchanges.
- CYLR is minted at a 1:1 ratio to the USDC-equivalent value of net SOL proceeds.
- Definition: Net SOL proceeds refer to the SOL received from sales **minus** exchange fees, DEX slippage, aggregator fees, and on-chain transaction costs, converted to USDC value at the time of sale for CYLR minting.
- Example: If a Treasury sale results in SOL with a USDC-equivalent value of 95,000 after all costs, 95,000 CYLR is minted.

Supported Exchanges

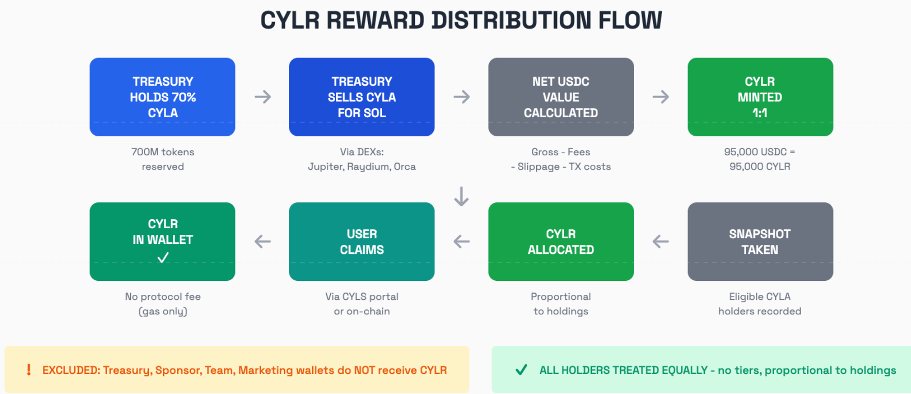
Treasury sales occur on exchanges meeting operational standards:

> - DEXs: Raydium, Jupiter, Orca (Solana ecosystem)
> - CEXs: As added and approved by multisig

Exchange additions require 72-hour timelock notice.

Sale Frequency

> - Sales occur as market conditions and operational needs dictate
> - No fixed schedule — Treasury manages timing for optimal execution
> - Each sale triggers a new CYLR minting and distribution cycle



5. How CYLR Becomes Claimable

After each Treasury sale, CYLR becomes claimable by eligible CYLA holders.

Snapshot Process

> • Snapshot taken at a specific block/time after Treasury sale
>
> • Snapshot records CYLA holdings of all eligible wallets
>
> • CYLR allocation is proportional to each holder's share of eligible CYLA
>
> – Example: If you hold 1% of eligible CYLA at snapshot, you can claim 1% of that cycle's CYLR

Excluded Wallets

The following wallets are excluded from CYLR rewards:

Note: Note: While designated Treasury, Team, Marketing, and Sponsor wallets are excluded from CYLR rewards, tokens distributed from these wallets to individual holders become eligible for CYLR rewards once held in individual wallets. For complete eligibility terms, please refer to the Private Placement Memorandum (PPM).

> - Treasury wallet
> - Sponsor wallet
> - Team wallets (vesting)
> - Marketing wallet

Excluded wallet list is published publicly. Changes require 72-hour timelock.

Claim Window

> - CYLR becomes claimable after snapshot is finalized
> - Users claim through the CYLS portal or directly via on-chain function
> - Unclaimed CYLR remains claimable indefinitely (no expiration)

6. Claiming CYLR

CYLR must be claimed by users — it is not automatically sent to wallets.

Claim Process

> - User connects eligible wallet to CYLS portal
> - Portal shows claimable CYLR balance based on snapshot
> - User initiates claim transaction

- • CYLR is minted to user's wallet (No protocol fee (standard Solana network fees apply))

Claim Fee

- No protocol claim fee is charged when claiming CYLR rewards.
- Claiming CYLR rewards requires a small Solana network transaction fee (gas), which is the responsibility of the token holder. Solana's efficient network design keeps these fees minimal—typically fractions of a cent per transaction. For complete claiming terms, please refer to the Private Placement Memorandum (PPM).

Note: The CYLR claim mechanism is designed to be fee-neutral at the protocol level. No claim fees may be introduced without a protocol upgrade approved via 3-of-5 multisig and subject to a 72-hour timelock.

Why Claim-Based (Not Automatic)?

The CYLR distribution mechanism uses a claim-based model for the following reasons:

- Gas Efficiency — Users incur network fees only when they choose to claim their rewards.
- User Flexibility — Claiming can be batched or timed at the user's convenience.
- Security & Fraud Mitigation — Reduces the attack surface compared to automated or unsolicited token distributions.
- Regulatory Clarity — An active claim action demonstrates user intent and participation.

7. Redemption (CYLR → CYLT)

This is the key feature — converting reward tokens to regulated security tokens.

Eligibility Requirements

> - User must pass KYC/AML verification

> - User's Ethereum address must be whitelisted by registrar contract
> - Eligibility defined in CYLT legal pack, not just this document

How Redemption Works

> - User initiates redemption during an open window
> - User burns CYLR on Solana
> - Off-chain attestation service verifies: burn, KYC status, caps
> - Attestor signs a one-time claim
> - On Ethereum, CYLT minter verifies signature and whitelist, then mints CYLT

Redemption Ratio

> - 1 CYLR burned → 1 CYLT minted (minus redemption fee)

CYLR is a redemption credit for minting CYLT under program rules; it is not a guaranteed USD claim.

Redemption Fee (Phase 2 – Forward-Looking)

- Redemption Fee: Expected to fall within the range of 0.25%–0.75% of the redemption credit value at launch of Phase 2, subject to change.
- Rationale: Redemption involves additional operational overhead, including identity verification (KYC), compliance processes, and cross-system settlement.
- Governance & Adjustability: The final redemption fee structure, including any applicable ranges or caps, will be determined prior to Phase 2 and may be adjusted via 3-of-5 multisig approval with a 72-hour timelock.

Note:

CYLR → CYLT redemption functionality is not active in Phase 1. Phase 1 includes only CYLA and CYLR. All redemption mechanics, fees, and parameters related to CYLT will be finalized and disclosed ahead of the Phase 2 launch.

Redemption Windows (Phase 2 – Forward-Looking)

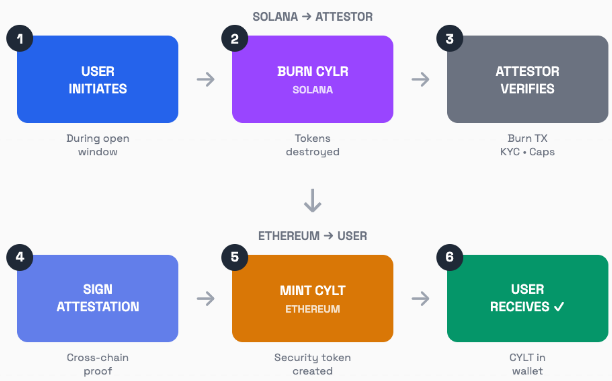
- Windows open approximately every 6 months.
- Each window remains open for approximately 10 days.
- A minimum of 90 days' public notice will be provided prior to opening a window.
- Window adjustments**:** The multisig may open additional windows, extend, shorten, or skip windows based on liquidity or operational conditions, with advance public notice where practicable.

Note: Redemption windows apply to **CYLR → CYLT** redemptions and are **not active in Phase 1.** All timing and parameters will be finalized and disclosed ahead of the Phase 2 launch.

Per-Window Caps

> • Dollar cap: $1M default per window (range $250K–$5M)
>
> • Percentage cap: 10% of circulating CYLT per window (range 2%–20%)
>
> – Rationale: Prevents run on CYLT while allowing meaningful redemption volume

CYLR → CYLT REDEMPTION FLOW



REDEMPTION TERMS:

- **Ratio:** 1 CYLR → 1 CYLT (minus fee)
- **Fee:** 0.25% – 0.75% (range, subject to governance)
- **Windows:** Every 6 months, ~10 days open, 90-day advance notice
- **Caps:** $1M per window (range $250K–$5M), 10% of circulating CYLT (range 2%–20%)
- **KYC:** Required for CYLT minting

8. Fees Summary

Fee Schedule

- CYLR transfers (wallet-to-wallet): 0% protocol fee
- CYLR claim: No protocol fee (standard Solana network fees apply)
- CYLR → CYLT redemption: 0.25%–0.75% of redemption credit, subject to governance approval via multisig and timelock
- CYLT transfers: 0% protocol fee (standard Ethereum gas fees apply; allowlist-restricted)
- CYLT distributions: No protocol take-rate; issuer covers administrative costs

All fees are subject to the ranges defined above and adjustable by multisig with 72-hour timelock.

Treasury Routing

Fee proceeds are routed to Treasury and allocated as follows:

> - 50% → Liquidity & Buyback Reserve (LBR)
> - 30% → Operations & Security
> - 20% → Strategic Reserve

Note: Treasury allocation percentages are subject to change and may be updated only via 3-of-5 multisig approval, subject to a 72-hour timelock, with parameters publicly reflected in the protocol's parameter registry.

9. Governance & Security

Authority Summary

> - Mint authority: 3-of-5 multisig with 72-hour timelock
> - Freeze authority: Retained by multisig during early phases
> - Emergency freeze may bypass timelock; requires 24h post-event disclosure

CYLR holders have no governance or voting rights. All parameter changes controlled by multisig + timelock.

See CYLS Project Whitepaper, Section 7 for complete governance and authority details.

10. Risks

Non-exhaustive list. See CYLS Project Whitepaper and CYLT legal pack for full disclosure.

> • Smart contract risk — Bugs in CYLR contracts or reward logic could cause incorrect emissions or stuck claims
>
> • Operational risk — Attestation service failures could delay redemptions; system designed to pause safely
>
> • Liquidity/speculation risk — If listed, markets may be thin and volatile; CYLR works without a price
>
> • Regulatory risk — CYLR is designed as a reward token, but regulators may classify differently

• **Wallet Security & Token Loss Risk** — Tokens are cryptographically tied to blockchain wallet addresses controlled by private keys. If a token holder loses access to their wallet (due to lost private keys, compromised credentials, hardware failure, or other causes), the associated tokens cannot be recovered, reissued, or restored by the protocol or any third party. Token holders bear full responsibility for securing their wallet credentials and maintaining adequate backups.

> • User misunderstanding risk — Users may confuse CYLR with CYLT; docs and UI stress that CYLR is not a security

11. References

> • CYLS Project Whitepaper — Full ecosystem overview and governance details
>
> • CYLA Tokenomics — Community token details
>
> • CYLT Tokenomics — Security token mechanics

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