



Currency Denominated Digital Credit Note Tokens for Non-Dilutive, Market Protective Capital Formation

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Abstract

XPYTs (XMG Prime Yield Tokens) are currency denominated, single-issuer, fully collateralized Digital Credit Note Tokens (DCNs) built on the Pecu Novus blockchain. They provide predictable automatic hourly yield ranging from 6% to 10% APY, based on the issuer's need. They are issuer-scoped collateralization, and institutional grade liquidity through the HootDex Central Limit Order Book (CLOB). XPYTs enable publicly traded companies to raise capital without dilution, without toxic debt and without exposing their equity to predatory shorting or market manipulation. Collateral is held in a Digital Asset Treasury (DAT) containing PECU, XMG currency-pegged tokens, XMG commodity-pegged tokens, any acceptable layer-1 native token and non-tradeable, Transfer Agent locked equity represented by N-EQTY tokens. XPYTs are not equity, not debt, not bonds and not securities; they are digital credit instruments with algorithmic yield that is automatically distributed and strict collateral requirements.

Introduction

Public companies face increasingly difficult capital formation environments, especially nanocap and microcap companies. Traditional equity issuance dilutes shareholders, reduces earnings per share and weakens ownership concentration. Toxic debt structures, such as variable rate convertibles, floorless convertibles and death spiral financing, they all introduce unpredictable conversion dynamics, downward price pressure and long-term value destruction. At the same time, short selling pressure, synthetic shorting and borrow-lend manipulation create volatility and undermine market stability. These challenges highlight the need for a non-dilutive, market protective capital instrument that avoids the pitfalls of both equity issuance and toxic debt. XPYTs address this need by providing a clean, collateral backed, predictable and globally liquid alternative.

The global financial system is undergoing a structural shift toward real world asset (RWA) tokenization, driven by major market infrastructures and regulated institutions integrating blockchain-based settlement into their core operations. In the United States, the New York Stock Exchange, Nasdaq and CME Group have each advanced tokenization initiatives, ranging from blockchain-based settlement pilots to tokenized collateral and futures workflows, reflecting a broad industry consensus that digital representations of securities and contracts can reduce friction, enhance transparency and improve capital efficiency. This trend extends across the financial sector: MoneyGram and Western Union have incorporated stablecoins and blockchain rails into cross border remittance flows; JPMorgan has deployed its Tokenized Collateral Network and JPM Coin for intraday institutional settlement, Fidelity has expanded digital asset custody and tokenization research and HSBC has launched tokenized gold, tokenized bond platforms and blockchain based settlement systems for institutional clients. Collectively, these developments demonstrate that tokenization is no longer experimental, it is becoming a foundational layer of modern financial infrastructure, enabling faster settlement, programmable compliance and global interoperability across traditional and digital markets.

XPYT Overview

XPYTs are Digital Credit Note Token (DCNs), a new class of blockchain based credit instruments designed for institutional capital formation. Each XPYT is issued by a single issuer, ensuring clear accountability and isolated risk. XPYTs are denominated in major global currencies, providing stable and predictable exposure. They are fully collateralized by the issuer's DAT allocation, ensuring asset backed integrity. XPYTs offer a predictable yield between 6% and 10% APY or more, depending on the issuers requirements. The yield incrementally is automatically distributed to holders every hour on the hour, price discovery is initially on the decentralized cryptocurrency exchange HootDex and get slated for trading via HootDex's Central Limit Order Book. This provides transparent, institutional grade digital asset liquidity. They would be normally paired with the USXM stablecoin but could be paired with a number of different stablecoins or layer-1 native tokens. This ensures a clean and controlled digital asset liquidity pathway and scalable growth. XPYTs could be issued as fixed-term or perpetual credit instruments, depending on issuer needs.

Digital Asset Treasury Architecture

The Digital Asset Treasury (DAT) is the collateral engine that underpins XPYTs. Each issuer maintains its own DAT allocation, ensuring that collateral is isolated and not pooled across issuers. This eliminates cross-issuer exposure and systemic risk transfer. The DAT may contain PECU, XMG currency-pegged tokens, XMG commodity-pegged tokens, non-tradeable equity tokens (N-EQTY), and approved L1/L2 assets. N-EQTY tokens represent legally locked shares held with a Transfer Agent,

they are non-tradable, non-borrowable and non-rehypothecatable. These tokens are created solely for DAT collateralization and play a critical role in reducing float and suppressing short interest. The DAT is auditable, immutable and designed to ensure long term collateral integrity.

XPYT Minting and Pricing

XPYTs can only be minted when the issuer deposits sufficient collateral into the DAT. The minting process is governed by strict protocol rules that ensure each XPYT is fully backed by the issuer's collateral allocation. XPYT pricing is simple and predictable: the price of an XPYT is equal to the price of its underlying currency token multiplied by 100. This formula ensures that XPYT valuation is driven entirely by currency exposure and remains independent of DAT composition. As a result, XPYTs provide stable, transparent pricing without the complexity or volatility associated with collateral dependent valuation models.

Yield Engine

XPYTs provide a predictable yield ranging from 6% to 10% APY or more, depending on the needs of the issuer, this is completely defined by the issuer and embedded in a smart contract. Yield is automatically distributed to DCN holders hourly and is distributed in the form of fractional Yield Tokens. These tokens accumulate continuously in a holders wallet and may be redeemed quarterly in USXM by the issuer. The yield mechanism is algorithmic and does not depend on issuer profitability, managerial performance or enterprise value. This distinction is critical, as it ensures that XPYTs do not meet the criteria for classification as securities. The yield engine is designed to be transparent, predictable and aligned with institutional expectations for fixed income like credit instruments.

Trading and Liquidity

XPYTs enter the market through a controlled, exchange based discovery phase on HootDex, where initial listing and trading occur exclusively within the platform's Central Limit Order Book (CLOB). This approach ensures that early market behavior is shaped by transparent, rules based execution rather than opaque bilateral conversions or off-market placements. By concentrating liquidity and order flow within a single, regulated matching environment, issuers avoid the fragmentation and price distortion that often accompany private placements or OTC issuance. Restricting XPYT trading pairs to USXM during this phase further reinforces market integrity, it creates a clean, single-asset settlement corridor that prevents destabilizing flows into DAT collateral and eliminates the risk of forced liquidations or collateral bleed-through. This controlled digital asset liquidity pathway supports predictable price formation, reduces systemic stress during early adoption and provides investors with a clear, auditable market structure. For issuers, it ensures that XPYTs enter circulation under stable, transparent

conditions; for holders, it guarantees that early trading is governed by fair access principles and consistent execution quality. Together, these design choices create a disciplined market environment that protects both sides of the transaction while establishing XPYTs as institutionally credible digital credit instruments.

Portability

XPYT's are ERC-20 and PNP16 compliant, that ensures that issued XPYT's are fully portable across the broader Ethereum compatible ecosystem, enabling seamless integration with wallets, custodians, exchanges and institutional infrastructure that already support these widely adopted standards. ERC-20 remains the most universal token interface in global finance, allowing assets to be recognized by existing custody platforms, MPC signing systems, compliance engines and reporting tools used by institutional participants. PNP16 extends this interoperability by adding a structured, high-fidelity metadata layer that preserves asset identity, provenance and compliance attributes across chains and environments. For issuers, this dual-standard compatibility eliminates the need for custom integrations, reduces onboarding friction with custodians and ensures that their tokens can be held, transferred and reported using established institutional workflows. For holders, it provides broad wallet support, secure institutional custody options and the assurance that their assets remain portable and interoperable across any ERC-20 or PNP16 aware environment. Together, ERC-20 and PNP16 create a unified technical foundation that enhances liquidity, simplifies compliance and ensures long-term accessibility across the evolving digital asset landscape.

Issuer Benefits

XPYTs give issuers a structurally superior capital instrument by aligning financing mechanics with modern market infrastructure and institutional requirements. Because XPYTs operate within a standardized digital asset framework, issuers gain access to a capital channel that behaves predictably across market cycles and avoids the structural fragility of legacy instruments such as convertibles, warrants or variable rate notes. Public companies benefit from the ability to raise capital without introducing new claimants on equity or future cash flows, while private companies gain a scalable financing tool that does not require complex valuation events or dilution negotiations. The optionality to embed a convertible feature, implemented at the smart contract level rather than through bespoke legal agreements, allows issuers to tailor XPYTs to specific strategic objectives without compromising the underlying credit note architecture. Because XPYTs are backed by immobilized, auditable DAT collateral, they enhance the issuer's financial posture by adding verifiable on-chain assets that strengthen liquidity ratios and improve transparency for analysts and institutional stakeholders. For holders, XPYTs provide a clear, rules based instrument with predictable yield, transparent redemption mechanics and insulation from issuer performance risk. Together, these characteristics position XPYTs

as a modern capital formation tool that integrates operational flexibility, regulatory clarity and market structure protections into a single, institutionally compatible framework.

Classification and Compliance

XPYTs achieve regulatory clarity not merely by failing traditional asset classification tests, but by being engineered as a distinct class of digital credit instruments whose economic behavior is fully transparent, rules based and independent of issuer performance. Their structure eliminates the discretionary, managerial or enterprise-risk components that typically trigger securities analysis, replacing them with deterministic, algorithmic functions that operate identically for all holders. Because XPYTs do not convey governance rights, repayment claims, credit exposure or profit sharing, they avoid the entanglements that require issuers to comply with corporate finance, securities issuance, or debt registration frameworks. This reduces compliance overhead, simplifies cross-border treatment and enables institutions to integrate XPYTs into existing operational workflows without triggering additional reporting or disclosure obligations. For issuers, this classification model provides a predictable regulatory perimeter and avoids the legal complexity associated with hybrid instruments; for holders, it ensures that XPYTs behave consistently across jurisdictions and market conditions, functioning as transparent, collateral backed Digital Credit Note Tokens rather than speculative investment contracts.

XPYT + Digital Asset Treasury Architecture Summary

The XPYT architecture is intentionally structured as a five layer stack, with each layer performing a discrete function while reinforcing the integrity of the layers above and below it. The issuer layer establishes the economic parameters of the instrument, most importantly the annual percentage rate, and initiates the capital formation process by allocating collateral into the DAT. This feeds into the DAT layer, which provides the structural foundation for the entire system by isolating collateral, immobilizing equity and ensuring that each XPYT is backed by verifiable, non-rehypothecatable assets. The minting layer then transforms these inputs into standardized Digital Credit Note Tokens, applying the deterministic pricing formula and ensuring that every XPYT enters circulation with uniform, auditable characteristics. Above this, the yield engine operates as an autonomous, rules based subsystem that accrues yield hourly and issues fractional Yield Tokens without reliance on issuer discretion or market performance. Finally, the trading layer integrates XPYTs into the broader market through HootDex, providing transparent execution, continuous digital asset liquidity and a controlled settlement pathway. Together, these layers form a cohesive, vertically integrated capital formation infrastructure in which each component is modular, independently verifiable and designed to scale without compromising security, transparency or regulatory clarity.

Capital Formation Flow

Capital formation through XPYTs follows a deliberately structured sequence designed to ensure transparency, predictability and market integrity from issuance to secondary trading. The process begins with the issuer allocating assets into the DAT, establishing a verifiable collateral base that anchors the economic value of the XPYTs that follow. Once minted, XPYTs enter circulation through primary issuance or secondary acquisition, allowing investors to participate through a standardized, rules based instrument rather than bespoke financing agreements. The automated yield distribution, accrued hourly and delivered directly to the holder’s wallet, removes the administrative overhead and discretionary timing associated with traditional interest bearing instruments, while quarterly issuer USXM redemption provides a predictable settlement cadence. Early trading occurs exclusively on the HootDex Central Limit Order Book, ensuring that initial liquidity forms in a transparent, centralized environment with consistent execution quality. This sequencing prevents fragmented price discovery, reduces the risk of off-market distortions and ensures that capital raised by the issuer is both non-dilutive and free from the structural risks associated with convertible or variable rate debt. The result is a clean, auditable funding pathway in which each stage reinforces the stability and integrity of the next, creating a capital formation model that is both modern and inherently market protective.

In Closing

XPYTs represent a structurally distinct category of institutional digital credit instruments engineered to meet the demands of modern capital markets. Their architecture unifies collateral integrity, predictable algorithmic yield and market protective mechanics into a single, standardized framework that behaves consistently across jurisdictions and market conditions. For public companies, XPYTs offer a credible alternative to traditional financing tools, providing access to global liquidity without introducing new equity claimants or exposing the issuer to the structural risks of convertible or variable rate debt. Private companies benefit from the same infrastructure, gaining a scalable financing mechanism that does not require valuation resets, dilution negotiations or complex capital structure adjustments. Because XPYTs operate within a transparent, rules based digital environment, they reduce reliance on discretionary issuer actions and minimize the information asymmetries that often drive market instability. Their regulatory clarity, combined with the protections embedded in the XPYT architecture, positions them as a foundational building block for next generation digital capital markets, an instrument class designed not only to raise capital, but to do so in a way that enhances market integrity, strengthens issuer credibility and provides holders with a consistent, institutionally aligned experience.