

LEGAL MEMORANDUM: Classification of CCT Token

To: CCT Foundation / Project Team

From: Legal Counsel (Simulated)

Date: January 9th, 2026

Subject: Analysis of CCT Token under U.S. Securities Laws (The Howey Test)

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I. Executive Summary

The purpose of this Memorandum is to analyze the regulatory classification of the **CrowdContributionToken (CCT)**. Based on the "Howey Test" framework established by the U.S. Supreme Court, it is our reasoned opinion that the CCT Token, as designed in the Phase 1 Blueprint, functions primarily as a **Utility Token** within a decentralized industrial network, rather than a Security.

Key Conclusion: CCT serves as a medium of exchange, a governance instrument, and a work-credit system for the 3D printing ecosystem. It does not represent an investment contract giving rise to a passive expectation of profit derived solely from the efforts of the founding team.

II. Project Background

The CCT Protocol is a decentralized network for industrial asset verification and exchange, initially focusing on 3D printing designs. The ecosystem operates on the principle "Contribution = Equity."

- **Core Function:** Users utilize CCT to purchase designs (consumption) or stake CCT to validate designs (work).
 - **Phase 1 Strategy:** The network is launching with a functional MVP (Minimum Viable Product) where the token has immediate utility for governance and access control.
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III. The "Howey Test" Analysis

Under *SEC v. W.J. Howey Co.*, an asset is considered an "investment contract" (security) if it meets **all four** of the following prongs. If **any one** prong fails, the asset is not a security.

Prong 1: Investment of Money

Analysis: Users and investors may contribute capital (Fiat/ETH) or labor (coding/designing) to acquire CCT. *Status:* **LIKELY MET.** (Courts generally view crypto purchases as an investment of money).

Prong 2: In a Common Enterprise

Analysis: The fortunes of token holders are tied to the success of the CCT network as a whole. *Status:* **LIKELY MET.** (Horizontal commonality exists).

Prong 3: Expectation of Profits

Analysis (The Defense): While token holders may hope the price rises, the CCT ecosystem is designed such that the primary driver of value is **active participation**, not passive holding.

1. **Consumption Utility:** Consumers buy CCT to *spend* it on 3D designs (like buying arcade tokens to play games).
2. **Work Utility:** Auditors buy/earn CCT to *stake* it for the right to perform work and earn fees. *Defense Argument:* The token acts as a "License to Operate" within the network, distinguishing it from a passive stock.

Prong 4: Derived from the Efforts of Others

Analysis (The Defense - CRITICAL): This is the strongest defense for CCT. A security implies profits come from the *Managerial Efforts* of a central promoter (the Founder).

1. **Decentralized Production:** The value of the network (the library of 3D designs) is created by **Level 3 Contributors (Designers)**, not the Founding Team.
2. **Decentralized Validation:** The quality control is performed by **Level 3 Auditors**, not the Founding Team.
3. **Governance:** Key decisions (Constitution Amendments, Treasury >\$5k) are voted on by the **Community (DAO)**, not dictated unilaterally by the Founder. *Conclusion:* The value of CCT is derived from the **aggregate efforts of the decentralized community**, not solely the "Efforts of Others" (the Promoter).



IV. Utility Analysis (Functional Use Cases)

To further distance CCT from securities classification, we document its immediate utilitarian functions:

1. **Medium of Exchange:** CCT is the native currency for purchasing industrial IP (3D Files).
 2. **Access Rights:** Holding CCT (Level 2) grants access to specific Discord channels and governance forums.
 3. **Staking for Security:** CCT is bonded by Auditors to disincentivize malicious behavior (Slashing mechanism).
 4. **Governance Rights:** CCT is required to propose and vote on CIPs (Community Improvement Proposals).
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V. Risk Factors & Mitigation

Despite the strong Utility defense, certain features present regulatory risk. The Project adopts the following mitigation strategies:

1. The "Buyback" Mechanism Risk

Risk: Using protocol revenue to buy back and burn tokens can be interpreted as a "Balance," which is a hallmark of securities. *Mitigation:* The Project frames this strictly as **"Deflationary Supply Management"** (similar to Ethereum's EIP-1559). The goal is to maintain the scarcity of the *currency*, not to distribute cash profits directly to holders. No "balances" are paid out to wallets.

2. Centralization in Phase 1

Risk: In Phase 1, the Founding Team holds Veto Power and appoints Guardians. *Mitigation:* This is disclosed as a temporary "Bootstrap Phase." The **Legal Roadmap** explicitly defines the "Decentralization Event" (Phase 3) where these powers are formally renounced.

VI. Conclusion

Based on the foregoing analysis, CCT is structured as a **Consumptive and Functional Utility Token**. While it possesses some characteristics of an investment vehicle (as do gold, real estate, and art), it lacks the critical dependency on "solely managerial efforts of others" required to be classified as a security under U.S. law.



The Project advises all contributors to treat CCT as a tool for participation in the industrial network, rather than a speculative financial instrument.

