Summary for the Investor of the Economic Engine That Drives AFFEERCE

AFFEERCE is funded from the rents of land that are in a ‘commons trust.’ This land is purchased by selling a digital currency - the Elsie or VIP$ - on an open market, using the funds obtained from the sale to buy property (land and structures). When property is purchased into the commons trust, new Elsies are minted equal to the value of the purchased property and again sold on the open market. The multiplier (how many dollars can be generated in repeated operations from an initial property purchase) is a function of the demand for and supply of the Elsie. This is the crux of the business plan.

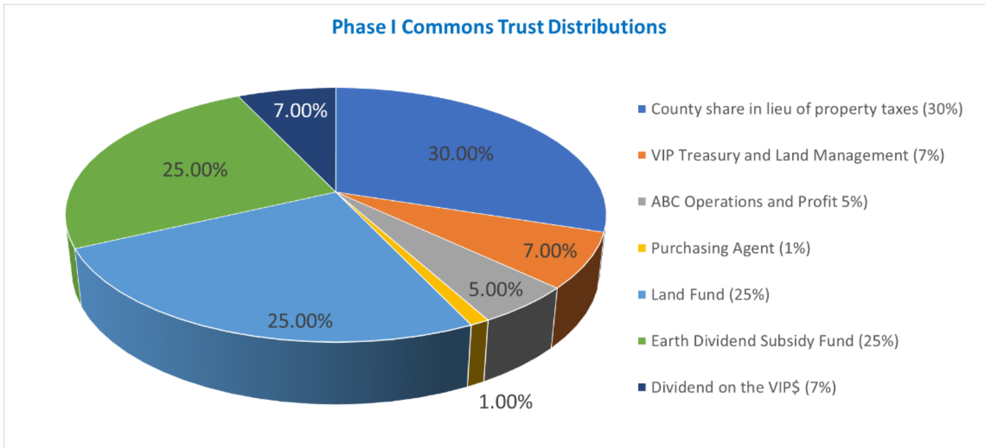
The company that sells Elsies on the market for U.S. dollars and handles purchasing land into the commons trust is the AFFEERCE Benefit Corporation (ABC). This corporation is owned by the investor(s) but is subject to performing its benefit. The diagram below shows that the ABC receives 5% of the rent for operations and profit. Its primary employee, the purchasing agent, to which several tasks are delegated, receives 1% of the ground rent on properties closed into the commons trust for life or 25 years, whichever is longer.

What is the benefit the ABC is obligated to perform? It must perform certain currency operations required by the VIP Treasury and Land Management (VTLM). The VTLM is a not-for-profit organization funded by the investor, but all ties to the investor are severed when land purchase operations begin. The VTLM is ultimately responsible to the community and oversight organizations. The VTLM receives 7% of the ground rent for its operations.

Because the Elsie is only backed by the land value, should the commons trust fail, holders of the currency receive land title proportional to their holdings. Still, ownership of the structures remains with the property owner.

The ABC must buy more than just any property. For the plan to work, there must be no property tax. Negotiators and lobbyists for the ABC sign up counties to accept 30% of the rent instead of property tax. This will be a bonanza for low property tax counties in Colorado and California. However, because of the sizeable one-time auction payment to counties, even those in high-property tax states should do better with the agreement.

Back to the crux of the business plan. On average, the properties backing the Elsie are only 33% land value (based on American Enterprise Institute U.S. land data), although early purchases will average a 40% land share.
Why in the world would anyone buy Elsies on the open market? Why should anyone pay more than 40 cents for an Elsie that starts backed by only 40 cents of tangible assets?



The ABC sells Elsies at 99.05 cents to the dollar after purchasing a property. However, the Elsies are worth $1 when paying rent, capturing property, and bidding for property at auctions. They will also save participating merchants a great deal of money over credit cards and are far more convenient than cash. Unlike cash, Elsies pay a dividend from the ground rent that backs them. Should the market value of the Elsie fall below 99%, all arbitrage opportunities increase. The increase in opportunity is only linear in some cases. The arbitrage opportunity to capture property, called treble arbitrage, can increase many-fold with a slight drop of the Elsie below 99%. Should the Elsie fall below 99%, the portion of rent that goes for the dividend can increase up to 25% at the expense of the Earth Dividend Subsidy Fund. These factors serve to buoy the Elsie at 99.05% of the peg.

The Land Fund, at 25% of the rent, subsidizes the 0.95% lost with each iteration of property purchases. The process involves purchasing the property, minting the Elsies, selling the Elsies at the market, subsidizing the discount lost, buying another property, and repeating the process.

The Elsies are placed on the market with an asking price of 99.05% of the peg. If they sell, all is well and good. The U.S. dollars go to the Land Fund. If not, 20% are destroyed; the remainder is offered at 99.04% of the peg. If they do not sell, another 20% of the original batch is destroyed, and the rest is offered at 99.03%.

This repeats until the final 20% are offered at 99.01%. If nobody takes the offer, all Elsies are destroyed.

Using U.S. dollars to purchase property, creating Elsie to match the purchase price, selling those Elsies at the market to get more U.S. dollars, subsidizing the discount from the land fund, and purchasing more property is called “ram and jam.”

The maximum supply of Elsies is limited by the total property purchased. The supply of Elsies is further constrained when the ABC destroys Elsies during ram and jam operations.

There are other ways the circulating supply of Elsies is reduced. Notice the 25% of rents that go to the Earth Dividend Subsidy Fund. This fund is only in Elsies and goes untouched for the first three years. It remains a net sink for Elsies until Worldwide Federation.

Other limitations to supply are the advance rent funds. Rent must be paid one year in advance at closing. The average rent, about 2% of the purchase price, is effectively sequestered.

Elsies sequestered in the EDSF, advance rent funds, property bidder accounts, treble escrow accounts, and other inventories are not eligible for dividends. The Elsie goes ex-dividend at the time of day when property bids are active. A popular property auction has the potential to create substantial dividend spikes. Even more explosive are the dividend spikes that occur should the market value of the Elsie drop below 99% of the peg. Spikes in the dividend also happen if the ABC has logistical problems purchasing property or demand for the Elsie falls. The first Elsies purchased have a return of over 60% in the first year. Should Phase I last over 20 years, the consistent dividend will slowly increase with growth, Elsie destruction, and EDSF sequestration. The Elsie dividend is a real (inflation-adjusted) return.

In the leasing terms, any property can be captured by tripling the rent the current owner is paying to the commons trust and paying the owner of the structures a 33% premium on their depreciated replacement value. This is called “trebling”.
All payments can be in either U.S. dollars or Elsies at the peg. Rents will tend to drop to where the cost to treble and the cost to purchase an identical property on private land next door are equivalent. Most trebles will be in Elsies, simply because the Elsie is sold at a 0.95% discount.

However, if the Elsie trades at an unexpectedly large discount, this translates into a considerable discount on the property tax-free structures. An immediate response to a drop in the Elsie below 99% is a strong demand for these discounted Elsies to capture these property-tax-free structures. Discounted Elsies can be used most effectively after the discount has ended. This makes it more expensive for the property owner to match the treble.

The ABC can break even a few months after the first land purchase. However, this is a function of tactics, strategies, and exposure, as outlined in the working business plan.

To cover operating expenses quickly and to give agreeable counties a bit of a windfall, the first few years of operations are done in auction mode. Only "for sale" properties are purchased where the owner plans to abandon the property. Unless the AFFEERCE business plan is extremely popular worldwide, the supply of for-sale properties will be limitless. The ABC will use auction mode for as long as possible.

These properties are immediately put up for an auction where the winner is the high bidder (typically around 50% of the purchase price). 5% of the high bid funds the advance rent account, and the other 95% is distributed as a windfall to rent recipients.

The bidder is getting the entire house and any other structures. The winning bidder will own those structures. They can obtain 133% of their depreciated replacement cost should the property be captured at a future date. Because there is no obligation to ever pay a dime more in rent beyond the advance rent account, bidders are bidding on the structure, not the ground rent.

Many bids will be as high as 60% of the purchase price, a windfall in rent for currency holders, the ABC, the VTLM, the county, and the Land Fund. Rents will be vulnerable to the trebler in a few months, if not immediately. The rent falls by the rent paid, 8.33%, every month in perpetuity.

Although it is difficult to believe, the above business plan can solve many of the world's problems. For the investor, the primary consideration is the profit potential. This module provides an overview of the source of that potential.