

# CuBit™

## Crypto Value – What is the value of CuBit™?

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**Crypto Value** – The value of real estate is what backs the value of CuBit™. Real estate related instruments and direct real estate ownership held by Universal Real Estate Wealth Protection Solutions, LLC™ (UREWPS™, the Company) qualify as real estate. At startup, the reserve ratio of CuBit™ to real estate to CuBit™ will be low. The Company will move quickly to achieve its target to achieve its target ratio of 65%. This ratio means that the value of real estate held by the Company will meet or exceed the value of 65% of all issued CuBit™.

The early disparity of the reserve ratio is because at inception the Company held no real estate. As we mint and sell *CuBit™*, we convert about 65% of that wealth into real estate held by the Company. Expert opinions by real estate investors are that, depending on the cash involved, it will take 1 to 4 months to convert cash into closed deals. The Company is targeting 12 months or more. The actual time needed depends largely upon the amount of revenue from your purchases of *CuBit™*.

### ***Crypto Value - Why We Chose 65%***

We have chosen the 65% reserve threshold based on commercial lending practices. These have proven to be generally sufficient for lenders to protect their equity and preserve their liquidity in the face of economic downturns.

Most commercial lenders will only lend up to 65% of the value of real estate (LTV = Loan to Value). In the event of foreclosure this allows them to use the forfeited owner's equity to pay for the costs of foreclosure and liquidation while recouping the principal of the loan.

There is no LTV for *CuBit™*. We do not lend money. We are an equity partner with seasoned real estate investors. The 65% ratio represents the target exchange rate between *CuBit™* and real estate. Therefore, if a *CuBit™* were converted to \$100 USD, the Company would sell \$65 USD worth of real estate in a liquidation event. The \$35 remaining would come from liquid assets in the *CuBitDAO™* Asset Ledger. If you want your money back, you do not care if it comes from real estate or liquid assets.

When you want to protect your wealth from inflation and volatility the amount of real estate involved is particularly important.

Backing *CuBit™* with a ratio of 65% real estate and 35% liquid assets allows the company to maintain adequate liquidity levels. Liquid assets also fund ongoing operations and take advantage of market opportunities.

### ***Crypto Value - Beating Inflation***

Because *CuBit™* is backed by the value of real estate it tends to be a deflationary currency. This means that the buying power of each *CuBit™* tends to increase at a rate that is faster than inflation. The graph below shows how the median home value in the USA has changed from 2000 to 2021. It also shows how inflation has changed during this same time. The changes have been normalized to percentage value changes. This comparison shows how real estate values usually outpace inflation. This means the buying power of wealth invested in real estate tends to be protected against inflation.

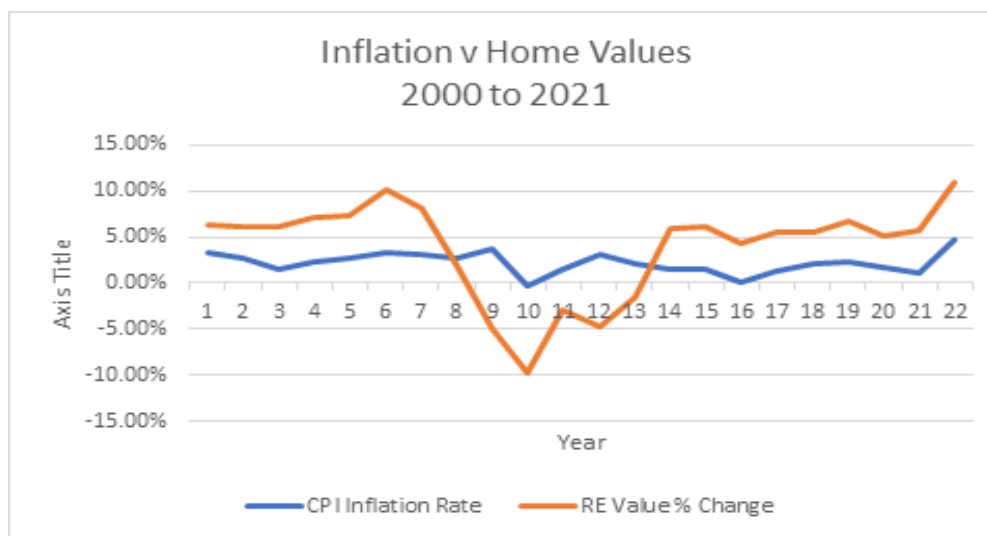


Figure 3 Inflation v Home Values 2000 to 2021

Over this total period the average rate of inflation was 2.2% while home values increased 3.9%. This includes the significant decline in home values in 2008 through 2012. This trend is consistent even when measured over longer periods of time. We included 2012 through 2018 to emphasize the effects of unexpected declines

in home values. Overall, real estate is a resilient hedge against inflation. It bounces back from unusually adverse conditions.

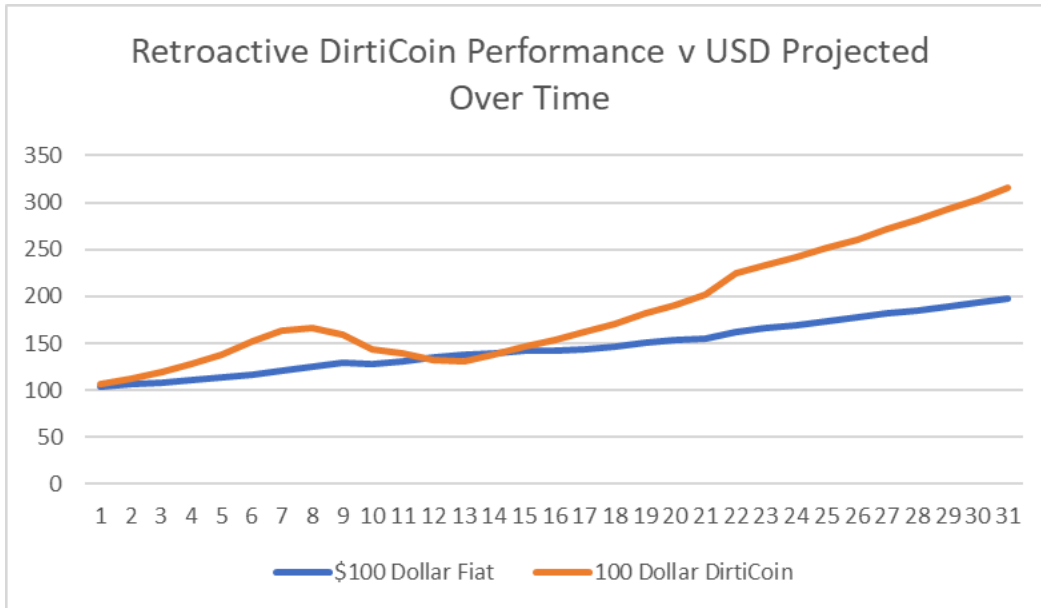


Figure 4 *CuBit™* Performance (Projected) Retroactively Over Time (\$93 of *CuBit™* v \$100 USD)

**Above Reflects**

This second chart shows a hypothetical retrospective value over time of \$100 USD invested in a hypothetical inflation-pacing security versus \$100 USD invested in one *CuBit™*. This chart uses the same period used in Figure 3. Unfortunately for all of us, *CuBit™* was not available 20 years ago. Also, there was not any commonly available inflation-pacing security for your \$100 USD investment twenty years ago either.

The graph uses the rate of inflation to adjust the value of the USD and uses the change in home values to adjust the value of the *CuBit™*. It uses the same base period of 2000 to 2021. For years beyond 2021, the graph assumes the average inflation rate of 2.2% and the average appreciation rate for homes of 3.9% both continue unchanged.

**Inflation Pacing**

During the massive value decline in real estate from 2008 to 2012 *CuBit™* would have fallen below the value of your inflation-pacer. However, just two years after the nadir, your *CuBit™* would be worth more than the inflation-pacer. By 2021, your inflation-pacing \$100 investment would have been worth \$162. That is not bad. However, your \$100 *CuBit™* investment would be worth \$209.

In the next chart compares the declining buying power of USD due to inflation against the appreciating value of a *CuBit™*. The value proposition of *CuBit™* is even more dramatic when inflation is allowed to take its toll. Please realize that Crypto Value is typically speculative, and volatile, where *CuBit™* is not.

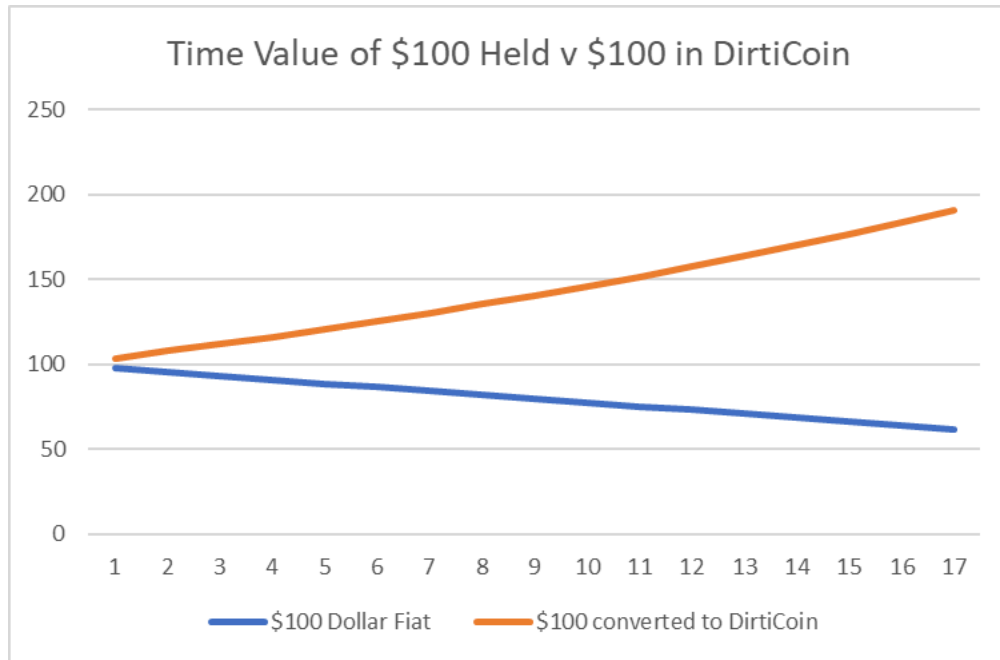


Figure 5 USD Inflation v *CuBit*<sup>™</sup> Buying Power (projected) Over Time (\$93 *CuBit*<sup>™</sup> v \$100 USD)

This scenario projects the 20-year averages for inflation of USD and appreciation of US real estate applied to *CuBit*<sup>™</sup>. By year 2, the buying power of \$100 USD declines to \$96. Meanwhile, the buying power of \$100 USD of *CuBit*<sup>™</sup> increases to \$108. Every year after that the gap in buying power continues to widen. By year 10, today's \$100 USD buys as much as \$75 USD today. At the same point, the \$100 USD of *CuBit*<sup>™</sup> has the buying power of \$152 USD today. When we reach the end of year 17, we find the \$100 USD has degraded to just \$62 of buying power. The same initial value of *CuBit*<sup>™</sup> now has the buying power of \$191, a difference of more than 300%.

**Disclaimers**

Although the design of *CuBit*<sup>™</sup> incorporates inherent protections against volatility and Universal Real Estate Wealth Protection Solutions, LLC<sup>™</sup> (UREWPS<sup>™</sup>, the Company) is committed to support the asset-based valuation of *CuBit*<sup>™</sup>, as with any currency there is nothing to prevent speculators from taking unforeseen actions which might cause the price of *CuBit*<sup>™</sup> to vary without reference to the underlying value proposition. The Company cannot prevent and is not responsible for the actions or results of such speculative behaviors.



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