



## The American Trade System

# Infrastructure

In the creation of ATS's infrastructure, the Swiss model was used, however, modifications were necessary to compensate for the legal, regulatory and market differences between Switzerland and the U.S. The infrastructure has 4 major elements:

1. **Qualifications of participating companies**
2. **The financial elements and the mechanics of the operation**
3. **Collaborators and contributing factors**
4. **The core concept and the WIRBank Trade System**

## 1. Qualifications of participating companies

The System provides financial services to companies with a certain profile, within these industries: Construction, Agriculture, Retail Commerce, Trucking and Automotive, Advertising, Hospitality, Professional Services and Manufacturing,

In real estate services are provided to investors of all types of non-residential properties specifically commercial and investment properties.

The System works with two types of members:

1) B2B enterprises in the above sectors. The operation must have a substantial cash business, be profitable, creditworthy, have a substantial amount of goods and/or services available for sale and be able to use goods and/or services provided by other members of the System.

2) Real estate owners and investors with substantial equity, creditworthy, liquid and both in a disposition and acquisition mode.

## 2. The Financial Elements and Mechanics of the Operations

A brief description of the major elements of the System:

- **The No-risk, No Cost Provision**

Our sales plan allows us to offer a provision that calls for no payment, of any kind, to be made by the client unless ATS delivers new business.

- **The System Trade Credit: the ATS Dollar**

The medium of exchange and unit of account in the System is the ATS Dollar, equal in value to the U.S. Dollar. It is an electronic form of currency for the exclusive use by the System's members. It is used, in combination with the U.S. Dollar, in commercial and real estate deals, referred to as dual-currency transactions.

- **The ATS Account**

After a member is admitted an account is established in the member's name. When a member executes a sale, the trade credit portion of the sale (ATS Dollars) is deposited and credited to the account. When the member makes a purchase, the ATS Dollars are debited to the account. The account is subject to various fees and **charges**.

- **A bank-like System**

The operation is similar, in many ways, to a banking operation except for the fact that the currency is a privately issued form of money for the exclusive use by its members and it is not subject to banking or SEC regulations. ATS maintains accounts on behalf of its members, extends credit and charges a variety of fees. The infrastructure for the Trade System has been created including an accounting/banking software that allows online access.

- **Tax Equity Fiscal Responsibility Act (TEFRA)**

The American Trade System is in compliance with TEFRA, a federal act that requires that ATS report all trade activities by providing all participants with an IRS Form 1099 annually.

- **The Capitalization of the Trade System**

The Trade System is capitalized through the extension of secured credit to its members. A member pledges an asset and provides a personal or corporate guarantee against the extension of a credit line. The aggregate value of the security behind all credit lines is the asset that constitutes the trade system's capitalization. Businesses and real estate investors benefit because they are able to monetize their own net-worth and convert it to investment and/or working capital.

- **The Credit System**

After the member is admitted and a credit line established, the member can conclude purchases that entail a combination of U.S. and ATS Dollars. When the credit line is activated the member pays interest, monthly, in cash, at the rate of 2.5% per annum on the amount borrowed. When a member executes a sale of its own property or goods and/or services the private currency portion of the sale is credited to the account and the principal balance owed is reduced by that amount.

- **The Collateral**

A member applying for credit pledges an asset, typically a promissory note, and provides a corporate or personal guarantee. The asset is placed in a trust to protect the System in case of default. Default consists of a member using the credit line and failing to pay interest when due.

- **The Fiduciary**

The documents representing the collateral are placed for safekeeping with a fiduciary company that is bonded and licensed by the Department of Corporations for the State of California, Department of Financial Institutions.

- **The Balance Sheet**

On the first day of each month, the System issues a report showing, as the assets, the list of assets pledged as collateral security and, as the liabilities, the aggregate number of ATS Dollars in circulation.

- **The Loan**

When the credit line is activated, the amount borrowed becomes an obligation of the borrower. The loan is not placed on an amortization schedule and is repaid with ATS Dollars.

- **The System Revenues**

The System derives its revenues from various fees, such as transaction fees, interest charges and commissions generated from the closing of deals on behalf of members and facilitated by sales personnel of the System.

- **Membership Termination**

The System can terminate a membership for a violation of the rules and a member can terminate the membership by bringing the account balance to zero, meeting all cash obligations to the System and exiting the System.

- **Dissolution of the System**

In the event the System terminates operations, an ordinate dissolution is enacted by having a trustee order all holders of accounts with a negative balance to remit the balance in cash and distribute the proceeds to all holders of account with a positive balance.

- **U.S. Patent Application**

The company has filed an application with the United States Patent and Trademark Office to protect its proprietary information and methodologies.

### **3. Collaborators and Contributing Factors**

ATS operation is supported by IREEX, the sister company, and a group of intermediary companies. There is also a tax law that, properly applied, can bring significant benefits to participating companies.

- **The International Real Estate Equity Xchange (IREEX)**

IREEX ([www.ireex.com](http://www.ireex.com)) is a subsidiary of the parent company, the Hawk Group, ([www.hawkgroup.info](http://www.hawkgroup.info)) and functions as the exclusive portal for the real estate sector to services provided by the American Trade System.

- **Collaborators**

ATS works with a number of individuals and companies that provide services to clients that qualify for participation in the System. They include QIs, consultants, real estate brokers/agents and other entities that act as intermediaries for these types of transactions.

- **Internal Revenue Code (IRC) 1031 Like-Kind Exchanges**

This law, unique to the U.S., was originally created to benefit real estate investors by allowing them to move from an investment property to a higher value property while deferring the capital gains taxes due from the sale of the original property. Section 1031 applies to all like-kind properties, including real and personal and it is, increasingly, being used for purposes other than real estate to defer ordinary income taxes derived from transactions involving various kinds of corporate assets.

Example: A construction company acquires a new piece of equipment for \$100,000 then, by taking the depreciation allowance over several years, reduces its basis to \$20,000. Now it wants to replace it with new equipment. The used equipment might sell for \$50,000 and the company will have \$30,000 of taxable ordinary income.

By structuring the sale of the used equipment and the purchase of the new, through a 1031 exchange done through a Qualified Intermediary (QI), the company can defer the tax and have substantial cash savings.

For large companies, in constant need to replace equipment, such as manufacturers and O&G operations, this can result in millions of dollars in savings. Applications have been found for exchanges involving collectible cars and race horses.

Traditionally, most exchanges, if not all, handled by QIs involved real estate, however, more and more clients involved in the sale and purchases of corporate assets, realize the benefit of using Section 1031 to save taxes on their exchanges.

## 4. The core concept and the WIRBank Trade System

This segment helps one understand ATS's operation by providing information about the "core concept" identified as the monetization of assets and a description and some history of Switzerland's WIR Trade System.

### **The Process of Asset Monetization and Switzerland's WIRBank Trade System.**

Asset monetization is the process of converting an asset to something others will accept as payment. The universally accepted method of monetizing an asset is to sell it for cash, i.e. the national currency. Except for a nominal amount of assets being traded, selling for cash, or cash-related instruments, is the only way to monetize assets.

There is a little known alternative, developed and perfected by Switzerland's WIRBank ([www.wir.ch](http://www.wir.ch)). In 1934 the Great Depression brought the Swiss economy to a virtual standstill and bankers drastically reduced their lending.

This left many businesses unable to secure credit and financing and a group of 16 business owners got together in Zurich and created a trade system, in the form of a business network, which allowed for a unique and alternative method to monetize assets. Their charter allowed for a variety of assets to be placed in a vehicle similar to a trust, to act as backing for the issue of the WIR Franc, a private form of money, a trade credit to be used in combination with the Swiss Franc to buy and sell goods, services and real estate in dual-currency transactions.

The charter stipulated that no WIR Franc be issued unless a corresponding asset was placed in the trust. Acceptable assets varied from real estate to personal property to notes signed and guaranteed by creditworthy borrowers. WIR accepted virtually anything that would place it in the position to make itself whole in case of a default.

The charter also stipulated that the Trade System would be prohibited from extending its operation outside of Switzerland and that WIR Francs could not be bought, sold or exchanged for cash.

The result was the establishment of an operation with a credit-extension mechanism that provided innovative financial dynamics that resulted in more transactions being closed while providing credit and financing at very low rates of interest. Aside from the fact that the balances in clients' accounts are not in Swiss Francs, the Trade System operates similarly to a bank, deriving revenues from interest and fees.

Businesses were able to gear their operations to conduct business using two bank accounts: a cash account and a trade account and to take advantage of the financing provided by the Trade System.

Membership grew and by the mid-1980s it reached 30,000 and the decision was made to add traditional banking services to the trade system operation. For years the operation had tried to work with banks that did not understand the Trade System's operation. Now WIR was in the position to make loans which involved both Swiss Francs and WIR Francs.

This resulted in a dramatic increase in membership and business volume. By 1997 WIR's membership reached 76,000, and business volume was over 6 billion dollars. The balance sheet showed assets of 974 million dollars, consisting of the assets pledged as security and liabilities of 929 million dollars, consisting of the circulating WIR trade credits. Cash profits were at 38 million dollars. Today WIR has over 100,000 members. For more information about the ATS and the WIR system link to:

[http://www.americantradesystem.com/Construction\\_Sector.pdf](http://www.americantradesystem.com/Construction_Sector.pdf).

The real estate sector was also heavily affected as members began buying and selling properties using the WIR Franc as part of the consideration. Today there are 502 brokerage firms providing services for members.

The ban against doing business outside Switzerland and Swiss secrecy banking laws have kept WIR out of the spotlight, however, WIR is widely given credit for helping make the Swiss economy one of the strongest in the world.

### **Supporting Documents:**

Exhibit 1 - Application and Membership Agreement

Exhibit 2 - ATS Trading Rules and Regulations

Exhibit 3 - Confidentiality Agreement

Exhibit 4 - Loan Agreement

Exhibit 5 - Corporate Guarantee

Exhibit 6 - Personal Guarantee

Exhibit 7 - Member Profile

(To view the Exhibits please contact ATS)