

[←](#) Burn + Split - Formal Proposal

Costcoin: Burn & Split

The Costcoin “Burn and Split” model is a token economic model that is designed to decrease the outstanding supply of Costcoins as demand for Costcoin membership increases. This is achieved through requiring users to pay for membership via the action of burning Costcoins to obtain Membership Credits. Subsequently, users will utilize the Membership Credits to pay their monthly membership fee.

Token Mechanics

Upon launch of Costcoin, there will initially be 1,000,000 Costcoin tokens in existence. This number will continue to decline as Costcoins are burned to create Membership Credits which are used to purchase membership subscriptions on the Costcoin brand network. When the circulating supply of Costcoin reaches 100,000 tokens, the protocol will automatically split the supply by a 10 : 1 ratio. For example, every user who was holding 1 Costcoin prior to the split will now be credited with 10 Costcoins in their wallet. This will effectively raise the supply of Costcoin back to 1,000,000 until demand for Membership Credits brings that number back down to 100,000 at which time the split mechanism will repeat.

Membership Mechanics

In order to purchase membership into the Costcoin network users will be required to purchase Membership Credits. Membership Credits are a price stable, non-tradeable asset that explicitly allows you to pay for Costcoin membership and nothing else. The price of Membership Credits will be fixed at \$0.001 per credit.

In order to convert Costcoins into Membership Credits, users are required to burn their Costcoins. For example, if the free market price of Costcoin is currently \$10 per coin, burning one Costcoin will yield the user 10,000 Membership Credits. After burning the Costcoin for credits, the coin is effectively taken out of circulation.

The task of converting Costcoins into Membership Credits can be technologically intensive for the average user who is solely interested in a Costcoin membership. With this in mind, Costcoin Inc will provide a service which burns Costcoins for the user and credits their respective accounts with Membership Credits. All the user will be exposed to is an interface that asks them to pay a certain amount of dollars for membership. The token burning and membership conversion process is done entirely on the backend, obfuscated from the user. This allows the Costcoin experience to be indistinguishable from any other membership service on the market today.

Advantages Of This Model

This token economic model for Costcoin has a slew of advantages that make it both a worthwhile investment as well as a quality service for both its membership network and partners. For starters, the Membership Credit conversion is a fantastic user experience for Costcoin members. Most token networks have to worry about a constantly price volatile asset which makes it borderline impossible to use for any purpose other than trading. With the Membership Credit conversion, users always know how much they have to pay in a simple and static dollar amount, regardless of the current market price of Costcoin.

Additionally, this also makes Costcoin appealing to those individuals that are not interested in being members, but are more so interested in trading and market making for the asset. Since the price of Costcoin will be free floating, individuals across the globe are free to exchange these assets anywhere there is a market and will subsequently build a global liquidity pool of Costcoins. Not only is this great for the Costcoin market, but it's also a useful marketing tool in getting the Costcoin name exposed to as many individuals as possible in jurisdictions across the world.

Lastly, the burn and split model allows for Costcoin Inc to have a revenue generating stream of income. Since most users will not want to convert their Costcoins to Membership Credits manually, Costcoin Inc can offer to perform the conversion for them. In return for this service, Costcoin Inc can simply markup the price of conversion by a sizeable margin and collect an expense free return on Membership Credit conversion demand.

Governance

In order to make the token appealing to brands, invested users, and other interested parties, governance functionality will be added to the token. This governance functionality will allow any token holder to vote on changes to the Costcoin ecosystem. Some of these changes can include, but are not limited to:

- Changes to the monthly cost of membership
- Raising or lowering the rate of membership cost increase
- Altering the mechanics of the token split to add more or less to the supply upon variations in demand for Membership Credits

How Costcoin Appreciates in Value

The key feature of this model is that you allow a free-floating token price, with massive upside potential, while at the same time preserving the user experience for Costcoin members. With this two token system, you allow for the potential of massive price appreciation in Costcoin tokens as demand for memberships ramp up. Below is a model that projects the price of the Costcoin token at the end of years 1-4. These numbers are based on a few arbitrary assumptions about membership demand on Costcoin and price appreciation of Costcoins on the free market which allows us to arrive at figures illustrating the rate of Costcoins being burned.

Summary Outputs					
	Year 1	Year 2	Year 3	Year 4	Year 5
Token Price	\$5.57	\$16.02	\$43.45	\$111.42	\$270.98
Tokens Burned to Date	(81.7)	908.7	17,643.5	167,140.8	1,023,191.5
Supply Remaining	1,000,081.75	999,091.30	982,356.47	832,859.18	876,808.5