



4 OCTOBER 2014

UC'S FINANCIAL HISTORY AND THE GETS SUMMARY AUDIT REPORT WERE REVIEWED BY THE IRTA GLOBAL BOARD OF DIRECTORS AND THE UC COMMITTEE AT THE RECENT CANCUN CONVENTION.

The IRTA Global Board and the UC Committee both concluded that UC is in good financial condition and that the majority of the GETS Summary Audit Report's allegations are misplaced.

The summary's assertions that UC is insolvent and has toxic unrecoverable debt are based on a claim that certain account deficits, including a small number that have not had sales and those without sales for the past 12 months are unrecoverable. The UC committee reviews the accounts and individual circumstances to determine if there is risk and what actions are appropriate and timely. Another argument made about potential "toxic debt" in UC was based on Bartercard's UC credit lines and a projection into the future of what the BC/Recovery Program could eventually pay out. The BC/UC/IRTA Recovery Program agreement states that the additional disbursements don't get paid out until BC has made sufficient sales in UC to cover future distributions. Hence, there is in fact no debt risk for the future BC/USA pay-out of \$210,755 as the summary alleges, since future pay-outs are conditioned upon BC sales, so as to mitigate UC's overall exposure in the program.

The health of an exchange is not measured only by the debt of the members, but by trade velocity. You need prudent extension of credit lines to create a sufficient level of money supply to stimulate trade and increase the velocity. UC's 68% trade volume growth over last year indicates clearly that UC is a healthy exchange.

The GETS summary claims that UC is hiding accounts, but a closer review of the facts shows the so-called hidden accounts are in collections or are house accounts, none of which are active trading accounts in UC. The house accounts (all of which are in order), are for staff and other obscure accounts opened over the years for convention speakers, convention printers, our attorney and accountant – ie., all accounts that DO NOT sell to normal UC members. UC members have asked repeatedly that these types of accounts NOT BE listed on the active traders screen, since it is extremely confusing to see inactive accounts on the trading screen. On the current platform, all of the balances are visible because the system only has the option to make all accounts visible or invisible. Perhaps a future enhancement should include an option to see all accounts for anyone that wants to review them AND an option to view only the active accounts.

The summary cites \$125,759.65 of bad debt that it claims should be written-off. The UC Committee reviewed this list at the Cancun Convention and resolved to write-off \$75,864 to bad-debt. There have been a couple of accounts written off in 2014 and it was time for a review since a substantial bad debt write off in 2009. The UC committee determined that the remaining accounts are still collectible based on the individual circumstances of each account and information known to the committee at this time. The UC Bad Debt Reserve Account has more than sufficient funds to cover these write-offs. It should be noted that in 2008, it was determined that \$338,375 of accumulated bad debt in UC had to be written off and it was written off in 2009. UC's money supply at the time was \$800,000, hence the write-off represented 42% of the money supply. The

money supply of UC is now at 2.6 million, the \$75,864 of bad debt the UC Committee is writing off in 2014 represents 3% of UC's money supply today. Clearly, UC is a stronger system and in a much better position today to handle its bad debt write-offs than it was in 2008 when a much larger write off was required.

It is also important to note that the authors of the GETS summary are not on the UC Committee that has the detailed information it needs to manage UC and its accounts. Nor do they have any right pursuant to the contract with UC to dictate UC policy. GETS is a software vendor that was retained to provide a software platform to UC like any other exchange software user.

UC has experienced record setting trading in 2014, despite a two week window to complete a software conversion and other distracting challenges since July. Even in the midst of a software change, UC set a trading record for the month of September with 637,204.02 of trade volume, thereby exceeding 2013's total annual trade volume of 8,598,461.70 after only three quarters in 2014. UC has a full quarter of trading still to go in 2014 so is on target to accomplish the highest growth in its history. Cash revenues in UC are up 20% in 2014, over 2013's cash revenues (cash revenues are up 60% since 2008).

There has been no expression of concern about the health of UC by its members. This information is being released to report on IRTA and UC's position in regards to a substantial amount of misinformation and false allegations posted and circulated on the internet and via Think Barter's Linked In group.

Sincerely,

IRTA Global Board of Directors and the UC Committee