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IRTA GLOBAL BOARD & UC COMMITTEE RESPONSE TO JIM WEST & EQUITRADE INTERNATIONAL

MARCH 23, 2017

The IRTA Global Board of Directors and UC Committee held a joint meeting on March 21, 2017 to review the allegations set forth by Jim West of Equitrade International (EI) in his March 16th email to industry members titled "Equitrade's Departure From IRTA," and his second March 16th email to various IRTA and UC personnel titled "Fraud At UC?"

The IRTA Global Board and UC Committee have concluded the following:

1. Equitrade Acquisition Strategy

Mr. West acknowledges that EI's "unprecedented" expansion is the result of purchasing "troubled and dormant exchanges" that have "otherwise uncollectible trade receivables." Mr. West claims that Equitrade acquisitions are "frowned upon by the elites of our industry."

A unanimous March 15, 2017 UC Committee resolution recommended the IRTA Global Board "review the accounting practices related to recent (Equitrade) acquisitions of trade exchanges with seemingly little or no value." This UC Committee recommendation was made based on concern that EI's acquisitions of trade exchanges with massive deficits, minimal cash flow and no value, are, through creative accounting methods, being misrepresented as having market value greater than their true value.

The UC Committee relied on IRTA's February 7, 2017 Advisory Memo titled "**Proper Reporting of Assets and Liabilities of the Managing Exchange vs. The Exchange Members & IRS Reporting Requirements Regarding Client/Member Bad Debt Accounts,**" as its authority for recommending the IRTA Global Board review EI's acquisition related accounting practices.

See: <https://www.irta.com/2017/02/irta-advisory-memo-released-proper-reporting/>

2. Equitrade's UC Debt, UC Listings & History of Sales

a) EQUITRADE'S UC DEBT

All active UC account balances are visible to UC members on UC's platform at www.ucci.trade.

Per the www.ucci.trade platform, Equitrade has two large negative UC accounts which total minus 241,826, they are; a) Equitrade International (EI) at -151,217.06, and, b) Equitrade Atlanta (EA) at -90,609.08. Both EI and EA executed UC agreements and Jim West signed personal guarantees on both agreements.

107,930.27 of EI's negative trade balance is from the transfer of Pittsburgh Trade Alliance's (PTA) negative UC balance to Equitrade International on March 14, 2016. **This transfer was done at the specific request of Jim West.**

EA's negative UC balance is the result of the July 2014 transfer of Barter Consultants International's (BCI) negative UC balance to EA, **again pursuant to Jim West's specific request.**

b) EQUITRADE'S UC LISTINGS

Jim West claims that EI has over 1 million of listings on UC is false. Mr. West has pressured UC to list potentially fraudulent and overvalued Verdult paintings on UC. Verdult paintings have a long history of fraud and overvaluation in the U.S. Mr. West includes the Verdult paintings as part of EI's "one million" of postings on UC. UC cannot, and will not post such highly questionable and overvalued art work on UC.

Secondly, many of EI's proposed listings on UC contain a cash component, which do not meet UC's listing criteria of offering products or services at 100% trade. As a result, many of EI's requested postings are often denied, and not listed on UC, thereby making the actual total value of EI's UC listings far less than the one million that Mr. West has claimed.

c) EQUITRADE'S 3-YEAR UC SALES HISTORY

Jim West's claim that "EI's UC sales have exceeded all purchases" is false. EI's last 3-year's of UC trade transactions were 173,946.90 of purchases and 40,710.64 in sales. In 2016 EI recorded 140,009.21 of purchases and 31,101.97 of sales. Of that \$31,101.97 in sales, \$26,326.10 were simply transfer of funds to close-out PTA accounts that were duplicate accounts between PTA and Greenapple Barter. Only 4,775.87 of the 31,101.97 of EI's 2016 sales were actual products or services.

EA had no net sales between July 30, 2014 and March 21, 2017 to reduce EA's negative balance. This is despite the fact that UC has a July 30th, 2014 written agreement with Jim West whereby UC would waive annual trade interest if EA would do 30,000 of sales per year.

3. Jim West's New Arguments That EI Did Not Purchase PTA or BCI

Mr. West's disingenuous logic regarding the BCI and PTA negative balances is:

- 1) I (Jim West) was doing UC a favor by being "a benefactor in helping UC collect otherwise uncollectible trade receivables."
- 2) Even though I (Jim West) specifically told UC to transfer PTA's and BCI's negative UC balances, and even though EI & EA received bona-fide UC statements for years, I now demand those transfers be reversed because:
 - a) I (Jim West) never actually bought PTA, my purchase was from "Powercard Trade Associates, LLC, and Equitrade Atlanta is no longer an entity.
 - b) The PTA negative UC balance was actually a bad debt account that should have been written off by UC long ago.
 - c) The Statute of Limitations ran on PTA's negative UC balances and as a result UC has no right to collect on them now.

The IRTA Global Board and UC Committee see the facts quite differently than Mr. West. In order of his points above, IRTA & UC have concluded:

- 1) EI's recognition that "IRTA rules require that an acquiring exchange assume any deficit," and EI's admittance that they were "helping UC collect otherwise uncollectable trade receivables" indisputably proves that EI legally assumed its obligation to honor the PTA and BCI debts.



2) a) Mr. West never asserted to UC that he purchased the PTA accounts from “Powercard Trade Associates, LLC” until last week. In fact, Mr. West sent an industry-wide email announcement on March 21, 2016 stating that “Equitrade completed the acquisition of PTA and added 700 new Pennsylvania members to EI.” Mr. West’s argument now appears to be that he misrepresented the purchase of PTA to UC for a year, and as such he should not be liable for PTA’s negative UC trade balance.

b) There is a distinct difference between “accounts that are hard to collect” and “uncollectable accounts.” Each exchange owner has their own definition or criteria for determining what is “uncollectable.” UC looks first to see if there is operating entity in place and also verifies that UC has a personal signature of the owner. Historically, UC has successfully collected on negative UC balances even after the entity has ceased operating, or declared bankruptcy, based on the personal signature of the owner.

c) Mr. West’s claim that the Statute of Limitations is applicable is baseless. The Statute of Limitations had not fully run with PTA. Multiple communications occurred to effectively toll the statute. Mr. West is not privy to the facts that determine whether the Statute of Limitations has run, or not, on any UC account.

4. Mr. West’s Blackmail Attempt of March 16, 2017 Regarding the 2014 GETS UC Audit

On March 16th, 2017 Mr. West sent a second email to various IRTA and UC Committee personnel threatening to take legal action against UC and “open the can of worms” about the alleged UC fraud that was reported in the Richard Logie/GETS August 2014 “UC Summary Audit” — if UC doesn’t reverse the PTA UC debt and interest on EI’s UC account.

The IRTA Global Board of Directors and UC Committee reminds Mr. West that it reviewed all of the allegations made by Mr. Logie/GETS back in 2014 and issued a written report that found no UC fraud or misconduct – that report was dated October 4, 2014, and is attached.

Furthermore, Richard Logie/GETS hired BBX/UK franchise owner, John Attridge, in August/September of 2014 to conduct his own independent audit of UC. Mr. Attridge found no UC fraud whatsoever.

Additionally, the decision regarding when to charge trade interest on UC accounts that are hard to collect is solely up to the discretion of UC.

Lastly, the compensation of UC’s President & CEO is not currently tied to, nor has ever been tied to, the amount of trade interest UC collects on any UC account.

5. Conclusion

For all of the reasons contained herein, the IRTA Global Board of Directors and the UC Committee will not reverse the negative UC balances of PTA and BCI that were properly transferred to EI and EA, pursuant to Mr. West’s direct requests.

Furthermore, the IRTA Global Board of Directors and UC Committee have concluded that IRTA and UC’s President & CEO acted professionally and in good faith to protect IRTA and UC’s financial interests with regards to the large trade debts owed to UC by EI and EA.

Based on the entirety of this memo, IRTA, UC and its President & CEO reserve their rights to pursue any and all legal remedies against Mr. Jim West for his actionable conduct.





OCTOBER 4, 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