

WELCOME TO SIMPLICITY BARTER

Dear Business Owner,

In today's competitive business climate, small business owners need all the advantages they can get. Simply put, barter is the best way possible to increase your revenues and lower your operating costs. Bartering is just conducting normal day-to-day business without spending your hard earned cash. The art of bartering will allow you to use what you have, to get what you want, thus paying wholesale for the things you need to run your business and increase your lifestyle. This way you can conserve your cash for the things that you can't barter for.

Have you ever needed a product or service but lacked the resources to pay for it? Sure, we all have. Bartering is your solution and Simplicity Barter can provide you with the tools and the expertise for you to master the skill of bartering.

When you barter through Simplicity Barter's trade members or network, transactions are paid for or purchased in barter dollars, just like cash. This makes your barter possibilities virtually unlimited. With Simplicity's third party secured record keeping, all of your transactions are recorded and your barter credits are transferred to your account and available immediately for your use. Just like a checking account in a bank.

Simplicity Barter is one of Virginia's fastest growing and exclusive barter exchanges. We are a team of highly experienced professionals that facilitate bartering between our members. Besides our own membership base, that is growing daily with business owners just like you, Simplicity Barter is part of two National Trade groups that allow you to expand your reach to well over 100,000 members in the US, Canada, and Worldwide.

As a member of Simplicity Barter, you'll have access to a million dollar platform that's updated real time 24 hours a day, 365 days a year. Your products and services will be visible the moment you join. You'll be kept informed on available goods and services the moment they become available. Our membership in Trade Banc and DoBarter allows us to offer you a full range of products and services such as hotel accommodations and restaurant gift certificates throughout the world.

We hold weekly training sessions, quarterly mixers, including our annual Holiday Faire Bash and Shopping Extravaganza. Imagine completing all of your holiday shopping in one fun-filled day, using only barter credits!

Your barter needs are our top priority. Tell us what you are looking for and we will help you find it. Our commitment to service and our dedication to quality members, as well as quantity of members set us apart from all other barter exchanges. We ensure that each member is following the rules and bartering with integrity and respect for other business professionals.

Thank you,
David R. Snow
President



IMPROVE CASH FLOW

A business with a strong, stockbased sheet but with weak cash-flow can trade its way out of trouble. Your company can achieve close to the full market value of your surplus stock or gain real benefit from your downtime by generating extra sales, acquiring items your business needs and preserving cash.

Making purchases through Simplicity Barter enables companies to convert previously tied up capital or unsold capacity into expense items, relieving the pressure on cash flow.

NEW SALES

By joining Simplicity Barter we become your second line sales team, redistributing your products and services through our business network without interfering with your existing cash business.

Sales initially conducted through Simplicity Barter generally lead to long term business links and we are there to support and nurture these relationships.

INCREASE PROFIT

Will my business profit? Exchange is not a "quick fix" solution for every business situation. There are however many circumstances in which it is not only a sensible method of trade, but can be the only possible way to do good business.

Exchange produces new business allowing you to expand your market while maintaining your cash-paying customers.

It allows you to acquire products and services in exchange for your own, instead of using vital cash.

“Don't think about what you can sell on The Exchange - think about what you can buy”



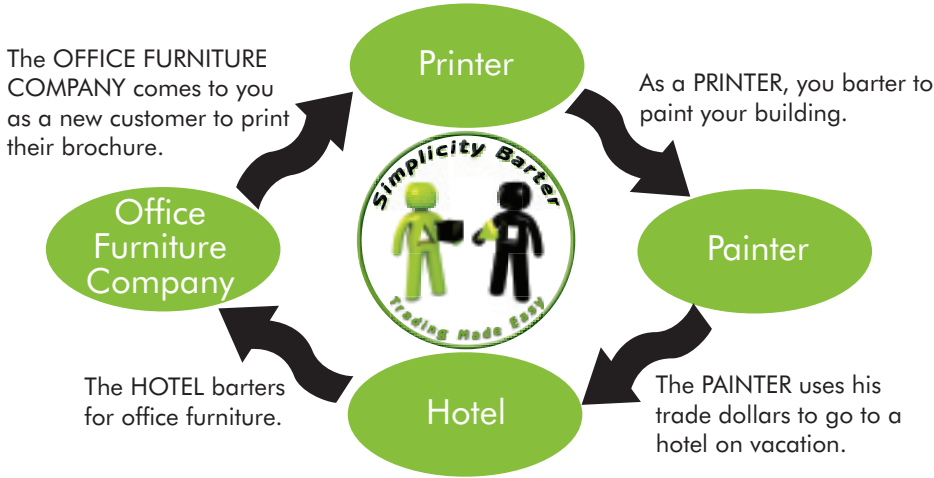
THE BENEFITS OF TRADING

- **Barter Generates New Customers** allowing you to expand your market and maintain your cash paying customers. This is incremental business - customers who bypass competing business to do business with you.
- **Barter Conserves Cash and Increases Profits.** Barter creates new customers because buyers are motivated to pay with their products or services and save cash. Simply put, if you had to purchase a copier for \$1000, what would you rather do? Write a check or pay with an equal amount of your product/service at its normal selling price to a new customer? Most businesses prefer to trade and conserve cash.
- **Barter Moves Excess Inventory.** Retailers must keep their inventory moving. Each season customers shop for the most current merchandise. Bartering will bring you buyers to move excess inventory, eliminating the advertising costs and heavy discounting otherwise needed to accomplish this.
- **Manufacturers/Wholesalers.** We can coordinate the selling of your surplus inventory while helping you obtain the best possible prices for your products. We negotiate for you to receive either the going price in the marketplace or at least your full normal selling price to distributors. This allows you to maintain your current pricing integrity as well as upgrading your return on investment.
- **Increase Productivity by Filling Downtime and Unused Capacity.** Service Businesses— increase billable hours! If you are not at 100% capacity twelve months a year and can handle new customers, we can help you fill your idle time with new business opportunities. And now you will have trade dollars to purchase what you need.
- **Hotels.** Suppose you have 10 vacant rooms at \$100 a night and you need a new brochure for \$1000. Barter provides a way for you to buy your brochure, fill your rooms (at your cost off the rooms) and maintain your cash.
- **Manufacturers.** If you are currently operating at 90% capacity, going to 93% changes very little in the cost of production. Wouldn't it make sense to take on a new barter customer to cover the cost of next year's product catalog?
- **Networking Expands Your Customer Base.** Barter customers will bring you all of the cash referrals that your present clients bring. You will also gain new cash paying customers - as long as you give your barter customers the same great services and pricing as you offer everyone else.

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HOW BARTER WORKS



HOW DOES BARTER WORK WITH A TRADE EXCHANGE SUCH AS SIMPLICITY BARTER?

A Simplicity Barter Trade Consultant works with you to bring your company new sales, increase market share, help move available inventory, and minimize cash outlay for everyday business expenses. Clients of an exchange use trade dollars instead of cash to handle their transactions. Simplicity Barter provides you with an alternate distribution network. You can charge retail value for goods and services in trade dollars instead of selling them for reduced rates in cash or have them go unsold. An exchange acts as a third-party record keeper providing clients with monthly statements that reflect all trade purchases and sales and show the current trade-dollar balance.

IS BARTER FOR YOU?

A multi-billion dollar industry-The International Reciprocal Trade Association (IRTA) estimates just in the US, over 470,000 companies actively participate in barter for a total of over \$12 billion in annual sales. Over 65% of the corporations listed in the New York Stock Exchange are presently using barter to reduce surplus inventory and bolster sales and to ensure that production facilities run at near capacity. The US Department of Commerce estimates that 20% to 25% of world trade is now barter, and corporate barter is now a 20 billion industry. Barter continues to carve out an important place in the US and world economy.

QUESTIONS & ANSWERS

What are the advantages of Trading?

Trade produces new business and allows you to expand your market. Secondly, trade conserves cash. Instead of spending cash to purchase needed goods and services, you can trade your own goods and services. Therefore, cash stays in your business for other purposes. Finally, trade lets you put idle resources to work. Excess time, excess inventory, and excess capacity are converted into needed goods or services.

How does Simplicity Barter work?

Members of the Simplicity Barter Group use trade credits instead of cash to do business together. If a member trades 1,000 dollars of goods and services to another trade member, that member will receive one thousand dollars in trade credit, which can then be used to purchase a variety of goods and services from other members of the Simplicity Barter Group. Hotel rooms, resorts, restaurants, advertising, printing, and many other goods and services can be obtained with trade credits. Simplicity Barter is a third party record keeper that sends monthly statements to each member reflecting their purchases, sales, and current balance.



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QUESTIONS & ANSWERS

What other companies are involved in barter?

Nationally, there are over 400,000 businesses, most of them small, currently involved in commercial barter. Based on present trends, 1.2 million businesses will be engaged in barter in North America within a decade. It is estimated that 75% of the Fortune 500 Companies engage in barter in some form or another.

Why is the Simplicity Barter unique?

The Simplicity Barter Company represents over 20 years of combined experience serving clients. Our knowledgeable staff makes us the organization with which to trust your trade management, trade brokering and trade accounting needs now and throughout the coming years.

What does it cost to join Simplicity Barter Group?

There is a one-time setup fee which is credited to your barter account immediately with a guarantee that if within 60 days we do not bring you the equivalent in new business it will be refunded. There are no monthly fees or annual renewal dues.



LET'S TRADE!

THE ANCIENT PRACTICE OF BARTERING GETS A MODERN TWIST *By Steven Van Yoder*

When I prepared to publish my book last year, I wondered how I could finance the project without draining my bank account. I knew I would need editing services, a graphic designer, promotional materials and a new Web site. But instead of reaching for my checkbook, I turned to a barter exchange to help me get my project off the ground.

Through this exchange, I secured an editor for my 280-page manuscript and a printer to create new letterhead and business cards. I also traded for a new Web site. In fact, I managed to barter more than half of the required costs to publish *Get Slightly Famous: Become a Celebrity in Your Field and Attract More Business with Less Effort* (Bay Tree, 2003).

Bartering-the cashless trading of goods and services-is the most ancient form of commerce. Today, many contemporary businesses are taking a second look at barter as a great way to improve cash flow and enjoy higher profits. You, too, can put barter to work for your business. All that's required is to revisit an idea as old as civilization itself.

Trading in a cash world

While our ancestors might have traded chickens for horseshoes, today's savvy entrepreneurs swap hotel rooms for printing, office space for a night on the town and dental work for vacations in the Caribbean, all with the help of business barter exchanges.

Barter exchanges link businesses together into trading networks where members trade with one another to turn their under utilized capacity into new revenue streams. Instead of cash, barter exchanges issue "barter credits" or "trade dollars" that are used like cash between exchange members. For a small cash commission (typically 10 to 15 percent of each transaction), these exchanges facilitate the trades and provide monthly transaction statements.

For example, the owner of a sign-painting company needs to have brochures printed. Instead of paying with cash, he goes to a printer within his barter exchange and pays with trade dollars. Subsequently, the printer can spend his barter credits with any other business in the exchange. He may, in fact, decide to eat out at a restaurant, seek legal advice for his business or defray his monthly courier expense. He does not have to spend them with the sign painter.

When I first joined a barter exchange, I was introduced to a new world that had been beneath my nose all along but that I had been oblivious to. The exchange comprised many local businesses, some of which I was already doing business with, from restaurants to dentists to moving companies. I was immediately plugged into an efficient system that made trading easy-a barter exchange representative helped to work deals and serve my buying needs.

Membership has its benefits

When you join a barter exchange, expect to pay an initiation fee (typically \$100 to \$500), annual dues and a 10 to 15 percent commission on every trade. In return, the exchange will provide

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QUESTIONS & ANSWERS

How does Simplicity Barter Profit?

Simplicity Barter collects a small fee on each transaction, typically from the buyer upon the completion of a successful transaction. These fees are necessary to maintain the operating costs of the group.

Why a commission?

The fee represents a broker commission. Remember -- trade business is new business. Many businesses are happy to pay a commission for new business.

I already trade on my own; why should I join Simplicity Barter?

The problem with one-to-one trading is each business must want or need what the other business has to offer in equal dollar amounts. Fortunately, at Simplicity Barter, your value is converted to a barter dollar amount so everyone can trade with any other trading member of the group.

ongoing account maintenance, a monthly statement, checks or debit cards and a membership directory. Some provide a line of credit to let you start trading right away.

Once you are a member, barter is a valuable tool to bring in new clients and customers because trade customers come in addition to existing cash customers. "When someone joins an exchange, they're exposed to thousands of potential clients," says Tom McDowell, former director of the National Association of Trade Exchanges. "All of barter's benefits exist because members get new customers they did not have before."

Bartering can also help offset normal operating expenses and keep more cash in the bank. Through cash conservation (shifting existing cash expenses to trade), business owners can keep more of their "green dollars" in the bank by using trade to cover fixed costs, such as plumbing, accounting and even office rental.

Making barter pay

Before joining a barter exchange you must know your "cost of trade," or the real cash outlay involved in each barter transaction. A hotel, for example, has a low cost of trade because it costs little to barter an empty room. A printer, however, must consider paper costs.

Barter is particularly effective for service oriented companies that have few or no out-of-pocket expenses. Beware of cash-heavy transactions requiring outlays for overhead or equipment. It's also necessary to factor in cash fees charged by the exchange. And barter should supplement, not compromise, your cash business. Despite its appeal, you can't pay telephone bills or taxes with trade.

To make barter work for your business, flexibility is crucial, which often means switching from established vendors to those within the barter exchange. For example, you may need a computer or other piece of equipment. If you have the cash, you go to the store and buy it. With barter, you sometimes have to work with your broker to find what you need, and you may need to have it shipped.

The Internal Revenue Service considers barter income the same as cash for tax purposes. Barter exchanges issue 1099-B forms to members and the IRS at the end of a tax year. With this in mind, it is advisable to treat barter the same as cash and to use trade for tax-deductible expenses whenever possible.

There are two national clearinghouses for barter exchanges: the National Association of Trade Exchanges, at www.nate.org; and the International Reciprocal Trade Association, at www.irta.net. Either can provide a list of exchanges in your area.

In the end, the benefits of bartering are limited only by your creativity. As business becomes more competitive, the concept of trading promises to become more popular. Small business owners are discovering that bartering can become an integral component of their business plans, enabling them to see higher profits, meet like-minded business contacts and improve the quality of their business and personal lives.

San Francisco-based Steven Van Yoder is the author of *Get Slightly Famous: Become a Celebrity in Your Field and Attract More Business with Less Effort*. His Web site is www.getslightlyfamous.com.



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QUESTIONS & ANSWERS

What if I cannot spend my trade dollars on the things I need the most?

When Simplicity Barter does not have the goods or services a member needs, it becomes our job to find them. New businesses are sought to join the group on the basis of their ability to provide goods and services needed by the current membership.

How can I spend my trade?

Make a list of your needs. List everything you normally spend cash on. Do not limit yourself to one or two time item purchases. Use your checkbook as a memory tool. Also, think of your personal needs. If you regularly take cash out of the business for personal living expenses, travel or home improvements - you should consider using the trade income you have accumulated, and save your cash for goods and services the barter network cannot easily acquire.

What if I earn more trade credit than I spend?

Members should only trade in proportion to their ability to spend. If one member sells goods or services in high demand, it may become necessary for them to limit their trade activity. Our experienced management team monitors all trade transactions, thus ensuring a balance of credit and debit.

BARTERING CAN BOOST YOUR BUDGET & BUSINESS

EVERY YEAR COMPANIES TRANSACT BILLIONS OF DOLLARS WORTH OF BUSINESS WITHOUT MONEY EVER BEING TRANSFERRED FROM ONE ACCOUNT TO ANOTHER. THERE'S NO COOKING OF THE BOOKS GOING ON HERE.

By Joseph Anthony / Money Matter

Companies big and small are using barter to sell and purchase goods and services. When someone first told me that barter was big business, I flashed on a vision of storehouses piled high with pukka shells and trading beads. The reality couldn't be further from that image.

More efficient, better cash flow

In the simplest form of retail barter, a business that trades a dollar's worth of product or services to another business would get a dollar of "credit." That credit then can be used to purchase goods or services from other companies in the barter system. The exchange companies help expand barter beyond a direct trade between two entities, allowing literally thousands of businesses to indirectly trade with one another. Boosters of barter say it can be a technique for reducing inventories, increasing sales, improving cash flow and utilizing a business's excess capacity. "Let's say you have a printing company with certain fixed overhead expenses and more [printing press] capacity than you are using," says Debbie Lombardi, president and founder of Barter Business Unlimited (BBU), a barter exchange company in Newington, Conn. "Would you rather write a batch of checks for those overhead costs every month, or would you rather develop new markets through barter so you can trade some of that excess capacity instead of cutting checks for the things you need?" The International Reciprocal Trade Association says that more than 470,000 companies, including about two-thirds of the companies listed on the New York Stock Exchange, do in excess of \$12 billion in barter annually. (Full disclosure: Microsoft, owner of this site, is one of the corporations that engage in barter.) Companies that facilitate barter exchanges typically charge some combination of an annual or monthly fee and a commission on trades. "With barter exchanges, you're not wedded to doing business on a buy-and-sell basis with the same person," says Paul Trump, executive vice president of the Illinois Trade Association, another barter exchange company. Trump says that more than 400 restaurants in the Chicago area work with his company to barter their product - typically meals or catering - for



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QUESTIONS & ANSWERS

advertising and other services. Think of it as trading steaks for sizzle.

Putters for health benefits

Some of the exchanges can get pretty interesting. Barter Business Unlimited was working with a golf club manufacturer that was looking for a way to increase its marketing efforts. The company also had a second need: It wanted to improve the overall benefits package offered to its employees. Here's the barter that developed: The company agreed to make special custom putters for another company that was sponsoring the Super Bowl. The custom putters put the company's name in front of a group of (dare I say it?) big hitters whom it might not otherwise have reached. With the "barter credits" from supplying the putters, the golf club manufacturer was able to pay for promotional brochures from another barter participant. The company also had enough credits to purchase an eye care and dental benefits program for its employees from yet another barter participant. Exchanges can take place electronically, but the human factor has not been eliminated from all of these ventures. Lombardi says that even in an age where electronic swaps are possible, about 90% of the barter her company handles still involve a BBU representative matching customers to products. BBU, in business since 1992, has more than 2,000 members and is involved in more than \$30 million worth of transactions annually.

Big business in corporate trades

In another form of barter, companies such as Active International work with businesses to trade inventory for media, goods or services. "In these corporate trade transactions, a company typically sells excess or slow-moving inventory for more than they could get based on the assets' current fair market value," says Rich Vendig, chief executive officer of Active International. "Then, the company can use a combination of cash plus the trade credit it got to make advertising or other purchases." Active International says it is involved in more than \$700 million in media transactions annually. "The result of trading is that you greatly improve your overall cash flow. You are also able to dispose of underperforming assets such as inventory for more than you could get otherwise," Vendig says.

Not cash, but still a tax event

Just a word about the tax man: Even though no cash changes hands in barter, barter deals are treated the same as cash transactions. In its simplest form, you'll report the value of whatever you sell as income, and deduct the cost of bartered purchases as expenses. Think of barter as a way of boosting your business, not as a way of cutting your taxes.

How will other members find out about me?

One of our jobs is to promote your business to other members. Simplicity Barter can help promote your goods or services to other members via our directory, mailing lists, website access and direct contact. You also get a "barter store" in our software to promote any product or service you wish to ALL members.

Is it true getting something for trade can take more time than getting it for cash?

Yes. Sometimes a business must show priority to its cash customers because of cash flow necessities. However, advance planning and communication with your trade broker for alternatives will make trading an effective and profitable experience.

What if I need goods or services and I do not have enough credit to purchase it?

Trade credit lines can be set up for members just as a bank extends credit to its qualified customers. When joining Simplicity Barter Group, you will be reviewed by our experienced team and assessed a credit line. Over time, your credit line may increase depending on your timely payment and need for extra credit.



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QUESTIONS & ANSWERS

What other ways are there to use barter?

Many members use trade credit to pay employee bonuses. Some members pay their employees a portion of their salaries in trade credit. At your request, we will set up employee sub-accounts and will assist your employees in using their trade credits as advantageously as possible. Employees need not pay a brokerage fee. This fee can be prepaid when an employer transfers credit to a employee sub-account.

It is also possible to pay some of your bills with trade credit. We can help your creditors spend their trade dollars effectively. Paying bills with trade credit is just one more creative way to use your trade credit.

Simplicity Barter can even use trade credit to collect past due accounts. Often, a business that owes you is willing to pay on their account with goods or services. If their goods or services are acceptable to Simplicity Barter, we will purchase them in the amount equal to your account. We will credit your Barter account for the amount of your Debtor's delivery. You can then use that credit to obtain goods and services.



WHY SHOULD RESTAURANTS BARTER?

In this testing and trying economy, every industry is feeling the pinch financially. Many business experts' online, on the radio, and on TV are advising consumers to cut back on their spending and make savings wherever possible. One major area they are telling people to conserve their money is by eating out less and cooking at home. While this may be good news for the consumer, what are weary restaurant owners to do?

Bartering has long since been a highly effective means to trade out goods and services for other products and services one needs, and although cash has made commerce much easier, when cash is tight, smart business owners revert back to the age-old method of bartering. Simplicity Barter is helping many restaurants save thousands of dollars during these tough economic times. Below are some examples of how an average-sized restaurant can shave many hundreds of dollars each month from their bottom line expenses.

The benefits of using Simplicity Barter for a restaurant are obvious, since they carry their standard overhead (rent, utilities, salaries, phone, etc.). No matter how many customers they have, the only variable to revenue and expense is the number of customers that eat at the establishment. For Simplicity Barter to bring just one extra table of guests per night that spends \$50 (tipping the wait staff in cash), what does it actually cost the restaurant owner? Their only additional cash outlay is the cost of the food and drinks consumed (which is usually less than 25%) and realistically, since they are not buying that food especially for those customers, it probably isn't even noticeable on the P&L.

What if, instead of paying cash for their monthly pest control service, they used Simplicity Barter? If they traditionally paid \$100 for the service, they could now get the very same quality service via Simplicity Barter for \$100 barter dollars (costing them only 25 cents on the dollar – their food cost – plus a 10% purchasing fee – another \$10.) In this scenario they have saved a total of \$65 in cash on one service that month.

Now let's imagine they need their carpets dry cleaned and the cost is usually \$300. By bartering the service out, they would save \$195. Most restaurants need landscaping, let's add that to our scenario, say previously a \$250 outlay. Now they save another

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QUESTIONS & ANSWERS

What if I quit the Exchange? What happens to my trade credits?

Any member who quits the Exchange is given three months to spend their trade dollars. Extensions are usually granted for members with large balances.

Are there tax advantages to trading?

Trade income is the same as cash income for tax purposes. There are no inherent tax advantages. Trading should be considered a marketing tool, not a tax tool. As with cash income, trade purchases that are business related are tax deductible.

How do I know how much trade income to include on my tax return?

At the end of the year, Simplicity Barter will total your trade sales and submit this information to the IRS on form 1099B. Simplicity Barter will also send you a copy of this form for your records, sixty days prior to our filing date.

\$162.50. Perhaps they need to do some advertising and would usually spend \$2,000, now they have saved \$1,300. As you can see, it is easy to make quite considerable savings each and every month by joining and utilizing the easy barter payment system of Simplicity Barter. Just on these five items alone, this particular restaurant has saved a total of \$1,722.50 in cash in one month.

On top of the cash savings, which are important, let's not forget the other major benefit: more customers. Since Simplicity Barter brings new business to their members, this example could have introduced upwards of five – ten new customers to that restaurant. Just imagine what additional cash customers that can create via word-of-mouth advertising. All in all, bartering is a very effective method for any restaurant of any size to make significant savings across the board. The best thing of all, Simplicity Barter takes care of all the paperwork and tax reporting needed for the end of year.

THINGS TO CONSIDER FOR SUCCESSFUL BARTER

- Compare services and fees of barter exchanges in your community. Check member listings before joining to ensure the exchange can fill your needs.
- Determine how much advertising and promotion the exchange does for members.
- Get a list of the exchange's members who are currently active and not on standby or hold status.
- Ask members if they are satisfied with the exchange. Ask them to discuss the pros and cons of doing business with the exchange.
- Contact the usual business reference sources in your area (Better Business Bureau, Chamber of Commerce, etc.).
- Ask if an individual representative will be assigned to your account (this is very useful in having your needs attended to).
- Ask whether the exchange issues a line of credit.



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QUESTIONS & ANSWERS

Who decides what price the seller will charge?

Members of Simplicity Barter are expected to trade their goods and services for barter at the same price they would sell them for cash. Violations of this may lead to expulsion of that member. You should report any violations.

I have heard that barter is only good for the acquisition of services and not for goods. Is this true?

Barter is obviously best suited to high-margin situations in the marketplace. Margins are highest where businesses trade only their time or where there is an excess capacity such as undersold radio time, hotel space or idle equipment. However, barter can also be used to acquire goods at regular prices if margins are adequate.

Can my trade credit be spent with other trade organizations?

Absolutely! You may spend your trade credit with any trading member that belongs to one of our national trade network alliances. The Trade Banc and DoBarter alliances are international trade networks with many barter groups. This gives you the ability to spend your trade credits with tens of thousands of other members worldwide. You may take cruises, go to Spain, buy a Euro-Rail Pass, or just go eat at a restaurant in San Diego while you're on a vacation there, staying at a hotel with your trade credits.



“ Remember: Every new customer you service after you have met your fixed office expenses (payroll, rent, utilities, etc.) is very profitable. Providing your products and services for even a few new customers after basic expenses are met can make a big difference to your bottom line. ”

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