

# Art of Barter, Inc. (AOB) Rules and Regulations

## Definitions

1. AOB means Art of Barter, Inc., an Illinois corporation. AOB is a trading company that also acts as a clearing house and third party record keeper of barter transactions among its members, who are business owners and professionals who contract with AOB to organize and facilitate barter of their goods and services with each other. A member is a person or firm whose AOB membership has not expired and is in good standing, and who is a legitimate business that desires to exchange its goods and/or services with other members and wishes to subscribe to AOB's record keeping and barter services
2. A member in good standing is one who conducts trades in accordance with these Rules and Regulations, is current in any monies owed to AOB, and has a valid un-expired Member account. Only Members in good standing are entitled to the services of AOB.
3. A trade is a purchase or sale of goods and/or services whereby payment is made in trade dollars posted to the Member's account pursuant to these Rules and Regulations. A trade dollar is an accounting unit used to record the value of trades which is taken directly from the purchase and sale price. Ownership of trade dollars is in the manner and for the purposes set forth in these Rules and Regulations. They will not be considered to be legal tender, securities, or commodities. They may not be redeemed for cash except as provided for in these Rules and Regulations. AOB disclaims responsibility for the negotiability of trade dollars or for the availability of any particular goods or services from any particular source. Members are advised that transactions involving trade dollars are generally treated as taxable events for federal, state, and local purposes. Members should consult with their tax advisors for appropriate tax treatment.

## I. MEMBER TO MEMBER CONDUCT

- A. Member agrees to treat fellow trade Members with the same consideration, courtesy, and attention which Member treats all other customers. Good business sense, courtesy and integrity are to apply in all transactions.
- B. All products and services offered through AOB must be available for 100% AOB trade dollars, at their prevailing cash prices to other Members in good standing.
- C. A Member buyer must always identify himself/herself to the seller as an AOB Member before making a purchase.
- D. AOB reserves the right to inquire into complaints concerning overpricing by a Member and demands by Members for partial payment in cash. Violations may result in the termination of a Member's account and membership and/or immediate adjustments to the transactions involved.
- E. Trade transactions between Members are conducted on a voluntary basis. Any trade transaction disputes over the goods or services purchased or sold shall be between only the buyer and the seller and shall be settled by those parties themselves. By signing an AOB voucher, Member represents and acknowledges that the transaction has been satisfactorily completed. AOB does not assume any liability as to such transaction.
- F. Seller shall charge the appropriate sales and excise taxes and collect and record these on the trade draft at the time of sale. Under no circumstances will AOB be responsible to pay any sales, excise, use, or other such tax on behalf of any Members. Members are advised that transactions involving trade dollars are generally treated as taxable events for Federal, State, and local tax purposes. The declaration and reporting of all applicable local, State, and Federal taxes resulting from trade transactions rests solely with the Member. Further, that AOB is required by Federal law to obtain the correct taxpayer identification number of Member (who is required by law to provide such number) and to report all trade sales of Member to IRS on Form 1099-B. Failure to provide the correct taxpayer identification number may result in the imposition of backup withholding of 200 percent of the gross proceeds of each sales transaction, under Federal law. Member agrees not to hold AOB liable for any actions AOB takes to comply with Federal or state tax laws.
- G. It is acknowledged, understood, and agreed to by Member that should member fail to honor and accept purchases from another member in good standing pursuant to these Rules, except where Member is on standby or reserve status in accordance with these Rules, Member shall be deemed to be in material breach of this Agreement. Member acknowledges that if such event occurs, damages will accrue to AOB in the business relationship between AOB and the client whose request was not honored, and Member shall be liable for such damages.

## II. MEMBER TO EXCHANGE CONDUCT

- A. Direct trades between Members is prohibited. If direct trades occur, AOB may at its option charge each party a service fee and in addition, at AOB's option, AOB may terminate membership of any party to such trade.
- B. Member acknowledges, consents, and grants to AOB the right and power to regulate and control the number of outstanding trade dollars within the exchange system and to make trade dollar loans to Members as set forth in these Rules and Regulations.
- C. Member grants AOB the right and power to make trade dollar loans to any Member on terms and conditions consistent with Member's credit worthiness and ability to repay. The exercise of this power shall be at the sole discretion of AOB management with regard to principal, interest, terms, and conditions, lending policy, and other particulars. Member desiring to apply for a loan may be required to submit a loan application,

financial statement, credit agreement, promissory note, and equivalent collateral prior to approval. Members acknowledge, consent, and grant AOB and to those having an ownership interest in AOB the right and power to borrow from the Members and spend within the exchange system. Such borrowing shall be recorded on the books of the exchange as an obligation of the Trade Exchange and collateralized by specific property of the Trade Exchange. AOB is under no obligation to extend credit at any time. AOB will use its best efforts to insure timely repayment of principal and interest, appropriate collateralization, and perfection of security interest in all loans. Member acknowledges that in consideration for loan management services provided by AOB, all fees, service charges, and other proceeds from such loans are the sole and exclusive property of AOB. Member will be given written confirmation of the credit line issued. The outstanding balance of the line of credit, as it is utilized, will be treated as a loan under these Rules and Regulations. A Member of a deficit position may not refuse trade and must trade their products or services at their prevailing cash prices. Failure to do so will result in immediate termination of membership and the outstanding deficit balance immediately due in cash to AOB. A Member who has made purchases in excess of Member's established time of credit may not make purchases and must trade his/her products or services until such excess deficit is cured. At AOB's option, Member may be billed and shall pay such amount of the outstanding balance in cash.

D. Member agrees to indemnify and hold harmless the AOB for any loss incurred by AOB which is caused by any act or omission of Member including, but not limited to the following: failure to complete a transaction after a voucher has been signed; failure to properly perform services for another Member; failure to deliver goods that conform to a contract with another Member; and improper pricing by a Member. In the event of payment, loss, expense, or the crediting of Member's accounts by AOB, which payment, loss, expense, or the crediting of Member's account arises out of any transaction between Member's AOB shall be subrogated to the extent of the amount of such payment, loss, expense, or crediting of Member's account to all the rights, powers, privileges and remedies of any Member against any other Member, person, firm, or corporation regarding such payment, loss, expense, or crediting of Member's account. Member shall execute all papers required by AOB and render all necessary assistance, other than pecuniary aid, to enable AOB to secure the rights granted in this paragraph.

E. Member must be in good standing in order to make a purchase. Member is solely responsible for all charges applied to Member's account. AOB is not responsible for charges made by unauthorized persons. Member will not be liable for unauthorized use after AOB is notified in person, in writing, or by telephone, of possible unauthorized use.

F. All purchases must be approved by AOB prior to sale, and must have an authorization number issued by AOB and recorded on the trade draft. This authorization will transfer funds from buyer's account to seller's account. If buyer files bankruptcy before AOB receives signed trade slip, the transaction may be reversed and seller must directly collect from buyer. AOB will not accept liability surrounding such sales. If authorization is not obtained at the time of the sale, AOB has no obligation to accept the transaction. AOB reserves the right to refuse to issue an authorization number approving a transaction, including under any of the following conditions: (a) If the buyer does not have sufficient trade dollars or a line of credit to make such purchase. (b) If either party is not a Member in good standing. (c) If seller fails to call AOB for an authorization number for any sale at the time of sale.

G. Seller shall submit to AOB a copy of the trade draft within seven (7) days after the date of sale. Trade drafts received without the buyer's signature may be returned to the seller and AOB may refuse to honor such transaction. AOB has the right to refuse a transaction due to non-compliance with these Rules and Regulations. In such case it shall be the responsibility of the seller to collect from the buyer. All transactions are subject to audit and verification by AOB and, in case of inaccuracies, AOB may debit or credit Member's account activity and monies due and owing to AOB. Monthly statements are deemed accurate as printed unless Member notifies AOB in writing of any discrepancy within fourteen (14) days of statement date.

H. Member will receive a credit to his/her account for the amount of a returned purchase. The trade draft for his credit will be filled out by the seller, who will give a copy to the buyer. It is seller's responsibility to mail or deliver the trade draft to AOB within seven (7) days so AOB can credit Member's account. 1. Normal credit policies apply for return of all merchandise. (i.e. seller must have available credit). 2. Any commissions of fees will not be reversed on returns after 30 days. AOB is not responsible for the seller's failure to mail or deliver the trade draft promptly.

I. Member authorizes AOB to make whatever credit investigation it deems appropriate and to exchange any information received in the course of such investigation. AOB may request reports from credit reporting agencies. If Member asks whether a credit report was request, he/she will be informed, and if AOB has received a credit report, Member will be given the name and address of agency that supplied the report. Seller will obtain from AOB an authorization for all mail or telephone sales and will enter in the spaces provided for the cardholder's signature the printed name of the purchaser and the fact that the order was placed by mail or telephone. Sales to persons without accounts or to someone using the account of another, or by mail or telephone as provided in these Rules and Regulations are at Member's sole discretion. An authorization must be obtained for all such sales. The seller is solely responsible for

satisfying him/her self that the buyer is in fact a cardholder or the buyer has authority to use card of another. AOB will not accept liability surrounding such sales if a dispute arises, and is under no obligation to reverse transaction. It is not recommended that if there are continuous verbal transactions, seller receives from buyer a letter authorizing such transactions.

J. Member acknowledges that, in AOB transactions, they incur normal business risks associate with any credit transactions.

K. Member may notify AOB and request that his/her account be placed on temporary "stand-by" status. The "stand-by" status of a member shall not be affected until AOB receives written notification. A Member may not request "stand-by" status when its account is in deficit position. If a Member wishes, a deficit may be satisfied by paying to AOB the indebtedness in cash, and then the account may be placed in "stand-by" status.

L. If a Member makes an unauthorized overdraft which places the Member's account in a deficit position, the Member will be subject to the same responsibility under the law as a person writing checks with insufficient funds.

M. A Member may cancel his/her membership by providing AOB with thirty (30) days written notice, and by making full payment in cash for all service fees and dues charged by AOB. If the Member has trade dollars in his/her account at the time of the cancellation of membership, the Member agrees to spend those trade dollars for goods and services offered by other Members of AOB. Any trade dollars not spent within ninety (90) days will be forfeited. If the Member has a deficit trade balance and wishes to cancel his/her membership, the Member must pay the amount of the trade deficit to AOB in cash. Normal fees and service charges will continue to be billed until account is paid in full.

N. In one event Member transfers ownership of business issued is to be considered an account payable to the new owner.

O. Purchases by Member will be limited to the amount of trade dollars in their account. No deficit spending is allowed. Client monthly statement is deemed accurate as printed, unless Member notifies AOB in writing of any discrepancy within 30 days of the statement date.

### III. EXCHANGE TO MEMBER CONDUCT

A. AOB will administer the exchange for the benefit of all its Members.

B. AOB serves in a brokerage capacity organizing and facilitating trades among Members. Responsibility for the conduct of the trade is exclusively that of the two Members participating in the trade. AOB will use its best efforts to broker the trade dollars of Members into goods or services, to accurately record trades, and to administer these Rules and Regulations in accordance with their terms.

C. Membership dues, maintenance fees, commissions and service fees, are not refundable.

D. AOB shall use its best efforts to solicit new businesses having product or services to satisfy the needs of all Members. AOB is not responsible if a Member cannot find specific products or services to buy from the Members. AOB is not responsible for the quality, timely delivery, warranties, or any other problems which arise with respect to goods and services traded by members of AOB. AOB makes no representations or warranties either expressed or implied, and disclaims all liability as to the fitness, quality, delivery date, merchantability, prices, or any term of any trade transaction. Member does hereby indemnify and hold AOB harmless with respect to any claim, debt, or liability whatsoever, arising out of any transaction wherein Member is a buyer or a seller. Member acknowledges that it is the principal in any trade transaction in which it participates, that all trades are on a voluntary basis, and that AOB is neither its agent nor the agent of any other Member of the Exchange. Members should exercise the same diligence in entering into trade transactions as they exercise in entering business transactions for cash.

E. Memberships are not to be transferred or sold without written permission of AOB.

F. AOB is responsible only for commitments made in writing by only a duly authorized corporate officer of AOB, and not for verbal or written commitments made by account executives, trade brokers, or other representatives of AOB.

G. If a Member violates any term of the Membership Agreement or Rules and Regulations now or hereafter in effect AOB may immediately terminate the Member's account in accordance with these Rules and Regulations or may freeze all activity in the account without notice until such time as AOB, in its sole discretion, reinstates the Member or decides to terminate the Member's account. The Member acknowledges that the decision of AOB to freeze and/or terminate Member's account shall be final and conclusive. Upon terminating a Member's account, if a Member has a negative trade balance (i.e. purchases exceed sales), (1) member shall trade acceptable product or services to eliminate the negative balance within thirty (30) days of the termination date and, after the thirty (30) day period immediately pay AOB any remaining balance of the trade deficit in cash; or (2) if Member has a positive trade balance, (sales exceed purchases) Member may within ninety (90) days of the termination date spend the balance until purchases equal sales. Any trade dollars not spent within ninety (90) days will be forfeited. AOB identification card must be cut in half and the pieces returned to AOB immediately upon termination. In the event of termination, there shall be no refund of annual membership or maintenance and service fees. All obligations under the Membership shall survive any such termination, provided AOB receives draft within seven (7) days and the buyer has the necessary credit.

H. AOB reserves the right and sole discretion to suspend the trading privileges of any Member who is in violation of any local, state, or federal law, or any Member with outstanding fees due to AOB which are more than thirty(30) days past due. The trading privileges of the Member shall be reinstated immediately upon payment of such past due fees. AOB shall have the right, at its sole discretion, of setting past due cash fees by charging a 300% penalty payable in trade dollars on the total cash owed. The Member so penalized may reverse this transaction by making the cash payment within thirty (30) days of such penalty. Furthermore, if such cash fees remain outstanding beyond sixty (60) days. AOB shall have the right to terminate the delinquent Member's membership and AOB account as provided in these rules.

I. AOB may, in its sole discretion, modify, amend,, or change the terms of this agreement from time to time by giving Member thirty (30) days prior written notice. Any purchase or sale of products or services by member after the thirty (30) days prior written notice. Any purchase or sale of products or services by Member after the thirty (30) days notice constitutes acceptance of and agreement to all terms and conditions of the AOB Membership application and the current trading Rules and Regulations.

J. AOB reserves the right to modify or change the annual membership fees, commissions, maintenance fees, and service fees at any time. Member will receive thirty (30) days written notice of any such changes.

K. AOB reserves the right to charge a 1.5% per month service charge on a deficit trade balance of a Member who has had a deficit trade balance.

L. Unless otherwise stipulated between AOB and the particular Member, Member authorizes AOB to and advertise to other Members the availability products or services. AOB may use, free of charge, the name, address, and logo of any member in any AOB advertising and promotion, unless otherwise stipulated in writing by AOB Member's.

M. Each and every term and provision contained in these trading Rules and Regulations is severable from every other term and provision. If any such term or provision should be judged invalid, illegal, or unenforceable, it shall not affect the validity, legality, or enforceability of the remainder of any other term or provision. The remainder shall remain valid, legal, enforceable and in full force and effect. In the event that legal action must be taken by AOB against a Member to enforce any provision of these trading Rules and Regulations, AOB shall be entitled to recover its reasonable attorney's fees, costs, and interests computed at the rate of 18% per year from the date of default until payment.

N. Member grants, AOB a security interest in all trade dollars to be credited to member's account equal to the amount of 300% trade of all unpaid cash fees in the event of the insolvency or bankruptcy of a Member, all cash shall be due and payable in full. Upon Member's filing a petition under Chapter 7, 11, or 13 of the United States Bankruptcy Code or an Assignment for the Benefit of Creditors, not trade shall be allowed until all cash fees due AOB have been paid in full. Should a petition under Chapter 7 of the Bankruptcy Code be filed pursuant to either Chapter 11 or 13 not provide full payment of all cash fees due AOB, AOB shall have the option, in lieu or filing is a creditor, of deducting from Member's trade dollar balance the total amount of cash fees owing, plus a 200% penalty for failure to pay in cash, and to terminate the account, provided, however, that at such time that AOB does receive all of its cash fees in full, and in the event of a discharge pursuant to Chapter 7, notice is received from the trustee that the trade dollars have been abandoned. AOB shall re-credit the trade dollars to the member's account.

O. AOB failure or delay in exercising any right shall not operate as a waiver thereof and any single or partial exercise of any right, AOB's remedies are cumulative and are not exclusive of any remedies provided by law.

P. Members are advised that AOB and its parent affiliates principal and employees are compensated in part in trade dollars and consequently, some accounts are primarily or solely for the use of AOB, its parents, affiliates, principals, or employees. Accounts in the name of AOB employees shall be subject to the same credit limitations applicable to member's accounts

Q. AOB reserves the right to mail statements only in the month that there is activity in a Member's account. If there is no activity of six (6) months in a Member's account, AOB reserves the right to place the Member's account in a dormant status, and to refrain from mailing monthly statements. If Member's account is inactive for twelve (12) months, AOB membership will be immediately and automatically terminated. Member's account will be terminated in accordance with Section III G of these Rules and Regulations.

**AGREEMENT:** These Trading Rules are incorporated by reference in each Member's Membership Application. All users of AOB identification cards including the 1 Individual signing for the buyer, the transferee, if any, and the company in whose name the AOB card was issued accept and agree to all terms of the trading Rules and Regulations and assume joint and several responsibility to comply with them.

**MEMBER ACKNOWLEDGMENT AND WARRANTY:** Member acknowledges that he/she/it has read these Trading Rules and Regulations, that such Rules and Regulations are made a part of this agreement, an that the Rules and Regulations may be changed by AOB from time to time in accordance with the provisions of these rules. Member warrants that he/she/it has provided AOB true, accurate and complete information to the best of Member's knowledge in applying for Membership.