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March 27, 2015

Scott Morris
Chief Executive Officer and Founder
Ithacash Corporation
101 East State Street, #202
Ithaca, New York 14850

**Re: Legality of Barter Transactions**

Dear Mr. Morris:

Ithacash Corporation has requested our firm to furnish it with a confirmation that barter transactions involving indirect trade through a barter exchange are fully lawful and legal.

As you are aware, our firm represents numerous barter and trade exchanges and we are also general counsel to the International Reciprocal Trade Association ("IRTA"), a well-known international trade and barter organization, with members situated in Australia, Canada, Brazil, China, Colombia, France, Germany, Greece, Hungary, Israel, Italy, Japan, Malaysia, Mexico, Poland, Portugal, Russia, Sardinia, Spain, Singapore, Turkey, the United Kingdom and the United States.

**The Barter Industry**

The barter industry includes retail barter exchanges, corporate trade companies, complementary currency organizations and counter trade systems. It is estimated that over 450,000 businesses utilize trade or barter, transacting in excess of $12 billion of business annually on a world-wide basis and that barter transactions are growing at a rate of 5 to 10% a year.

**Barter and Trade Exchanges**

Barter exchanges act as a clearinghouse for barter transactions between their members. These member businesses buy and sell products and services on a barter basis using trade credits to account for each transaction. Barter exchanges practice third party bartering, meaning the seller does not have to buy from whom he or she sold to, rather, the seller's account is credited the market value of the sale in trade dollars.

This modern trade and barter method has evolved significantly from historic "direct trade" where products and services are traded for another. It has evolved into a sophisticated alternative way for business owners to increase sales and revenues, reduce cash outflow, liquidate inventory, and use excess or unused capacity to improve their financial results.

Barter exchanges thus provide a marketplace in which barter exchange members can trade with other members. This marketplace allows a member to expand its potential customer base to other barter members. The barter exchange charges fees to each member, establishes its own trade credit currency, and establishes a trade system in which members can effect sales through the exchange using trade credits.

Most trade exchanges are also members of international trading networks that provide them with opportunities to access larger, global marketplaces.

In the United States, under the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), the IRS has explicitly recognized trade exchanges, categorizing them as third party record keepers for their participating business members.

**Trade Credits**

The units of account for barter transactions are "trade credits" and are typically denominated in U.S. dollars and referred to in a number of ways including "complementary currency", "community currency", "local currency", "alternative currency", "trade dollars" or "barter dollars". Each separate barter exchange uses its own trade credit system for its network.

Such credits have value and are accepted as final means of payment within the barter network and denote the right of a network member to receive, or the obligation of a network member to pay, a certain value in goods and services. The barter exchange serves as a third-party record keeper for these transactions, and is not a guarantor of a trade nor holds any collateral as security for a trade. The sole guarantee of a trade credit is a network member's contractual obligation to supply goods and services and accept payment in accordance with the terms of a member agreement. Trade credits are usually not redeemable for cash.

**Legal Pitfalls – Tax Implications**

The primary legal pitfall involves a participating business failing to include bartering income in its tax reporting. Sales from barter transactions are considered taxable revenue by the IRS under TEFRA and are reported on 1099-B forms. According to the IRS, "The fair market value of goods and services exchanged must be included in the income of both parties."

The barter exchange of which a business is a member assumes ultimate responsibility for tax reporting obligations of the barter transactions. The trade exchange furnishes a Form 1099-B to each member reporting the proceeds from trade credit sales received by such member.

**Conclusion**

Participating in a trade and barter network utilizing a trade credit currency is clearly fully lawful and, in fact, is common throughout the United States and worldwide. The only potential illegality relates to businesses failing to claim barter transaction revenues on their income tax returns. All barter trades in the United States should be treated similar to cash transactions and reported accordingly on a business's financial statements.

Please let us know if you require any further information or clarification.

Very truly yours,

Carl A. Steinbrenner
CAS/bjm