



## ENSURING ORMITA MEMBERS CAN SPEND

**Few businesses run at 100% capacity. Unsold appointment time, empty hotel rooms, unsold venue passes, unfilled asset space, depreciating stock, end-of-line items, high-margin products and oversupplied items all represent lost revenue.**

**Ormita members fill idle capacity with new customers, generate new revenue at real market rates, and use this income to offset existing expenses.**

**By offsetting existing expenses against new sales a business owner can save cash, attract new customers and make additional purchases without the need for discounting.**

### Using Ormita to Offset Existing Expenses

Excess capacity exchange is only useful if a business owner can offset their existing cash expenses and/or acquire additional desired goods and services.

**Selling is only one side of the equation.** Many Trade Exchanges simply ignore the fact that true value lies in a businesses ability to spend their Trade Credits – not just earn them.

Ormita differs from other Exchanges because it actively works with business owners to offset their current and planned expenses in the following areas:

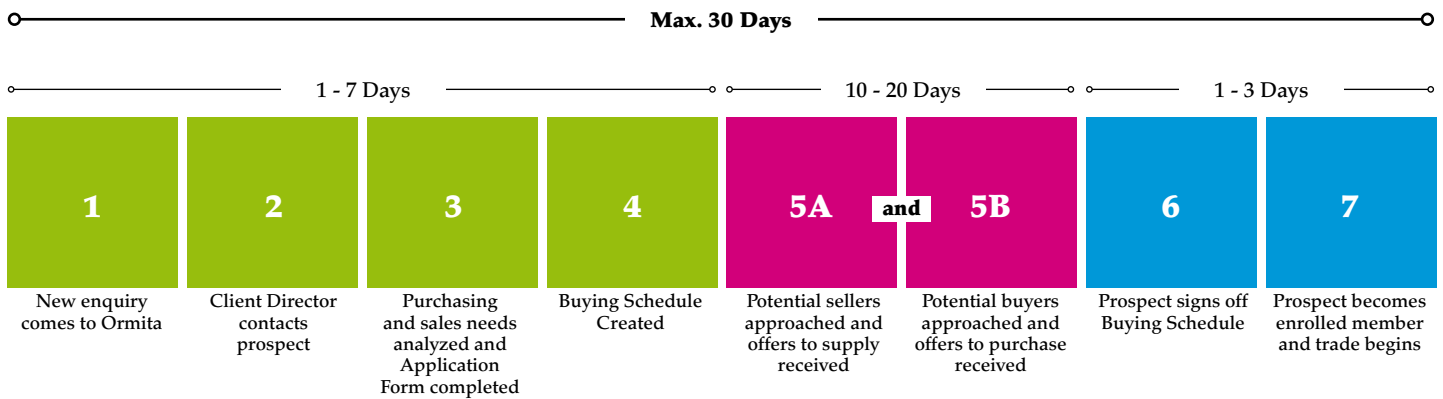
- Existing expenses required to maintain and run the business on a daily basis
- Recovering bad or dubious debts
- Future capital purchases (for the business and/or the owners personal use)
- Investments
- Expenses related to business expansion
- Creating new revenue streams through additional product lines, increased advertising, refurbishments, re-branding, promotions and other activities
- Lifestyle-enhancing products and services
- Donations and meeting a businesses Corporate Social Responsibility goals

**In summary:** a Trade Credit should be used as a replacement for cash wherever possible.

## The Buying Schedule Process

When a business expresses an interest in joining Ormita we take the following steps:

1. We make a note of their existing and planned expenses in the form of a “buying schedule”. This schedule provides detailed notes on the goods and services required by the buyer and the equivalent cash prices they are willing to pay.
2. An Ormita Client Director will use the schedule to actively seek out businesses who can meet the buying needs of the prospective member on the same, or better, terms. Depending on the suppliers, this will vary from part-cash/part-trade through to 100% trade.
3. A commitment to supply is provided by each seller and, once matches are found for at least \$2,000 per month / \$24,000 per year of listed expenses, the Ormita Client Director returns to the new member / prospect to confirm supply.
4. The client has effectively replaced \$2,000 per month of their cash expenses with purchases they can make on a majority trade basis. The cash saved contributes directly to the businesses bottom-line.



***No client is ever signed until we can guarantee to convert a minimum of \$2,000 per month of their expenses to trade***

## An Example Of A Customer Buying Profile

In the example below Ormita has carefully analyzed the outgoings of the business and found suppliers willing to sell on a part-cash/part-trade basis instead.

The figures represented herein have replaced the same or comparable products and services that the business owner previously acquired for cash, with purchases on trade.

By replacing existing outgoings the example customer is saving approximately \$3,970 in cash every month, or \$47,640 every year.

	Monthly	Quarterly	Annually	One-off
<b>Alarm monitoring</b>	\$20			
<b>Annual employee holiday event</b>			\$5,000	
<b>Bookkeeping &amp; accounting</b>	\$100			
<b>Branded promotional products</b>		\$1,000		
<b>Car maintenance, cleaning &amp; repair</b>		\$500		
<b>Client entertainment</b>	\$400			
<b>Donations to charity</b>			\$2,000	
<b>Employee gifts &amp; bonuses</b>	\$200			
<b>Photocopier purchase</b>				\$2,000
<b>Gifts to family and friends</b>	\$200			
<b>Investment in other businesses</b>				\$5,000
<b>Legal services</b>		\$500		
<b>Newspaper advertising</b>	\$500			
<b>Office cleaning, maintenance &amp; repair</b>	\$200			
<b>Personal entertainment</b>	\$100			
<b>Personal gym membership</b>	\$50			
<b>Photocopier and printer maintenance</b>		\$200		
<b>Printing</b>		\$1,000		
<b>Stationery (pens, pencils, tape etc)</b>		\$100		
<b>Tea, coffee, sugar etc</b>	\$50			
<b>Toner / ink supplies</b>	\$50			
<b>Water-cooler supplies</b>	\$50			
<b>Website hosting</b>	\$50			
	<b>\$1,570</b>	<b>\$3,700</b>	<b>\$7,000</b>	<b>\$7,000</b>

**Total Annual spend = \$47,640**

**Total spend divided by 12 months = \$3,970**

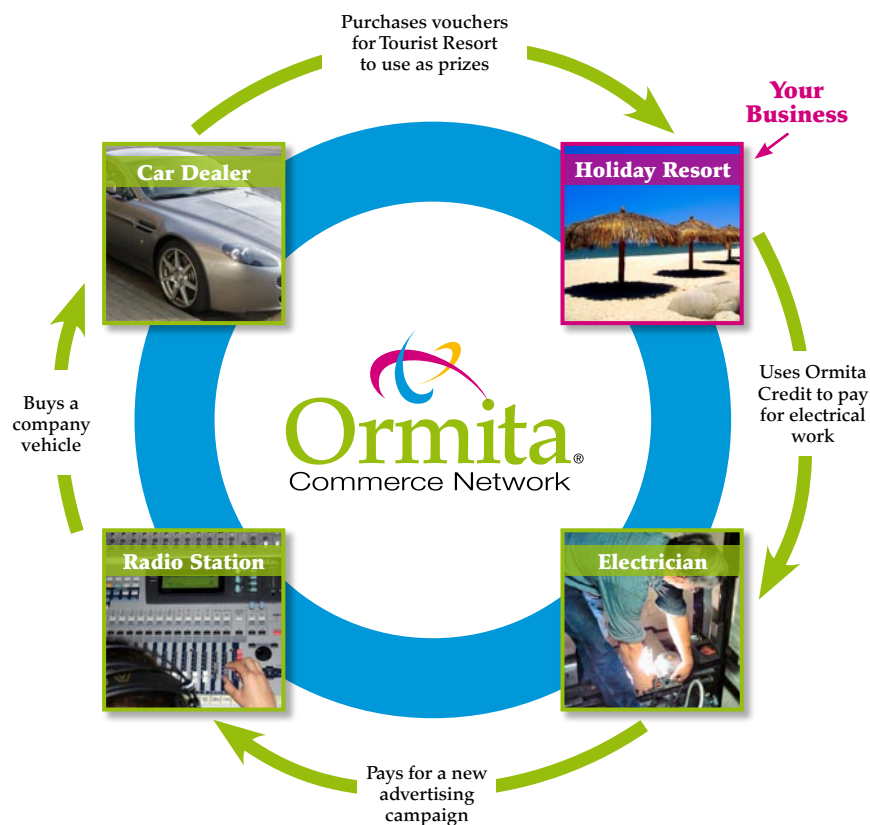
To make the above example work, a business owner needs to be willing to stop paying cash to people just because he or she has done business with them over a long period of time. They will either need to get their existing suppliers to become members of Ormita or Ormita will find different businesses to sell to the member for Trade.

## A Reciprocal Network Guaranteeing New Business

When a business owner pays their expenses in cash, it is a one-sided transaction. There is one buyer (them) and one seller.

Just because you buy from someone in cash does not necessarily mean that they, or their friends, will make purchases from you at any time in the future.

When a business owner sells via Ormita, there are two buyers and two sellers. It is a closed network where business is conducted between members with Ormita as the central record-keeper. Sellers are also buyers as credits earned must be spent within the Ormita network. The net result of this is that strategic alliances are created between people who care about and need one another more than they would in a "cash only" scenario.

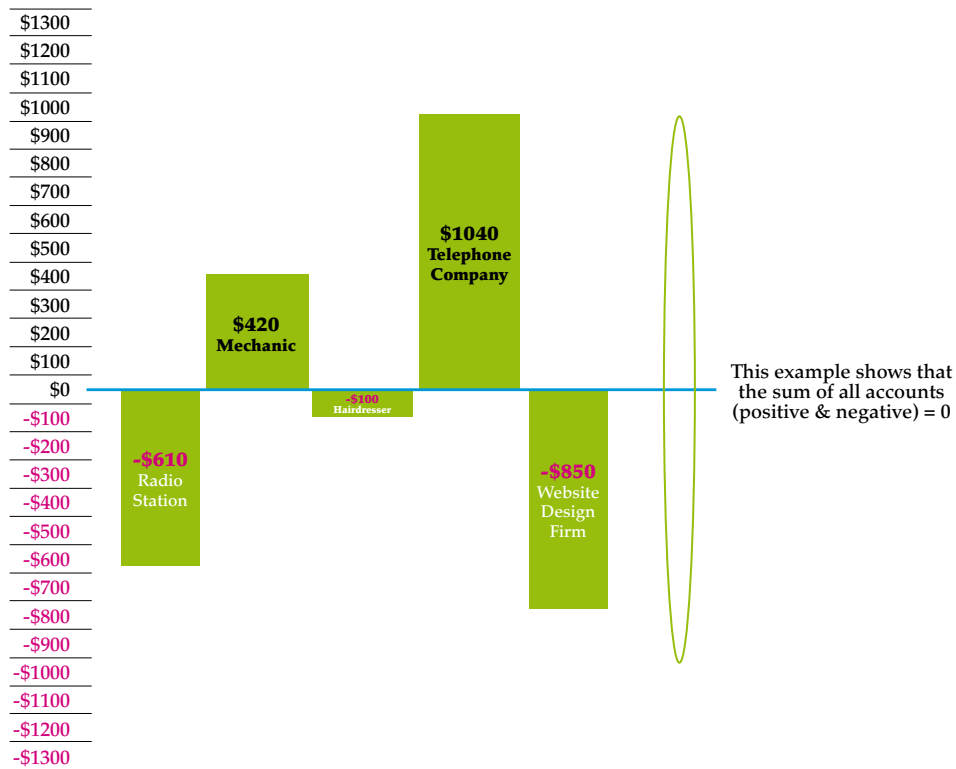


## Managing the Credit Cycle

Unlike paper notes, Ormita Credits are backed by the collective assets of its members.

If one member is in debt, another member is in credit to an equivalent amount. **At all times the sum of all accounts adds up to zero.**

Unlike other Trade Networks, Ormita does not spend trade dollars that it does not own.



Unfortunately “robbing from the bank” is common amongst Trade Exchange owners as is evidenced by the statement from Wayne Sharp, founder of Bartercard – Australia’s largest retail trade network.

**“The Company also has the ability to spend trade dollars with no obligations to the exchange. The Company has historically spent more trade dollars than it has earned.”**

*Wayne Sharpe, Bartercard PLC Interim Results for the six months ended 30 September 2005*

“Creating” trade credits out of “thin air” causes inflation and slows down spending. It results in the imbalance of a trade exchange because there are more people wanting to purchase than there are those obligated to sell.

Ormita is run by economists, accountants and individuals who have a depth of understanding of monetary flow.

Our Principals are members of the Economics Society of Australia, American Economics Association, Canadian Association of Economists, New Zealand Law and Economics Association and the New Zealand Association of Economists respectively.

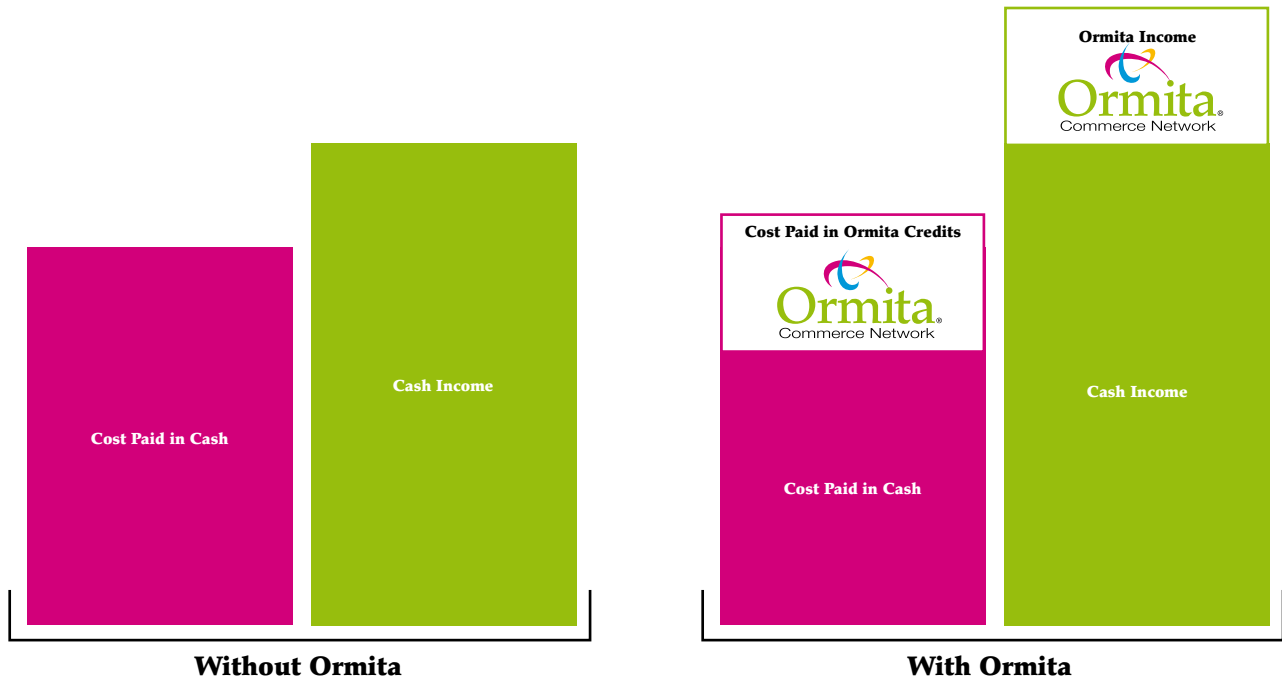
- Members are issued credit based on their ability to repay the credit in a timely manner from new sales.
- Credit revolves and is closely managed to ensure that defaults are limited in number.
- Bad debts / defaults are balanced out through the injection of trade credits earned by Ormita through its own trading activities.
- Ormita never spends trade credits that it does not own.

## Ormita Is New Revenue

It is important for business owners to recognize that Ormita is income supplemental to the cash already being generated by selling to existing cash-paying customers.

1. Ormita customers do not replace cash customers.
2. We bring new customers to a business.
3. These new customers make purchases and generate new revenue.
4. The additional revenue is used to pay for existing costs, expansions, improvements and new acquisitions.

Ormita saves cash by offsetting expenses. It is not meant as a replacement for cash and cannot be used to pay Sales Tax and fixed expenses. Once those expenses are covered, however, by existing cash business, then every additional customer through is new revenue, with a higher margin of profit.



## Creating Equality Among Members

A businesses expenses can be broken up into four separate areas as follows:

### 1. Fixed costs

- Income tax / payroll tax
- Loan repayments
- Rent
- Utilities (*phones, electricity, water, internet*)
- Wages

### 2. Operational expenses

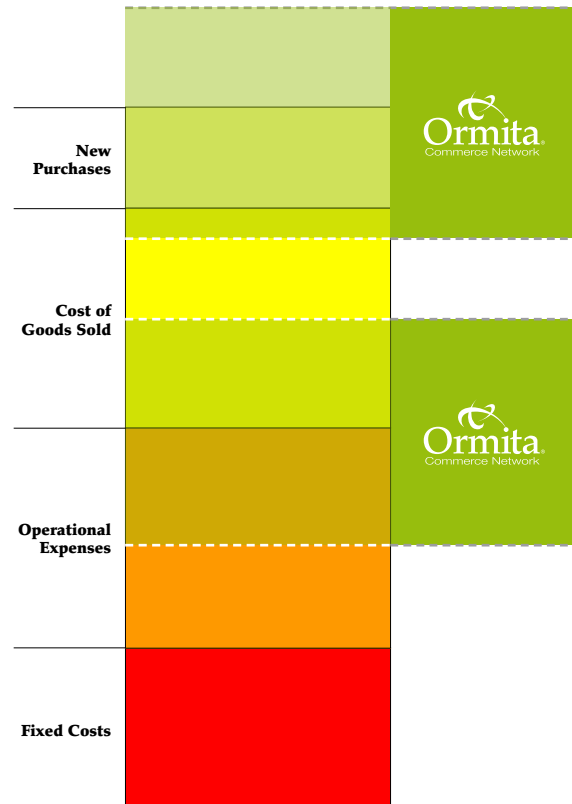
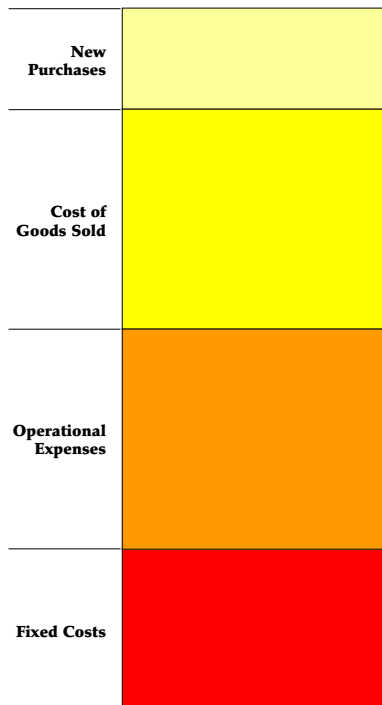
- Advertising
- Asset leases
- External professional services (*cleaners, lawyers, accountants etc*)
- Maintenance and repair
- Marketing materials (*promotional items, uniforms, printed brochures, websites etc*)
- Stationery and office supplies
- Travel and entertainment

### 3. Costs related to fulfilling a new sales order (*cost of goods sold*)

- The cost to replace the stock sold
- Materials and professional services used which relate directly to the sale (*freight, travel, additional telephone calls, packaging etc*)
- Sales Tax

### 4. New expenses / increased spending

- Business expansions
- Advertising and promotions
- Lifestyle improvements



Generally, Ormita aims to offset most of the items in Category 4 (new expenses), the majority of the items in Category 2 (sundry expenses) and some of the items in Category 3 (costs related to fulfilling a new sale / cost of goods sold).

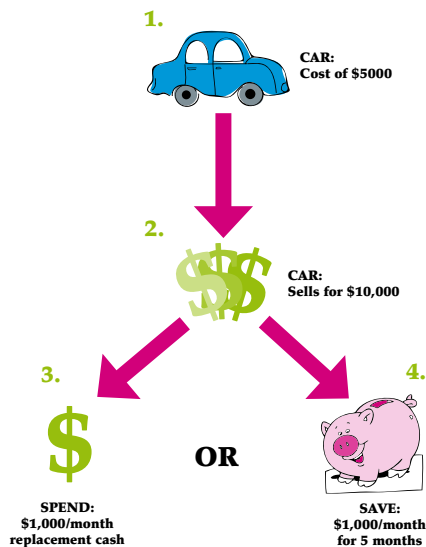
It must be recognized, however, that it is never possible to offset all of a businesses outgoings, all of the time.

## Creating Equality Among Members

Many businesses still have a percentage of fixed costs which make up a portion of their selling price that Ormita can never replace. Certain brands, suppliers or product ranges will never be customers of Ormita because of internal policies, supply arrangements, sale agreements, or as a result of their product being exclusive to a certain market.

In an ideal world a business owner could offset all of their “cost to replace / cost of sale” against new purchases made on Trade at 100%. Because this is not always possible, businesses with a high-cash component are often reluctant to sell for full trade because they can not utilize all of the new revenue to offset a large enough portion of their “direct-cost-of-sale” within a reasonable amount of time. As a result of this, 100% non-cash transactions are not possible in all instances.

### Example 1:

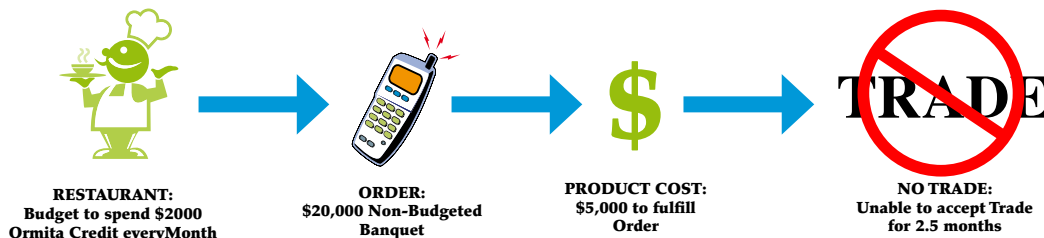


1. Business A sells a car for \$10,000
2. The cost of the car was \$5,000
3. They use \$1,000 of Ormita Credits every month as a “replacement” for cash (i.e. they replace existing suppliers who sold to them for cash for those who will now sell to them for trade)
4. If they used the cash saved to pay for a replacement car they would have to save for 5 months

Although the business has made a profit in Ormita, the replacement cost of the product may be difficult to cover because of the time it takes them to “save” enough of the cash being offset by trade every month. New customers may walk in every day wanting to buy on trade and the sellers trade balance grows. Eventually the seller may stop accepting trade because there is not enough liquidity (it is not easy for them to spend their trade dollars in place of cash).

In other 100% trade situations Sellers may limit trade availability in anticipation of cash customers or because they are uncomfortable with the idea of “not being able to spend” or “spending down over time”.

### Example 2:



- A restaurant has empty seats
- They budget to spend \$2,000 of Ormita Credits every month
- Suddenly they get a non-budgeted order for a banquet worth \$20,000
- The cost of their product is \$5,000 to fulfill the order
- It would take them 2.5 months of using trade to recover their cash cost from savings achieved using Ormita
- In the interim they would be unable to accept any more trades because they would be building up credit faster than they could spend it

If equity existed and many of the fixed and sundry expense could be offset by a trade component, then trade networks could meet their intended purpose. Unfortunately most trade groups simply ignore the reality that some cash is required in situations where goods or services are at a premium or they are difficult to replace from the savings made through effective trade utilization.

## We Recognize That Not Every Vendor Is The Same

The old saying “one size fits all” is certainly accurate when it comes to the non-cash trade industry. The replacement cost of goods varies greatly by industry as will the cash savings able to be offset through utilizing trade.

While most businesses would like to sell their product for 50% cash and 50% trade, the reality is that market supply and demand also adds into the equation. Few people would book a hotel room, off-season, at standard rack rates for 50% cash and 50% trade when there were other hotels in the area selling their rooms at a 50% discount. Business owners are generally conservative spenders. The more they can trade and save cash the better and they understand that trade credits are real money backed by real assets. Trade is not something which should be discounted or “thrown away”.

It is essential for businesses to use trade to cover their overheads but they should also be able to accept additional trade when it is offered without having to worry about how they will fund a replacement product.

While everyone would like to sell their product for 50% cash and 50% trade credit, and at the same time buy everything they need at 100% trade. The reality is, however, that the trade-versus-cash component needs to vary based on the cost of goods sold and the ability to utilize the new income to generate real cash savings.

### Calculating the maximum acceptable cash percentage

Using a generic “Cost of Goods Sold / Cost to Fulfill Additional Sale” model, Ormita has developed 7 different categories of acceptable trade/cash splits.

These categories represent the minimum percentage trade allowed to be accepted by a business. Exceptions to these rules require authorization from Ormita Head Office.

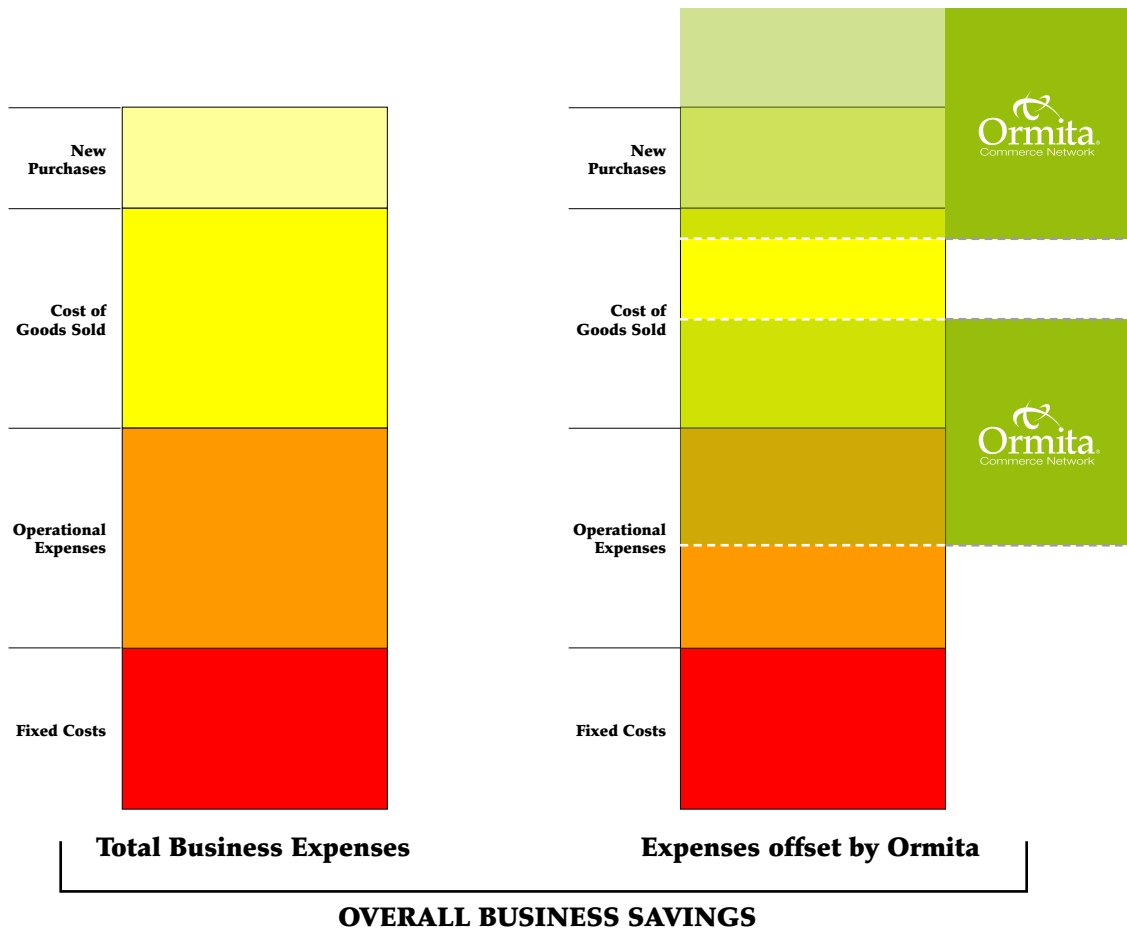
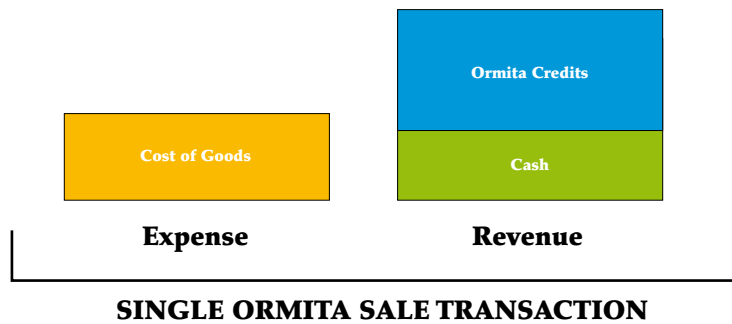
Category	Estimated Cost of Goods Sold	Minimum Ormita Trade %
<b>C1 Donations Advertising</b>	— 5-10%	<b>100%</b> <b>100%</b>
<b>C2 Services &amp; Parts Tickets &amp; Entertainment Unsold Time Accommodations</b>	<b>10 - 30%</b> <b>10 - 30%</b> <b>10 - 30%</b> <b>10 - 30%</b>	<b>80% (Labor) + 50% (Parts)</b> <b>80%</b> <b>80% (Labor) + 50% (Disbursements)</b> <b>80%</b>
<b>C3 Food and Beverage Liquidators</b>	<b>20 - 30%</b> <b>20 - 30%</b>	<b>70%</b> <b>70%</b>
<b>C4 Retailers /Wholesalers</b>	<b>30 - 60%</b>	<b>50%</b>

*Disbursements may include lawyers filing fees, government charges, material costs etc.*

## Covering Cost of Goods Sold

Using the previous model, a business owner will be able to cover most, or all, of their cost of goods sold from the cash component received in any sale to another Ormita member.

Any cash shortfall should be offset against the cash savings achieved by the business having effectively utilized Ormita to pay for existing cash expenses out of Ormita Credits instead.



## AUSTRALIA

### AUSTRALIAN CAPITAL TERRITORY

Canberra (02) 6160 1477

### NEW SOUTH WALES

Campbelltown (02) 4602 4115  
Dubbo (02) 5804 5111  
Gosford (02) 4304 1501  
Newcastle (02) 4016 6127  
Penrith (02) 4702 0513  
Sydney (02) 8197 7017  
Tamworth (02) 5711 1203

### QUEENSLAND

Brisbane (07) 3121 9657  
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Melbourne (03) 9095 3402

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Bunbury (08) 9774 0105  
Kalgoorlie (08) 9051 5200  
Mandurah (08) 9512 8010  
Perth (08) 6465 9631

## ITALY

Bari 080 214 9618  
Bologna 0511 990 7661  
Brescia 030 207 7648  
Cagliari 070 773 8241  
Firenze (Florence) 055 535 7643  
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Palermo 091 619 3644  
St Vincent 016 687 1130  
Taranto 099 987 1038  
Torino 0111 983 9445  
Verona 045 485 8775

## ROMANIA

Bucharest (021) 519 1421

## UNITED KINGDOM

BBasildon 0126 843 0010  
Birmingham 0121 264 0130  
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Blackpool 0125 358 0011  
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Dundee 0138 260 5000  
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Glasgow 0141 421 0051  
Gloucester 0145 249 8010  
Huddersfield 0148 461 0011  
Ipswich 0147 339 5000  
Kingston upon Hull 0148 269 0011  
Leeds 0113 358 0166  
Leicester 0116 330 0033  
Liverpool 0151 151 0211  
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Sheffield 0114 301 0004  
Swansea 0179 267 6001  
Swindon 0179 329 6077  
Watford 0192 337 9010

## NEW ZEALAND

### NORTH ISLAND

Auckland (09) 974 9159  
Wellington (04) 974 9061

### SOUTH ISLAND

Christchurch (03) 974 9041  
Dunedin (03) 974 8014

## UNITED STATES OF AMERICA

### ARIZONA

Phoenix (602) 427 5620

### CALIFORNIA

Los Angeles (323) 443 0233  
San Francisco (415) 358 1808  
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### COLORADO

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### DISTRICT OF COLUMBIA

Washington DC (202) 380 3223

### FLORIDA

Tampa (813) 200 4844  
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Boise (208) 906 1188

### ILLINOIS

Chicago (773) 337 4770

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Baltimore (443) 692 0121

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Boston (857) 524 5135

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Detroit (313) 733 2939

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### NEWYORK

New York (347) 527 7677

### OHIO

Columbus (614) 754 5884

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Philadelphia (215) 695 3040  
Pittsburgh (412) 360 8450

### TENNESSEE

Memphis (901) 328 7278

### TEXAS

Austin (512) 499 2345  
Dallas (214) 461 4818  
Fort Worth (817) 439 6909  
Houston (713) 820 9464

### UTAH

Salt Lake City (801) 618 0488

### WASHINGTON

Seattle (206) 691 8191

## HEADQUARTERS

### AUSTRALIA

PO Box 638  
Booval, QLD, 4304

Facsimile: (07) 3123 5908

Email: aus@ormita.com

### NEW ZEALAND

PO Box 132009  
Sylvia Park, Auckland

Facsimile: (028) 890 637

Email: nz@ormita.com

### UNITED STATES

PO Box 16120  
Pittsburgh, PA, 15242  
U.S.A.

Facsimile: (412) 360 8403

Email: usa@ormita.com