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ASBURY & PARK
PRESS

AUGUST 10, 2008

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SUNDAY BUSINESS

CASHING OUT

Small-business owners at the Shore who are short of cash are turning to a thriving barter economy.

By **MICHAEL L. DIAMOND**
BUSINESS WRITER

Leslie Nolan, an artist at heart, knows the merits of bartering. When times are tough, artists can always pay off a debt by offering a priceless painting, a handcrafted sculpture or a homemade necklace.

So when Nolan started her graphic-design business, the idea made perfect sense. She joined a local barter network and built up enough currency that it has helped defray the cost of her wedding next month.

“Now it’s opening a bunch of different doors to other industries I might need,” said Nolan, 45, of Belmar.

Nolan is one of hundreds of small business owners in central New Jersey who are members of BarterPays! Inc., a not-so-underground economy where an



Staff members, left to right: Lisa Fischer, Pat Ragucci, Karen Leschak and Faye Alba, owner of BarterPays! Inc., a Howell company that allows merchants to barter with each other for services. Photos by SHAWN HUBER, STAFF PHOTOGRAPHER

exchange of goods and services is every bit as valuable as cash.

Without forking over so much as a dollar, dentists can pay for meals at restaurants, restaurants can pay for exterminators, and exterminators can pay for a marketing campaign.

But the barter economy isn’t without flaws. Banks, for example, are unlikely to waive a monthly mortgage payment in exchange for a car repair.

“It would be appealing if you had more inventory than you had customers,” said Linda W. Ross, professor of management at Rowan University in Glassboro. “You start thinking about, ‘How can I place this? Is there someone, somewhere who has a service I need? You could buy some of my inventory.’ And you begin to get very creative. There are lots of businesses in the same situation.”

BarterPays! is a network of 650 businesses that charge each other the market value of their goods and services but agree to be paid in barter dollars instead of cash. Business owners can use the barter dollars in their account at any of the other members. And BarterPays! gets a commission of up to 10 percent.

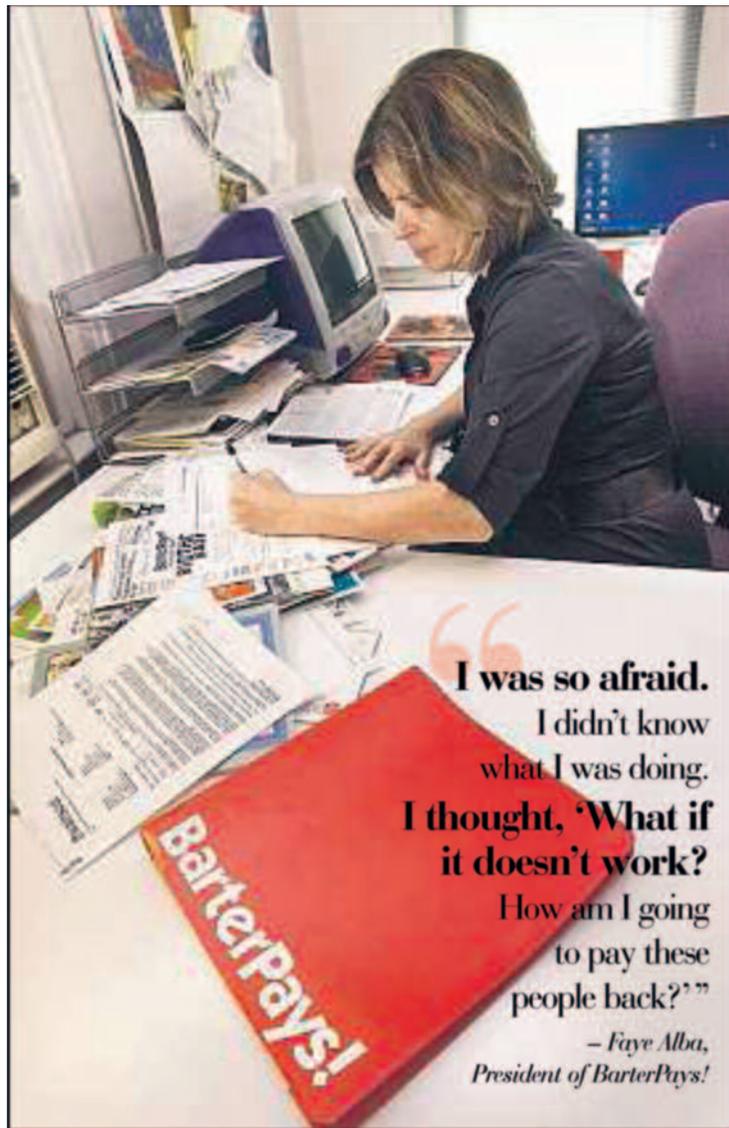
Example: An exterminator in the network needs a root canal. He visits a dentist, who also is in the network. The dentist charges him \$500 and gets paid in barter dollars. The dentist then can use the barter dollars anywhere in the network — at a restaurant, an eye doctor, an auto mechanic.

BarterPays! oversees the network carefully. It doesn't hesitate to freeze the accounts of bad operators. And it sends financial statements to members at the end of the year, since barter sales are taxed as income by the government.

"We hold on to barter dollars, similar to a bank account," company President Faye Alba said.

Alba owned a graphic-design business and was a single mother of twin, 10-year-old daughters in 1993, when she heard about a barter program in northern New Jersey. She talked incessantly about how she wished someone in central New Jersey would do the same thing, until her friends convinced her to start the business herself, she said.

She had no capital and her credit card with a \$1,000 limit was maxed out, she said. But she borrowed a computer from a friend. The company that sold her specialized software told her she wouldn't have to pay if she failed. And she began to convince local business owners to participate in an alternative economy.



employees and annual sales of \$1 million, making the barter economy managed by BarterPays! worth \$10 million. By comparison, New Jersey's Gross Domestic Product was \$391 billion last year.

Bartering is a concept easily grasped by children everywhere who have been taught about cavemen who traded tools for food.

But advanced economies have used cash, in part because it doesn't require a perfect match between buyers and sellers, and makes the economy work more efficiently, said Jack Worrall, professor of economics at Rutgers University School of Business at Camden.

In that respect, BarterPays! has elements of both. Business owners trade their goods and services, but they aren't limited to one trade partner. And they have the advantage of eliminating middlemen and operating with other business owners they trust, Worrall said.

Tim Murphy, the owner of Spargo's Grille in Manalapan, joined BarterPays! eight years ago, thinking it would help him advertise his restaurant. He's paid by members in barter dollars. And he's used members' services for human resources, electricians, plumbers and exterminators.

"I was so afraid," said Alba, now 51 and a Belmar resident. "I didn't know what I was doing. I thought, 'What if it doesn't work? How am I going to pay these people back?'"

It never reached that point. The company, based in Howell, has five em-

**Are you thinking about participating in barter economy?
Here's what you should know:**

- The idea works best for business owners who have excess inventory.
- Members paid with barter dollars need to report the exchange as taxable income to the government.
- Continue to get paid in cash when you can. The government, utilities and banks, to name a few, still want to get paid in cash.

Source: Linda W. Ross, professor of management, Rowan University

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Murphy said he worried that members would spend more barter dollars at his restaurant than he would ultimately use. But he since has expanded his reach to buy personal services; he recently paid a moving company in barter dollars.

"I look at it as advertising," he said. Unlike a utility bill to be paid in cash,

"This is kind of nice, where you will get customers from it and you will have money to use in the barter system."

Rowan University's Ross said bartering makes the most sense for business owners with excess inventory, whether it is a restaurant owner with unused tables or an accountant with extra time after tax season. They can get something in return through the barter network, she said.

But it also comes with risks. Namely, members who rely too much on the barter network may not generate enough cash to pay their rent or taxes to the government. It could leave them with plenty of access to jewelry or medical services, but not the basics, she said.

"A piece of advice is to watch their cash flow," Ross said. "They need to make sure they are not crafting deals that will put them into bankruptcy status."

Leslie Nolan has used BarterPays! as something of a savings account that she



Faye Alba is the owner of BarterPays!, a network of 650 businesses who charge each other the market value of their goods and services, but agree to be paid in barter dollars instead of cash. (STAFF PHOTOS: SHAWN HUBER)

has tapped into to pay for her wedding. She has paid for invitations, flowers, a photographer, a caterer and bridesmaid dresses, all with barter dollars.

What it won't cover is her mortgage, she noted.

"It is important for me to always have cash clients. I can't live on barter alone," Nolan said. "But I love barter."

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