

# United States District Court

Western

DISTRICT OF

North Carolina

In the Matter of the Seizure of  
(Address or brief description of property or premises to be seized)

## SEIZURE WARRANT

American Liberty Dollar and/or Hawaii Dala currency and/or  
precious metals of gold, silver, copper, platinum or other substance  
and/or United States currency holdings  
located at 7 1/2 Green Oak Road, Asheville, NC 28804.

CASE NUMBER: 1:07mj119

TO: SA Andrew F. Romagnuolo, FBI and any Authorized Officer of the United States

Affidavit(s) having been made before me by SA Andrew F. Romagnuolo, FBI who has reason to believe that in the Western District of North Carolina there is now certain property which is subject to forfeiture to the United States, namely (describe the property to be seized)

American Liberty Dollar and/or Hawaii Dala currency and/or precious metals of gold, silver, copper, platinum or other substance, and/or United States currency holdings are forfeitable to the United States under 18 U.S.C. § 982 (a)(1) because it is property involved in, or traceable to, money laundering, in violation of 18 U.S.C. § 1956 and 1957; under 18 U.S.C. § 982 (a)(3) because it is, or is traceable to, gross receipts and proceeds obtained, directly or indirectly, as a result of mail fraud, in violation of 18 U.S.C. § 1341, and wire fraud, in violation of 18 U.S.C. § 1343. Authority for this warrant is provided by 18 U.S.C. § 981(b) and 21 U.S.C. § 853(f).

I am satisfied that the affidavit(s) and any recorded testimony establish probable cause to believe that the property so described is subject to seizure and that grounds exist for the issuance of this seizure warrant.

YOU ARE HEREBY COMMANDED to seize within 10 days the property specified, serving this warrant and making the seizure (in the daytime -- 6:00 A.M. to 10:00 P.M.) (at any time in the day or night as I find reasonable cause has been established), leaving a copy of this warrant and receipt for the property seized, and prepare a written inventory of the property seized and promptly return this warrant to any U.S. Magistrate Judge as required by law.  
U.S. Judge or Magistrate

4:28 PM November 9, 2007 at Asheville, North Carolina  
Time and Date Issued City and State

Dennis L. Howell, U.S. Magistrate Judge  
Name and Title of Judicial Officer

  
Signature of Judicial Officer

RETURN

DATE WARRANT RECEIVED	DATE AND TIME WARRANT EXECUTED	COPY OF WARRANT AND RECEIPT FOR ITEMS LEFT WITH
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INVENTORY MADE IN THE PRESENCE OF

INVENTORY OF PERSON OR PROPERTY TAKEN PURSUANT TO THE WARRANT

CERTIFICATION

I swear that this inventory is a true and detailed account of the person or property taken by me on the warrant.

\_\_\_\_\_

Subscribed, sworn to, and returned before me this date.

\_\_\_\_\_

U.S. Judge or Magistrate

\_\_\_\_\_ Date

# United States District Court

NOV - 9 2007

Western

DISTRICT OF

North Carolina

U.S. DISTRICT COURT  
WEST OF N.C.

In the Matter of the Seizure of

## APPLICATION AND AFFIDAVIT FOR SEIZURE WARRANT

(Address or brief description of property or premises to be seized)

American Liberty Dollar and/or Hawaii Dala currency and/or precious metals of gold, silver, copper, platinum or other substance, and United States currency holdings for The National Organization for the Repeal of the Federal Reserve and Internal Revenue Code (NORFED) dba, Liberty Services, Inc., located at 7 1/2 Green Oak Road, Asheville, NC 28804.

CASE NUMBER: 1:07mj/119

I Andrew F. Romagnuolo being duly sworn depose and say:

I am a(n) Special Agent, Federal Bureau of Investigation and have reason to believe  
Official Title

that in the Western District of North Carolina there is now certain property which is subject to forfeiture to the United States, namely (describe the property to be seized)

American Liberty Dollar and/or Hawaii Dala currency and/or precious metals of gold, silver, copper, platinum or other substance, and/or United States currency holdings located at 7 1/2 Green Oak Road, Asheville, NC 28804.

which is (state one or more bases for seizure under the United States Code) subject to forfeiture under Title 18 United States Code, Section 981 concerning a violation of Title 18 United States Code, Section(s) 1341, 1343, 1956, and 1957

American Liberty Dollar and/or Hawaii Dala currency and/or precious metals of gold, silver, copper, platinum or other substance and United States currency holdings are forfeitable to the United States under 18 U.S.C. § 982 (a)(1) because it is property involved in, or traceable to, money laundering, in violation of 18 U.S.C. § 1956 and 1957; under 18 U.S.C. § 982 (a)(3) because it is, or is traceable to, gross receipts and proceeds obtained, directly or indirectly, as a result of mail fraud, in violation of 18 U.S.C. § 1341, and wire fraud, in violation of 18 U.S.C. § 1343. Authority for this warrant is provided by 18 U.S.C. § 981(b) and 21 U.S.C. § 853(f).

The facts to support a finding of Probable Cause for issuance of a Seizure Warrant are as follows:

See Attached Affidavit hereby incorporated by reference as if fully restated herein.

Continued on the attached sheet and made a part hereof.

Yes  No

  
Signature of Affiant

**Andrew F. Romagnuolo**  
**Special Agent**  
**Federal Bureau of Investigation**

Sworn to before me, and subscribed in my presence

4:38 pm November 9, 2007  
Time and Date Issued

at

Asheville, North Carolina  
City and State

Dennis L. Howell, U.S. Magistrate Judge  
Name and Title of Judicial Officer

  
Signature of Judicial Officer

FILED  
ASHEVILLE, N.C.

NOV - 9 2007

U.S. DISTRICT COURT  
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WESTERN DISTRICT OF NORTH CAROLINA  
ASHEVILLE, NORTH CAROLINA

AFFIDAVIT

Nos: 1:07mj 119, 120  
121 & 122

This affiant, Andrew F. Romagnuolo, Special Agent, Federal Bureau of Investigation, being duly sworn, states the following:

I am a Special Agent of the Federal Bureau of Investigation (FBI), Charlotte Division, Asheville, North Carolina Resident Agency. This affiant has been employed as a Special Agent of the FBI for approximately nine years and ten months.

I am presently investigating violations of Federal Laws, specifically violations of Title 18 United States Code, Section 486, Uttering coins of gold, silver or other metal, Title 18 United States Code, Section 489, making or possessing likeness of coins, Title 18 United States Code, Section 1341, Mail Fraud, Title 18 United States Code, Section 1343, Wire Fraud, Title 18 United States Code, Sections 1956 and 1957, Money Laundering, and Title 18 United States Code, Section 371, Conspiracy.

As a result of personal participation in the investigative matters referred to in this affidavit, and based upon reports made to me by other law enforcement officers and private citizens, I am familiar with the facts and circumstances of this investigation. On the basis of that familiarity, I state the following:

NORFED AND THE AMERICAN LIBERTY DOLLAR:

The National Organization for the Repeal of the Federal Reserve and Internal Revenue Codes (NORFED) creates and issues a monetary currency called the American Liberty Dollar. As the organization's name implies, the goal of NORFED is to undermine the United States government's financial systems by the issuance of a non-governmental competing currency for the purpose of repealing the Federal Reserve and the Internal Revenue Code. The currency violations cited above support the additional federal violations including mail fraud, wire fraud, and conspiracy.

NORFED was recently renamed Liberty Services, Inc., also known as The Liberty Dollar. The name change came following a United States Mint warning that prosecutors with the Department of Justice had determined that the Liberty Dollar currency creation and usage violated federal law. The

1 purpose of the name change ostensibly was the removal of the  
2 political goals and language inherent in the name "National  
3 Organization for the Repeal of the Federal Reserve and  
4 Internal Revenue Code" (NORFED). However, the name NORFED is  
5 located on the minted Liberty Dollar coin. For the purpose  
6 of this affidavit the company will be referred to as NORFED.

7 The currency, called the American Liberty Dollar a.k.a.  
8 Liberty Dollar (ALD), exists in three forms; paper currency  
9 called warehouse receipts, coins, and Digital or eDollars.

10 NORFED claims to have approximately \$21,000,000.00 in ALD  
11 currency in circulation to date.

12 **NORFED LEADERSHIP:**

13 **BERNARD VON NOTHAUS** is the founder of the American Liberty  
14 Dollar currency, the founder of NORFED, the self-described  
15 monetary architect and Executive Director of Liberty Dollar  
16 Services, Inc., and is also the Regional Currency Officer,  
17 Evansville, Indiana. Von Nothaus is also a member of the  
18 NORFED Executive Committee.

19 **WILLIAM KEVIN INNES** is the Asheville, NC, Regional Currency  
20 Officer for the Liberty Dollar organization and one of three  
21 members of the NORFED Executive Committee.

22 **SARAH BLEDSOE** is the NORFED Fulfillment Office Manager in  
23 Evansville, Indiana.

24 **MICHAEL JOHNSON** was chosen by von Nothaus as his successor as  
25 the Executive Director of NORFED. Johnson's position was  
26 announced on 08/29/06. However, shortly after the US Mint  
27 press release which notified NORFED that prosecutors with the  
28 Department of Justice had determined that their currency was  
a violation of the Federal law, Johnson resigned. Johnson's  
resignation was announced on 11/28/06, at which time, von  
Nothaus resumed duties as the Executive Director.

On 11/28/06, Von Nothaus sent an email "LIBERTY DOLLAR NEWS:  
November 2006 Vol. 8 No. 11," which contained twelve notes.  
The second note in the newsletter indicated,

"It is with shock and disappointment that I must  
inform you that Mike Johnson has resigned, telling  
me he was too "concerned" to be the Executive  
Director. So now I have to add "courage" to my  
list of requirements for an Executive Director. Of  
course this experience cost us a lot of money as we  
invested in Mike with the idea that he would  
generate more volume, but that was not the case.  
In fact, we have very little for his 2-1/2 months  
on the job. We wish Mike well and are now  
accepting applications for a new "courageous"  
Executive Director, please."

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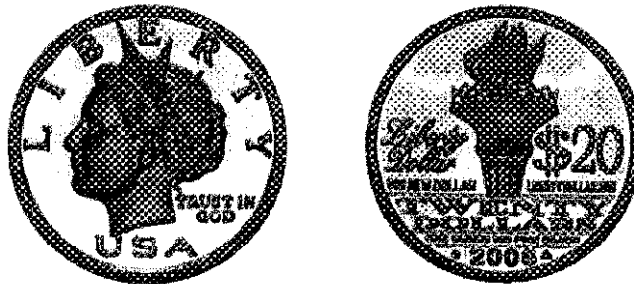
**FEDERAL BUREAU OF INVESTIGATION UNDERCOVER OPERATION:**

From August of 2005 until July of 2007, The Federal Bureau of Investigation (FBI) conducted an Undercover Operation to determine the legality of the American Liberty Dollar Currency. A Cooperating Witness (CW) and three FBI Undercover Employees (UCE) joined NORFED as Liberty Dollar Associates. The information provided within this affidavit is derived from public source information from the media, NORFED'S websites, NORFED'S materials collected by Cooperating Witnesses and Undercover Employees, collected evidence from search warrants, consensual recordings of conversations, and other traditional investigative means.

**AMERICAN LIBERTY DOLLAR (ALD) COINS:**

The Liberty Dollar coins, which NORFED calls "Liberties" or "medallions," are made of silver, gold, or copper depending upon the denomination of the coin. The word Liberty is scrolled across the top front of the coin. The image of a head wearing a crown, the letters USA, and "Trust In God" are also located on the front side of the coin. On the reverse, a torch, the words "Liberty Dollar" and the date are present. The combinations of images and wording are similar to the images and wording which appear on United States Mint coinage to the point that the ALD coins are easily confused with legitimate United States Currency.

The images below are of an American Liberty Dollar \$20.00 denomination coin:



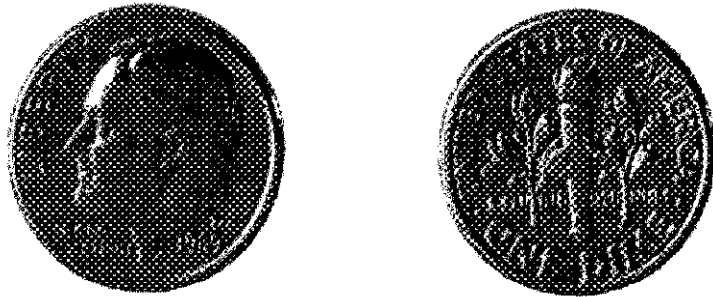
The images below are of similar United States Mint coinage:

US Mint 2007 Platinum Eagle coin



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Roosevelt Dime 1946 - present



US Mint 2007 \$1.00 Presidential Coins



**Title 18 United States Code (U.S.C.) Section 489 states:**

**Making or possessing likeness of coins**

"Whoever, within the United States, makes or brings therein from any foreign country, or possesses with intent to sell, give away, or in any other manner uses the same, except under authority of the Secretary of the Treasury or other proper officer of the United States, any token, disk, or device in the likeness or similitude as to design, color, or the inscription thereon of any of the coins of the United States or of any foreign country issued as money, either under the authority of the United States or under the authority of any foreign government shall be fined under this title."

**HAWAII DALA:**

The Hawaii Dala coins are precious metal medallions of the same weights and face value denominations as the Liberty Dollar, and bear the same trademark as the Liberty Dollar. The reverse of the coin indicates the words "Liberty Dollar." The Hawaii Dala also exists in the form of warehouse receipts, similar to the Liberty Dollar.

1 According to the website, the Hawaii Dala is marketed in the  
2 same way as the Liberty Dollar, as a voluntary local  
currency.

3 On 12/18/06, Coin World magazine released an article  
4 entitled, Husband, wife lease Royal Hawaiian Mint NORFED  
founder issues RHM piece. A portion of the article reads as  
follows:

5           "... New silver issues under the RHM hallmark,  
6 along with the recent Hawaii Dala medal, are being  
7 produced by the Sunshine Mint in Coeur d'Alene,  
Idaho, although the pieces will carry the RHM  
hallmark.

8           Since von Nothaus was responsible for the new  
9 silver release under the RHM banner, the reverse is  
10 struck with his personal registered hallmark, which  
has the letters rhm followed by a triangle with a  
11 circle and the letter b inside. All other future  
RHM issues will likely carry just the RHM hallmark  
without von Nothaus' personal mark."

12 On 08/29/07 a website search for the Hawaii Dala indicated  
13 that the destination website was www.norfed.org. Once in the  
www.norfed.org website, a user may choose the link "Money &  
14 Currency" which will send the user to a menu whereby the  
Hawaii Dala is listed. The caption indicates, "The Hawaii  
15 Dala - first officially issued in January 2007 - explodes the  
evolving Liberty Dollar concept." The link sends the user to  
16 www.hawaiidala.com, which indicates that payments may be made  
to "Royal Hawaiian Mint" and mailed to the Royal Hawaiian  
17 Mint Fulfillment Office, 225 N. Stockwell Road, Evansville,  
IN 47715, the same address as the Liberty Dollar Fulfillment  
18 Office.

19 On 3/24/07, during a consensually recorded meeting with a UCE  
of the FBI, von Nothaus spoke of the Hawaii Dala. Regarding  
20 the five dollar (\$5.00) Hawaii Dala, von Nothaus stated, "the  
Princess Kailani piece is undoubtedly one of the most  
21 beautiful pieces that I've ever done."

22 Based upon the information collected regarding the Hawaii  
Dala, and other variations of coinage created and marketed by  
23 von Nothaus and NORFED, including Liberty Dollars/Libertads  
from Panama and Ecuador, it is clear that they are part of  
24 the same scheme and violate the same statutes as the Liberty  
Dollar.

25 **CURRENCY BACKED BY PRECIOUS METAL:**

26 NORFED markets the warehouse receipts and eDollars as "100%  
27 backed by silver." Audits and the NORFED website at  
www.libertydollar.org indicate that each edollar and  
28 warehouse receipt are backed by one troy ounce of .999 fine



1 silver. A \$20.00 ALD warehouse receipt backed by one troy  
2 ounce of .999 fine silver is valued at the daily spot price  
3 of silver. As of 11/08/07, according to [www.kitco.com](http://www.kitco.com), the  
4 New York Spot Price of silver is \$15.34, which would be a  
5 \$4.66 value shortfall for every eDollar and warehouse receipt  
6 issued in the \$20.00 ALD denomination. Even under NORFED's  
7 own auditing standards, the ALD currency is not "100% backed  
8 by silver" as advertised. A one troy ounce coin of the ALD  
9 currency is currently minted as a \$20.00 denomination coin.  
10 The actual value of the ounce of silver is also the daily  
11 spot price of silver. As of 11/08/07, the shortfall for the  
12 coins would be the same as the eDollar or warehouse receipt,  
13 \$4.66.

8 The Federal Bureau of Investigation (FBI) Laboratory  
9 conducted metallurgy testing on a ten dollar base, \$10.00  
10 denomination American Liberty Dollar (ALD) coin and confirmed  
11 that the coin consisted of one troy ounce of .999% fine  
12 silver.

11 The NORFED Headquarters, which the organization refers to as  
12 the Fulfillment Office, is the contact to purchase ALD  
13 currency and to manage the recruitment of new members.  
14 NORFED sells the ALD currency at different prices dependant  
15 upon the level of membership of a participant.

14 There are three basic levels of membership. The first is a  
15 regional marketer called a Regional Currency Officer (RCO).  
16 The RCO pays an annual fee to obtain a region where they are  
17 responsible for the marketing of the ALD and for recruiting  
18 Liberty Dollar Associates.

17 Page 43 of a pamphlet distributed in the Liberty Dollar  
18 Associate membership package indicated:

18 Guidelines for Regional Currency Offices

19 1. Requirements for Establishment of a Regional  
20 Currency Office

21 a. An Applicant for RCO status must have a  
22 personal Net Worth in excess of \$50,000 USD.

23 b. An Applicant for RCO status must be a  
24 Liberty Associate for a minimum of one year prior  
25 to making application, unless approved by Executive  
26 Committee.

27 c. An Applicant for RCO status must agree to  
28 abide by the RCO Code of Ethics.

29 d. An Applicant for RCO status must agree to  
30 support local Liberty Merchants by offering  
31 conversion of excess Liberty Dollars to FRNs when  
32 necessary.

33 (Note: FRN is an abbreviation for Federal Reserve  
34 Note)

35 e. An Applicant for RCO status must agree to  
36 maintain a minimum reserve fund of \$2,500.00 in  
37 FRN's to facilitate convertibility.

1 f. An Applicant for RCO status must agree to  
2 support local Liberty Associates by providing LA  
3 discounts on Liberty Dollars in accordance with  
4 current NORFED pricing structures.

5 (Note: LA is an abbreviation for Liberty  
6 Associate)

7 On 10/26/06, during a consensually recorded conversation with  
8 an undercover employee (UCE) of the Federal Bureau of  
9 Investigation (FBI), Von Nothaus stated that in order to  
10 become an RCO, people had to be approved by the Executive  
11 Committee, which consisted of Von Nothaus; William Kevin  
12 Innes, RCO, Asheville, NC; and Ron Goodger, RCO, Fort Wayne,  
13 IN.

14 The next level of membership below the RCO is the Liberty  
15 Dollar Associate. A Liberty Dollar Associate (Associate)  
16 pays \$250.00 for membership. The Associate receives \$100.00  
17 in ALD currency and a packet of information for the  
18 membership fee. The referring person, normally another  
19 Associate or RCO, also receives \$100.00 in ALD currency.  
20 NORFED keeps \$50.00 of the membership fee for administrative  
21 costs. The Associate can then purchase ALD currency at a  
22 discounted rate from their RCO or from the NORFED website.

23 A Cooperating Witness (CW) paid \$250.00 to become a Liberty  
24 Dollar Associate. The Regional Currency Officer for  
25 Asheville, North Carolina, William Kevin Innes, placed a  
26 telephone call to the NORFED Fulfillment Office in  
27 Evansville, Indiana and purchased the Liberty Dollar  
28 Associate membership for the CW utilizing his credit card.  
The CW received a box with the Book, The Liberty Dollar  
Solution To the Federal Reserve, other materials and American  
Liberty Dollar coins, Warehouse Receipts and eDollars.

A Cooperating Witness (CW) referred an Undercover Employee  
(UCE) of the Federal Bureau of Investigation (FBI) for  
membership as a Liberty Dollar Associate and received a check  
for \$100.00 in United States currency, known by NORFED as  
Federal Reserve Notes (FRN) as a referral fee.

Two UCES of the FBI joined NORFED as Liberty Dollar  
Associates and one received a check for \$100.00 in United  
States currency, known by NORFED as Federal Reserve Notes  
(FRN) as a referral fee for the other.

The marketing system NORFED operates to sell the currency  
into circulation is a multi-level marketing scheme. The  
scheme gives NORFED, RCOs, and Associates a profit for  
selling the ALDs into circulation. When the ALD reached the  
point of being unprofitable, NORFED conducted a "move up" of  
the currency. In 1998, the ALD currency was minted using a  
\$10.00 base, meaning that a \$10.00 ALD coin, eDollar, or  
warehouse receipt was backed by one troy ounce of silver. In  
November of 2005, the thirty (30) day moving average of the

1 spot price of silver reached the "move up point" set by  
2 NORFED. NORFED recalled all of the \$10.00 base coins and  
3 warehouse receipts and "re-minted" the currency as a \$20.00  
4 base currency. This change made what the day prior had been  
5 a \$10.00 denomination ALD coin, warehouse receipt, or eDollar  
6 backed by one troy ounce of silver, a re-minted re-issued  
7 \$20.00 denomination coin. This instantly doubled the value  
8 of the currency. The "move up" left the silver and gold  
9 holdings at the same level as they were at the ten dollar  
10 base. Thus the face value of the entire currency was doubled  
11 without changing the holdings at all. The other effect of  
12 the "move up" was a tremendous increase in profits for  
13 NORFED, RCOs and Associates.

14 The third level of membership is the member Merchant. These  
15 Merchants accept American Liberty Dollar currency as payment  
16 for goods and/or services at the face value of the ALD  
17 currency or at a dollar to dollar value with Federal Reserve  
18 Notes (FRN). The Merchant can also purchase the ALD currency  
19 at a discount and pass it as change to make a profit.

20 The use of bank accounts and negotiable instruments which  
21 convert to United States currency demonstrates NORFED's  
22 willingness to use and profit from United States currency  
23 which NORFED describes as worthless. Additionally, NORFED  
24 uses bank accounts to facilitate the distribution, sale, and  
25 circulation of the American Liberty Dollar currency. The  
26 following banks and accounts have been utilized by NORFED to  
27 do so:

28 **BANK ACCOUNTS:**

NORFED has maintained several bank accounts in which  
transactions were conducted since the inception of the  
Liberty Dollar in 1998. One such bank account is the **Integra  
Bank, Account #7800025301**. The name indicated on the checks  
was NORFED. The address indicated on the checks was 3819 E.  
Morgan Ave., Evansville, IN 47715, until approximately July,  
2004, when the address was changed to 225 N. Stockwell Rd,  
Evansville, IN 47715.

An analysis of account **#7800025301** records dated from  
October of 2002 to September of 2005 indicated that checks  
were written to Sunshine Minting, Inc., in excess of  
\$140,000.00; Bernard von Nothaus, in excess of \$114,000.00;  
Cash, endorsed by Bernard von Nothaus and other known  
employees in excess of \$92,500.00; Random von Nothaus, for  
\$150.00; Suzy Nothouse and/or Suzy Nothouse in excess of  
\$11,500.00; Kevin Innes for \$1,700.00; Michelle Jones in  
excess of \$37,500; Raylene Callis in excess of \$5,300.00;  
Sarah Bledsoe in excess of \$56,800.00; Telle Presley in  
excess of \$5,700.00; United Parcel Service in excess of  
\$64,000.00; UPS in excess of \$2,500.00; Post Office and  
Postmaster for approximately \$2,500.00; Clark, Anderson,  
McNelis & Co., P.A. in excess of \$4,400.00; Coin World for

1 \$1,500.00; CPU (Computers, Parts & Upgrades) for \$120.00; and  
2 several known Regional Currency Officers. Additionally,  
3 there was a check written to Integra Bank, "Bernard von  
4 Nothaus" was written on the memo line, and appeared to be  
5 signed by Bernard von Nothaus for \$13,000.00. The check  
6 appears to have been transacted for cash.

7  
8 An analysis of wire transfers from this NORFED account at  
9 Integra Bank indicated that for the year 2005, independent of  
10 the checking account transactions, an excess of one million  
11 dollars (\$1,000,000.00) was transferred by wire to Bernard  
12 von Nothaus and the Sunshine Minting, Inc.

13  
14 NORFED, as Liberty Services, Inc. of 527 N. Green River  
15 Rd. #158, Evansville, IN 47715, currently maintains an active  
16 account, #7801142980, with **Integra Bank**. The current account  
17 balance as of 09/27/2007 was \$106,734.73. Review of this  
18 account for the period from December 2006 to August 2007  
19 identified the following disbursements, all issued by Sarah  
20 Bledsoe:

21  
22 1. Five checks issued to William Kevin Innes for a  
23 total of approximately \$800.00.

24  
25 2. Three checks issued to ANDERSON BROTHERS CPA for a  
26 total of approximately \$1500.00.

27  
28 3. Numerous checks issued to Sarah Bledsoe for a total  
of approximately \$27,300.00.

4  
5 4. Numerous checks issued to Bernard von Nothaus for a  
6 total of approximately \$65,250.00.

7  
8 5. Numerous checks issued to Sunshine Minting, Inc. for  
9 a total of approximately \$997,800.00

10  
11 6. Eight checks issued to the Royal Hawaiian Mint for a  
12 total of approximately \$5,128.00.

13  
14 7. One check issued to an UCE for the cash value of the  
15 UCE's eDollar account upon cash out.

16  
17 Opening documentation for the account show the account  
18 holders as Bernard von Nothaus and Sarah Bledsoe.

19  
20 William Kevin Innes utilized a bank account, **First Citizens**  
21 **Bank, Account #005617167436**. Opening documentation shows the  
22 account holder as W. Kevin Innes. The account is currently  
23 closed due to an overdrawn balance.

24  
25 An analysis of **First Citizens Bank, Account #005617167436**  
26 records dated from January 2005 to July 2007, indicated the  
27 following relate to Liberty Dollars:

28  
1. Approximately \$26,370.00 was disbursed from the

1 account to NORFED through checks and Visa debit card.  
2 Additionally, approximately \$5,300.00 in wire transfers were  
3 disbursed to NORFED.

4 2. The records indicate deposits from purchases of  
5 currency, membership fees, and deposits received from NORFED  
6 for approximately \$24,450.00.

7 3. An UCE of the FBI wrote two checks to Innes during  
8 the course of this investigation. Bank records indicate that  
9 both of those checks were deposited into this account.

10 **FULFILLMENT OFFICE, a.k.a. NORFED HEADQUARTERS:**

11 The NORFED Fulfillment Office is located at 225 N. Stockwell  
12 Road, Evansville, Indiana 47715. A Cooperating Witness and  
13 two undercover employees (UCE) of the Federal Bureau of  
14 Investigation (FBI) have been to the office.

15 Von Nothaus and several RCO's referred to the "Fulfillment  
16 Office," "front office," and "NORFED Headquarters"  
17 interchangeably during several meetings attended by  
18 undercover employees (UCE) of the Federal Bureau of  
19 Investigation (FBI) as well as in correspondence.  
20 Additionally, the book included in each Associate packet, The  
21 Liberty Dollar Solution To The Federal Reserve, Edited by  
22 Bernard von Nothaus indicates under the "Acknowledgments"  
23 section that Sarah Bledsoe, Michelle Jones, Raylene Callis,  
24 and Telle Presley are staff at the Liberty Dollar National  
25 Fulfillment Office.

26 On 10/20/05, during a Liberty Dollar University training  
27 session, von Nothaus mentioned that there were three (3)  
28 women who worked at the fulfillment office in Evansville, IN.  
von Nothaus received unsolicited positive feedback as to the  
RCO's experience in dealing with the Liberty Dollar employees  
in the Fulfillment Office. During the class, von Nothaus and  
other RCO's explained that the NORFED Headquarters was where  
the RCO's place orders for ALDs. The ALD coins were shipped  
out to the RCO's from the NORFED Headquarters.

Von Nothaus and Innes regularly spoke of placing an order for  
ALD's "with the front office" during conversations with UCEs  
of the FBI.

UCEs of the FBI received their Liberty Dollar Associate  
currency purchases and Liberty Dollar Associate membership  
materials at the Fulfillment Office from Sarah Bledsoe during  
their attendance at Liberty Dollar University in April of  
2007.

UCEs placed telephone calls to the Fulfillment Office to  
purchase memberships and to make arrangements for attendance  
at Liberty Dollar Universities and related social functions.

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**THE NORFED PROFIT SCHEME:**

The "formula" used to determine the different prices of silver begins with the "spot silver price" of one ounce of silver on the stock market. NORFED uses the website [www.kitko.com](http://www.kitko.com) as their official marker for the spot price.

Once the spot silver price is determined, a "minting fee" is added; a "shipping fee" is added; and NORFED's profit is added. These fees and profit are referred to by NORFED as "Fabrication & Overhead." This new price is called the "RCO rate." This is the rate for which the RCO may purchase Liberty Dollars from NORFED.

Because the RCO has purchased his/her franchise, the RCO may then sell the Liberty Dollar for whatever amount/price he/she deems appropriate. NORFED recommends, and the general practice of the RCO's, is to then split the difference between the RCO rate and the "face value" of the coin. This price is the "Associate rate."

Some RCOs set their Merchant rate at the Associate rate. This is the rate at which the coin is marketed to merchants willing to accept and circulate the currency. However, some RCOs sell to their Merchants by splitting the difference between the Associate rate and the "face value" of the coin. This rate is the "Merchant rate."

A person not affiliated with the Liberty Dollar must pay the "face value" which is minted on the coins.

**LIBERTY DOLLAR UNIVERSITY:**

NORFED provides training information in the Associate membership packet and also trains RCOs and Associates at regional training events called Liberty Dollar University (LDU). An Associate or RCO may attend Liberty Dollar University for the price of two-hundred United States dollars (\$200.00 USD) per attendee. Within the membership training materials and as a part of the LDU training, the organization provides a sales method called "The Drop." Using "The Drop," the NORFED member approaches a business person to attempt to persuade them to utilize the ALD currency. The NORFED member holds out an ALD coin and drops the coin in the person's hand so that they can feel the weight of the silver. The NORFED member then asks, "Do you take silver?" They do not describe or offer any explanation that the ALD is an alternative currency. Additionally, if the person is reluctant to take the ALD coin, the NORFED member is instructed to provide United States currency instead. NORFED describes United States currency as Federal Reserve Notes (FRN) of Fiat Currency.

In NORFED's training material provided to all Liberty Dollar

1 members who attend Liberty Dollar University, a training  
2 session for the Liberty Dollar, it is clearly written that:

3       "\*NOTE: Due to mfg and overhead there is a period  
4 when the formula does not work. This period is  
5 called "no man's land" because nobody wants to be  
6 there. But to get to the new \$20 Silver Base, we  
7 must go through it to "Crossover." During this  
8 time the RCOs create their own pricing. When spot  
9 silver is over \$8.50 NORFED uses an intern pricing  
10 for the later period of the 30 days required to  
11 Crossover."

12 The RCO quote for the one ounce coin at the \$10 Silver Base  
13 is provided in the LDU training material as follows:

14       Spot Silver Price = \$6.00  
15       RCO Rate = \$6.00 (Spot price) + \$1.50 (Fabrication  
16 & Overhead) = \$7.50 (Shipping costs are not  
17 included in these calculations.)  
18       Associate Rate = \$7.50 + \$1.25 (Half the difference  
19 between \$10 and \$7.50) = \$8.75

20       The minimum order requirement for an RCO is 1,000  
21 ounces in any combination of denominations.

22 The material then illustrates the math whereby the RCO enters  
23 "no man's land."

24       Spot Silver Price = \$8.50  
25       RCO Rate = \$8.50 (Spot price) + \$1.50 (Fabrication  
26 & Overhead) = \$10.00 (Shipping costs are not  
27 included in these calculations.)  
28       Associate Rate = \$10.00 + \$0.00 (There is no  
difference between the RCO rate and the market  
value) = \$10.00

Because of this void in profit, NORFED determined that it  
would conduct the "Crossover," later dubbed the "Move Up,"  
when the thirty (30) day moving average of the Spot Silver  
Price reached \$7.50 for a period of thirty (30) consecutive  
days.

The training material further indicated that future  
"Crossovers" would occur at the following Spot Silver Prices:

Crossover point from the \$10 to the \$20 Silver Base  
is \$7.50 30DMA (30 Day Moving Average)  
Crossover point from the \$20 to the \$50 Silver Base  
is \$16.00 30DMA  
Crossover point from the \$50 to the \$100 Silver  
Base is \$41.50 30DMA  
Crossover point from the \$100 to the \$250 Silver  
Base is \$84.00 30DMA  
Crossover point from the \$250 to the \$500 Silver

1 Base is \$211.50 30DMA

2 These "Crossover" points create a period referred to in the  
3 training material as a "windfall." This "windfall" can be  
4 illustrated simply by comparing the profits reaped at the  
5 final stage of the \$10 Silver Base to the profits reaped at  
6 the initial stage of the \$20 Silver Base for the one ounce  
7 coin:

8 **\$10 Silver Base (previously explained for \$6 Spot Price)**

9 RCO Rate = \$7.50  
10 Associate Rate = \$8.75  
11 Face Value = \$10.00

12 **\$20 Silver Base**

13 Spot Silver Price = \$8.00  
14 RCO Rate = \$8.00 (Spot price) + \$3.00 (Fabrication &  
15 Overhead) = \$11.00 (Shipping costs are not included in these  
16 calculations.)  
17 Associate Rate = \$11.00 + \$4.50 (Half the difference between  
18 \$11 and \$20) = \$15.50\*  
19 Face Value = \$20.00

20 \* When discussing the "Crossover" and rates for the Liberty  
21 Dollar at the \$20 Silver Base, the training material  
22 indicated:

23 "Our earlier experience has taught us to set the  
24 maximum Associate discount at 20% from face value;  
25 therefore the Associate Quote at \$8 silver would be  
26 \$16, not \$15.50. We anticipate this period to be  
27 very brief but any windfall would help compensate  
28 the RCOs for their losses during the period in "no  
man's land" just prior to the Crossover."

19 A coin, for which the spot silver sold for \$6.00 provided the  
20 RCOs with a \$1.25 profit per coin. That same coin, for which  
21 the spot silver sold for \$8.00 provided the RCOs with a \$5.00  
22 profit per coin. The difference in spot price is two dollars  
23 (\$2) but the difference in profit margin is three dollars and  
24 seventy-five cents (\$3.75).

25 This disparity in spot price and profit margin is  
26 dramatically inflated as the Silver Base rises. Based on the  
27 calculations for the \$500 Silver Base, the RCOs will profit  
28 \$14.50 per coin (assuming fabrication and overhead stays the  
same and the maximum Associate discount remains 20%).

On 3/24/07, during a consensually recorded conversation with  
an undercover employee (UCE) of the Federal Bureau of  
Investigation (FBI) Bernard von Nothaus, the Monetary  
Architect of the Liberty Dollar, stated that the "move up" or  
"Crossover" to the \$50 Silver Base would occur when the 45  
day moving average of the spot price of silver reached



1 \$16.50.

2 On 3/28/07, during a consensually recorded conversation with  
3 an undercover employee (UCE) of the Federal Bureau of  
4 Investigation (FBI), William Kevin Innes, the Regional  
5 Currency Officer (RCO) for Asheville, North Carolina,  
6 indicated that the "Fabrication and Overhead" costs would  
7 increase as the Silver Base increased. However, the base  
8 coins will continue to be one ounce.

9 On 3/24/07, during a consensually recorded conversation with  
10 an undercover employee (UCE) of the Federal Bureau of  
11 Investigation (FBI), von Nothaus showed a group of Asheville  
12 Liberty Dollar Associates a coin minted for the \$50 Silver  
13 Base. The one ounce coin was a Liberty Dollar with the face  
14 value of \$50. Von Nothaus stated that the coins minted with  
15 the \$50 symbol on them were used to support the eDollars and  
16 silver certificates currently issued by NORFED.

17 **BERNARD VON NOTHAUS:**

18 Bernard von Nothaus is the founder of the American Liberty  
19 Dollar currency, the founder of NORFED, the self-described  
20 monetary architect and Executive Director of Liberty Dollar  
21 Services, Inc., and Regional Currency Officer, Evansville,  
22 Indiana. Von Nothaus is also a member of the NORFED  
23 Executive Committee.

24 On 10/20/05, during a consensually recorded session of a  
25 Liberty Dollar University, von Nothaus spoke about the Board  
26 of Directors for NORFED. He stated that they chose not to be  
27 identified. However, von Nothaus identified himself as the  
28 Chairman of the Board. Von Nothaus also identified himself  
as the President of the RCO Congress.

In each Associate packet, NORFED sends a book entitled The  
Liberty Dollar Solution To The Federal Reserve, Edited by  
Bernard von Nothaus. An excerpt of the biography on the back  
cover of this book describes von Nothaus as the designer and  
developer of the Liberty Dollar and the "Monetary Architect"  
at NORFED, a non-profit, free enterprise corporation that  
distributes the Liberty Dollar since 1998.

On 03/24/07, during a consensually recorded meeting with an  
UCE, von Nothaus acknowledged that he had a team of attorneys  
working for him when he introduced the Liberty Dollar. They  
created the disclaimer for the Liberty Dollar. Von Nothaus  
stated that they discussed Title 18, Section 486, a long time  
ago. Von Nothaus referred to Title 18, Section 486, and  
advised the UCE that was the section of the law which  
prohibited the use of the word "utter." Von Nothaus stated  
that the Liberty Dollar Certificates were not illegal. Title  
18, Section 486 only addressed specie.

During the same consensually recorded meeting von Nothaus

1 stated that he postponed any further interviews of his  
2 potential successors until the conclusion of his legal  
3 filings with the US Government. Von Nothaus felt that if he  
4 lost his lawsuit he would have to serve five (5) years in  
5 prison, as the Liberty Dollar would be ruled illegal, and he  
6 had clearly founded and grew the Liberty Dollar Organization.  
7 Von Nothaus also felt that if he won his lawsuit he would not  
8 have to worry about his successor because the legality issue  
9 would not be pertinent and the organization would grow. Von  
10 Nothaus stated that he was running a multi-million dollar  
11 company and needed a business person with twenty (20) years  
12 of marketing experience. Von Nothaus stated that he could  
13 not convert a Patriot to be someone with twenty (20) years of  
14 experience, but he could convert a business person into a  
15 Patriot.

16 www.geocities.com describes the Patriot Movement as a  
17 "loosely organized group whose members believe that the  
18 federal government has become tyrannical in its attempts to  
19 control citizen's lives in areas such as taxation,  
20 environmental regulation, gun ownership, and constitutional  
21 liberties."

22 At Liberty Dollar University #7, held from 10/19/05 through  
23 10/22/05 and at Liberty Dollar University #11, held from  
24 10/25/06 through 10/28/06, Innes and von Nothaus were the  
25 primary instructors for the entirety of the training events.  
26 Innes primarily taught marketing techniques. Von Nothaus  
27 primarily taught the business profit margin methodology.

28 On 04/12/07, during a consensually recorded session of  
Liberty Dollar University #13, von Nothaus stated that he was  
the only person to attend every Liberty Dollar University.  
He also identified himself and Innes as the instructors for  
the Liberty Dollar Universities.

On 08/28/07, during a search of www.allwhois.com for the  
domain ownership of www.libertydollar.org, it was determined  
that the domain registrant is Sarah Bledsoe, von Nothaus'  
assistant. The organization listed is the Liberty Dollar at  
225 N. Stockwell Rd, Evansville, IN 47715. The  
administrative organization for the website is NORFED at 225  
N. Stockwell Rd, Evansville, IN 47715.

#### BERNARD VON NOTHAUS' VEHICLE:

The vehicle is described by an undercover employee (UCE) of  
the Federal Bureau of Investigation (FBI) as a luxury  
vehicle. On 3/24/07, in a recorded meeting between the UCE  
and von Nothaus, von Nothaus stated that the government  
couldn't have him driving around in a silver Cadillac. On  
08/28/07, a Department of Motor Vehicles check indicated that  
von Nothaus and Mary von Nothouse are associated by listing  
themselves as insured drivers for the same vehicle, which was  
registered in the state of **Florida, license plate number**

**J69FEP, Vehicle Identification Number (VIN):**

1G6KD54Y0XU758775 which is a 1999 Cadillac Deville, four door, aluminum silver in color. On 8/28/07, a Lexis Nexis check of Bernard von Nothaus indicated the title holders for the 1999 Cadillac Deville are Mary S. von Nothouse and Bernard von Nothaus. Additionally, the Lexis Nexis check indicated von Nothaus' personal information as follows: date of birth 03/19/1944, Social Security Account Number 492-46-7355, and home address 527 N Green River Road, Apt A158, Evansville, IN 47715-2472.

On 10/27/06, while in attendance at a Liberty Dollar University, von Nothaus sold the UCE a Liberty Dollar t-shirt. Von Nothaus stated that he brought the t-shirts to sell from the Fulfillment Office in Evansville, IN. Von Nothaus traveled from the Fulfillment Office to the LDU via his personal car.

On several occasions from October 2005 to May 2007, the UCE witnessed von Nothaus carrying a briefcase and other containers which were transported in his vehicle or the vehicle in which von Nothaus was riding. The briefcase and other containers transported newly updated marketing material for the Liberty Dollar, Liberty Dollars, proofs for newly minted or soon-to-be minted Liberty Dollars and State Monetary Initiative Liberty Dollars, striking equipment for von Nothaus to specifically mark individual coins to add value to the coins in the numismatic market, proofs for the Royal Hawaiian Mint silver coins, t-shirts, RCO supplies, and other miscellaneous items which contribute to the distribution and marketing of the Liberty Dollar. It was the UCE's understanding that the briefcase and other containers were designed for transport to speaking engagements, and were regularly maintained in von Nothaus' vehicle.

On 3/24/07, the UCE and von Nothaus attended a Liberty Dollar meeting in Asheville, NC. Von Nothaus provided everyone in the group with an updated version of the Liberty Dollar brochure. Additionally, von Nothaus passed Liberty Dollar coins and coins from the Royal Hawaiian Mint around the table. The coins included the new California \$20 Liberty Dollar; Liberty Dollars/Libertads from Panama and Ecuador; the Hawaii Dala, in denominations of five dollars (\$5.00 ALD), ten dollars (\$10.00 ALD) and twenty dollars (\$20.00 ALD); and the fifty-dollar (\$50.00 ALD) Liberty Dollar. The brochures and the coins were all produced from the above mentioned containers which were transported to the meeting in von Nothaus' vehicle.

**METHODS OF DISTRIBUTION:**

A Cooperating Witness (CW) and an Undercover Employee (UCE) of the Federal Bureau of Investigation (FBI) received mailings from the NORFED Fulfillment Office, 225 N. Stockwell Road, Evansville, Indiana 47715, which contained the NORFED

1 Liberty Dollar Associate introductory packet of materials,  
2 silver Liberty Dollar coins, Warehouse Receipts, and  
information to access an on-line account for eDollars.

3 An Undercover Employee (UCE) of the Federal Bureau of  
4 Investigation (FBI) also accessed the on-line eDollar account  
with a forty-dollar (\$40.00) purchase of the initial  
5 Associate package. The UCE cashed out of the eDollars and  
received a check for thirty dollars and thirty-eight cents  
6 (\$30.38).

7 **METHODS OF MARKETING AND COMMUNICATION:**

8 An UCE of the FBI also joined NORFED'S egrouop which  
9 distributes marketing information via the internet. The UCE  
10 documented and maintained all egrouop communications conducted  
with the NORFED egrouop. The communications include  
11 information on the "move ups", information regarding NORFED'S  
decision to continue to market and distribute the currency  
after the US Mint warning, and other information related to  
the operation and usage of the currency.

12 Bernard von Nothaus, the "Monetary Architect" of the Liberty  
13 Dollar, is currently asking for donations for his "Legal  
Defense Fund" based upon the United States Mint warning. He  
14 is asking that the donations be provided in Federal Reserve  
Notes (FRN). Solicitation of donations has appeared in the  
15 egrouop communications, as a letter in the Liberty Dollar  
Associate welcome package, and at the 3/24/07 Liberty Dollar  
Associate meeting with von Nothaus in Asheville, NC.

16 In The Liberty Dollar Solution To The Federal Reserve part  
17 IV, The Liberty Dollar, Chapter 30, Competition Comes to the  
Fed, on page 260 states, "The Liberty Dollar, which is 100%  
18 backed and \$100% redeemable in gold and silver, provides a  
simple solution: "Stop using Federal Reserve money and start  
19 using the Liberty Dollar to return America to value - one  
dollar at a time." The paragraph ends and is followed by a  
20 quote from Edmund Burke, "The only thing necessary for the  
triumph of evil is for good men to do nothing."

21 The chapter continues by comparing the Liberty Dollar's  
22 competition with the currency of United States to the United  
States Postal Service's competition with FedEx. These  
23 statements highlight the intent of NORFED - The National  
Organization for the Repeal of the Federal Reserve and  
24 Internal Revenue Codes, to replace and/or compete with the  
financial systems of the United States of America to  
25 undermine the existing economic system.

26 At the Merchant level of membership the member merchant signs  
an agreement with the RCO and receives a discounted rate on  
27 the purchase of ALD currency. The focus of the RCOs and the  
Associates is to sign up as many Merchants as possible in  
28 their region. The Merchants then purchase the ALD currency

1 from the RCO or the Associate. The RCO and Associate make a  
2 profit for each sale to a lower echelon member of the scheme.  
3 The ALD currency is marketed to the Merchant as a way to make  
4 a profit by making change. Due to the similarity in  
5 appearance between the ALD coins and other legitimate United  
6 States coinage, the ALD coins can be given as change and the  
7 recipient may not notice that the ALD is not United States  
8 coinage or may assume that it is United States coinage. The  
9 end user receiving the ALD currency as change or a merchant  
10 that accepts the ALD currency unwittingly is receiving a non-  
11 government issued currency that cannot be deposited in a  
12 bank, is not universally accepted, and, though advertised as  
13 100% backed by precious metal, is valued significantly less  
14 than the marked face value of the currency.

8 The NORFED website, [www.libertydollar.org](http://www.libertydollar.org), provides  
9 informative materials regarding the silver Liberty Dollar  
10 coins, Warehouse Receipts, and on-line eDollars; records of  
11 the silver and gold holdings at the Sunshine Mint; search  
12 tools for a person to locate their nearest Regional Currency  
13 Officer, and previously a national directory of Liberty  
14 Dollar Associates; the organization's financial ideology,  
15 including it's theories on the Federal Reserve and material  
16 covered in the book, [The Liberty Dollar Solution To The](#)  
17 [Federal Reserve](#); media productions; and links to each of the  
18 Regional Currency Officer's individual websites.

14 In addition to the information and marketing on the website,  
15 [www.libertydollar.org](http://www.libertydollar.org) offers the purchase of the ALD currency  
16 on-line.

16 Purchases made on the Liberty Dollar website are similar to  
17 those made on any other website. Pictures and descriptions  
18 of the items for sale are shown. A purchaser may click on an  
19 item to read additional information. Once a purchaser  
20 decides to buy an item, the purchaser may click on an icon  
21 "Add to Cart." At the end of the transaction, a purchaser  
22 may view their items selected in a "shopping cart" by  
23 clicking on the words "Cart Contents" and can make any  
24 changes before the final transaction. The purchaser may then  
25 click on the word "Checkout," and is asked to enter his/her  
26 method of payment. The website only accepts credit card  
27 payments for these electronic purchases. The goods include,  
28 but are not limited to, a Liberty Dollar Associate Package,  
educational material, clothing, digital Liberty Dollars, and  
coins. These goods are then shipped via a US Mail or like  
carrier to the purchaser's provided address.

25 NORFED's purpose in the minting, distribution, sale, and  
26 circulation of the American Liberty Dollar coins is to make  
27 money through the use of this alternative currency by  
28 merchants, Regional Currency Officers, Liberty Dollar  
Associates, and the public. The use of the silver, gold and  
copper coins in this manner is a violation of **Title 18 United  
States Code (U.S.C.) Section 486 which states:**

1 **Uttering coins of gold, silver or other metal**

2 "Whoever, except as authorized by law, makes or utters or passes,  
3 or attempts to utter or pass, any coins of gold or silver or other  
4 metal, or alloys of metals, intended for use as current money,  
5 whether in the resemblance of coins of the United States or of  
foreign countries, or of original design, shall be fined under this  
title or imprisoned not more than five years, or both."

6 **SUNSHINE MINT:**

7 The Sunshine Mint, or Sunshine Minting, Inc., located at 750  
8 West Canfield Avenue, Coeur d'Alene, Idaho 83815, is the mint  
9 that NORFED uses to create the ALD coinage and to store the  
10 organization's gold and silver holdings. The mint's website  
at [www.sunshinemint.com](http://www.sunshinemint.com) lists the address under the heading  
'Company Profile.'

11 The physical precious metal holdings are located at the  
12 Sunshine mint. Based upon the information on the mint  
13 website, the holdings are divided between the mint's  
Safekeeping Account system and any ALD coinage that has been  
created and not yet shipped by the Sunshine Mint.

14 The Sunshine Mint operates a Safekeeping Account for the  
15 storage of precious metals. The mint's website at  
[www.sunshinemint.com](http://www.sunshinemint.com) describes the account:

16 "Our Safekeeping Account is known in the industry  
17 as an unallocated storage account. It can be  
referred to as a non-segregated account or simply a  
18 pool account."

19 "This account is, in effect, a precious metal  
20 account in which a client owns a defined, un-  
segmented interest or portion in a pool of precious  
21 metal held in storage and insured by SMI at their  
secure facility."

22 Clark, Anderson, McNelis & Co., 560 West Canfield Avenue,  
23 Suite 100, Coeur d'Alene, Idaho 83815, is the auditor that  
NORFED used to conduct monthly audits of the holdings at  
24 Sunshine Mint compared to the reported issued currency by  
NORFED. Statements documenting the fact that audits have  
25 been conducted and the results of monthly audits through  
August of 2006 are located on NORFED's website,  
[www.libertydollar.org](http://www.libertydollar.org).

26 Using the 11/08/2007 spot price of silver at \$15.34 and the  
27 spot price of gold for the same date at \$846.50, applying the  
New York Spot Prices from [www.kitco.com](http://www.kitco.com), the NORFED audit  
28 dated July 31, 2007 shows that NORFED stored net silver  
holdings of 158,412.5 ounces of silver at the spot price of

1 \$15.34 are valued at \$2,430,047.70. The audit also lists 96  
2 ounces of gold holdings at a spot price of \$846.50 valued at  
\$81,264.00.

3 An Undercover Employee (UCE) of the Federal Bureau of  
4 Investigation (FBI) reported that a portion of the silver  
5 holdings located at the Sunshine Mint have been used to mint  
6 ALD coins at base \$50.00 value in preparation for the next  
"move up". The information was obtained during a consensual  
recording of Bernard Von Nothaus on 3/24/07.

6 On 10/21/05 an Undercover Employee (UCE) of the Federal  
7 Bureau of Investigation (FBI) attended a Liberty Dollar  
8 University in Asheville, North Carolina. During the  
9 training, the UCE participated in a consensually recorded  
10 conversation with RCO Dan Rose, of Mississippi who toured the  
11 Sunshine Mint. Rose described the tour as paraphrased by the  
12 UCE:

10 The RCO stated that the place was the most uptight,  
11 detailed, "got their ducks in order" organization  
12 he had ever seen. He had to remove as much metal  
from his body as possible (rings, change, etc).

13 The RCO described the mint as a pre-fab concrete  
14 building (warehouse) with all of the activity on  
15 one floor. The building had 30 foot ceilings and  
16 was basically a 30,000 square foot box. There were  
17 pallets of silver in the strong room. The strong  
room was a room inside the warehouse with concrete  
walls. In the corner of the strong room there were  
pallets that went from the floor to seven feet high  
with thousand pound ingots, which were chunks of  
silver about the size of a loaf of bread.

18 The RCO witnessed coins stacked on pallets waiting  
19 to be shipped out. Also the silver that backed the  
20 eDollars. They had one of everything they had ever  
made, including pieces that were not minted for the  
Liberty Dollar.

21 The Sunshine Mint maintained silver for the  
22 government's pieces. Regarding the melting, there  
23 was a big box that held all of the silver, they  
stuck electrodes in it and melted it down. Then  
24 hydraulic lines moved silver for a saw to cut  
25 slices of the silver. Then it went to a press,  
whereby the round cylinder was pressed into a long  
strip and was cut. Extra silver was recycled.

26 On several occasions including 10/20/05 and 10/26/06, von  
27 Nothaus advised the UCE that Tom Power ran the warehouse  
where the ALD was minted.

28 On 11/3/05, the UCE reviewed the material sent in the ALD

1 Associate package. Included in the material was a compact  
2 disc entitled The Liberty Dollar, DSI Presentation, December  
3 2, 2002, which represented that NORFED bought and deposited  
4 silver at the warehouse. The warehouse issued the receipts  
5 (silver certificates) to NORFED. Tom Power ran the  
6 warehouse. Von Nothaus was friendly with the Sunshine Mint,  
7 but he had a fiduciary responsibility to ensure the silver  
8 existed. An auditor certified the silver monthly.

9 **WAREHOUSE RECEIPTS:**

10 **Verified First Technologies**, 1700 Commerce Way, Paso Robles,  
11 California 93446, is the company that created and  
12 manufactures the American Liberty Dollar (ALD) Warehouse  
13 Receipts which are the ALD version of paper currency. NORFED  
14 advertises the warehouse receipt as 100% backed by silver.  
15 Their contention is that the warehouse receipt represents the  
16 appropriate amount of silver stored at the Sunshine Mint  
17 dependent upon the face value denomination of the warehouse  
18 receipt. For example, at the \$20.00 base currency level, one  
19 \$20.00 Warehouse Receipt is backed by one troy ounce of  
20 silver. The part of the fraudulent scheme NORFED portrays  
21 the ALD currency as a barter system instead of currency.  
22 Therefore, the \$20.00 Warehouse receipt is circulated at a  
23 value of \$20.00 but the actual value of the silver is at the  
24 daily spot price, which is significantly lower than the face  
25 value. NORFED, the RCOs, Associates, and member merchants  
26 make money circulating the currency. The only parties in the  
27 process who deal with the ALD currency at face value are the  
28 unwitting victims left holding the ALD currency after all the  
co-conspirators have made their money.

The Sunshine Mint maintains \$50.00 base ALD coins and other  
precious metal holdings that back the Warehouse receipts in  
addition to the Mint's Safekeeping account. The holdings at  
the Sunshine Mint in all forms represent the circulated  
Warehouse Receipts and eDollars. Additionally, the silver  
used to back the Warehouse Receipts and eDollars is used to  
perpetuate the uttering and circulation of the ALD coins in  
violation of Title 18 USC Sections 486 and 489.

Review of Verified First Technologies website at [www.isp-vft.com](http://www.isp-vft.com) identified American Liberty Dollar Warehouse receipt  
depictions in a digital image on the company website  
homepage. The 'Contact Us' heading of the website provides  
the following information regarding International Security  
Products:

International Security Products, Inc./Headquarters  
1750 Commerce Way  
Paso Robles, CA 93446  
USA

The website also includes patent information which shows ISP  
holding patents under the name Verified First Technologies.



1 On website [www.amgraf.com/pages/news.html](http://www.amgraf.com/pages/news.html) Verified First  
Technologies, Inc. is described as:

2 About Verify First Technologies, Inc.

3 VFT provides advanced security solutions to 23 countries  
4 utilizing unique anti-copy and verification security  
5 technologies. VFT develops, licenses, and provides patented  
6 security technologies for both the brand product and document  
7 industries. VFT has been issued twelve U.S., Canada and  
8 European patents and has numerous patents pending for other  
9 anti-fraud technologies. VFT's Corporate Office is located  
in Paso Robles, California USA and the company has an  
additional sales & marketing office in Ithaca, New York USA.  
For additional information contact George Phillips at (805)  
238-2503, David Huckle at (607) 266-9839 or go to VFT's  
website at [www.verifyfirst.com](http://www.verifyfirst.com).

10 NORFED's account #7801142980, with **Integra Bank** shows three  
11 distributions to ProDocument Solutions for a total of  
approximately \$3,400.00.

12 [www.naspo.info](http://www.naspo.info) lists ProDocument Solutions, 90 West Poplar  
Ave., Porterville, CA, 93257, website:  
13 [www.prodocumentsolutions.com](http://www.prodocumentsolutions.com) and provided the following  
description:

14 "ProDocumentSolutions offers a wide range of unique  
15 patented technologies that provide both covert and overt  
16 protection for product fraud or diversion protection. We  
work closely with Verified First Technologies to provide the  
17 very best, cost effective solutions for our customers."

18 **DIGITAL LIBERTY DOLLARS (eDollars):**

19 The NORFED website at  
20 [www.libertydollar.org/elibertydollars/learn\\_more.html](http://www.libertydollar.org/elibertydollars/learn_more.html)  
describes the eDollars (in bold) as:

21 "Introduction to the Digital Liberty Dollar (eLD)

22 What is a digital currency? And what's the big deal about a  
23 digital Liberty Dollar?

24 A digital currency is any currency that uses an electronic  
25 system (telecommunication, wire or the Internet) to move  
26 money like the US dollar instead of the physical notes. A  
27 digital currency is simply money without paper. When you  
28 write a check, use a credit/debit card or send a bank wire,  
there are no "paper" dollars used, counted, or moved. You are  
simply directing a "unit of accounting," i.e. a "dollar"  
amount, to be moved from one account to another account,  
between banks or around the world. Just as checks,  
credit/debit cards, wires and EFTs don't move physical

1 dollars, the new, private silver based digital Liberty Dollar  
2 doesn't move the physical silver.

3 So when you go to www.eLibertyDollar.com and send some  
4 "digital Liberty Dollars," you are sending a message to the  
5 server to move some of your digital Liberty Dollars (eLD) to  
6 that person's account... even if they don't have an account!  
7 And to make sure nobody is misusing your account and that the  
8 correct person receives your money, every transaction is  
9 confirmed via email with an automatic message.

10 All this is a big deal for the Liberty Dollar because over  
11 98% of all transactions do not use notes. They use digital  
12 dollars. Just think of how many times you use a check or  
13 credit/debit card and you will begin to understand that the  
14 Liberty Dollar needed to be in digital form to be successful.  
15 Now America's inflation proof currency is available in  
16 digital, physical, and paper certificate form. Now you can  
17 use the Liberty Dollar as easy as the US dollar.

18 Capitalizing on the steady growth of America's second most  
19 popular currency the Liberty Dollar is now available to  
20 individuals and merchants who conduct business over the  
21 Internet and via e-mail. Simply put, you can email Liberty  
22 Dollars to anybody in the world and buy on the WorldWideWeb  
23 from any merchant who accepts Liberty Dollars.

24 Click [HERE](#) to open a free account in just two minutes.

25 Click [HERE](#) to become a Liberty Merchant today.

26 You can open a free Liberty Dollar account in a couple of  
27 minutes. To fund your account simply exchange US Dollars into  
28 Liberty Dollars dollar-for-dollar using a credit card, wire,  
money order or check. But why exchange dollar-for-dollar when  
you can get the Liberty Dollar at a discount and use it at a  
profit when you become a Liberty Associate!

Fees for using the digital Liberty Dollar are free for all  
transactions under \$20. And only 41 cents for any payment of  
\$20 or more, paid by the payee. For the cost of a postage  
stamp, you can now send silver backed Liberty Dollars  
anywhere in the world instantly and at a fraction of the cost  
of typical banking fees. All digital Liberty Dollars are 100%  
redeemable in .999 fine Silver Libertys, Silver Certificates  
or exchangeable into US dollar as specified.

"We created the digital Liberty Dollar to marry the strength  
of silver backed currency with the speed and convenience of  
the Internet," said Bernard von Nothaus, Monetary Architect  
of the Liberty Dollar. "This e-currency is absolutely unique;  
no other money offers 100% silver backing, paper  
certificates, physical redemption with one-ounce Silver  
Libertys, and digital convenience that rewards the people who  
use the currency with a profit. Our users have been asking

1 for a digital currency ever since we launched the Liberty  
2 Dollar in 1998. Now, we're proud to say that after extensive  
3 research and development, we built a system that works,  
4 technically and economically."

5 Click [HERE](#) to open a free account in just two minutes.

6 Click [HERE](#) to become a Liberty Merchant today.

7 The Liberty Dollar is distributed by Liberty Services through  
8 a network of Regional Currency Offices (RCO) and Liberty  
9 Associates who operate nationwide in all fifty states.  
10 Founded to address the growing concern of many Americans  
11 about the spiraling Federal debt, trade deficit, inflation,  
12 and their overall effect on the economic life of Americans,  
13 Liberty Services offers a simple inflation proof solution to  
14 the depreciating US Dollar. For more information, please  
15 visit [www.LibertyDollar.org](http://www.LibertyDollar.org) or call toll free: 888.LIB.DOLLAR  
16 or 888.421.6181 between 8:30 - 5:00 CST M-F."

17 WILLIAM KEVIN INNES:

18 William Kevin Innes is the Asheville, NC, Regional Currency  
19 Officer (RCO) for the Liberty Dollar organization and one of  
20 three members of the NORFED Executive Committee.

21 On 10/11/05, an Undercover Employee (UCE) of the FBI was  
22 introduced to Innes by a Cooperating Witness (CW) who was  
23 enrolled as a Liberty Dollar Associate (Associate). Innes  
24 explained to the UCE how to join NORFED as a Associate by  
25 purchasing the two-hundred and fifty dollar (\$250.00)  
Associate package. Innes advised the UCE that there were  
seventy (70) businesses in the Asheville area which took the  
Liberty Dollar.

On 10/20/05, while attending a Liberty Dollar University, von  
Nothaus and Innes told an UCE that the three largest  
communities using the Liberty Dollar were, Austin, TX;  
Berryville, AR; and Asheville, NC.

On 12/21/05, 08/08/06, 10/28/06, 11/11/06, and 03/28/07, an  
UCE and Innes exchanged money and or silver Liberty Dollar  
coins to facilitate the UCE's use of the currency.

On 10/27/06, while speaking at a Liberty Dollar University,  
Innes spoke about how to market the Liberty Dollar in  
communities, and in particular, how he marketed in Asheville,  
NC. Innes stated that there were eighty-five (85) to ninety  
(90) merchants in the Asheville, NC, area.

On 11/13/06, the [Citizentimes.com](http://Citizentimes.com) released a story entitled  
Liberty Dollars used in Asheville are not legal tender. The  
following are excerpts from the article:

Karen Griffin, owner of the Gourmet Perks

1 Restaurant in Asheville, started accepting payment  
2 in the dollars about a year ago as a way of  
3 promoting her business. She admitted, however, not  
4 many customers actually come in with them.

5 "It gets my name out there in a different market,"  
6 said Griffin, who has not used Liberty Dollars  
7 personally.

8 NORFED executive director Michael Johnson claims  
9 that more that \$20 million in Liberty medallions  
10 and paper certificates are in circulation. The  
11 head of the Evansville, Ind.-based non-profit,  
12 which promotes use of the alternative money, agrees  
13 it's against the law to use the Liberty Dollar if  
14 someone believes it is government money.

15 "The terms that they use are valid terms," Johnson  
16 said. "It just means that you can use the Liberty  
17 Dollar to purchase, to transact business between  
18 individuals who want to use it as private  
19 currency."

20 Kevin Innes is one of them. He's paid \$250 to  
21 become a Liberty Dollar "associate," which allows  
22 the music teacher to buy the private currency at a  
23 discounted price. He said he explains to  
24 businesses around town that the dollars are not  
25 official currency, and if they want to use them,  
26 they have to be willing to "accept it and actively  
27 give it as change."

28 "It hasn't been a part of people's consciousness to  
use another currency unless you're at the boarder  
of Canada or Mexico," said Innes, who leaves the  
coins as tips and uses them wherever he can in  
Asheville. "It builds a form of customer loyalty.  
It's like a community currency."

At Liberty Dollar University #7, held from 10/19/05 through  
10/22/05 and at Liberty Dollar University #11, held from  
10/25/06 through 10/28/06, Innes and von Nothaus were the  
primary instructors for the entirety of the training events.  
Innes primarily taught marketing techniques. Von Nothaus  
primarily taught the business profit margin methodology.

On 03/28/07, Innes met with two UCE's of the FBI. Innes  
discussed the philosophy behind using silver as currency.  
Innes cautioned an UCE regarding proper terminology,  
including not using the terms "coin" or "current money." He  
explained how merchants receive incentives for circulating  
Liberty Dollars through a business. These incentives  
included making money by handing the Liberty Dollars out as  
change, receiving free advertising on the Merchant Directory,  
and enticing repeat customers by the use of Liberty Dollars.

1 On 04/12/07, during a recorded session of Liberty Dollar  
2 University #13, von Nothaus stated that he and Innes were the  
instructors for the Liberty Dollar Universities.

3 **WILLIAM KEVIN INNES' RESIDENCE:**

4 On 8/28/07, a Lexis Nexis check of William Kevin Innes  
5 indicated his home address as 7 ½ Green Oak Road, Asheville,  
NC 28804.

6 On 8/8/06, following a PATRIOT NETWORK MEETING in Asheville,  
7 NC, William Kevin Innes requested that the UCE assist him in  
driving to his house because his car headlights were not  
8 working. Additionally, while at Innes' house in the vicinity  
of the Elk Mountain Road exit of Highway 19/23, Innes  
9 provided the UCE with seventeen (17) ounces of silver ALD  
coins which had been maintained inside Innes' home.

10 While inside Innes' home, Innes gave the UCE silver at a  
Liberty Dollar Associate rate of seventeen dollars and  
11 twenty-five cents (\$17.25). Seventeen (17) ounces were  
provided in denominations of twenty dollars (\$20.00 ALD) and  
12 ten dollars (\$10.00 ALD). Approximately six dollars and  
seventy-five cents (\$6.75) remained. The UCE told Innes to  
13 keep the six dollars and seventy-five cents (\$6.75) for the  
purchase of three DVD's that the UCE purchased that evening.  
14 The UCE provided check #1027 on or about 5/10/06 for this  
silver purchase and DVD payment.

15 Innes and the UCE explained to a prospective Associate how to  
16 sign up to become a Liberty Dollar Associate, and how to  
receive the incentive to sign other ASSOCIATES into the  
17 program at the residence on 08/08/06.

18 Innes stated that he added merchants to his Asheville list  
19 without speaking to the store owner because he was told while  
he was in the business that they would take the Liberty  
Dollar.

20 The Innes residence is described by an undercover employee  
21 (UCE) of the Federal Bureau of Investigation (FBI) as a  
single family residence located near the Elk Mountain Exit  
22 off the Highway 19/23. The UCE further described the  
residence by a driveway and parking section located on the  
23 side of the house with the front door located in the center  
of the home. The kitchen, living room, and bathroom are  
24 located on the ground floor. The UCE believed there may be  
another level of the home where Innes maintained reserve  
25 Liberty Dollars because Innes requested that the UCE remain  
on the entry level while he went to retrieve the Liberty  
26 Dollars that the UCE purchased on 08/08/06.

27 A drive by of the residence was conducted by the FBI on  
10/11/07. The residence is described as a white, single  
28 family dwelling with a gable roof, the second residence to

1 the left beyond a green mail box marked with the number 7 ½.

2 Innes has regularly received checks from NORFED sent to Post  
3 Office Box 441, Asheville, North Carolina 28802. The most  
4 recent identified check was dated 7/27/2007 for \$100.00  
5 signed by Sarah Bledsoe. The signature card for the Post  
6 Office Box shows Innes as the applicant and lists a former  
7 Liberty Dollar of Asheville business address of 20 Battery  
8 Park Avenue #410, Asheville, North Carolina 28801. Innes  
9 closed the business location and has worked out of his  
10 residence since prior to the Undercover Operation, in late  
11 2004 or early 2005.

12 Since closing the business location Innes has been known to  
13 use his residence as his business location. The UCE purchase  
14 of Liberty Dollar coins at the residence on 8/08/06 confirms  
15 that he uses his residence to market the currency. Credit  
16 searches identify the prior business location but do not show  
17 any other business locations since Innes operated out of the  
18 20 Battery Park Avenue #410, Asheville, North Carolina  
19 location.

20 On 11/04/2007, an Agent of the FBI attended a gun show at the  
21 Civic Center in Asheville, North Carolina. The Agent was  
22 told that he could purchase Liberty Dollars from Kevin Innes  
23 and that Innes was present at the Civic Center.

24 On 11/08/2007 a search of [www.libertydollar.org](http://www.libertydollar.org) under the  
25 Contact Us link, RCO search was conducted on zip code 28803.  
26 the website lists a contact for Kevin Innes, Liberty Dollar  
27 of Asheville at telephone number (828)275-5360.

28 Telephone number (828) 275-5360 is the telephone number  
related to William Kevin Innes through a Lexus Nexus credit  
report check. The report documents 7 ½ Green Oak Road as  
William Kevin Innes' current residence. The report  
associates the telephone number to the 7 ½ Green Oak Road  
address and Post Office Box 441.

The United States Postal Service (USPS) reported on  
11/08/2007 that Innes currently receives mail at the 7 ½  
Green Oak Road address.

[www.buncombetax.org](http://www.buncombetax.org) lists two properties located on the  
parcel with the physical address of 7 Green Oak Rd.,  
Asheville, NC 28804. The second building is located on the  
map in the position of the residence observed by the FBI.  
The online tax records indicate that the building in a single  
story conventional building with a gable roof.

On 11/08/2007, Agents of the FBI observed lights in the top  
story windows and the lower story rear window of the 7 ½  
Green Oak Road residence after dark, indicating that the  
residence is currently occupied.

1 Innes' business is ongoing and includes business records,  
2 training materials, marketing materials, shipping  
3 information, computers, and the Liberty Dollar currency.  
4 Innes carries those materials with him to visit member  
5 Merchants, Associates, and to market the Liberty Dollar  
6 currency to prospective members. Without a business  
7 location, any accounting, updating of websites, computer  
8 work, storage of all valuable currency, and email and  
9 telephone communications with NORFED are likely conducted  
10 from the residence.

11 **WILLIAM KEVIN INNES' VEHICLE:**

12 Innes' vehicle is described by an undercover employee (UCE)  
13 of the Federal Bureau of investigation (FBI) as an older  
14 model white Volvo. On 08/28/07, a Department of Motor  
15 Vehicles check indicated that Innes had a registered vehicle  
16 in the state of North Carolina, license plate number PTK3005,  
17 which is a 1992, white, four door, Volvo sedan, Vehicle  
18 Identification Number (VIN): YV1AS8810N1475377. The Volvo is  
19 registered to William Kevin Innes, date of birth 09/03/1955,  
20 Social Security Account Number 237-75-2798, home address 7 1/2  
21 Green Oak Road, Asheville, NC 28804. This address and  
22 vehicle were also verified by a 08/28/07 check for Innes on  
23 Lexis Nexis.

24 On numerous occasions Innes offered to deliver or delivered  
25 Liberty Dollars in his personal vehicle. On occasions when  
26 his vehicle required maintenance, Innes indicated that he  
27 used his wife's car for business. On 12/21/05 the UCE met  
28 with Innes in the parking lot of the TARGET store located on  
Airport Park Road, Arden, NC. Innes gave the UCE ten (10)  
twenty Liberty Dollar (\$20 ALD) pieces which he transported  
to that location in his car.

Innes transported Liberty Dollars, Liberty Dollar marketing  
material, and Liberty Dollar referral payments to numerous  
PATRIOT NETWORK meetings, including the meetings held on  
10/11/05, 11/08/05, 11/16/05, 12/13/05, 8/8/06, and 10/10/06.  
Additionally, the UCE witnessed Innes transporting Liberty  
Dollars and Liberty Dollar marketing material to several  
other meetings, including the Liberty Dollar University  
sessions on 10/19/05, 10/20/05, 10/21/05, 10/27/06 and  
10/28/06; the ATLANTA FREEDOM CONFERENCE from 11/11/05  
through 11/13/05; Liberty Dollar meetings on 11/09/06 and  
3/24/07; and several movie showings, including one at the  
French Broad Food Co-Op on 12/16/05.

**LEGALITY:**

NORFED has marketed the ALD currency as "perfectly legal" and  
uses quotes from inquiries to media representatives from  
various government entities to legitimize the scheme. To  
clarify the violations, particularly Title 18, U.S.C. Section  
486, the United States Attorney's Office, Western District of

1 North Carolina requested a legal analysis from the Department  
2 of Treasury of the Liberty Dollar as it relates to Title 18  
U.S.C. Sections 486.

3 Additionally, the United States Attorney's Office coordinated  
4 with the United States Mint. Based upon that coordination, a  
United States Mint media release was issued to put NORFED,  
5 NORFED members, and the general public on notice that  
6 prosecutors of the Department of Justice have reviewed the  
legality of the ALD currency and found that the coinage is in  
7 violation of Title 18 U.S.C. Section 486. The release was  
prepared and issued to clear up any erroneous statements  
8 issued by government entities. The media release received  
national media coverage in newspapers including USA Today,  
The Washington Post, and The Asheville Citizen Times.

9 To ensure that NORFED and NORFED members were sufficiently  
10 notified, the United States Mint sent letters to each NORFED  
RCO informing them that prosecutors with the Department of  
11 Justice had determined that utilizing the ALD coin as  
currency was a violation of federal law.

12 On 11/28/06, von Nothaus sent an email LIBERTY DOLLAR NEWS:  
November 2006 Vol. 8 No. 11, which contained twelve notes.  
13 The third note in the newsletter indicated,

14 "The bank action and Mike's departure is not all...  
15 "threatening" letters have been received via  
certified mail by all the RCOs and myself from  
Daniel P. Shaver, chief counsel for the US Mint.  
16 The "Treasury Letter" re-hashed the Mint's warning  
and informed all of us that the Department of  
17 Justice has determined that the Liberty Dollar is  
illegal as per 18 USC 486. Of course, that is  
18 grossly erroneous as 486 only pertains to passing  
or uttering an item of gold or silver as government  
19 "coin" "legal tender" or "current money." The  
Liberty Dollar has never been passed or uttered as  
20 government money and they should know that, hence  
the use of the propaganda machine to extinguish the  
21 Liberty Dollar. I think the government is afraid  
to take the Liberty Dollar to court because they  
22 know the law and know that they cannot get a  
conviction."

23 The text of the United States Mint Press Release is as  
24 follows:

25 **"The National Organization for the Repeal of the Federal**  
26 **Reserve Act and the Internal Revenue Code (NORFED) is**  
producing and marketing gold and silver medallions that  
27 **NORFED calls "Liberty Dollars." The United States Mint and**  
the United States Department of Justice have received  
28 **inquiries regarding the legality of these so-called "Liberty**  
**Dollar" medallions. The United States Mint urges consumers**



1 who are considering the purchase or use of these items to be  
2 aware that they are not genuine United States Mint bullion  
3 coins and they are not legal tender. These medallions are  
4 privately produced products and are not backed by, nor  
5 affiliated in any way with, the United States Government.  
6 Moreover, prosecutors with the Department of Justice have  
7 determined that the use of these gold and silver NORFED  
8 "Liberty Dollar" medallions as circulating money is a Federal  
9 crime.

10 Consumers may find advertisements for these medallions  
11 confusing and should take note of several issues related to  
12 them.

13 First, the advertisements refer to the product as "real  
14 money" and "currency." These medallions might look like real  
15 money because they—

- 16 • Bear the inscriptions, "Liberty," "Dollars," "Trust in  
17 God" (similar to "In God We Trust"), and "USA" (similar  
18 to "United States of America"), and an inscription  
19 purporting to denote the year of production; and
- 20 • Depict images that are similar to United States coins,  
21 such as the torch on the reverses of the current dime  
22 coin, 1986 Statute of Liberty commemorative silver  
23 dollar and 1993 Bill of Rights commemorative half-  
24 dollar, and the Liberty Head designs on the obverses of  
25 United States gold coins from the mid-1800s to the early  
26 1900s.

27 However, despite their misleading appearance, NORFED "Liberty  
28 Dollar" medallions are not genuine United States Mint coins  
and they are not legal tender.

Second, the advertisements confusingly refer to NORFED  
"Liberty Dollar" medallions as "legal" and "constitutional."  
However, under the Constitution (Article I, section 8,  
clause 5), Congress has the exclusive power to coin money of  
the United States and to regulate its value. By statute (31  
U.S.C. § 5112(a)), Congress specifies the coins that the  
Secretary of the Treasury is authorized to mint and issue and  
requires the Secretary to carry out these duties at the  
United States Mint (31 U.S.C. § 5131). Accordingly, the  
United States Mint is the only entity in the United States  
with the lawful authority to mint and issue legal tender  
United States coins.

Under 18 U.S.C. § 486, it is a Federal crime to utter or  
pass, or attempt to utter or pass, any coins of gold or  
silver intended for use as current money except as authorized  
by law. According to the NORFED website, "Liberty merchants"  
are encouraged to accept NORFED "Liberty Dollar" medallions  
and offer them as change in sales transactions of merchandise  
or services. Further, NORFED tells "Liberty associates" that

1 they can earn money by obtaining NORFED "Liberty Dollar"  
2 medallions at a discount and then can "spend [them] into  
3 circulation." Therefore, NORFED's "Liberty Dollar"  
4 medallions are specifically intended to be used as current  
5 money in order to limit reliance on, and to compete with the  
6 circulating coinage of the United States. Consequently,  
7 prosecutors with the United States Department of Justice have  
8 concluded that the use of NORFED's "Liberty Dollar"  
9 medallions violates 18 U.S.C. § 486."

6 NORFED continued to operate the American Liberty Dollar  
7 currency after the United States Mint notifications and  
8 continues to portray and market the currency as legal. On  
9 10/28/06, soon after the United States Mint warning, an  
10 undercover employee (UCE) of the Federal Bureau of  
11 Investigation (FBI) purchased a t-shirt at a Liberty Dollar  
12 University (LDU) with the caption "The US Mint can bite me."

10 Additionally, Bernard von Nothaus started a "Legal Defense  
11 Fund" based upon the US Mint warning and filed a civil  
12 lawsuit in Federal District Court in the District of Indiana  
13 against the United States Treasury, the United States Mint,  
14 and the Department of Justice. The lawsuit seeks an  
15 injunction against these government entities from making  
16 statements that the Liberty Dollar violates federal law.

14 ACCOUNTING FIRMS:

15 Monthly and annual audits of NORFED's silver holdings used to  
16 mint the Liberty Dollar are posted on their website,  
17 [www.libertydollar.org](http://www.libertydollar.org) beginning in October 1998. Beginning  
18 in October 1998 the auditing firm was **CLARK, ANDERSON,**  
19 **MCNELIS & CO., Certified Public Accountants**, 460 West  
20 Canfield Avenue, Suite 100, Coeur d'Alene, ID 83815,  
21 telephone 208-772-6460, facsimile 208-772-8272.

19 On 06/28/07, Von Nothaus sent an email Liberty Dollar NEWS:  
20 June 2007 Vol. 9 No. 6, which contained twelve notes. The  
21 ninth note in the newsletter indicated,

21 "...But we have had a problem with the audits. In  
22 fact, I regret to report that no audits were  
23 performed from September 2006 through January 2007.

24 I am embarrassed to report that the original  
25 auditor abandoned ship without informing us, in  
26 spite of a signed contract. As I explain in the  
27 letter posted on our site, for these missing  
28 months, we tried repeatedly to get the Audit  
Reports, then it took months to find a new Auditor  
and finally to get the audit program back on track.

28 I am very pleased to report that because we started

1 with a new auditor, it was necessary to review all  
2 the pervious audit reports, and ascertain that all  
3 facts and figures are correct. And they are.  
4 There is no missing information for any month."

5 According von Nothaus, no auditing procedures were  
6 conducted from September 2006 through January 2007. The  
7 auditing firm which confirmed the organization's silver  
8 holdings during that time and the auditing firm which has  
9 conducted monthly audits since January, 2007, was **ANDERSON**  
10 **BROTHERS CPA's, PA**, 1810 E. Schneidmiller Avenue, Ste 310,  
11 Post Falls, ID 83854, telephone 208-777-1099, facsimile 208-  
12 773-5108.

13 The 2006 annual audit posted on the Liberty Dollar  
14 website was signed by Tom Power, representing the Sunshine  
15 Minting, Inc.; Dana Robson, CPA for CLARK, ANDERSON, MCNELIS  
16 & CO.; Bernard von Nothaus, for NORFED, Inc.; and Alfredo  
17 Pacheco, RCO, Witness. Previous annual audits posted were  
18 generally signed by Tom Power, a representative of CLARK,  
19 ANDERSON, MCNELIS & CO.; Bernard von Nothaus, and a witness,  
20 not necessarily a Regional Currency Officer.

21 **COMPUTERS:**

22 NORFED's website at [www.libertydollar.org](http://www.libertydollar.org) is utilized to  
23 market, sell, and provide information on how to circulate the  
24 currency.

25 NORFED issues a news letter, operates a section of the  
26 website to sell American Liberty Dollar coins, warehouse  
27 receipts, and eDollars online, and manages the digital  
28 edollar currency accounts online. Von Nothaus and NORFED  
encouraged the RCO's to share ideas on the "RCO Only Chat  
Room" online. RCO's also download art work, templates for  
marketing material, and NORFED approved correspondence from  
the website.

An Undercover Employee (UCE) of the Federal Bureau of  
Investigation (FBI) who joined NORFED as a Liberty Dollar  
Associate obtained a password access to an edollar account  
associated with membership. The UCE was able to access the  
account and cash out of the account online.

Two Undercover employees (UCE) of the Federal Bureau of  
Investigation attended the Liberty Dollar University in  
Evansville, Indiana in April of 2007. The UCEs provided a  
description of the NORFED Fulfillment Office located at 225  
North Stockwell Road, Evansville, Indiana 47715. The UCEs  
observed at least six computers in the main office area and  
one computer in Sarah Bledsoe's office. Bledsoe's office  
also contains two safes. Sarah Bledsoe is the manager of the  
Fulfillment Office.

Based upon the affiant's knowledge, training, and experience,

1 I know that searches and seizures of evidence from computers  
2 commonly require Agents to seize most or all computer items  
3 to include hardware, software, and instructions, to be  
4 processed later by a qualified computer expert in a  
5 laboratory or other controlled environment. This is almost  
6 always true because computer storage devices (like hard  
7 disks, diskettes, tapes, laser disks, Bernoulli drives, zip  
8 drives, Personal Digital Assistants(PDA), USB drives, and  
9 others) can store the equivalent of thousands of pages of  
10 information. When the user wants to conceal criminal  
11 evidence, he often stores it in random order with deceptive  
12 file names. This requires searching authorities to examine  
13 all the stored data to determine whether it is included in  
14 the warrant. This sorting process can take weeks or months,  
15 depending on the volume of data sorted. It would be  
16 impractical to attempt this kind of data search on site.  
17 Additionally, searching computer systems for criminal  
18 evidence is a highly technical process requiring expert skill  
19 and a properly controlled environment. The vast array of  
20 computer hardware and software available requires even  
21 computer experts to specialize in some systems and  
22 applications, so it is difficult to know before a search  
23 which expert should analyze the system and its data. The  
24 search of a computer system is an exacting scientific  
25 procedure which is designed to protect the integrity of the  
26 evidence and to recover even "hidden", erased, compressed,  
27 password-protected, or encrypted files. Since computer  
28 evidence is extremely vulnerable to tampering and destruction  
both from external sources and from destructive codes  
imbedded in the system as a "booby trap", the controlled  
environment of a laboratory is essential to its complete and  
accurate analysis.

18 **CONCLUSION:**

19 NORFED has continued to operate the American Liberty Dollar  
20 (ALD) after notification by the United States Mint and the  
21 Department of Justice have reviewed the legal issues and have  
22 found that the ALD currency violated federal law.

23 Bernard von Nothaus started a "Legal Defense Fund" based upon  
24 the US Mint warning and filed a civil lawsuit in Federal  
25 District Court in the District of Indiana against the United  
26 States Treasury, the United States Mint, and the Department  
27 of Justice.

28 NORFED uses Federal Reserve Notes (FRN) to conduct business.  
FRN's are used to buy Liberty Dollar currency. This reliance  
upon FRN's by a group opposed to FRN's demonstrates that the  
American Liberty Dollar monetary system is simply a drain on  
the United States Government's monetary system for financial  
profit via fraudulent means.

The fact that NORFED and von Nothaus continue with the

1 criminal activity after clear warning from the United States  
2 government demonstrates that the Liberty Dollar monetary  
3 system is knowingly engaged in violating Title 18 United  
4 States Code (U.S.C.) Sections 486 and 489.

5 On the basis of the above described facts, I respectfully  
6 submit that there is probable cause to believe that Bernard  
7 von Nothaus, William Kevin Innes, Sarah Bledsoe, NORFED,  
8 Liberty Services, Inc., The Liberty Dollar, The Hawaii Dala,  
9 Regional Currency Officers, Liberty Dollar Associates, and  
10 participating Merchants have conspired to create, market,  
11 utter, pass, sell, and circulate The American Liberty Dollar  
12 currency in the form of coins, warehouse receipts, and  
13 eDollars in violation of Title 18 United States Code, Section  
14 489, making or possessing likeness of coins, Title 18 United  
15 States Code, Section 486, Uttering coins of gold, silver or  
16 other metal, Title 18 United States Code, Section 1341, Mail  
17 Fraud, Title 18 United States Code, Section 1343, Wire Fraud  
18 and Title 18 United States Code, Sections 1956 and 1957,  
19 Money Laundering. It is also believed that Bernard von  
20 Nothaus, Sarah Bledsoe, William Kevin Innes and others  
21 engaged in Conspiracy to further the described criminal  
22 enterprise in violation of Title 18 United States Code,  
23 Section 371.

#### 24 **JURISDICTION TO ISSUE OUT-OF-DISTRICT WARRANT**


25 Section 981(b)(3) of Title 18, United States Code, as amended  
26 by CAFRA, now explicitly provides jurisdiction for the  
27 issuance of seizure warrants for property located in other  
28 districts. This statute provides as follows:

Notwithstanding the provisions of rule 41(a) of the Federal  
Rules of Criminal Procedure, a seizure warrant may be issued  
pursuant to this subsection by a judicial officer in any  
district in which a forfeiture action against the property  
may be filed under section 1355(b) of title 28, and may be  
executed in any district in which the property is found.


Issuance of the seizure warrant in this district is  
appropriate under the above statute, as this is the district  
"in which...the acts or omissions giving rise to the  
forfeiture occurred," 28 U.S.C. Section 1355 (b)(1)(A). As  
provided in 18 U.S.C. Section 981(b)(3), the warrant may be  
"executed in any district in which the property is found."

I therefore respectfully request that the Court issue a  
Seizure Warrant for American Liberty Dollar and Hawaii Dala  
currency; precious metals of gold, silver, copper, platinum,  
or other substance; and United States currency which was  
utilized in furtherance of the criminal activity described  
herein and also represents proceeds of the criminal activity.

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Andrew F. Romagnuolo  
Special Agent  
Federal Bureau of Investigation  
Asheville, North Carolina

Subscribed and sworn to before me this 9<sup>th</sup> day of November,  
2007.

  
Dennis L. Howell  
U.S. Magistrate Judge