

# *One more silver dollar*

## *Asheville in the spotlight in Liberty Dollar raid*

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By, David Forbes

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In a Nov. 14 raid in Evansville, Ind., FBI agents seized gold, silver, platinum and other materials used to manufacture the Liberty Dollar, a private currency produced by Liberty Services and marketed through a series of regional offices.

But it was an extensive investigation of the Asheville office by undercover federal agents that resulted in the Nov. 9 seizure warrant authorizing the raid on the company's headquarters.

According to an affidavit obtained by *Xpress*, Liberty Services is a "multilevel-marketing scheme" that intentionally makes its products resemble U.S. currency and also engages in mail and wire fraud. The company maintains that it's completely within its rights to make and use Liberty Dollars, because it doesn't claim that they're legal tender.



Among others, the affidavit names **William Kevin Innes**, the regional currency officer for Liberty Services in Asheville and a major target of the investigation. A cooperating witness and three undercover FBI agents joined the organization in Asheville, which the affidavit identifies as one of the top three distribution areas in the country for Liberty Dollars (the others are Austin, Texas, and Berryville, Ark.). More than 70 Asheville-area businesses have agreed to accept the Liberty Dollar, the affidavit states.

Innes dismisses the FBI's charges as baseless. "They're trying to use whatever they can to smear us," he says. "Come on—an FBI agent in little old Asheville suddenly decides that this is criminal activity and calls for a raid in Indiana? Why don't they just put out a statement saying this is illegal or send out cease-and-desist orders? This is very heavy-handed."

Meanwhile, the legal situation remains murky, with various government agencies sending mixed messages. Some have issued warnings; other agency spokespersons have stated that merchants are free to accept the products if they choose to, as long as they aren't passed off as legal tender. A civil suit filed by Liberty Services last year in Evansville asks a judge to determine the product's legal status once and for all. The suit has yet to be decided—though, as Innes is quick to note, it hasn't been dismissed outright either.

Private local currencies are not unheard of—in specific areas of the country, or in resorts, for example—and they generally face no legal challenges. But the Liberty Dollar is different in that it's backed by precious metals and has a presence nationwide.

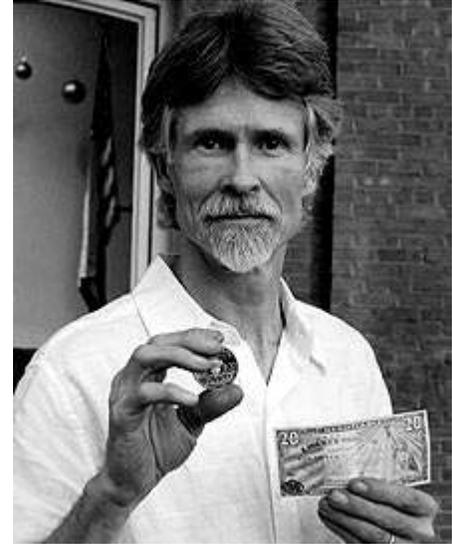
At press time, the Asheville office had not been raided and Innes hadn't been charged with anything. But the private mint in Coeur d'Alene, Idaho, that produces the coins was raided the same day as the Indiana headquarters.

### **“Polite and peaceful”**

“We've received a lot of calls about this,” notes **Suellen Pierce**, a spokesperson for the U.S. attorney's office in Charlotte. “We have nothing open and available at this time, and I'm not authorized to speak on the matter. We can't comment.”

Innes, meanwhile, emphasizes that the company is careful not to call Liberty Dollars “coins” (which would imply that they are legal, government-backed money) and that when the Asheville operation started up, he went to the police himself, seeking assurances that it would be lawful.

“If we're criminals, why were we going to the police and being out in the open?” he asks. Innes also says the company's reaction to the Indiana raid was “polite and peaceful. They just came in and got what they were after. We're just peacefully exercising our rights here.”



**What'll it cost him?:** William Kevin Innes, the regional officer for Liberty Dollars, says the government has no right to crack down on the alternative currency. Photo By Jonathan Welch

Founded in 1998 by self-described “monetary architect” **Bernard von NotHaus**, Liberty Services mints and distributes the Liberty Dollar in various denominations. Innes and other regional currency officers are in charge of distribution, recruiting associates to distribute the product and persuade local merchants to accept it. At each level, participants can buy Liberty Dollars at a discount.

A Liberty Dollar with a face value of \$20 contains one troy ounce of silver. There are also gold and copper varieties (with face values of \$1,000 and \$1, respectively) and “warehouse receipts”—paper certificates good for a specified quantity of the product.

Since distribution is handled locally, there's no solid estimate of how many businesses recognize the private currency. Innes says he doesn't even have a clear idea of how many Western North Carolina firms accept Liberty Dollars. “I'm finding more places that accept it all the time—ones I hadn't even heard about,” he notes.

According to the affidavit, the total face value of the Liberty Dollars in circulation is about \$21 million.

### **A fraudulent operation?**

The FBI accuses Liberty Services of several violations of the law: producing a product that's easily mistakable for federal currency, distributing gold and silver as an alternate currency, and mail and wire fraud. Although the product's distributors say it's “100 percent backed” by gold

and silver, the amount of silver in a \$20 Liberty Dollar is currently worth about \$15.34, the affidavit notes.

“The only parties in the process who deal with the [Liberty Dollar] at face value are the unwitting victims left holding the ... currency after all the co-conspirators have made their money,” the 38-page document asserts. It also details \$100 referral fees paid to Liberty Dollar associates who recruited others.

Yet another issue is the transfer of substantial amounts of U.S. currency between bank accounts. Because the company conducts its own business using Federal Reserve notes, the affidavit concludes, the operation is fraudulent.

“This reliance upon [Federal Reserve notes] by a group opposed to [them] 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.”

Innes, however, says these accusations are flat-out wrong. “We’re not commodities traders in silver; we’re selling a product made with it, so there is a value added,” he explains. “It’s like coffee. At a store the price will remain relatively the same, only moving once in a while, even though the market price of coffee changes day to day. As the price of gold and silver have gone up, we issue Liberty Dollars at another denomination.”

Liberty Dollars were originally issued in 1998 with a face value of \$10. In 2005, due to the rising price of silver, the face value was raised to \$20. Because the product contains silver or gold, says Innes, “It will always have some value, while Federal Reserve currency is just paper. If someone has an old Liberty Dollar, we’ll be happy to issue them a new one at the higher value for a small reminting fee.” People holding paper certificates can swap them for the newer ones at no cost, he notes.

As for the matter of using U.S. currency to conduct company business, “We use that because it’s what commodity traders and a lot of the people we have to interact with accept,” Innes explains.

He also notes that in his years dealing with Liberty Dollars, “I’ve never had anyone say they thought it was federal currency.”

### **Don’t get me wrong**

A 2006 press release from the U.S. Mint called using Liberty Dollars in place of standard currency a crime. And soon after, the affidavit states, undercover investigators reported having bought a “The U.S. Mint Can Bite Me” shirt at a Liberty Dollar event, citing it as evidence that Liberty Services’ intent is to undermine the U.S. monetary system.

Shortly after the Mint issued its warning, the affidavit notes, the company changed its official name from the National Organization for the Repeal of the Federal Reserve and Internal Revenue Codes to Liberty Services.

And that same year, the *Naples (Fla.) Daily News* quoted **Claudia Dickens** of the U.S. Treasury Department’s Bureau of Engraving and Printing as follows: “If a merchant wants to

accept Liberty Dollars, that is their right, as long as the person doesn't claim it is the legal tender of the land."

Liberty Services then issued a press release stating that its product isn't legal tender. Innes, meanwhile, says he's confident the company will win out. "We've done nothing wrong here, and we've been public about this since day one."