Todd-Ellis; Swanson
Certified Public Accountant

October 18,2002

a copy

Reinhold L. and Charlene F. Schwartz 110288 County Road 33 Minatare,NE 69356

Dear Reinhold and Charlene:

This letter is in response to your recent inquiry requesting I determine the money trail concerning the alleged loans from VALLEY BANK AND TRUST CO. *{hereinafter "Valley")* to yourselves, REINHOLD L. and CHARLENE F. SCHWARTZ *{hereinafter ' "Schwartzs"),* according to Generally Accepted Accounting Principles (GAAP). Before I respond, I would like to give you my professional background. I am a graduate of the University of North Carolina at Asheville. I graduated Magna Cum Laude with a B.S. in Financial Accounting. I am licensed in both North Carolina (License # 23573) and South Carolina (License # 04808) as a Certified Public Accountant. I have been in the accounting industry for eight years, and I have been licensed for six years. I have spent most of my career in the public accounting field. Additionally, I spent approximately a year and a half working for Insignia Financial Group, one of the nations largest multifamily property management groups in their Partnership Accounting office. Currently, I provide private non-negotiable consultation on individual and business taxation and other accounting matters. I have enclosed a resume for your review.

This is the presumption I am making in this report. GAAP has a principle, called the Matching Principle. The principle works like this. If a bank accepts cash, checks, negotiable instruments, promissory notes, etc... from a customer and deposits or records the instruments as an asset, there is an offsetting liability that matches the asset they accepted from the customer. The liability shows they owe 4he customer the money they accepted from the customer. From the Federal Reserve Banks own publications, I conclude that two loans were exchanged according to the bookkeeping entries. This report is not a theory. Title 12 of the United States Code, section 183 In (a) requires all Federally-insured (FDIC) banks to follow GAAP. I am not saying banks and/or bankers are stealing, counterfeiting or swindling, only that the economics are similar. Anywhere the term *equal protection* is used in this report it is used in an economic sense to better illustrate the economics of Generally Accepted Accounting Principles (GAAP). The following is based on my understanding of your current situation as you have presented it to me.

I believe that Valley claims the Schwartzs signed three promissory notes owing Valley a total of $375,407 and that Valley lent the Schwartzs $375,407 of which the Schwartzs must repay the alleged loans. I believe the forms, the alleged loan agreements, claim that Valley lent the Schwartzs $375,407 but the substance of the alleged loans, me bookkeeping entries or Generally Accepted Accounting Principles (GAAP), show that the opposite occurred of what the forms say. What actually happened as proven by GAAP and the bookkeeping entries is opposite of what is written in the alleged loan agreements. According to the bookkeeping entries, GAAP, the Schwartzs provided the money, money equivalent, capital, funds or thing of value, *{hereinafter "money")* to fund what Valley claims is the money lent to the Schwartzs. It appears Valley substantially changed the form and substance of the alleged loans, thereby changing the cost and risk of the alleged loans, creating economics similar to stealing, counterfeiting and swindling.

BACKGROUND INFORMATION: Money is not limited to just cash. Money is anything that has value and banks or people accept as money and money does not have to be issued by the government per Federal Reserve Bank of New York publication *I bet you thought...* by David H. Friedman Fourth Edition 1984. Page 9 explains that cash and checkbook money have equal value. Page 27 explains that the banks create new money by depositing lOU's, promissory notes, offset by a bank liability called a checking account balance. Page 5 says, "Money doesn't have to be intrinsically valuable, be issued by a government or be in any special form...". Federal Reserve Bank of Chicago publication *Modem Money Mechanics* by Anne Marie L. Gonczy, revised June 1992, shows standard bookkeeping entries from pages 7 to 33 proving that money is recorded as a bank asset and a bank liability is evidence of money a bank owes. The bookkeeping entries prove that banks accept cash, checks, drafts and promissory notes as money deposited to create checkbook money, which are bank liabilities, which show that the bank owes money to the one who deposited money at the bank.

Cash is money and promissory notes are money when banks deposit promissory notes like depositing cash. Federal Reserve Bank of Dallas publication *Money and Banking* page 11 explains that when banks grant loans, they create new money. The new money, new "loan becomes a new deposit, just like a paycheck does," *Modern Money Mechanics* page 6 says, **"What they do when they make loans is to accept promissory notes in exchange for credits to the borrowers' transaction accounts"** (emphasis added). Then the next sentence explains that the bank assets and liabilities increase by the amount of the alleged loan.

Federal Reserve Bank of Chicago publication *Two Faces of Debt* by Anne Marie L. Gonczy and Timothy P. Schilling, revised September 1992, discusses how deposit liabilities arise. Page 19 says, "Again, checkable deposits in commercial banks and savings institutions are debts—liabilities of these depository institutions to their depositors.... How do these deposit liabilities arise? For an individual institution, they arise typically when a depositor brings in currency or checks drawn on other institutions. The depositor's balance rises, but the currency he or she holds or the deposits someone else holds are reduced a corresponding amount. The public's total money supply is not changed. But a depositor's balance also rises when the depository institution extends credit—either by granting a loan to or buying securities from the depositor, m exchange for the note or security, the lending or investing institution credits the depositor's account or gives a check that can be deposited at yet another depository institution. In this case, **no one else loses a deposit** (emphasis added). The total of currency and checkable deposits—

the money supply—is increased. New **money has been brought into existence by expansion of depository institution credit"** (emphasis added).

Federal Reserve Bank of Chicago publication *ABCs of Figuring Interest* by Anne Made L. Gonczy, November 1999, page 2 explains that by depositing money in a savings account, an individual makes a loan to the bank. Federal Reserve Bank of Chicago publication *Public Debt: Private Asset* by Keith Feiler, revised by Tim Schilling, January 1999, page 2 explains, "The bank owes us the money that is in our account." Now I will summarize what I believe the Federal Reserve Bank publications just said and say it in everyday language. Valley accepted the Schwartzs' promissory notes as money and deposited the money/promissory notes into a checking account with the Schwartzs' name on the checking account. This means that Valley recorded the promissory notes as a loan **from** the Schwartzs, to Valley and Valley became the borrower. Valley never lent one penny to purchase the promissory notes. When Valley deposited the Schwartzs' $375,407 promissory notes into a checking account. Valley created $375,407 of new money. Valley received $375,407 of money from the Schwartzs, and GAAP requires that Valley record a liability account, crediting the Schwartzs' checking account, showing that Valley owes $375,407 of money to the Schwartzs just as if the Schwartzs were to deposit cash or a payroll check into their checking account. Valley withdrew the $375,407 of money from the Schwartzs' checking account and returned the money to the Schwartzs that the Schwartzs earlier deposited.

I believe Valley received the Schwartzs' promissory notes, the alleged loan agreements, for free which is like stealing and used the promissory notes as new money when Valley deposited the Schwartzs' promissory notes as money creating $375,407 of new money which is similar to counterfeiting and returned the $375,407 Valley just took from the Schwartzs to the Schwartzs claiming that Valley lent the Schwartzs, Valley's money. This is similar to stealing money from the Schwartzs and returning the value of the stolen money to the Schwartzs as a loan, which is similar to swindling.

It appears Valley refused to lend the Schwartzs, Valley's money and recorded a $375,407 loan from the Schwartzs to Valley, which is a $375,407 deposit, and when Valley repaid the Schwartzs by returning the $375,407 to the Schwartzs, the lenders/alleged borrowers were repaid the loan and the transaction was complete. I believe Valley is concealing the substance of the transaction, the bookkeeping entries, proving that the Schwartzs were the lenders and Valley was the borrower and Valley is trying to use the forms, the promissory notes, to convince the Schwartzs that the opposite occurred and that the Schwartzs were the borrowers and not the lenders.

If Valley claims that we are wrong, then I believe Valley is claiming that it did not follow GAAP and that any CPA audit claiming that GAAP was followed is a fraud and that means that any CPA audit must be reissued claiming that GAAP was not followed and mat the SEC must be informed of a fraud to the stockholders.

Clearly Valley changed the cost and risk of the alleged loans by making the Schwartzs the depositors and lenders to Valley and making the alleged lender the borrower. The economics of the alleged loans are similar to stealing, counterfeiting and swindling. To understand the significance one must understand the difference between money and wealth. If one could counterfeit or steal money, one would have money to buy the world. That is why thieves, counterfeiters and swindlers are put in jail. If they were not stopped, they would own everything. Money buys things. Wealth is anything you can sell. You can sell cars, gold, silver and real estate. Employees work 40 hours a week selling their time for a payroll check. Yes, labor produces wealth such as gas for your car, food to eat, homes and cars. Counterfeiters understand that if everyone stayed home and stopped working and counterfeited, everyone would have a household full of counterfeit money to buy things but no one would be working to produce the gas, food, clothes or homes to buy. If everyone stopped working and counterfeited money, there would be no gas for your car and no food to eat. The thief and counterfeiter needs people working to produce wealth so that the counterfeiter, thief and swindler can get the producers' wealth for free. The bank gets your money for free, creates new money and returns the money they just got from you as a loan. Now you must work for the alleged lender for free or they get your home or car for free in a foreclosure. The alleged lender gets your money for free and gets your wealth for free denying you the most basic American right of equal protection.

Equal protection means that there are not two classes of citizens. One class that can steal, counterfeit and swindle the wealth of the second class of citizens. I believe that if the American voters understood the truth of what this particular bank concealed, the voters would vote to change the laws to prohibit the economics similar to stealing, counterfeiting and swindling.

I believe Valley is using the promissory notes to claim that they lent money to the Schwartzs but the substance, the bookkeeping entries or GAAP, show that the opposite occurred. I believe Valley breached the alleged loan agreements by concealing material facts and by doing the opposite of what they claimed that they had done. I believe Valley wrote the alleged agreements and was the one executing the bookkeeping entries.

If one counterfeited money and lent it to an alleged borrower, the counterfeiter committed an illegal act and cannot use any court to collect from the alleged borrower. IfBamey stole $1,000 from Boyce and returned the stolen $1,000 to Boyce as a loan, Bamey cannot use the courts to force Boyce to repay the alleged loan. Bamey never fulfilled the agreement to loan Boyce any ofBamey's money. Stealing is illegal. The counterfeiter and Bamey can say that Boyce signed a promissory note agreeing to repay a loan, but Bamey breached the agreement and never lent one cent of legal consideration to Boyce. The promissory note Boyce signed is not evidence mat Bamey, the alleged lender, fulfilled that agreement and performed as the alleged lender advertised. Only the bookkeeping entries will prove who ' lent what to whom and the bookkeeping entries show that the opposite occurred. Boyce was the lender and Bamey, the alleged lender, was the borrower.

According to GAAP, when the promissory notes were deposited. Valley must use a GAAP principle called *Matching* by matching a new asset, deposit of the promissory notes, with a new bank liability showing that Valley owes the Schwartzs $375,407 for the $375,407 promissory notes that Valley deposited. The bank liability shows that the Schwartzs were the lenders to Valley and Valley was the borrower and when the money was returned to the Schwartzs the loans were repaid and that Valley, borrower, no longer owes the Schwartzs the money. When me loans were repaid, I believe Valley falsely claimed that the money returned to the Schwartzs were loans from Valley to the Schwartzs, which created the economics similar to stealing, counterfeiting and swindling.

GAAP can be easily explained by casino tokens. If you deposit $100 of cash at a casino, the casino exchanges the cash for 100 tokens. The tokens are identical to crediting your checking account. The credit to your checking account and the tokens represent an IOU (liability owing you money) that the casino or bank owes you money. The casino or bank merely acted as a moneychanger, exchanging one kind of money - cash - for another kind of money of equal value called a token or checkbook money. If a casino claims it makes loans and has you sign a promissory note for $100, the casino or bank can use the promissory note like money because they can sell it for cash. The casino prints 100 new tokens like a counterfeiter and uses the value of the promissory note to give value to the 100 tokens. The tokens or bank checkbook money is worthless without something like cash or a promissory note that can be sold for cash to give value to the token. If a casino used your $100 promissory-note that can be sold for $100 cash and printed up 100 new tokens and exchanged the cash or promissory note for the tokens, the casino merely acted like a moneychanger who created money based on the money the moneychanger received from you. The moneychanger never lent one cent of value to obtain your promissory note. The price of exchanging equal value of money for equal value is like charging you as if there were a loan and paying 100 percent of the money plus interest. The moneychanger received the promissory note for free, which is similar to stealing and created new money, which is similar to counterfeiting and returned the value of the stolen money as a loan making it similar to swindling. GAAP stops the economics similar to stealing, counterfeiting and swindling. GAAP claims that when the moneychanger exchanged equal value of money, that the alleged lender, never lent one cent to purchase the Schwartzs' promissory note. GAAP says that when Valley /casino returns the $100 it owes Joe Gambler from the money earlier accepted as a deposit from Joe Gambler, that the loan from Joe Gambler to Valley /casino is paid. GAAP does not show that the money returned to Joe Gambler is a loan to Joe Gambler or GAAP does show two loans were exchanged. A loan from Joe Gambler was made to Valley /casino and the money was repaid to Joe Gambler. GAAP says if Joe Gambler lends Mike $100 and Mike repays the loan by returning $100 to Joe Gambler, the loan is repaid. GAAP says Mike lent nothing to Joe Gambler. It appears Valley would claim Mike lent Joe Gambler $100 and no money was lent to Mike.

Let me try and explain how the alleged loans should work by using a simple example that anyone with any bookkeeping experience or any principles accounting course would understand. In this particular example there are no economics similar to stealing, counterfeiting and swindling; both parties have equal protection. You go to your neighbor, John, and ask if you may borrow $5,000. John agrees with the following stipulations: 1, You must sign a promissory note agreeing to repay the $5,000 plus 10% interest over the next 2 years; 2. The promissory note must be secured by the title to your car. John has worked to earn $5,000 cash. John gives the $5,000 of cash to the Schwartzs. The Schwartzs then work to earn $5,000 of cash plus interest and return it to John to repay the debt. At no time does a financial institution record the promissory note as an asset. No new money is created. The bookkeeping entries at the bank are simple. Money is shown coming out of John's bank account and being placed into the Schwartzs' bank account. The repayment of the loan shows money being transferred from the Schwartzs' bank account to John's bank account.

Now let's compare the same situation as above, but instead of going to John for the loan, you go to Valley. Now let's look at the journal entry that I believe Valley will record. Debit (increase) to *Loans/ Notes Receivable/Promissory Notes/Loan Account* (an asset account) for $5,000 and credit (increase) to *Borrower Deposits/Borrower's Transaction Account* (a liability account) for $5,000. Notice in this case that *Loans/Notes Receivable/Promissory Notes/Loan Account* is an asset account and *Borrower Deposits/Borrower's Transaction Account* is a liability account. Both accounts increased. Total assets and total liabilities have both increased. This is not logical. I believe Valley cannot increase their overall assets if they are loaning **their** assets. But yet *Modem Money Mechanics* page 6 says, "(Banks) do not really pay out loans from the money they receive as deposits. If they did this, **no additional money would be created** (emphasis added). What they do when they make loans is to accept promissory notes in exchange for credits to the borrowers' transaction accounts. Loans (assets) and deposits (liabilities) both rise...". Page 24 *of Modem Money Mechanics* says, "Loans add to bank deposits.... Suppose a customer of Bank A wants to borrow $100.... The loan is made by increasing "loans" and crediting the customer's deposit account. Now Bank A's deposits have increased by $100." In this particular example there were economics similar to stealing, counterfeiting or swindling; both parties did not have equal protection. *Public Debt:*
Private Asset page 2 explains, "The bank owes us the money that is in our account."

So I believe Valley accepted a deposit from you (the promissory notes). It appears Valley is now falsely claiming that the money they returned to you is money they lent to you. Returning the money that Valley accepted from you, as a deposit is not a loan of **their** money to you. I believe Valley is concealing the fact that they owe you the money they deposited in your account. When you signed the promissory notes, you never knowingly agreed to give Valley anything of value to be used like money, let alone something Valley would deposit to your account creating the economics similar to stealing, counterfeiting and swindling. It is obvious these material facts have been concealed.

It appears Valley claims that the promissory notes prove they lent the Schwartzs money, GAAP proves that the opposite happened. I believe that by "loaning" newly created money. Valley risked nothing.

I have read and studied the alleged promissory notes or loan agreements between Valley and the Schwartzs. They charge interest for the use of borrowed money. I have not read in the documents anything making the alleged borrowers the lenders and the alleged lender the borrower or that the Schwartzs, the alleged borrowers, were the ones who provided the money deposited that funded the alleged loans giving the economics similar to stealing, counterfeiting and swindling. For an agreement to be valid there must be full disclosure, mutual understanding and consideration paid between the parties. I believe the bookkeeping entries, GAAP, will show that Valley never lent one cent as adequate consideration to purchase the alleged promissory notes and that Valley received the money from the alleged borrowers, the Schwartzs, to fund the alleged loans. What person would claim that the ones who funded the alleged loans should not be repaid their money? It is obvious these material facts have been concealed.

I hope this has helped to answer some of your questions. If I can be of further service please let me know.

Sincerely,

All Rights Reserved
Todd-Ellis;

Todd-Ellis; Swanson
Certified Public Accountant

Dear Freedom Lovers:

On October 1,2002 joined the Liberty League organization. I am very impressed with what I have seen and read. I joined under Gordon Phillips of Inform America. Here is what he had to say:

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Hi, Todd. Great to hear from you! I would be pleased to be your enroller. I am highly enthused about the possibilities Liberty League offers, both for the recovery of our nation as well as the political and monetary advantages to individuals to get involved. Frankly, I think Liberty League is the best thing to come along since duct tape. Should you wish to build your own Liberty League organization (which is entirely optional), you have my word that my office will do everything possible to support you. If not, that's absolutely fine. The benefits of membership alone are well worth joining for. In case you weren't aware, there are no annual renewal fees, no monthly fees, no quotas. Once a member, you're a member for life. The reason I am committed to building my own Liberty League organization is twofold: I want to help them grow this thing to colossal proportions, and I want to raise funds through enrollment to fund INFORM AMERICA! outreach. It would be great, for example, if I could mail a copy of my book to every C.P.A. in America!

This is a decentralized organization based on congressional districts. Because of your knowledge of the bank/credit card loan fraud, you more aware of what is going on in this country than most and this could be a great way to spread the word. With per person commissions starting at $50 and going up to $10,000 this could also help fund your own individual efforts. I for one would like to have the funds to be able to help put Tom Schaufs two banking books in the hands of every CPA in my state and nation. The same goes for the income tax info by Joe Banister, CPA and Sherry Jackson, CPA.

To help this accelerating dynamo get off the ground, Gordon Phillips will be hosting a new weekly Wednesday night conference call:

* Every Wednesday
* 10:00-11:OOPM Eastern time (7:00-8:OOPM Pacific)
* Call (918) 222-7101
* When prompted, enter PIN 2577 then press the # key.
* Long distance charges only apply.

If you like what you see and see the potential, will you join Liberty League under me and help our membership to expand and succeed, so we can make our country great again/

My member ID is F41291174C

If you need help getting started let me know.

http://www.libertyleague.org/

http://home.bellsouth.net/p/pwp"swansoncpa

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Todd-Ellis; Swanson Certified Public Accountant

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EDUCATION

Bachelor of Science degree in Financial Accounting.
University of North Carolina at Asheville.
Graduated Magna Cum Laude with Distinction in Accounting, May 1993. GPA3.9.

Certified Public Accountant, 1995; North Carolina
Certified Public Accountant, 1996; South Carolina

Passed all four parts ofCPA Exam in one sitting. May 1993.

HONORS AND ACTIVITIES

United States Army, Air Defense, June 1986 to June 1988;
United States Army Reserve, June 1988 to June 1993;
Honorably discharged United States Army, June 1993;
Received Army Achievement Medal, Good Conduct Medal, 1988;
Member Phi Eta Sigma, National Freshman Honor Society;
National Dean's List (four years);
Received Asheville Rotary Club Scholarship, 1991;
1994 Henderson County Big Brother of the Year;
Big Brothers/Big Sisters volunteer from 1990 to 2002.

EXPERIENCE

Provide businesses and individuals with private non-negotiable consulting services, pre-arranged engagement services (including IRS Resolution through use of the Individual Master File and Debt Cancellation), bookkeeping, payroll and tax services.

1997-Current
1995 -1997

Accountant
Insignia Financial Group, me.
Reviewed financial statements for portfolio monthly. Prepared analytical review schedules for public partnerships monthly. Prepared financial statements for 10-Q's and 10-K's. Reviewed and/or prepared quarterly cash flow schedules. Reviewed all GL clerk and/or staff accountant workpapers and journal entries. Monitored cash reserves and investments. Reviewed and/or prepared bankruptcy report schedules. Prepared initial draft of MD&A for assigned public partnerships filed with the SEC.

Staff Accountant
Joseph W. Smolski, Jr., P.A. Certified Public Accountants Performed monthly and year-end accounting services for a variety of entities including: S and C corporations, partnerships and sole proprietorships. Prepared payroll tax returns and individual income tax returns. Assisted in preparing corporate income tax returns.

1993 -1995

Todd-Ellis; Swanson
Certified Public Accountant

October 18,2002

Reinhold L. and Charlene F. Schwartz
110288 County Road 33 Minatare,NE
69356

Dear Reinhold and Charlene:

Thank you for allowing me to provide you with this CPA Report. I salute you for your bravery in taking this stand. I pray you are successful. **Please let me know the outcome.**

"The Individual Master Pile is a magnetic tape record of all individual income tax filers and is used by IRS employees for all matters concerning Form 1040 type taxes which includes audit procedures through enforcement activities." *IRS Handbook for Special Agents, MT9781.*

"All agency records are to be maintained with such accuracy, relevance, timeliness, and completeness as is reasonably necessary to assure fairness to the individual in a determination." *Title 5, Section 552a (e)(5 and 6).*

If you would like more information on how your IMF can be used to help you in dealing with the IRS, please let me know or you may go to http://www.imfhelp.com.

If you enjoy beautiful, relaxing praise and worship music please .visit www.cdbaby.com/davidswanson. It is all instrumental music play by my father who has owned his own music and gift store for 30 years. You can listen to samples or purchase on the internet. You may also call my father's business from 10AM to 5PM EST to place an order (828-692-6515). He has four praise and worship cds and one Christmas cd. They sell for $15
each. If you don't like it, he'll let you return it. Sincerely,

Todd-Ellis; Swanson

Todd-Ellis; Swanson *(*