

GLOBAL ALLIANCE INVESTMENT ASSOCIATION

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TECHNICAL OVERVIEW (FOR CENTRAL BANKS)

The intent of this document is to describe the transaction in some detail for banks in an environment wherein the Central Bank (CB) is a supportive participant.

The objective of the transaction is two equal lines-of-credit based upon gold as the underlying asset, making funds available to the JOINT VENTURE PARTNER (JVP) and to GAIA for certain humanitarian projects selected independently by each. The Joint Venture is established for the sole purpose of accomplishing the funding and will terminate when that has been accomplished. The responsibilities of each partner are clearly stated in the Memorandum of Agreement (MOA), GAIA to furnish the collateral and the JVP to locate and negotiate with financial institutions until the funding is accomplished. The rewards to the JVP can be very substantial, easily exceeding the value of its project, if it follows the program as outlined by GAIA.

The purpose of the GAIA collateral is to facilitate the purchase of gold to be held by the Bank as the asset upon which to base its lines-of-credit to the JVP and to GAIA. This concept must be clearly enunciated to, and accepted by, the Bank (as well as the CB) before the simplicity of the transaction can be recognized. To say it in another way: The GAIA collateral is only to be used to increase the Bank's RESERVES in order to permit the drawing of funds from the Central Bank to purchase gold. Most Banks will be far more knowledgeable about how that may be accomplished in their environment than are we but we can (later in this document) make some suggestions.

First, however, the Bank will need to understand the character of the GAIA collateral so that time will not be wasted in the pursuit of some typical procedures that can be anticipated to lead nowhere. The asset upon which the transaction is based is a debt of the U. S. Treasury/ Federal Reserve System (UST/FED), payable to GLOBAL ALLIANCE INVESTMENT ASSOCIATION (GAIA) in gold (not in paper money or as numbers on a computer screen). It was used extensively in the mid to late 1980s by George Bush, being called his "Superfund". Mr. Bush was not its owner, however. It was owned by Russell Herman who, to prevent its falling into the control of Mr. Bush, assigned it to Rick Martin who subsequently assigned it to GAIA (please see the GAIA document, TIMELINE).

GAIA was unable to force the UST/FED to publicly validate the claim so it took the route prescribed by the Uniform Commercial Code to finally and unequivocally establish the debt. That procedure has been completed and may be relied upon (please see the GAIA document, LEGAL NOTICE—CERTIFICATE OF DEBT as published in the internationally circulated newspaper *CONTACT*).

Due to the fact that the GAIA collateral, as it is issued to a JVP as a DEED OF ASSIGNMENT FOR CONSIDERATION, is a debt of the UST/FED, it is to be

treated by banks as they would treat any US Treasury debt, with the exception that the issuer is GAIA and any inquiry regarding validation would be to GAIA. GAIA maintains a data base of the DEEDS issued at its Philippine location. To verify a DEED the appropriate procedure would be to fax a copy of the DEED to GAIA with an inquiry on Bank letterhead. GAIA will normally respond to the signer of the letter by telephone as well as by fax.

The owners of the Federal Reserve System, the major European and American banks (and their owners) who claim assets in excess of US\$100 trillion, became the guarantors of this debt pursuant to the Federal Reserve Act of 1913 when they accepted all accrued US debt in exchange for the right to act as the US central bank. It is easy to see why they would not want to publicly acknowledge the debt and why any inquiry to the FED or Treasury will meet with denial. However, in 1996 the present officers of GAIA, in conjunction with Rick Martin, reached a verbal agreement with UST (please see GAIA document, PUBLIC NOTICE—also published in the internationally circulated newspaper *CONTACT*) to the effect that GAIA was free to issue DEEDS to be used as collateral up to \$5 trillion per year as long as it was offshore of the US and no claim was made against the UST/FED.

While most people will find it difficult to understand how a DEED can have value if it may not be “claimed upon” or “put in for collection”, knowledgeable bankers will easily understand it. “Underneath”, all banking is based upon RESERVES, and reserves are “collateral”. Most major banks purchase US Treasury debt as part of their reserves. Unless it happens to “mature” while held by the bank, the debt cannot be “collected”. That does not negate its value as a reserve, however, since it is recognized that there will always be a need for reserves. Other collateral frequently held as reserves are foreign currencies, foreign debt (bonds, etc.), the nation's own debt, precious metals (usually gold), and all sorts of instruments representing ownership of real estate. These reserves have varying degrees of QUALITY, some being less liquid or more prone to loss of value than others.

When a bank evaluates the quality of the GAIA collateral as a banking reserve some surprises emerge. The debt is payable in gold, not paper money. The contrast is somewhat similar to US currency which, prior to 1933, was redeemable in gold or silver and was thus an “asset-based” currency. Now it is known as a “Federal Reserve Note”, clearly a “debt-based” currency. The difference in QUALITY is huge and any banker who is aware of the current manipulations of currencies would opt for one that is gold-based.

US Treasury bonds, bills, and notes are accorded top ratings for quality and they are based upon no more than the “good faith and credit” of the US, which happens to be bankrupt and is the world's largest debtor. US Treasury debt issued after 1913 is not a claim on the FED and its owners; as a matter of fact, much of the US debt (estimated at \$5T) is TO the FED. Thus it is clear that only pre-1913 US debt that runs to the FED has any real value. In terms of QUALITY, then, other than physical gold, there is no higher quality collateral than that of GAIA. As one astute banker remarked, “If a bank held the GAIA collateral, it would be silly to enter a claim

against the US Treasury and collect US dollars; the collateral is a far better reserve asset.”

As a UST/FED debt the GAIA DEED is treated by the Bank as would be any other UST debt instrument. It is placed in the Bank’s vault and the face amount (less an appropriate--2%-5%--discount) recorded as an addition to reserves. Based upon its new reserves, the Bank is permitted to draw funds from the nation's Central Bank for the purchase of gold and pays for the gold as it is received with Letters of Credit or Bankers Acceptances or whatever banking instrument is acceptable.

In some situations it may be desirable to have Bank #1 issue a collateral receipt to Bank #2 which then issues a Bank Guarantee to Bank #3. Or an insurance company could issue a Guaranteed Investment Contract (or similar instrument) to Bank #3, at which point Bank #3 has what it needs to post the addition to reserves. Each situation may require a different approach; it is impossible to predict the solution to every problem. These are transactions that warrant the payment of adequate fees to the banks and other entities facilitating the transactions, especially those involved in the procurement, transportation and storage of the gold, and GAIA will willingly pay its 50% share of such costs.

Since it may take some time to purchase and receive the gold, as the gold comes in to the Bank it will be divided equally between the JVP and GAIA and designated as collateral for the two lines-of-credit. It is likely that GAIA will not draw much more than 20% of its gold value, preferring to hold that as a reserve against a drop in the price of gold or as additional funds should the project or Bank need them.

Although perhaps redundant, it is important to recall that the lines-of-credit use the gold, in addition to the DEED, as collateral--but not the project. This has two major benefits: 1) in an audit the collateral (gold) for the lines-of-credit is easily discernable, and 2) the Bank and project are both relieved of the onerous, expensive and time-consuming project evaluation and typical vouchering system of funds disbursement. If the project fails the Bank can sell the gold and pay off the line-of-credit while retaining the GAIA collateral as a continued increase in its reserves. Conversely, the more likely event is that the project will complete, gold will rise in price, the line-of-credit will be repaid and the bank will have increased reserves upon which to make additional project loans.

Aside from the banking and business considerations, there is another of even more importance. The use of gold in transactions and as banking reserves helps to stabilize the value and exchangeability of currencies. The international banking cartel, supported by its controlled media and press, is currently using every tool at its disposal in an effort to beat down the price of gold and to discredit gold as a banking reserve. Those banks and projects that purchase gold at these low prices stand to make very substantial profits, especially as the quality of the GAIA collateral becomes widely recognized.

The use of the GAIA collateral has the effect of increasing the money supply without an inflationary effect because of the concomitant purchase of gold. This concept is so important that your attention is directed to an article in the *CONTACT* newspaper entitled “A History Lesson About Value-Based National Banking” which details how the amount of money in circulation in a nation can be virtually limitless when gold is purchased to match every new unit of currency issued. Schools of economics have been under the control of the international banking cartel for nearly 200 years and so our bankers and academicians have been taught that a nation’s currency must be limited by its PRODUCTIVITY to avoid dilution of its value. This is, of course, wrong, and takes no more than a bit of objective thought to debunk. The real key factor determining the amount of currency to be “in balance” is the VALUE of the nation—its PRODUCTION up to the present time. As value is added, currency may be added. However, because of the powerful control of the values of all currencies (especially in foreign exchange) exercised by the international banking cartel, the additional step of adding gold reserves to the Central Bank as new currency is issued is currently necessary.

The optimum use of the GAIA collateral is to place it first in the Central Bank, use it as the reserve upon which to issue funds to purchase gold, and then establish a procedure whereby LOCAL (not foreign) banks can use gold as reserves and then the final step of allowing local banks to hold gold in the name of “projects” (i.e., corporations) as security for project loans so that the increasing price of gold can help offset the cost of the project. (The widespread use of gold as a reserve in Southeast Asian countries will soon elevate the price of gold.)

When a funded project is completed the gold can be sold to pay the line-of-credit and the project is free and clear. Any nation in which the GAIA method is used will very soon see an increase in the value of its currency, rapidly rising employment, stalled projects being completed, less traffic congestion, less air pollution, improving utilities, more new housing, new schools and colleges, new hospitals and recreational facilities, and a new spirit in its people.

Far more important to remember, however, is that EVERY project, even if it seems quite frivolous, puts people to WORK. A society of working, self-dependent, morally and ethically employed people MOVES TOWARD A WORTHY AND BALANCED SOCIETY. Self-esteem at every level, individual through national, comes from PRODUCTION--industry and jobs are the answer to the problems, especially to the governments so frustrated in their financially starved condition. Working together we can see these things come to pass and all share together in God's abundance.