

NORFED PROFIT STATEMENT

This document addresses questions and answers about NORFED's financial operations.

Why isn't NORFED 501(c)(3) tax-exempt?

Good, let's cover the basics. NORFED is not a 501(c)(3) tax-exempt Corporation because under 501(c)(3) regulations, a tax-exempt nonprofit Corporation is prohibited from acting to influence legislation to any "substantial degree." Because one of our goals is the repeal of the Federal Reserve Act, we cannot pursue Federal 501(c)(3) status. NORFED is instead classified as a non-profit Corporation by the State of Nevada, where it is chartered. In addition to being classified as a non-profit Corporation, NORFED acts like a non-profit by re-investing all its profits towards its goals.

NORFED is a private company. Is it audited?

In addition to the warehouse audits, an independent CPA, Mr. Alfred J. Wagner of Philadelphia, PA, has performed a third-party review of NORFED's accounting since its inception. This accounting firm has consistently found that all gross income is used appropriately and has found no irregularities to report. NORFED's Board of Directors reviews its ongoing financial statements.

Why does NORFED operate at a gross profit, anyway? Why not give the money away?

Profit is a necessary component of any ongoing business organization. NORFED is based on free enterprise and operates as a business. Because our currency, The Liberty Dollar, offers true value, we expect it to exist as a business, operate as a business, and create a gross profit. Our profit is the measure of the value the Liberty Dollar is providing in the marketplace.

So where do the profits go?

Our first response would be, "What profits?" Because of the economics of scale and the fact that NORFED's printing & mintage runs are so small in comparison to industry standards, our overhead costs run over 20%. Often, there is not a 20% margin available to cover the overhead. For example: NORFED's cost of goods sold (COGS) for the \$1 Silver Certificate is \$1.09:

1/10 oz 999 fine silver	\$0.50
Printing of \$1 Silver Certificate	\$0.37
Mintage & Storage of silver	\$0.22
Total	\$1.09

The \$1 Silver Certificate is not only our most popular item; it also loses money. We exchange it for \$0.90, and it costs us \$1.09 to produce. Luckily, the \$5 and the \$10 Silver Certificates usually compensate for the losses from the \$1 Certificate.

Now let's look at the one ounce Silver Liberty - NORFED's second-most popular item. Sometimes we exchange a single Silver Liberty for \$10 FRN. In today's market the COGS for that Silver Liberty is \$6: \$5 for silver plus \$1 minting, when done in volume with another order. On that rare transaction, NORFED generates a gross profit. Unfortunately, very few single Silver Libertys are exchanged. Have you ever ordered a single Silver Liberty from NORFED? Very few people have.

Most people who order Libertys get them at a discount. The pie chart on the next page, entitled "Where the Money Goes", shows how each \$1 in Liberty Dollars in circulation has been distributed, broken down by percentage.

OK, so how does NORFED make money and stay in business?

By growing Redemption Centers. A new RC costs \$250 and we retain \$50, which yields the 20% profit margin NORFED needs. Ever wonder why we are so dedicated to helping you sponsor a new RC? Redemption Centers are the lifeblood of the organization and the only way that we will reach our goal of repealing the Federal Reserve.

NORFED simply distributes a unique product and generates a gross profit. To be competitive in the marketplace, we operate on a slim margin and run lean, so that every available dollar can be applied to promoting The Liberty Dollar, educating Americans about their money and achieving the adoption of a genuine value-backed monetary system. After overhead is paid, all available funds are quickly absorbed by new brochures, additional printing of currency and other operational necessities.

Where does "all" the money go?

In a word: overhead. Do you know who pays when you call NORFED's toll-free line? NORFED. Do you know how much we make selling our stickers and brochures? Nothing. Do you know how much our volunteers get paid? Nada! (We do pay our two-person full-time staff, of course.) When you

add up rent, electricity, security, staff salaries and shipping costs, 29 cents of every dollar goes to overhead! That doesn't leave much to develop new marketing materials or new products. Then there are the occasional big office projects, like modernizing our data systems, which further stretch our financial resources to the max.

Is NORFED a scam or a fraud?

Of course not! How could it be? Where is the scam or the fraud? NORFED holds no one's money. It does not promise investment. It simply exchanges Federal Reserve Notes for Liberty Dollars. NORFED is dedicated to demonstrating the superiority of a value-backed monetary system.

But NORFED sells silver at inflated prices!

NORFED is not "selling silver at inflated prices" any more than your local bar is "selling hops & barley at inflated prices!" Think about that next time you buy a beer using a Silver Liberty.

What NORFED is in fact doing is working to returning America to honest money through the repeal of the Federal Reserve Act. All currency profits are used towards that goal. The more profit we make, the more work we can do, and the faster we will reach our goal.

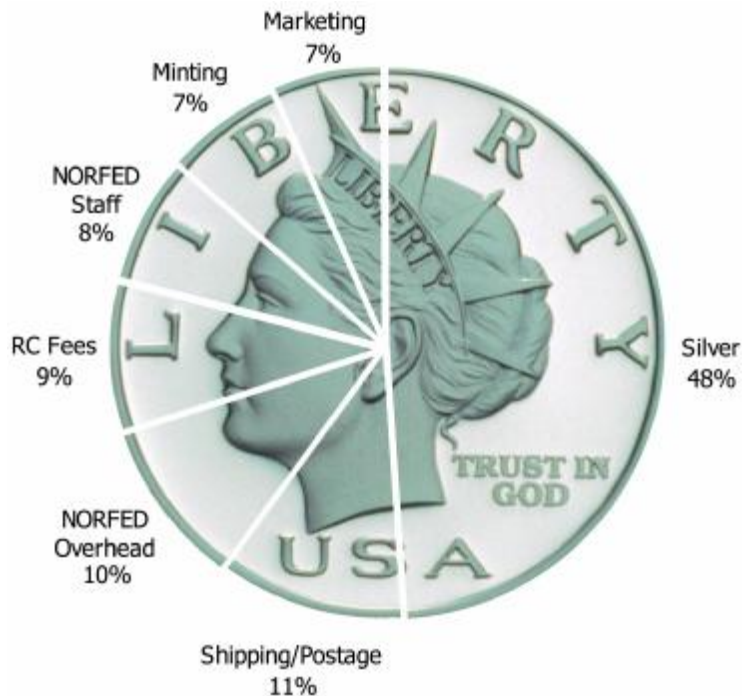
What about the 25% Redemption Center profit? It seems suspect.

NORFED puts people first, where money is worth most. When you're first in line to get the money, you deserve to get the best deal, and that's what happens when you become a Redemption Center. In the Federal Reserve System, the banks are at the front of the line and they make the profits that you don't see. Ever seen an annual report from a big commercial bank? Let's just say RC profits don't even begin to compare with bank profits.

The reality of the competitive marketplace is that a new currency, even a superior one like The Liberty Dollar, will not succeed unless people have a direct incentive to use it. NORFED offers discounts on The Liberty Dollar as an incentive for people to **stay active** in putting the free-market currency into circulation. Without this incentive, NORFED found that people simply did what was easiest – they kept visiting their bank ATMs for spending cash.

We believe one can either be part of the solution or part of the problem. Please become part of the solution – become an **active** Redemption Center and make a profit while returning America to value, one Liberty Dollar at a time.

Where the Money Goes



The percentages above are averages from the aggregate of all Silver Libertys and Silver Certificates exchanges. For example, by calculating every dollar ever paid out to an RC divided by the total amount of Liberty Dollars in circulation, the percentage of currency devoted to RC fees is found to be 9%.