

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,)	Civil Action No.
c/o United States Attorney's)	
Office)	
Judiciary Center Building)	
555 4th Street, N.W.)	
Washington, DC 20530,)	
)	
Plaintiff,)	
)	
v.)	
)	
ALL PROPERTY IN/UNDERLYING)	
E-GOLD ACCOUNT NUMBERS:)	
)	
2636005, 2825136 AND 2828872,)	
)	
Defendant.)	
_____)	

VERIFIED COMPLAINT FOR FORFEITURE *IN REM*

The United States of America, by and through the United States Attorney for the District of Columbia, respectfully states as follows:

1. This is a civil action, *in rem*, brought to enforce the provisions of 18 U.S.C. § 981(a)(1)(A), which provides for the forfeiture of any property involved in a transaction or attempted transaction in violation of 18 U.S.C. §§ 1956 and 1960, or any property traceable to such property. This civil action, *in rem*, also seeks to enforce the provisions of 18 U.S.C. § 981(a)(1)(C), which provides for the forfeiture of any property which constitutes or is derived from proceeds traceable to a violation of any offense constituting “specified unlawful activity” or a conspiracy to commit such offense.

JURISDICTION AND VENUE

2. This Court has jurisdiction over this matter by virtue of 28 U.S.C. §§ 1345 and 1355(a). Venue is established by virtue of 28 U.S.C. §§ 1355(b), 1391(b) and 1395.

3. This civil action, *in rem*, for forfeiture is governed by Title 18, United States Code, Sections 981 and 983, and Rule G of the Supplemental Rules for Admiralty or Maritime Claims and Asset Forfeiture Actions.

DEFENDANT PROPERTY

4. The defendant property is: All property, accounted for as an amount of “e-gold” in, or underlying, e-gold account(s) 2636005, 2825136 and 2828872, on or about April 26, 2007 and May 4, 2007, and now reflected as U.S. dollars. The E-GOLD operation records the individual or entity opening or directing the e-gold account(s) related to this forfeiture matter as:

Legisi Holdings LLC.

5. On or about April 25, 2007 and/or May 4, 2007, seizure warrants were issued by this Court authorizing seizure by federal law enforcement authorities of the property accounted as e-gold and contained in or held on deposit in the e-gold account(s) numbered and identified as indicated above. These warrants required entities operating the E-GOLD system – Gold & Silver Reserve, Inc./OmniPay/e-gold, Ltd. – to convert or exchange the relevant e-gold into funds denominated as United States currency. Law enforcement officers served the warrants at the offices of Gold and Silver Reserve, Inc., on or about April 26, 2007 and on or about May 4, 2007, and left copies of the warrants with Douglas Jackson, or other company officials, on each occasion. The defendant property herein was seized pursuant to one or more of these warrants.

6. Post-conversion, the U.S. dollar value of the property recovered pursuant to the

warrant(s) concerning the e-gold account(s) at issue here was **\$1,769,264.19**.

7. The defendant property is now in the custody of, and under the control of, the United States Department of the Treasury, in Washington, DC.

BASES FOR FORFEITURE

8. The defendant property was seized from one or more accounts maintained by the “E-GOLD” operation, which is a private, so-called “digital” or “electronic” system for transferring funds through the Internet using accounts opened and accessed through the Internet.

9. The E-GOLD operation is primarily managed and operated from offices and computers located in Florida by two entities, e-gold, Ltd. and Gold & Silver Reserve, Inc. (“GSR”), and three individuals, Douglas Jackson, Barry Downey, and Reid Jackson. (Collectively, herein referred to as: “E-GOLD” or “the E-GOLD operation” or “the E-GOLD system”).

10. The E-GOLD operation is a so-called “digital currency” money transmission/payment system that makes use of the Internet and a website with the domain name www.e-gold.com. Working in conjunction with “digital currency exchangers,” the E-GOLD operation makes a so-called “digital currency” termed “e-gold” available to domestic customers in every state and the District of Columbia, as well as to foreign customers, as a mechanism for quickly moving money to others, using the Internet. Such movements are accomplished upon conversion of funds denominated in certain national currencies (including U.S. dollars) into “e-gold” that is put into web-based accounts where the e-gold can be transferred among accounts and, thereafter, back into funds denominated in national currencies. The E-GOLD operation began in about 1996 and represents itself as one of the most popular and prominent “digital

currencies” available.

11. The E-GOLD operation, by operating and maintaining the website identified above and other websites, and with the assistance of so-called “digital currency exchangers,” conducts an operation that allows account holders to move funds into and through the E-GOLD system, and out of the E-GOLD system, thereby causing money to be transmitted through the E-GOLD operation, for a fee.

12. The E-GOLD operation, its own digital currency exchanger, OmniPay, and third-party digital currency exchangers operating as part of the E-GOLD operation have, historically, been willing to work together to convert third parties’ funds into, and out of, the E-GOLD system, from and into funds denominated as national currencies, without questioning the ownership, source or intended use of the funds or of the e-gold to be converted back into funds. As a result, e-gold has been widely accepted as a mechanism for funding transactions involving credit card and identification fraud, fraudulent “high-yield” investment programs, and other investment scams, and child exploitation. At the same time, e-gold has not been widely accepted for use by large or mainstream vendors.

13. The E-GOLD operation’s “digital currency” is purportedly backed by precious metals and is offered to users as another option for conducting on-line funds transfers.

14. According to GSR, it issues all e-gold and all e-gold is backed by gold bullion that is stored outside the United States. According to GSR, it was necessary to sell gold bullion reserves to effectuate the conversion of e-gold into national currency in accordance with the seizure warrants served upon it.

15. Digital currencies are generally marketed as offering global acceptance without

the need for conversion between national currencies, and are valued at fluctuating rates tied to the price of a particular precious metal, most typically gold. Individuals or entities are willing to accept e-gold in lieu of a national currency, to effect transfers of funds between individuals or entities for private purposes, trusting that they can redeem the value accounted as e-gold for national currency through the network of digital currency exchangers. While technically speaking, an account holder who has digital currency may have some right to redemption of the actual precious metal backing the digital currency, digital currency users typically convert their value into a national currency, through use of a digital currency exchanger, when such users want to take value out of the on-line funds transfer system.

16. There are four primary steps involved in the business of transferring funds denominated as national currencies through the E-GOLD system (using e-gold): (i) opening an e-gold account over the Internet with the E-GOLD operation; (ii) providing national currency (or funds denominated as a legal tender) to a person (individual or entity acting as an exchanger) in return for the exchanger's agreement to fund the newly created e-gold account with e-gold the exchanger already controls; (iii) transferring e-gold from the newly-funded e-gold account to another's e-gold account; and (iv) exchanging the e-gold transferred into that account back into national currency or funds denominated as national currency that are directed out of the E-GOLD system.

17. In addition to the party operating the website by which digital currency accounts are opened and accessed, several parties are involved in the E-GOLD operation's transfer of funds, including: (1) the E-GOLD customer who provides funds to be transferred using the E-GOLD system; (2) the eventual recipient of the transferred funds (another E-GOLD customer);

and (3) one or more digital currency exchangers (who typically profit from the conversion process).

18. The digital currency exchangers are an integral part of the liquidity and reach of the E-GOLD operation. Some of the digital currency exchangers have been sponsored by the E-GOLD operation on its website and receive discounted rates for the e-gold they purchase to operate their businesses within the E-GOLD system.

19. The E-GOLD operation has its own digital currency exchange service, too, which it calls “OmniPay.” OmniPay provides customers with a mechanism to convert national currency into e-gold, and e-gold into national currency. The home page of the OmniPay website has described OmniPay’s three primary services as follows:

1. InExchange Service. The InExchange service changes national currency into a value associated with a particular e-metal.
2. M2M Service. The M2M service transfers value from one e-metal account to another e-metal account.
3. OutExchange Service. The OutExchange service changes the value in an e-metal account to national currency.

20. The terms “InExchange” and “OutExchange” are terms used by the E-GOLD operation to explain the operation. For example, account holders within the E-GOLD operation can add value (reflected as e-gold) to their accounts via OmniPay’s “InExchange” service, which has permitted a user to send funds denominated in a national currency to an OmniPay account at a bank. In conducting an InExchange, upon OmniPay’s receipt of funds denominated in a national currency, such as U.S. dollars, OmniPay moves a corresponding amount of e-gold from an account it operates in the E-GOLD system to the account to which it is directed by the sender of the funds. Similarly, but in reverse, OmniPay (or another digital currency exchanger)

conducts an OutExchange by accepting another's transfer of e-gold into the digital currency exchanger's account within the E-GOLD operation in return for the digital currency exchanger's willingness to provide to the other currency (or a check or a bank wire) with a value corresponding to the amount of e-gold exchanged, but now denominated not as e-gold, but in a national currency.

21. Users around the world can register for a free E-GOLD account via the E-GOLD website and fund their account through a third-party digital currency exchanger or through E-GOLD's own exchange service, OmniPay. Once open and funded, account holders can access their accounts through the Internet and conduct transactions with other parties anywhere in the world. The E-GOLD operation advertises on its website that it is "an alternative Internet payment system" that "empowers people to use gold as money." The E-GOLD operation advertises its service as "Better Money," and "Internet Payments 100% backed by Gold."

22. The digital currency termed "e-gold" can be traded among online account holders using the Internet. With only a valid e-mail address, a person can obtain an account in the E-GOLD system that the person can use to send and receive any amount of e-gold to/from other holders of accounts in the E-GOLD system, anywhere in the world, anonymously, instantaneously, and irreversibly. Use of the E-GOLD operation has become a popular mechanism for transferring money, with the assistance of a network of website operators and digital currency exchangers, to support a multitude of criminal financial endeavors, including the endeavors that render the defendant property forfeitable in this case, and to hide the proceeds of such criminal endeavors.

23. The E-GOLD operation has acknowledged that it functions to provide remote

payments capabilities to individuals who have been excluded from the traditional banking system, and it functions as a mechanism to transfer money on behalf of the public, using the Internet, for a fee.

24. The e-gold that existed in the above-identified e-gold account(s) was involved in, derived from or traceable to proceeds of criminal activity and was used, or was intended to be used, in part, to pay fees to the E-GOLD operation for using its services to transmit funds through the E-GOLD system and to launder the proceeds of criminal activity.

25. As further set forth in the **Affidavit** attached hereto and incorporated by reference herein, the e-gold accounts listed above were opened by, or on behalf of, individuals or entities that used the accounts and the E-GOLD operation to engage in and/or conspire to engage in financial transactions that permitted the individuals and/or entities, by themselves and in conspiracy with others: (1) to accumulate proceeds of “specified unlawful activity” (“SUA”); (2) to engage in financial transactions with the intent to promote the carrying on of SUA; and (3) to engage in financial transactions with the intent to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of SUA. See Affidavit in Support of Complaint, attached hereto.

Money Transmitting Laws

26. Under 18 U.S.C. Section 1960, it is a felony to conduct a money transmitting business without the appropriate state license (in a state that has a licensing requirement and punishes such operation as a misdemeanor or felony) or federal registration, or when it otherwise involves the transportation or transmission of funds that are known to the defendant to have been derived from a criminal offense or intended to be used to promote unlawful activity. The

majority of States, including Florida, and the District of Columbia, require money transmitting businesses to obtain a license and comply with the other regulatory requirements that apply to such licensed entities, and punish the unlicensed operation of a money transmitting business as a misdemeanor or felony. Likewise, the federal government requires money transmitting businesses to have registered with the Financial Crimes Enforcement Network (FinCEN), a bureau of the Department of Treasury, by December 31, 2001, if they were in existence before that date, and, otherwise, within 180 days after the date the business was established.

27. The term “money transmitting” under Section 1960(b)(2) includes “transferring funds on behalf of the public by any and all means including but not limited to transfers within this country or to locations abroad by wire, check, draft, facsimile, or courier.”

28. In addition to the definition of “money transmitting” contained in 18 U.S.C. § 1960, section 5330 of Title 31 defines a money transmitting businesses. To come within the definition of a "money transmitting business" under Title 31 U.S.C. 5330(d)(1), three requirements must be met: First, the business must provide "check cashing, currency exchange, or money transmitting or remittance services." 31 U.S.C. 5330(d)(1)(A). In this case, the E-GOLD operation provides money transmitting or remittance services. Second, the business must "be required to file reports under section 5313" of Title 31 of the U.S. Code. The E-GOLD operation is required to file reports under section 5313(a) under circumstances that the Secretary may prescribe because it is a "financial institution" within the meaning of that provision. See 31 U.S.C. 5312(a)(2)(R) (defining "financial institution" to include "a licenses sender of money or any other person who engages as a business in the transmission of funds, including any person who engages as a business in an informal money transfer system or any network of people who

engage as a business in facilitating the transfer of money domestically or internationally outside of the conventional financial institution system[.]"). Third, the business must not be a "depository institution" (as defined in section 5313(g)). 31 U.S.C. 5330(d)(1)(C). The E-GOLD operation is not a depository institution within the meaning of section 19(b)(1)(A) of the Federal Reserve Act.

29. The E-GOLD operation constitutes a money transmitting business.

30. When the defendant property was involved in the E-GOLD operation, that operation conducted business in the District of Columbia, in Florida and in other states, and neither E-GOLD, Ltd., Gold & Silver Reserve, Inc., nor OmniPay, had a license to operate as a money transmitting business in the District of Columbia, or in Florida, or in another state. Furthermore, none of these entities registered with the Department of Treasury (FinCEN), and none appears to have filed any reports with the Department of Treasury related to suspicious transactions or currency transactions, as is required for domestic financial institutions.

COUNT I

31. All statements and averments made in paragraphs 1- 30 are re-alleged and incorporated, herein, by reference.

32. The defendant property is subject to forfeiture because it constitutes or is derived from proceeds traceable to a "specified unlawful activity."

33. As such, the defendant property is subject to forfeiture pursuant to 18 U.S.C. § 981(a)(1)(C).

COUNT II

34. All statements and averments made in paragraphs 1- 30 are re-alleged and incorporated, herein, by reference.

35. The defendant property is subject to forfeiture because it was involved in or is traceable to property involved in a “financial transaction” as that term is defined by 18 U.S.C. § 1956(c)(4), the purpose of which was to: (a) promote the carrying on of a “specified unlawful activity,” as that term is defined by 18 U.S.C. § 1956(c)(4); and/or (b) conceal or disguise the nature, location, source, ownership or control of the proceeds of a “specified unlawful activity” as that term is defined by 18 U.S.C. § 1956(c)(7).

36. As such, the defendant property was involved in or is traceable to property involved in money laundering, in violation of 18 U.S.C. §§ 1956(a)(1)(A)(i) and/or 1956(a)(1)(B)(i) and is, therefore, subject to forfeiture pursuant to 18 U.S.C. § 981(a)(1)(A).

COUNT III

37. All statements and averments made in paragraphs 1- 30 are re-alleged and incorporated, herein, by reference.

38. The defendant property is subject to forfeiture because it was involved in or is traceable to property involved in a conspiracy to violate the anti-money laundering statutes (as more particularly described in Count II), in violation of 18 U.S.C. § 1956(h).

39. As such, the defendant property is, therefore, subject to forfeiture pursuant to 18 U.S.C. § 981(a)(1)(A).

COUNT IV

40. All statements and averments made in paragraphs 1- 30 are re-alleged and incorporated, herein, by reference.

41. In light of the above-described events, there is reason to believe that the defendant property was involved in a transaction or attempted transaction in violation of 18 U.S.C. § 1960, and is, therefore, subject to forfeiture pursuant to 18 U.S.C. § 981(a)(1)(A).

WHEREFORE, the United States of America prays that process of warrant issue for the arrest of the defendant property as described above; that due notice be given to all parties to appear and show cause why the forfeiture should not be decreed; that judgments be entered declaring that the defendant property be forfeited to the United States of America for disposition according to law; and that the United States of America be granted such other relief as this Court may deem just and proper, together with the costs and disbursements of this action.

Respectfully submitted,

/s/
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VERIFICATION

I, Roy Dotson, a Special Agent with the United States Secret Service, declare under penalty of perjury, pursuant to 28 U.S.C. § 1746, that the foregoing Complaint for Forfeiture *In Rem* is based upon reports and information known to me and/or furnished to me by law enforcement agents, and the attached Affidavit, and that everything represented herein is true and correct to the best of my knowledge and belief.

Executed on this ____ day of July, 2007.

/s/
Roy Dotson
Special Agent
United States Secret Service