



Silver Users Association

Washington Report

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Market Watch: Silver Price

2007 Comex Spot Settlement

Month	High	Low	Avg.
January	13.51	12.13	12.83
February	14.69	13.33	13.95
March	13.53	12.13	12.83
April	14.06	13.29	13.74
May	13.53	12.81	13.15
June			
July			
August			
September			
October			
November			
December			

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This Month's Newsletter Sponsored by:



Association News:

- **SUA Fall Meeting: November 6-7**
Army-Navy Club
Washington, DC 2007
- Press Releases: Please send us your press releases and/or company announcements, so that we can include them in SUA's monthly newsletter.
- Web Site: Visit our web site at:
<http://www.silverusersassociation.org>
- **SUA Board Votes to Cut 2007 Dues by \$1,700.** Contact Paul Miller for news on the new 2007 dues structure and how you can get involved. Paul can be reached at (703) 930-7790 or at pmiller@mwcapitol.com

Note:

- Please send us any updates to your company profile so that we can update our records and web site.
- If you are interested in sponsoring the newsletter, please e-mail Paul Miller today at pmiller@mwcapitol.com

Mark Your Calendars: Silver Users Association Announces Fall Meeting Date

The annual fall meeting of the Silver Users Association will take place on Tuesday, November 6 and Wednesday, November 7 at the Army-Navy Club in downtown Washington, DC.

For more information, please contact Paul Miller, SUA executive director at (703) 960-7790 or via e-mail at pmiller@mwcapitol.com. An early agenda has gone out in the mail.

Congress Adopts \$2.9 Trillion Fiscal 2008 Budget Resolution

The Democratic-led Congress adopted a \$2.9 trillion fiscal 2008 budget resolution yesterday that sets up a showdown with President Bush over domestic spending. Final action came when the Senate adopted the measure by a 52-40 vote, shortly after the House had approved it.

The budget resolution (S Con Res 21 — H Rept 110-153), adopted by 214-209 vote in the House, sets an overall discretionary spending cap for fiscal 2008 of \$954.1 billion, not including war spending. The total is \$21 billion more than the White House request for non-war spending, a figure that grows to \$23 billion if \$2 billion in advance appropriations are counted.

The White House has threatened to veto domestic spending bills that exceed Bush's budget, and House Republican conservatives are now collecting signatures on a letter promising to sustain those vetoes. Republican Study Committee Chairman Jeb Hensarling, R-Texas, said Thursday that he already has at least 60 signatures on a letter that will be released if and when it gets enough signatures to show that more than one-third of the House would vote to sustain vetoes. (A two-thirds majority vote in each chamber is needed to override a presidential veto.)

Despite a deficit projection of \$252 billion in the coming fiscal year, Democrats hailed their budget for boosting domestic spending while projecting a surplus of \$41 billion in 2012. The budget "addresses our nation's critical needs on national security, education, health care, the environment and many other areas, while also making a 180-degree turn away from the most reckless fiscal policies in the history of our nation," House Majority Leader Steny H. Hoyer, D-Md., said.

To balance the budget while increasing domestic spending, the Democratic blueprint assumes the expiration of most of Bush's signature tax cuts as scheduled at the end of 2010. Because of that, Republicans blasted the budget as a plan for increasing taxes by hundreds of billions of dollars. "I believe this budget fails to make any real choices, let alone the right ones," said Rep. Paul D. Ryan, R-Wis. "It will impose on American families and businesses at least the second largest tax increase in American history, if not the largest [and] add immense new government spending."

They also criticized Democrats for voting to raise the ceiling on the national debt under an automatic House procedure that creates and passes a debt-limit increase upon adoption of the budget conference report. "We're going to be talking about this budget for a long time," said Minority Whip Roy Blunt, R-Mo. The debt-limit measure, which must be passed by the Senate, would increase the ceiling by \$850 billion to \$9.815 trillion.

House Minority Leader John A. Boehner, R-Ohio, criticized Democrats for failing to include any proposals to rein in entitlement spending on programs such as Social Security and Medicare, which face increasing strains as the huge baby boomer generation approaches retirement.

The budget resolution creates a pay-as-you-go rule in the Senate requiring offsets for new mandatory spending or tax cuts. It can be waived only with 60 votes. The House has its own pay-as-you-go rule, which can be waived by a simple majority vote. "Budget rules are only as strong as the political will to apply them," said Robert L. Bixby, executive director of the Concord Coalition, a budget watchdog group. "In this budget, pay-go acts as a fiscal levee against a flood of red ink. If that levee breaks, there is little chance of reducing the deficit, let alone of producing a surplus."

The measure conditionally allows for \$180 billion in tax cuts, which could be used to extend certain popular Bush tax cuts such as the child tax credit and the 10 percent income tax bracket. Fiscally conservative House Democrats worried that those tax cuts could end up increasing future deficits because they were linked to surpluses that have not yet been realized. Budget negotiators set up a complicated “trigger” for the House that would make it more difficult to pass tax measures without a White House certification that surpluses would be realized.

The resolution allows for a one-year patch to prevent the alternative minimum tax from hitting an estimated 20 million more taxpayers next year. Despite highly charged rhetoric over the budget’s effect on future tax rates, those decisions will actually be made by the tax-writing committees and by future Congresses.

John M. Spratt Jr., D-S.C., chairman of the House Budget Committee, said the resolution was not perfect but still deserved support. “This budget moves to balance over the next five years,” he said, while doing more for children’s health care, veterans’ care and education than Bush and the Republicans have supported. Spratt also stressed that the Democratic-controlled Congress, by adopting a budget resolution for the coming fiscal year, already had done something Republicans were unable to do last year when they were in control. The 109th Congress also failed to enact most of the fiscal 2007 appropriations bills, dumping nine unfinished bills into the laps of the new majority.

Treasury Secretary to Face Likely Democratic Opposition to Bush’s Tax Plans

Treasury Secretary Henry M. Paulson Jr. will appear before the House and Senate tax-writing committees today to justify several initiatives in President Bush’s fiscal 2008 budget, including a controversial health care plan and his call for renewing tax cuts enacted in 2001 and 2003.

The views of Democrats on the House Ways and Means and Senate Finance committees are expected to range mostly from skeptical to hostile, and Republicans will try to portray Democratic objections to preserving previously enacted tax breaks as a tacit endorsement of tax increases.

Most of the tax cuts enacted in the early years of the Bush administration will expire on Dec. 31, 2010. The administration’s request to permanently extend the 2001 and 2003 provisions is projected to cost \$1.6 trillion in lost revenue over 10 years. By comparison, total federal receipts are forecast to be \$2.5 trillion in the current fiscal year. House Speaker Nancy Pelosi of California and Senate Majority Leader Harry Reid of Nevada have suggested that tax cuts that favor mostly the wealthy might be scaled back and that additional tax relief should be directed to middle-income households.

“The president insists on spending billions on \$150,000 tax breaks for multimillionaires at the expense of the middle class,” Reid said Monday. Republicans urged Democrats to cooperate with their demand to instead concentrate on curtailing spending. “The taxpayers should not have to foot the bill for the Democrats’ willful evasion of tough spending choices,” said Adam H. Putnam of Florida, chairman of the House Republican Conference. Minority Leader John A. Boehner, R-Ohio, urged Democrats to “join us in taking the necessary steps to balance the budget without raising taxes.”

Although many Democrats complained that the cost of renewing the tax cuts would soak up resources needed for domestic priorities and the war in Iraq, some of the Bush tax cuts are likely to draw broad support. Senate Finance Chairman Max Baucus, D-Mont., said he favors keeping the lower tax rates enacted in 2001. But he left open the idea that he would be less interested in preserving the 2003 tax breaks. “I helped to write the 2001 tax cuts, and I would like to see them extended,” Baucus said.

Bush proposed a single-year “patch” for the alternative minimum tax (AMT) that would keep the number of taxpayers affected by this separate tax mechanism from increasing. Currently, about 3.5 million taxpayers are subject to the AMT,

and, absent a change in the law, about 24 million will be affected in 2007. The number will continue to increase over time, and annual fixes will become more expensive.

The AMT was designed in 1969 (PL 91-172) to ensure that the wealthiest people paid at least some income tax. Because the threshold for paying the AMT is not indexed for inflation, it threatens each year to reach deeper in the pocketbooks of middle-income taxpayers. Congress has enacted a series of one-year patches to limit the number of affected individuals, and Bush proposed another one-year fix for 2007 at a cost of \$36.5 billion.

Baucus and House Ways and Means Chairman Charles B. Rangel, D-N.Y., say they want to repeal the AMT, at an estimated cost of \$1 trillion over 10 years. They would offset the revenue loss by eliminating some deductions for companies and individuals. Both Baucus and Rangel said they were disappointed that the administration did not suggest a long-range AMT fix. "This administration needs to wake up to the reality that compromise is a necessity for the next two years," Rangel said Monday. "The president should take every opportunity to reach out to Democrats and work through issues rather than simply deliver a list of priorities," he said.

In his State of the Union address on Jan. 23, Bush unveiled the biggest new tax initiative contained in his budget request. The plan to create a standard deduction of \$7,500 a year for individuals and \$15,000 for families to cover the cost of purchasing health insurance would cost \$121.2 billion over five years but would presumably be an incentive for people who don't have health coverage through their employers to buy it on their own. To help finance the cost, Treasury officials said, flexible spending accounts used to pay for health-related costs would be phased out, and individual workers would have to claim as income the amount that companies paid to insure them.

Democrats objected to the proposal because they contend that it will eventually amount to a tax increase on many workers. Over 10 years, the plan is expected to yield about \$5 billion in new revenue, and more after that. Democrats also objected to a related proposal to expand health savings accounts at a cost of \$10 billion over 10 years. Beyond renewing the 2001 and 2003 tax cuts, Bush's budget proposed extending other expiring tax breaks worth about \$153 billion over 10 years.

Bipartisan support exists for permanently renewing the research-and-development tax credit, at a cost of \$117 billion. And a proposal to extend a special write-off for small-business investment costs is part of a pending \$8.3 billion package of tax breaks included in the Senate's version of a measure (HR 2) to raise the minimum wage.

Bush also proposed raising \$29.5 billion over 10 years from stricter tax-filing enforcement, including a mandate for brokers to inform the Internal Revenue Service about the cost of stocks and other investments when they are bought and sold, beginning in 2009. These measures would be part of efforts to close the so-called gap between taxes owed and those collected, pegged at about \$350 billion annually.

Senators Aim for Committee Action on China Currency

Leaders of two Senate committees plan to mark up bills before the August recess aimed at pressuring China to raise the value of its currency. Christopher J. Dodd, D-Conn., Senate Banking, Housing and Urban Affairs Committee chairman, announced at a hearing Thursday that he hopes to mark up a bill (S 1677) that he has sponsored with Richard C. Shelby of Alabama, the committee's ranking Republican, before Congress departs for its monthlong break. But the Senate Finance Committee looks likely to beat Dodd to the punch.

Finance Chairman Max Baucus is seeking final confirmation from panel members about scheduling a markup next week of a separate bill (S 1607). Lawmakers and other critics blame the cheap Chinese yuan for the United States' skyrocketing trade deficit with China and a loss of U.S. manufacturing jobs. Baucus' bill is the product of months of work between the Montana Democrat, his panel's ranking Republican, Charles E. Grassley of Iowa, Charles E. Schumer, D-N.Y., and Lindsey Graham, R-S.C.

Schumer and Graham pushed legislation last year that would have slapped China with punitive tariffs unless the yuan appreciated significantly. They withdrew the measure after Treasury Secretary Henry M. Paulson Jr. asked for more time to let his diplomatic approach work, and Senate Finance leaders said they would work to find a strategy consistent with World Trade Organization (WTO) rules.

Dodd and Baucus say they have talked and could combine the measures, though no plan has been set. "We have the same goal, which is to address currency," Baucus said. "We'll work it out." Dodd said: "We may move first, they may, we may combine them. We'll do something." He added that "appropriately and historically this is under the jurisdiction of my committee," alluding to the turf battle at the heart of the legislative competition. The Baucus bill includes tax provisions that give the Senate Finance panel oversight.

The measures take somewhat different approaches to the currency issue, and neither specifically mentions China. Baucus' bill would replace existing rules governing Treasury investigations of foreign currency practices. The new structure would require Treasury to identify the "fundamentally misaligned currencies."

The most egregious cases, in which a country's currency imbalance is the result of clear government policy measures, would be subject to increasingly severe punitive actions. They range from consultations with the offending nation and its trading partners to legal action through the WTO, led by the U.S. Trade Representative.

The sponsors say the bill is fully consistent with WTO rules. Meanwhile, Dodd's bill would seek to strengthen the definition of "manipulator" under existing law to make it tougher for Treasury to avoid giving that label to China. The bill would eliminate consideration of a country's intent, a factor that critics say has been used to avoid affixing such a label to China. Legally, the move would trigger negotiations with the manipulator, but experts say it also would give Congress the ability to take further punitive steps.

Under Dodd's bill, if Treasury determined that a country was manipulating its currency, the secretary would issue a plan of action, including benchmarks and a timetable for correcting the imbalance. Like Baucus' bill, Dodd's measure would ratchet up pressure, starting with bilateral negotiations with the offending country and culminating with the Treasury secretary seeking redress through the WTO.

Focus of Iraq War Debate Shifts to House

With the Senate deadlocked over Iraq, the focus turns to the House, where Democrats plan several votes designed to hasten an end to U.S. involvement in the conflict. When the House Appropriations Committee takes up a draft fiscal 2008 Defense appropriations bill July 25, it will consider amendments that would set troop readiness standards and ban permanent U.S. military bases in Iraq, among others. Also next week, Speaker Nancy Pelosi, D-Calif., will bring to the full House another Iraq-related measure that aides said is still taking shape.

Senate Democrats said Wednesday they were willing to press forward anyway with attempts to end the war. Democrats were criticized by their base after yielding in May to a presidential veto and dropping withdrawal provisions from a supplemental war spending act (PL 110-28).

However, Senate Democrats had no immediate plans for additional Iraq votes. With Democrats holding only a slim majority in the Senate, and all but a few Senate Republicans still filibustering efforts to impose limits on President Bush's conduct of the war, Democrats for now are constrained to largely symbolic moves as they try to wear down their GOP opponents. "Democrats will not stop until Republicans drop their obstruction and allow an up-or-down vote on the most important issues facing the country," said Senate Majority Leader Harry Reid, D-Nev.

But Lindsey Graham, R-S.C., complained about what he considers poll-driven votes, saying the United States "cannot survive as a great nation" by taking such actions.

In the House, a withdrawal proposal is not expected during the markup of the Defense spending bill, a Democratic aide said. Instead, one likely amendment would establish minimal standards for training and equipping units before deployment. Another would require military personnel spend as much time at home between tours as they do deployed. A third would ban permanent U.S. military bases in Iraq.

Either John P. Murtha, D-Pa., the Defense subcommittee chairman, or James P. Moran, D-Va., a member of the panel, will propose an amendment in the committee that would reduce funding for the detention center at Guantanamo Bay, Cuba, and require the closing of the facility within 180 days, both lawmakers have said.

The Defense appropriations bill won't come to the House floor until the week before the August recess, meaning that next week's Iraq vote on the House floor would have to be a stand-alone bill or an amendment to another measure. House Republicans are confident their caucus will remain largely united against Democratic Iraq amendments, as they did last week on a bill, passed 223-201, that would require redeployment of troops to begin within 120 days (HR 2956). Four Republicans supported that measure.

Following a Republican member lunch Wednesday with Defense Secretary Robert M. Gates and hosted by Minority Whip Roy Blunt, R-Mo., House Republicans seemed confident that they could hold solidarity until General David H. Petraeus, the top military commander in Iraq, delivers his much anticipated September report on progress there. "Everybody's waiting for September 15th," said Rep. Bill Shuster, R-Pa., upon emerging from the Gates meeting. Meanwhile, a Reuters-Zogby poll released Wednesday showed Congress has an approval rating of 14 percent, the lowest ever recorded by Zogby.

After an all-night session, the Senate on Wednesday morning fell well short of the 60 votes needed to end a GOP filibuster and force a vote on a proposal that would trigger a withdrawal of U.S. troops from Iraq. The amendment to the defense authorization bill (HR 1585) by Democrats Carl Levin of Michigan and Jack Reed of Rhode Island would require a withdrawal to start in 120 days and end by April 30, 2008, save for troops needed to perform certain limited missions.

Despite the 52-47 setback, Democrats picked up four Republican supporters — Olympia J. Snowe and Susan Collins of Maine, Chuck Hagel of Nebraska and Gordon H. Smith of Oregon — along with independent Bernard Sanders of Vermont. Collins said she favored holding a vote on the measure, but did not support the amendment itself. Snowe was a new convert this month to the group of senators calling for redeployment of troops. Reid voted against the measure so that he could file a motion to reconsider the Levin-Reed amendment at another time.

Besides gaining GOP support, Democrats said they won a public relations victory by drawing attention, via the all-night session, to the GOP filibuster of the withdrawal measure. "The public was paying attention to this in a way they weren't paying attention to the debate before," said Charles E. Schumer of New York, the Democratic caucus vice chairman.

After the vote, Reid pulled the defense authorization bill from the floor, to the outrage of Republican leaders. "It's certainly the lowest point I can remember in my 20-odd years," said Minority Leader Mitch McConnell, R-Ky.

After the Levin-Reed proposal failed to gain cloture, Democrats said they would continue to push the measure, though they were not sure when. They said unless they got a simple majority vote on Levin-Reed, they would not permit votes on other Iraq-related amendments.

Other Iraq proposals include: one by Collins and Ben Nelson, D-Neb., that would require the administration to reduce the scope of U.S. missions in Iraq; another by Republicans John W. Warner of Virginia and Richard G. Lugar of Indiana that would force the White House to send Congress by October a plan for withdrawing U.S. troops; and a third by Democrat Ken Salazar of Colorado and Republican Lamar Alexander of Tennessee that would make the Iraq Study Group's recommendations U.S. policy.

Former Rep. Lee Hamilton, D-Ind., the co-chairman of the Iraq Study Group, told reporters Wednesday that Democrats should accept such legislative alternatives because they can pass, even if they are not ideal to party members. "You're in a position in Congress today where you want to exert, at least from a Democratic point of view, all possible pressure on the president to reverse or to change his policy," Hamilton said. "If you can't get rigid timetables, you have to go to alternatives." But Democrats have rejected that tack.

"I like Lee Hamilton and I certainly value his counsel, but I want American troops to start coming home," said Majority Whip Richard J. Durbin, D-Ill. "Anything short of a timetable is interesting but not effective."

Fed Chairman Bernanke Says Higher Taxes Could Drive Equity Firms, Hedge Funds Abroad

Federal Reserve Chairman Ben S. Bernanke cautiously stepped into the debate over the tax treatment of high-flying private equity firms and hedge funds this week.

In appearances before both House and Senate committees, Bernanke was repeatedly queried by lawmakers eager to get the country's top economic voice on record about whether to alter how the private investment funds are taxed. Bernanke avoided taking a specific stance on legislative proposals but did caution lawmakers Thursday that raising the taxes paid by fund managers could drive them overseas.

"It might not affect their activities, but it might affect their locations," Bernanke told members of the Senate Banking, Housing and Urban Affairs Committee. His comment came in response to a question from Charles E. Schumer, a New York Democrat, who asked Bernanke "theoretically" what would happen if lawmakers change tax laws for the funds and their managers.

Bernanke appeared before the panel to present the Fed's semi-annual monetary policy report to Congress. Schumer, who counts Wall Street and its denizens as key constituents, voiced concern that proposed changes would hurt New York's role as a global financial center. In recent weeks, lawmakers have been debating whether the private investment firms and their fund managers are paying appropriate taxes.

A broad House proposal and a more limited Senate measure (HR 2834, S 1624) would result in significantly higher tax rates for fund managers and any hedge fund or private equity firm that chooses to trade its shares publicly. Proponents of the legislation have framed the debate as an issue of tax fairness.

Speaking just minutes after Schumer, Indiana Democrat Evan Bayh asked Bernanke how he would explain to a crowd of middle-class constituents that some of the wealthiest Americans are taxed at a rate of 15 percent, as opposed to the higher levels paid by most workers because their earnings do not qualify as capital gains. Bernanke ducked the question, noting that economists long have argued over the merits of taxing capital income at a lower rate than normal income.

Still, Bernanke's responses over his two days of testimony indicated a wariness about inhibiting private investment funds. Answering questions from members of the House Financial Services Committee on June 18, Bernanke spoke about the "important benefits" of hedge funds and private pools of capital. "They provide a good deal of liquidity in the markets and help the markets work more efficiently," he said. "In private equity, in particular, they play an important role in the market for corporate control."

Third Session Is the Charm for Senate Judiciary Approval of Patent Overhaul Bill

The Senate Judiciary Committee convened three times Thursday before it approved legislation designed to overhaul the nation's patent laws.

By 13-5, the panel approved the bill (S 1145) during its third meeting of the day — a stop-and-go markup because of senators' inability to maintain a quorum. Chairman Patrick J. Leahy, D-Vt., the measure's lead sponsor, had grown visibly frustrated after weeks of stalled deliberations. The markup was postponed a day earlier when Republicans invoked a rule that prevents committees from meeting for more than two hours after the start of a session without the consent of all members.

The Senate action also came a day after the House Judiciary Committee approved a companion measure (HR 1908) by voice vote. Sponsors in both chambers hope to push the bipartisan patent bills to floor votes and into conference by fall.

Leahy succeeded in defeating the most substantial efforts to change his bill, helped by the support of lead Republican sponsor Orrin G. Hatch of Utah. Jon Kyl, R-Ariz., introduced amendments addressing the chief concerns of the bill's critics: language to expand the ability of challenges to patents after they're granted; and a proposal that would apportion damages according to the patent's contribution to the overall value of the product.

Critics have complained that adding a new post-grant review procedure would open patent holders to constant challenges. The House Judiciary panel opted to remove the provision allowing a "second window" of review and instead bolster the current evaluation procedure. Members rejected Kyl's proposal to strip the bill's post-grant review provision by a vote of 7-11. They also rejected his apportionment measure, 7-10.

The most significant amendment adopted Thursday aims to limit the "inequitable conduct" defense in patent infringement lawsuits. First, ranking member Arlen Specter, R-Pa., offered an amendment to require "clear and convincing" evidence of misconduct by the patent holder and proof that the patent would not have been granted without willful deception.

But Leahy offered a second-degree amendment that more modestly modified the inequitable conduct defense, by raising the standard of proof in a less stringent manner than Specter's proposal. Leahy's amendment was adopted, 10-9, supplanting Specter's language. Specter also tried to scale back the requirement that patent filers reveal the "best mode" contemplated by inventors for carrying out their inventions. He said the requirement has resulted in excessive litigation and unrealistic attempts to discern the state of mind of an inventor.

Leahy countered it would represent a "substantial gutting" of the bill. The amendment was rejected, 9-10. The House Judiciary panel adopted a similar measure July 18. Senators also adopted an amendment by Tom Coburn, R-Okla., that would end diversion of patent fees from the Patent and Trademark Office to general government spending.

Immigration Bill Appears Doomed After Cloture Vote Fails in Senate

Comprehensive immigration legislation, President Bush's top domestic priority this year, suffered a devastating blow in the Senate Thursday that may prove to be the death knell for the bill in the 110th Congress.

On a 46-53 vote, the Senate failed to invoke cloture and limit debate on the bill (S 1639). It was the second time this month that backers of the legislation proved unable to muster the 60 votes needed to surmount opposition from conservative Republicans and a mixed group of liberals and Democrats representing more generally GOP states. Indeed, the effort picked up only one new vote since June 7, when an effort to limit debate on an earlier version of the bill (S 1348) failed by 45-50.

This time around, 12 Republicans, 33 Democrats and one independent voted to limit debate, while 37 Republicans, 15 Democrats and one independent voted "no." The future now appears bleak for any comprehensive immigration

overhaul in the remaining 18 months of the current Congress, although senators from both sides indicated that narrower, targeted bills could still advance.

The issue has divided liberals and inflamed grass-roots conservatives who constitute a core GOP constituency. Bush, an unpopular lame-duck president, no longer has enough political clout to muscle reluctant Republicans into supporting the bill. Refusal to invoke cloture now means “the bill is dead for this year,” Arlen Specter, R-Pa., warned before the vote. And with elections looming next year, it will not return before 2009, he predicted.

Majority Leader Harry Reid, D-Nev., did not go that far. “The vote has been cast,” he said after the roll call, but he then pointed to a silver lining from the months of negotiations leading up to the floor debate. “Friendships developed where they didn’t exist before,” he said. “Trust initiated where it didn’t exist before. This is a legislative issue. It will come back. It’s only a question of when.” Bush expressed disappointment at the outcome of the Senate vote.

“The American people understand the status quo is unacceptable when it comes to our immigration laws,” he said. “A lot of us worked hard to see if we couldn’t find a common ground — it didn’t work.”

The legislation before the Senate was the product of a “grand bargain” involving the White House and about a dozen senators from both parties. But the fragile compromise suited almost no one entirely, and in the end it was overwhelmed by doubts from all sides. A number of Republicans and Democrats, for different reasons, opposed aspects of the legislation that would allow millions of illegal immigrants to stay, receive legal status and ultimately earn citizenship; provide \$4.4 billion in mandatory spending for border security and enforcement; and create a temporary guest worker program.

Democrats expressed dissatisfaction with the guest worker program and provisions that would reduce the role that family ties play in awarding green cards, or permanent legal resident status. Others in both parties, but particularly Republicans, questioned the legalization provision — denouncing it as “amnesty” — and complained that past enforcement promises have yet to be fulfilled.

David Vitter, R-La., a leading critic of the compromise, hailed the bill’s collapse. “I don’t think the message could be any clearer than this dramatic vote,” Vitter said. “The message is crystal clear that the American people want us to start with enforcement.” But Edward M. Kennedy, D-Mass., floor manager and chief sponsor of the bill, assailed the GOP critics. “We know what they’re against, but we don’t know what they’re for. What are they going to do with the 12 million undocumented [immigrants] who are here? Round them up and send them back to countries around the world?”

He said, “We have an important responsibility to try to achieve something” that addresses all aspects of the thorny immigration issue, from meeting the needs of employers to legalization of immigrants now living and working in the United States. “Politics is the art of the possible, and this legislation is our best opportunity for change and reform,” Kennedy said. Failing to act solves none of the current problems, he said. “This situation is going to get worse and worse and worse.”

Though 64 senators agreed June 26 to proceed to the bill, more than a dozen said they did so only to allow debate on 27 amendments that they hoped would modify core provisions they found objectionable. Several senators were incensed by the “clay pigeon” procedural tactic employed by Reid and the bipartisan backers of the legislation to speed consideration of the amendments.

Alabama Republican Jeff Sessions, among the most vocal opponents, said late Wednesday, “This was an extremely unusual process to force this bill forward.” One senator who was notably silent all week was Senate Minority Leader Mitch McConnell, R-Ky. Despite the bill’s importance to Bush, the GOP leader made no major speech on the issue all week and voted against cloture on Thursday.

Disappointed Democrats said after the vote that the immigration debate will not go away, but they admitted that a comprehensive bill was unlikely to return this year. "We're in the struggle for the long haul," Kennedy said. "Today's defeat will not stand." Reid said discussions were already under way on a plan to break out some of the most popular provisions of the package into separate bills. Among them are so-called Dream Act provisions to allow states to offer in-state college tuition to children of illegal immigrants and to help those young people who grew up in the United States and graduated from high school here to legalize their status.

Also under consideration for separate action are "AgJobs" provisions to offer more legal employment visas to foreign farm workers needed by U.S. growers. Kay Bailey Hutchison, R-Texas, urged Senate leaders to focus first on beefing up border and workplace enforcement, then on creation of a guest worker program to meet employer needs. She said such steps need to precede any effort to grant legal status to those now in the United States illegally.

Sen. John Cornyn, R-Texas, also appealed to Democratic leaders to eschew any broad, complex approach. He said Congress should proceed "step by step, bit by bit," with an initial focus on border security and workplace enforcement.

Gilmore Drops Bid for GOP White House Nod

The dark-horse Republican presidential bid of ex-Virginia Gov. Jim Gilmore is over. Gilmore, also a former chairman of the Republican National Committee, posted an announcement on his campaign Web site Saturday that he has ended his bid for the 2008 GOP nomination.

One of the least-known nationally among the crowded field of Republican hopefuls, Gilmore said in a statement that it "has become apparent to me that the combination of my late start and the front-loaded nature of the primary schedule have made it impractical to continue to pursue this path towards further public service."

Nearly half the states have either moved or are considering moving their presidential primaries or caucuses to Feb. 5 or earlier. Gilmore said, "I believe that it takes years of preparation to put in place both the political and financial infrastructure to contest what now amounts to a one-day national primary in February."

Gilmore began his run in April this year, and raised far less than half a million dollars in the first half of 2007. He said he will continue to stay active in party politics by forming a Virginia political action committee to assist Republican candidates in races for the state's General Assembly this November and beyond, and will be looking for other opportunities in public service at home.

Virginia is the only state that prohibits its governor to serve two consecutive terms, so the next election for Gilmore's old job — now held by Democrat Tim Kaine — will again be an open-seat contest in which he might consider running. He might have to mull another statewide race even sooner, as it still is unclear whether veteran Republican Sen. John W. Warner will seek re-election in 2008: Northern Virginia Rep. Thomas M. Davis III, who is known to have interest in running for the Senate if Warner does not, is something of a centrist Republican, so the strongly conservative Gilmore could potentially enter and run to his right.

The son of a meatcutter and a church secretary, Gilmore was a member of the U.S. Army counter-intelligence unit, a prosecutor in Henrico County and state attorney general before winning the 1997 race for governor. He is best known for eliminating most of the state's car tax after winning the 1997 race with that issue as a major plank, though it became a controversial policy after a budget shortfall damaged the state's economy during his tenure.

Lead in Presidential Fundraising Buys Hope for Democrats in 2008

Energy on the political left is helping the Democratic Party's presidential candidates significantly outraise their Republican counterparts at the midpoint of this year, according to reports that were filed over the weekend with the Federal Election Commission (FEC).

The eight Democrats who are running for president reported total second-quarter receipts of \$83 million — about three-fourths of it coming from Illinois Sen. Barack Obama and New York Sen. Hillary Rodham Clinton, who are leading the Democratic field in early public opinion polls. The Democrats' cumulative total was significantly higher than the \$58 million in second-quarter receipts for the 11 Republican presidential candidates.

Democrats won control of the House and Senate in the 2006 elections in large part because of widespread disenchantment with President Bush and with the Iraq war. Democrats are emboldened that they can win the White House in 2008 — and the money figures are encouraging that optimism. The major candidates already had released their overall second-quarter numbers shortly after the June 30 cutoff date. The full reports, which were due at midnight Sunday, identify specific campaign donors and detail how and where the campaigns are spending their money.

Democrats. The top second-quarter fundraiser overall was Obama, whose receipts in the reporting period totaled \$33.1 million. Obama has raised \$59 million overall and banked \$36.3 million at the end of June. Obama's campaign took \$4.3 million in the second quarter from California donors and \$3.3 million from Illinois donors. His campaign spent about \$3.2 million in payroll expenses to about 400 individuals.

Clinton reported second-quarter receipts of \$27 million, and her \$63 million in overall receipts is tops in either party. Her totals include a \$10 million transfer from her Senate campaign committee that was made early in her campaign. Clinton also has the most campaign cash-on-hand — \$45.2 million — though that includes more than \$12 million that Clinton cannot use until a general election. (Individual donors are allowed to give \$2,300 to a federal candidate for a primary campaign and \$2,300 for a general election campaign; candidates are allowed to deposit a \$4,600 check from a single donor, so long as they attribute half of it for the general election campaign and do not spend that money during the primary campaign). Clinton and Obama are virtually tied in the amount of money that is available for them to spend during the primary campaign.

Clinton spent \$12.8 million in the second quarter and \$17.8 million for her campaign to date, though her expenditures represent just 28 percent of her overall receipts — a "burn rate" that is the lowest of the Democratic candidates. Her campaign spent \$2.5 million on staff salaries in the second quarter to about 320 individuals.

The Clinton and Obama figures far overshadowed the second-quarter activity of former North Carolina Sen. John Edwards, who took in \$9.1 million, and New Mexico Gov. Bill Richardson, who raised \$7 million.

Edwards, the 2004 Democratic vice-presidential nominee, was a successful trial lawyer prior to his election to a single term in 1998, and his second-quarter report reflected his continued fundraising clout in the legal community. He received about \$1.9 million in second-quarter funds from donors whose occupation field was listed wholly or partly as "lawyer" or "attorney" on the FEC documents. Edwards' campaign spent more than \$200,000 in the reporting period to Frederick M. Baron, a prominent lawyer, for airfare expenses. Baron is heading up fundraising efforts for Edwards' campaign.

Richardson collected \$1.4 million in the second quarter from donors in New Mexico, where he was elected governor in 2002 and re-elected last year. Richardson represented northern New Mexico in the House from 1983 until 1997, when he resigned to become U.S. ambassador to the United Nations.

Connecticut Sen. Christopher J. Dodd raised \$3.3 million and spent \$4.4 million in the reporting period and began July with \$6.4 million in the bank. Delaware Sen. Joseph R. Biden Jr. took in \$2.5 million, spent \$2.5 million and began July with \$2.8 million cash-on-hand. His campaign portrayed that effort as successful, given that Biden represents one of the nation's most sparsely populated states. Ohio Rep. Dennis J. Kucinich, whose second presidential bid in as many cycles

is predicated on his vigorous opposition to the Iraq war, raised \$757,000 in the second quarter and began July with \$213,000 in the bank.

Republicans. Former Massachusetts Gov. Mitt Romney's \$21 million in second-quarter receipts was tops among the Republican field, though Romney only outpaced former New York mayor Rudolph Giuliani's \$17.6 million second-quarter take because of a \$6.5 million loan Romney made to his own campaign — \$2.5 million on May 11 and \$4 million on June 29.

Romney campaign officials have defended their big early spending on the ground that it has helped the candidate build an impressive campaign organization in Iowa and New Hampshire, which will hold the first caucus and the first primary next January, and in introducing Romney to a broader national audience of Republican voters who were not familiar with him.

Giuliani raised \$4.1 million in the reporting period from donors in New York, where he is especially well-known. But he also took \$1.7 million in the second quarter from donors in California, which is hosting a Feb. 5 primary, and \$1.7 million in Florida, where the Jan. 29 primary one week earlier also will be crucial. Giuliani's campaign reported spending \$1.7 million on staff salaries to about 140 individuals. It spent about \$1 million in travel expenses and about \$800,000 in finance consulting to an array of individuals and organizations.

John McCain's report confirmed cashflow problems for the Arizona senator, who has slashed his campaign payroll and who last week announced the departures of his campaign manager and his chief strategist. While McCain's \$11.6 million in second-quarter receipts was the fifth-most among all candidates, it was a much lower take than campaign officials originally forecast — and less than the \$13.1 million that the campaign spent during the period. McCain's campaign has just \$3.2 million left to spend and \$1.8 million in debts.

When debts are factored in, McCain actually has less money to spend than Texas Rep. Ron Paul, who has \$2.3 million cash-on-hand and no debts. Paul may be a longshot candidate, but has a dedicated group of backers — many of them technologically savvy — who have promoted Paul's candid and contrarian Republican views, which include a long-standing opposition to the Iraq war and many fiscally conservative positions that are reminiscent of his former Libertarian Party affiliation. Paul has run a lean campaign operation that has spent less than one-fourth of what it has received — a "burn rate" that is the lowest of any candidate.

Other Republican candidates lagged farther behind. Colorado Rep. Tom Tancredo raised \$1.5 million in the second quarter and has \$598,000 left to spend. Kansas Sen. Sam Brownback raised \$1.4 million in the second quarter and has \$460,000 cash-on-hand. California Rep. Duncan Hunter, who is little-known outside his San Diego-area district, took in \$814,000 in the quarter and began July with \$213,000 banked.



Silver Market Report July 2007

Price Update:

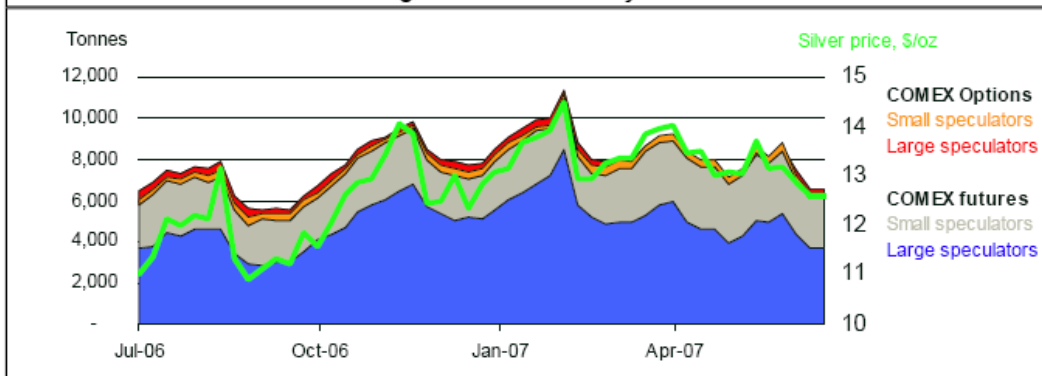
Silver tumbled in the last week of the second quarter, falling to a 6 month low on the 26th June. The precious metals crashed down through their support levels as gold fell to a 3 month low of \$640.50 and silver had a wash out, tumbling by more than 5% over the trading day. Widespread fund technical selling and option expiry lead the white metal to collapse to a low of \$12.13. Silver had been trading on a fragile note as pressure in the copper market and a softer oil price exerted a negative influence on the metals complex. The sentiment moved further into bearish territory on the mounting expectation of rising interest rates. Comments from the IMF highlighted the need for world economies to utilise the monetary policy instrument of interest rates to dampen growing inflation. In an environment of anticipated interest rate hikes, the gyrations across equity markets and rising bond yields acted as the major impetus for nervous movements in both gold and silver. Traditionally a less risky asset class, higher bond yields may lead to a further flow of funds into this area. Often cited as a liquid asset, gold investors used that very same liquidity to exit the market. However, gold's flight to quality attributes should, in time, lead to an upward reversal. It is also worth noting that this action occurred as the market approached end of quarter and end of H1, therefore the rebalancing of positions by market participants may well have contributed to the overall move.

While silver's breakdown in June was undeniably technical in nature, negative fundamental news from China also lent to the bearish sentiment in the silver market. According to Reuters, China's silver exports are expected to fall due to lower tax rebates for exporters. Currently, China is ranked third in the world's silver producing countries with an annual output of 75.4 Moz in 2006. The tax rebate for silver exports is currently 13%; however from the 1st July this fell to 5%. It is expected that as a result of this 8% decline, Chinese silver exports will fall. With internal supplies rising, it is quite likely that this action will push down the local price of silver and push up world prices. As this change did not take effect until the 1st July, it is quite likely that the market experienced a significant increase in exports out of China ahead of this date and therefore could be responsible for the recent weakness in silver. This is further emphasised by China's trade surplus figures for June which reported a \$26.9 bln surplus as exporters reacted quickly to the change in export tax rebates.

Exchange Update:

In line with the steep decline in the silver price, exchange positions fell significantly on the bearish actions of market participants. Silver experienced two very negative weeks of liquidation with an 18% decline in the net long position in the week of the 26th June and this path continued in the week to the 3rd July as the net global silver position declined by 826 tonnes (or 11%) to 6378 tonnes. The last occasion the net silver position was at this level was the week of the 17th Oct last year when silver was trading at \$11.85. It rose consistently thereafter, in weekly fixing terms, for seven weeks to a high of \$14.05 while the global silver position rose to 9,350 tonnes. Can we now be on the cusp of a similar action? Silver has recovered in recent days and closed on the 10th July above the \$12.79 Fibonacci level. It held this level, moving over \$13 and the next target for the white metal is \$13.37 which is the 20th June high.

Silver Exchange Investment — July 2006 to Present



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