



# Silver Users Association

## Washington Report

Volume 4, Issue 6

June 18, 2007

### 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			

### *In This Issue:*

- Silver Users Association Announces Meeting Date
- Tiffany Reports its First Quarter Results
- Industry Groups Object to Specialty Metal Provisions in House DOD Authorization Bill
- Immigration Bill Revived in Senate
- Renewable-Power Dispute Slows Progress on Senate Energy Legislation
- Bipartisan Senate Group Launches Effort to Pressure China on Currency
- Wyoming Sen. Thomas Dies at 74
- Congressman William Jefferson Hit on 16 Counts
- American Eagle Silver Uncirculated Coin Available
- Silver ETF Update

### This Month's Newsletter Sponsored by:

TIFFANY & CO.

### 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](mailto: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](mailto:pmiller@mwcapitol.com)

## **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](mailto:pmiller@mwcapitol.com).

Agenda will be out shortly. We still have some speaking slots available. If interested, please let Paul know ASAP.

## **Tiffany Reports its First Quarter Results**

Tiffany & Co. (NYSE: TIF) reported 15% increases in both net sales and net earnings in its first quarter ended April 30, 2007.

Net sales rose 15% to \$620,875,000. Growth was geographically broad-based, with the exception of Japan. On a constant-exchange-rate basis which excludes the effect of translating foreign-currency-denominated sales into U.S. dollars (see attached "Non-GAAP Measures" schedule), net sales increased 14% and worldwide comparable store sales rose 8%.

Net earnings in the first quarter rose 15% to \$49,659,000 from \$43,142,000 a year ago, and earnings per diluted share rose 20% to \$0.36 from \$0.30 in the prior year.

### Sales by channel of distribution were as follows:

- U.S. Retail sales rose 15% to \$298,684,000, primarily due to increased spending per transaction. Comparable store sales growth of 12% was achieved through a 26% increase in the New York flagship store and a 9% increase in branch store sales. Results from six new stores opened in the past year meaningfully contributed. The Company opened a store in Austin, Texas in the first quarter and operated 65 TIFFANY & CO. U.S. stores at the end of the period.
- International Retail sales rose 15% to \$248,007,000. On a constant-exchange-rate basis, sales rose 13% (4% on a comparable store sales basis) due to growth in most international markets except Japan. Detailed sales results by geographical region are noted on the attached "Non-GAAP Measures" schedule. Tiffany added a net of three Company-operated retail locations, including three in Japan (and closed two), one in Korea and one in Singapore, and operated 106 TIFFANY & CO. international stores and boutiques at quarter-end.
- Direct Marketing sales rose 11% to \$33,296,000 due to growth in both the number of orders and in the average amount spent per order.
- Other sales increased 22% to \$40,888,000. The increase was due to a \$5.2 million increase in wholesale sales of diamonds, as well as growth in the Company's specialty retail sales at LITTLE SWITZERLAND and IRIDESSE stores.

### Other financial highlights were:

- Gross margin (gross profit as a percentage of net sales) was 54.5% versus 55.8% in 2006's first quarter. The decline largely reflected higher product costs, as well as increased wholesale sales of diamonds and changes in

sales mix toward higher-ticket, lower-gross margin jewelry. The Company recorded a LIFO inventory charge of \$6,889,000, versus a charge of \$1,366,000 in the prior year's quarter.

- Selling, general and administrative ("SG&A") expenses rose 13%, primarily due to planned increases in store- and marketing-related costs. As a percentage of net sales, SG&A expenses were 41.4% in the first quarter, versus 42.1% a year ago.
- The Company's effective tax rate was 36.5%, versus 38.6% in the prior year. The lower rate in 2007 reflected the Company's recording of favorable reserve adjustments related to the expiration of certain statutory periods.
- Net inventories at April 30, 2007 were 14% above the prior year, due to new store openings, broadened product assortments, higher precious metal costs and expanded diamond manufacturing and sourcing operations.
- The Company repurchased and retired 520,618 shares of its Common Stock in the first quarter at a total cost of \$24,997,000, or an average cost of \$48.01 per share. Approximately \$670 million remains available for repurchases through December 2009 under the currently authorized program.
- Total debt as a percentage of stockholders' equity was 28% at April 30, 2007 versus 27% a year ago.

Michael J. Kowalski, chairman and chief executive officer, said, "We are pleased to start 2007 with these results and excited about our plans for the full year. We will increase the number of our company-operated TIFFANY & CO. locations by approximately 10%, and introduce a wide range of new product designs."

He added, "We are now one month into the second quarter and sales in May are achieving our overall expectation. Strong sales growth in the U.S. and in most international markets is offsetting continued weakness in Japan. Based on our planned initiatives and a continued favorable retail environment, our full year 2007 expectation now calls for approximately 12% sales growth, an improved operating margin and earnings per diluted share in a range of \$2.10 - \$2.15."

Separately, the Company plans to launch a significant expansion of its wholesale distribution of TIFFANY & CO. watches in 2008 in major U.S. and international markets. Mr. Kowalski said, "Tiffany has developed a very strong, competitive watch assortment in the past several years, always with a long-term objective to increase watch sales as a percentage of our overall business. We are now well-positioned to take the next step in this evolution, and believe that expanding our distribution through other fine jewelry and watch retailers will enable us to build customer awareness and generate meaningful incremental sales growth. The initial offering will include our MARK, ATLAS, GRAND and T-57 collections, as well as a selection of jeweled timepieces."

### **Industry Groups Object to Specialty Metal Provisions in House DOD Authorization Bill**

As the Senate Armed Services Committee May 23 and 24 marked up its fiscal year 2008 defense authorization bill in closed sessions, a coalition of industry groups warned that provisions in the House version of the bill would effectively reverse last year's legislative reforms to domestic preference requirements for Defense Department purchases of specialty metals or products containing such metals.

Provisions in the FY 2008 defense authorization bill (H.R. 1585) passed by the House May 17 would lead to "severe, negative impacts," including "burdens on support to the war fighter and substantial increased costs for industry and the taxpayer," the Specialty Metals Availability Reform Team (SMART) Coalition said in May 18 comments on the bill.

One member of the coalition, the Information Technology Association of America, May 22 released a separate statement, asserting that "if Congress reverses course, our military services will lose access to many technological advances and other important programs will be delayed."

Given the global economics of the IT industry, ITAA said, some companies have indicated that a requirement to certify the origin of "every fastener, connection, diode, electrode, transistor and chip in every circuit card" of an IT system would cause them to leave the defense market altogether.

Accordingly, the coalition and ITAA urged Congress to oppose the specialty metals provisions in the House bill and to enact instead provisions adopted by the Senate last year in its version of the FY 2007 defense authorization bill (S. 2766).

The industry groups are not the only ones to suggest that Congress should consider continued reforms rather than a rolling back of recent changes. In March, the Congressional Research Service issued a report stating that it may be time for "renewed debate" regarding the costs and benefits of domestic preferences for specialty metals and outlining possible further options in the area.

These provisions cited by the coalition--which also are opposed by the Bush administration--would:

- require that competitions for major weapon system contracts consider the degree to which prospective specialty metal suppliers are taking steps to reinvest in domestic production capacity (Section 808);
- make it harder for DOD to determine that domestic specialty metals do not exist in the "required form," as required before a domestic nonavailability determination (DNAD) can be issued to allow purchase of foreign specialty metals (Section 809);
- exclude the costs of complying with domestic source restrictions in any competition involving a U.S. firm and a foreign source firm that benefits from the "qualifying country" exemption to domestic source restrictions (Section 845); and
- require that DNADs be subject to a formal rulemaking process (Section 846).

These provisions would increase costs to taxpayers, impair DOD's ability to buy commercial-off-the-shelf (COTS) items, and, due to the retroactive reach of Section 809, put at risk contractors that currently are performing under DNADs issued following last year's act, the coalition said. Section 846 in particular would "impair the longstanding authority of the Secretary [of defense] to make timely determinations regarding domestic materials needed to supply the war fighter," the coalition asserted.

The FY 2007 defense authorization act (Pub. L. No. 109-364) provided some relief for DOD and contractors from decades-old Berry Amendment restrictions that prohibited DOD from buying specialty metals melted outside the United States and certain qualifying countries unless the secretary of defense determined that sufficient domestic specialty metals cannot be procured when needed at U.S. market prices.

These restrictions became problematic in recent years as DOD moved away from military-unique specifications and toward greater use of commercial items, many of which are produced in the global marketplace without regard to U.S. sourcing requirements. When Congress acted last year, DOD was taking a hard line with regard to acceptance of noncompliant products--those in which the contractor could not certify the origin of all components--with some observers

speculating that this was part of an effort to force legislators to deal with the complexities of the issue and its potential effects on U.S. national security.

In the FY 2007 act, Congress revised the domestic sourcing requirements applicable to specialty metals and separated them from the other domestic source restrictions contained in the Berry Amendment (86 FCR 348, 10/10/06). The act established a one-time waiver process that allows DOD to accept certain items containing noncompliant specialty metals, and created a de minimis exception for specialty metals in commercially available electronics components. Since passage of the act, DOD has issued two DNADs, one for populated circuit cards and the other for fasteners. Following the issuance of the fastener DNAD, there was a perception by some in Congress that the department had exceeded congressional intent, particularly with regard to determining that domestic specialty metals were not available in the "required form." This perception appears to be reflected in House bill Section 809, which would narrow the definition of "required form" to exclude any "form" other than mill products such as slab, plate, and sheet when determining domestic availability.

The coalition asserted in its comments that the House provisions "fail to consider DOD's thoughtful implementation" of the FY 2007 specialty metals reforms--specifically, the department's "extensive" market research related to industry practices and domestic specialty metal availability required to meet DOD needs. The provisions also do not recognize "that there is a distinct difference between procuring COTS items and military-unique items made specifically for national security purposes," the industry groups maintained.

Further, the coalition cited figures it said indicate the "strong financial health" of the domestic specialty metals industry and make it "difficult to justify" the more stringent domestic specialty metal restrictions contemplated by the House provisions. Over the past five years, the domestic specialty metals industry has seen growth rates that have exceeded 50 percent and profit margins that have exceeded 25 percent, the coalition said.

In urging that Congress enact specialty metals provisions included in last year's Senate bill, the coalition cited provisions that would exempt from domestic source requirements both commercial items and items in which the specialty metals content is of de minimis value. It also cited a provision it said would allow dual-use item suppliers to comply with the intent of the source restrictions by procuring equal amounts of domestic and nondomestic specialty metals for DOD "without having to alter their manufacturing processes to account separately for those specialty metals."

The SMART coalition is comprised of 13 industry group members: the American Electronics Association, Aerospace Industries Association, Computing Technology Industry Association, Coalition for Government Procurement, Contract Services Association, Electronic Industries Alliance, Government Electronics & Information Technology Association, Industrial Fasteners Institute, ITAA, National Defense Industrial Association, National Electronic Distributors Association, Professional Services Council, Semiconductor Industry Association and the U.S. Chamber of Commerce.

## **Immigration Bill Revived in Senate**

Senate leaders breathed new life Thursday night into stalled immigration legislation, announcing they would bring the bill back to the floor but making no promises about the substance of the legislation. Majority Leader Harry Reid (D-NV) and Minority Leader Mitch McConnell (R-KY) made only a vague commitment, saying in a statement that "the immigration bill will return to the Senate floor after completion of the energy bill."

That means the bill would probably be on the floor no earlier than late next week and probably not until the week after. While senators in both parties expressed optimism that the agreement meant the bill is headed toward passage, conservatives who played a role in derailing the bill last week were left out of the latest deal-making.

“We’re standing in front of a train, there’s no doubt about it,” said Jim DeMint (R-SC) a leader of the group of Republicans trying to kill the bill. The breakthrough came hours after President Bush called for \$4.4 billion in border security spending to be added to the bill — an effort to win over those who want to enforce current laws before providing a path to legalization for illegal immigrants. DeMint said Bush’s proposal “may give enough people cover to vote for the bill.”

The first step when the bill returns to the Senate floor will be a fourth vote to invoke cloture, which would limit debate on the legislation and cut off a filibuster. Leaders from both parties are confident that they will reach the 60-vote threshold after coming up short in three attempts last week.

“I think we can get cloture,” said Minority Whip Trent Lott (R-MS) whose job is to count Republican votes. “I’m already working it.” If the cloture vote is successful, next in line would probably be an amendment by Republicans Mel Martinez of Florida, Jon Kyl of Arizona and Lindsey Graham of South Carolina that would provide \$4.4 billion in mandatory spending on border security in interior enforcement. That was the essence of the plan Bush backed Thursday, and top Democrats also embraced the idea.

Members said that under the agreement, each party is likely to be limited to about 10 amendments, and the bill could be wrapped up in a matter of days once it is brought back to the floor. Proponents of the bill have been engaged in a delicate negotiation regarding which amendments to consider, trying to ensure that each side is satisfied that its voices are heard while also guaranteeing that nothing that would wreck the compromise can attract enough votes to get attached to the bill.

One of the most contentious amendments, by Kay Bailey Hutchison, R-Texas, would require illegal immigrants to return to their home countries before they can apply for legal status, a process known as “touchback.” It’s not clear whether Democratic negotiators have agreed to allow a vote on that proposal, which is vehemently opposed by immigration advocates.

The final drive toward agreement began June 12, when Bush met with a skeptical Senate Republican Conference and heard from members that they feared that even if the bill included stronger border security and interior enforcement, that was no guarantee that the money for it would be appropriated or that the agencies would be able to carry it out. They needed to see something more concrete, they told the president. Martinez, a GOP negotiator, said the proposal for mandatory border security spending that grew out of that meeting “gave a lift” to the negotiations.

The \$4.4 billion would be added to the legislation as mandatory, upfront spending for border security and enforcement. Inserting such a provision into the bill would require 60 votes for the Senate to waive budget rules. Some Republicans expressed a preference for providing the money in a separate, emergency supplemental appropriations bill.

Johnny Isakson of Georgia, a conservative who has been targeted as one Republican who might back the legislation if it has the right border security elements, said he supported the idea of “decoupling” money for border enforcement by way of a supplemental spending bill, with the path to legalization and a guest worker program being dealt with separately. But Isakson was not ready to commit to creating a mandatory spending program in the immigration bill itself.

One hotly debated provision likely to remain untouched is an amendment, adopted June 7, that would sunset the bill’s Y-1 non-immigrant temporary worker visa program after five years. Some bill proponents want to remove that provision, but Martinez said it is likely to remain and not be subject to further amendment. That, however, could change in conference committee.

## **Renewable-Power Dispute Slows Progress on Senate Energy Legislation**

Senators walked off the floor Wednesday with little to show for three days of debate on comprehensive energy legislation except a stalemate over a renewable-electricity mandate.

Energy and Natural Resources Chairman Jeff Bingaman (D-NM) had the votes to adopt his renewable-power amendment on a simple majority vote, but he first had to fend off a second-degree amendment by ranking Republican Pete Domenici, also of New Mexico.

Seven Republicans joined Democrats in a 56-39 vote to table Domenici's amendment. Domenici, however, said Republicans would "not let the Bingaman amendment come up for a long time," and Democrats were unable to muster the 60 votes needed to overcome the objection.

So the majority put the renewable-fuels mandate aside and moved on to other issues. But the standoff between Bingaman and Domenici, who collaborated in passing the 2005 energy law ([PL 109-58](#)) and banded together to build bipartisan support for the underlying bill now on the floor ([HR 6](#)), illustrates the challenges ahead as lawmakers tackle other contentious issues that were glossed over in the committee process.

Senators still must address proposals to promote motor fuels made from coal and to boost vehicle fuel-economy standards, both of which have spurred vigorous advertising and lobbying campaigns on Capitol Hill. And they must do it all within a few days — no votes are scheduled until Tuesday — in order to finish work on the bill next week, as Majority Leader Harry Reid, a Democrat from Nevada, has promised.

In the only other roll call vote Thursday, senators rejected, 43-44, an amendment by Republican John W. Warner that would have allowed his home state of Virginia to pursue the exploration of natural gas off its coast. The vote was largely symbolic — Warner needed 60 votes under an agreement reached with Senate leaders — but he said his goal was to establish "a record" of where his colleagues stood on the issue.

Bingaman's renewable-power mandate would require major electric utilities to produce 15 percent of their power from sources such as wind and the sun by 2020. Domenici sought to expand the mandate to 20 percent and include energies such as nuclear and "clean" coal. Bingaman's opponents argued that the mandate would favor states that can exploit wind energy and would unfairly handicap Southern states that don't have the wind resources to meet the standard. The language would allow utilities that cannot meet the standard to buy credits from other utilities that have exceeded their requirements or pay a compliance fee. But Bob Corker, a Republican from Tennessee, compared that option to a tax on electricity and a "transfer of wealth" from the Southeast to other parts of the country.

Bingaman countered that utilities have plenty of options for meeting the mandate, including biomass, which would use items such as wood chips and agricultural waste to fire power plants. Bingaman has pushed a 10 percent renewable-electricity mandate through the Senate three times, most recently by a 52-48 margin in 2005. Senators knew in the past that House Republicans would strip out the mandate, as they did in 2005, but that is less likely now that the House is under Democratic control.

Democrats contend that the proposal isn't dead, though even environmentalists who support it concede it will be difficult to resuscitate. "We've been told to go into the bushes and find 60 votes, so we shall do that," said Marchant Wentworth, who handles the issue for the Union of Concerned Scientists. "There's always a chance." Reid said he hoped Bingaman and Domenici can resolve their dispute. He also predicted equally vigorous debate over an amendment by Democrat Carl Levin of Michigan. Levin's amendment is intended to soften language in the Senate bill that would raise fleetwide gas mileage mandates for automobiles, known as Corporate Average Fuel Economy standards.

Warner's amendment revived the debate on offshore energy exploration, less than a year after Congress enacted a law ([PL 109-432](#)) expanding oil and gas development opportunities in the eastern Gulf of Mexico. Warner's proposal would let Virginia, with the approval of the governor and the state legislature, petition the Interior Department for authority to pursue natural gas development at least 50 miles off its shores. In response to criticism about potential interference with Defense training and testing activities, Warner modified the language to require the Defense secretary to sign off.

Revenue generated from the natural gas production would be shared by the Treasury, Virginia and two funds to promote conservation efforts and pay for any environmental damage resulting from the development. "Our supply clearly is not meeting our growing demand," Warner said, citing the surge in natural gas prices since 2000. "Domestic production has been relatively flat. Imports are on the rise."

Democrat Robert Menendez of New Jersey said Warner's proposal would merely allow the nation to "tap another vein to feed our addiction to oil and to fossil fuels." He filed a second-degree amendment to Warner's proposal that would have given the governors of states within 100 miles of Virginia veto power over any exploration proposal. "We share that Atlantic Ocean," he said, expressing concern that New Jersey beaches could suffer environmental damage from drilling off of Virginia's coast. Menendez called on lawmakers to uphold the quarter-century moratoriums on energy development off most of the nation's shores. The Menendez proposal was pulled after senators defeated Warner's amendment.

## **Bipartisan Senate Group Launches Effort to Pressure China on Currency**

Frustrated with China's currency practices and the U.S. government's response, Senate lawmakers are proposing measures to increase pressure on the Asian giant to more quickly revalue its currency, the yuan.

On Wednesday, a bipartisan group, made up of leaders of the Finance Committee and two persistent proponents of tougher U.S. action against China, introduced a bill that would require more stringent steps by the Treasury Department if it identified a country as having "a fundamentally misaligned currency." The announcement coincided with the release of Treasury's semiannual report on foreign currency practices in which the department declined once again to label China a currency "manipulator."

Lawmakers and other critics blame the cheap yuan for the skyrocketing U.S.-China trade deficit and a loss of U.S. manufacturing jobs. Senator Charles Schumer (D-NY) said Treasury's latest report "just boggles the mind." He said the department, in deciding against the manipulator label, is in effect "tossing the ball to Congress and saying, 'You do it.'"

The bill, introduced by Schumer, Lindsey Graham (R-SC), Finance Chairman Max Baucus (D-MT) and the panel's ranking Republican, Charles Grassley (R-IA), would replace the rules governing Treasury currency investigations. The new structure would require Treasury to identify the "fundamentally misaligned currencies." The most egregious cases — labeled "priority" currencies — would be subject to increasingly severe actions.

A second measure, not yet introduced, was floated June 12 by Senate Banking Chairman Chris Dodd (D-CT), and ranking Republican Richard Shelby (R-AL). That measure would beef up the definition of "manipulator" under current law to make it more difficult for Treasury to avoid giving that label to China. It also would eliminate consideration of a country's intent, a factor that critics say has been used to avoid giving the label to China.

Schumer and Graham pushed legislation last year that would have slapped China with punitive tariffs unless the yuan appreciated significantly. They backed off at the urging of Treasury Secretary Henry M. Paulson Jr. and have since been working with Baucus and Grassley to find an approach consistent with World Trade Organization (WTO) rules. Paulson pressed lawmakers to avoid a direct confrontation with China. He had launched a high-level "strategic economic

dialogue” between the United States and China on currency and other trade issues, but lawmakers have grown impatient.

The Finance measure would put in place a series of actions against countries where currency imbalances are the result of clear government policy measures. Those actions would start with consultation with the countries and the International Monetary Fund and other trading partners to encourage changes. After 180 days, a series of sanctions would apply. Likely of most concern to China is a provision that would require the Commerce Department to include the degree of currency undervaluation in its calculation of anti-dumping duties.

Finally, if a targeted country had not changed its policies after a year, the United States would take legal action through the WTO. Also, Treasury would have to consult with the Federal Reserve Board and other central banks on whether retaliatory currency intervention was in order. The sponsors say the bill is fully consistent with WTO rules.

Still, experts remain skeptical that legislation will spur faster yuan appreciation. The Chinese government is determined to move cautiously on economic policies, worried about maintaining domestic political stability. Gary Hufbauer, a senior fellow at the Peterson Institute for International Economics, said keeping the issue “bubbling” on the Hill will be more productive than actually passing legislation that slaps China with penalties. “My sense is, when you hit China hard, you really stiffen its back,” he said.

The two Senate proposals suggest a potential turf fight. The Dodd-Shelby bill falls under the Banking panel’s jurisdiction, while the other bill would go to Finance. Sponsors of the Finance bill dismissed suggestions of a potential conflict with Banking and said they thought the House would take up similar China legislation. “This is the real deal,” Baucus said. But Dodd insisted that the Banking panel is the appropriate venue for such legislation. “This is my committee’s jurisdiction — currency,” he said. Backers of the Finance panel version predicted that their bill would pass with strong bipartisan support, possibly with a veto-proof margin in both chambers.

## **Wyoming Sen. Thomas Dies at 74**

Sen. Craig Thomas (R-WY) passed away Monday night at National Naval Medical Center in Bethesda, Md., after a seven-month bout with leukemia. He was 74.

According to a statement from Thomas’ family, the Senator died with his wife, Susan, his sons, Patrick and Greg, and daughter, Lexie, by his side. His death quickly brought forth statements of sympathy from his colleagues.

“Wyoming had no greater advocate, taxpayers had no greater watchdog and rural America had no greater defender than Craig Thomas,” said Senate Minority Leader Mitch McConnell (R-Ky.). “The Senate is a lesser place without Craig here, but the state of Wyoming and our nation are much better places because he was here.”

Earlier Monday evening, Thomas had undergone a second round of chemotherapy and fought infection related to his struggle with leukemia. A statement from the Senator’s family indicated the medical team was having difficulty managing his blood cancer. Thomas was hospitalized on May 24 following routine tests to monitor his bone marrow and white and red blood cell counts.

Thomas was first diagnosed with acute myeloid leukemia in November 2006, just after sailing to a third Senate term with 70 percent of the vote. The popular Wyoming Republican began his treatment within days after learning of his condition, and continued his therapies throughout the early part of the 110th Congress.

Doctors felt Thomas was having such a positive response to the treatment that they opted against administering a round of chemotherapy in March, Thomas’ office said. Meantime, Thomas was back to a regular vote and committee schedule in the Senate and continued to voice optimism about his recovery.

“When these things happen, you have to do what’s necessary to deal with it,” Thomas said in a January interview with Roll Call. “I must say I didn’t know what I was getting into. I was shocked and concerned because anything compared with that title is scary. I just look forward to getting back in the swing of things.”

Thomas said then that he was surprised when his cancer diagnosis came down since he had little forewarning and no one in his family has suffered from the malady. Initially, the doctors believed it was pneumonia.

Wyoming law ensures that Senate Republicans will not lose a vote, as Gov. Dave Freudenthal (D) is required to select a replacement for the Senator from among three candidates submitted to him by the state GOP.

However, the individual chosen by the governor to fill the remainder of Thomas’ term will only serve until November 2008, giving the seriously threatened Senate Republican Conference another seat to protect in a cycle when they already are defending nearly twice as many seats as the Democrats.

Senate Democrats are defending only 12 seats this cycle, compared to a whopping 21 for the Republicans.

Before Thomas passed away Monday, Wyoming Republican Party Chairman Fred Parady confirmed that the 71-member state GOP central committee would select the names of three individuals from which Freudenthal would choose a successor.

But Parady said the state GOP has yet to work out the mechanics of how those individuals would be chosen, saying he hopes it doesn’t become necessary.

“We’ll deal with an opening when and if it occurs. We hope it doesn’t,” Parady said Monday afternoon.

Wyoming law mandates that the governor is to inform the state GOP immediately upon being notified in writing that a Senate seat has become vacant. The governor is then required to notify the political party of the vacated Senator, which upon receiving a written notice from the governor, has 15 days to call a meeting of its central committee and come up with three names that meet the legal requirements to serve as a Senator.

Once the governor receives those three names, he has five days to choose one of them for the vacancy, and that choice would then serve until the next regularly scheduled general election.

Previously a state legislator, Thomas was first elected to the House in 1989, winning a special election to replace then-Rep. Dick Cheney (R-Wyo.) who resigned to become Defense Secretary. Thomas successfully ran for the Senate in 1994, and won re-election to the seat in 2000 and again last year.

Thomas, an ally of Cheney with strong agricultural roots, was twice mentioned as a possible Interior secretary, including last year when Gale Norton announced she was leaving the Bush administration post. Thomas later withdrew his name from consideration, and Dirk Kempthorne (R), the former Idaho governor, won the appointment.

## **Jefferson Hit on 16 Counts**

### **GOP Calls for His Expulsion**

Sparking a Republican move to boot him from Congress, a federal grand jury on Monday returned a sprawling, 16-count indictment against Rep. William Jefferson (D-LA) on charges of racketeering, solicitation of bribes by a public official, obstruction of justice and money laundering.

The 95-page indictment represents a victory for a beleaguered Justice Department that has struggled with an image crisis ever since the controversial firings of nine federal prosecutors in 2006.

It is also the first time a Member of Congress has been charged under the Foreign Corrupt Practices Act. Jefferson is alleged to have bribed Nigerian officials in order to advance the interests of U.S. businessmen and enrich himself.

“Frankly, we don’t give a damn about politics,” said U.S. Attorney for the Eastern District of Virginia Chuck Rosenberg, whose staff led the probe. “We don’t care if he’s a Democrat or a Republican.”

Jefferson, who was re-elected in 2006, has maintained his innocence, and his attorney, Robert Trout, said Monday from California that the Democrat would fight the charges. He is expected to appear in Alexandria, Va., on June 8 for arraignment. The charges carry a maximum of 235 years in prison, though the lawmaker would likely not receive anywhere near that if convicted.

“There will be no plea bargain,” said Trout, who was traveling on unrelated business when the indictment was handed down. “Congressman Jefferson is innocent. He plans to fight this indictment and clear his name.”

Though he refused to rebut the indictment in detail, Trout did say the government had lured Jefferson to Virginia to “trap him in a government sting” — and there was no evidence in the indictment that Jefferson promised anyone earmarks, appropriations, legislative favors or government contracts.

Trout also called “extremely troubling” the fact that the indictment was brought while a legal squabble continues over documents seized during an unprecedented March 2006 raid on Jefferson’s Rayburn House office. The U.S. Circuit Court of Appeals for the District of Columbia has yet to rule on the legality of the search, and Trout said the timing of Monday’s indictment suggests it was unnecessary.

Rosenberg on Monday called the search “necessary, appropriate and constitutional” and added that some of the documents obtained in the raid supported the charges.

During a buoyant press conference, Rosenberg downplayed the amount of time it took to charge Jefferson and said the timing of the indictment was determined by the fact that the investigation had reached “critical mass.” “Two years is not an extraordinarily long time,” he said. “I would argue that we moved pretty quickly here.”

The indictment also is a political boon to Congressional Republicans, who lost control of both chambers in November in part because of the corruption scandals swirling around disgraced lobbyist Jack Abramoff and an unrelated scandal that led to a plea deal by ex-Rep. Duke Cunningham (R-CA).

House Minority Leader John Boehner (R-OH) will offer a privileged resolution tonight instructing the ethics committee to immediately take up the matter and report back within 30 days on whether Jefferson should be expelled from the House.

It is an unusual move to consider expulsion before a criminal investigation is completed. The last Member to be expelled from the House was Rep. James Traficant (OH) in July 2002, but he had been convicted on 10 felony counts three months earlier.

“If the charges against Congressman Jefferson are true, he should be expelled from the House of Representatives, or he should resign to spare his constituents and colleagues any further indignity,” Boehner said in a statement. It is unlikely the Committee on Standards of Official Conduct would recommend expulsion before a verdict is rendered in the case.

Congressional sources also said Monday that the ethics committee was likely to reinvigorate its Jefferson investigation, but there was no announcement at press time. While the ethics committee had announced an investigation into Jefferson in May 2006 after the FBI raided his Rayburn office, the panel inquiry appears to have stalled, Roll Call reported last month.

Boehner's resolution also would remove Jefferson from his lone Small Business Committee assignment as well as end his pending assignment to the Homeland Security Committee that has been in limbo for months after House Republicans vowed to force a floor vote on the assignment earlier this year.

Speaker Nancy Pelosi (D-Calif.) had agreed to assign Jefferson to the Homeland Security panel after she led an effort to remove him from the Ways and Means Committee in the 109th Congress despite the opposition of some rank-and-file lawmakers, most notably from members of the Congressional Black Caucus.

But Democratic leadership offered little support for Jefferson on Monday. "The charges in the indictment against Congressman Jefferson are extremely serious. While Mr. Jefferson, just as any other citizen, must be considered innocent until proven guilty, if these charges are proven true, they constitute an egregious and unacceptable abuse of public trust and power," Pelosi said.

A Democratic leadership aide said the Democratic Steering and Policy Committee will meet this week and Pelosi will recommend his removal from the Small Business panel.

At least one rank-and-file Democrat, Rep. Nick Lampson of Texas, already has called on Jefferson to resign.

"I stated in the past that if Congressman Jefferson is indicted, that he should resign for the good of the Congress as an institution, and more importantly for the good of the American people," Lampson said, "I stand by that call today."

The indictment renewed calls by outside groups for the House to enhance its ethics enforcement by creating an independent panel to police lawmakers. "The indictment of Rep. Jefferson is a reminder that it is time for the Speaker's Ethics Task Force to step up to the plate with strong recommendations for an outside panel with real teeth because the current system has lost all credibility," said Meredith McGehee, policy director of the Campaign Legal Center.

Congressional aides said the task force's recommendations could be ready as early as next week.

The detailed indictment released Monday is a catalogue of Jefferson's alleged schemes to enrich himself and family members by using his Congressional office to seek bribes from businessmen trying to gain access to markets in Africa.

All in all, Justice officials estimate that Jefferson and his family received a little less than \$400,000 in monthly payments, percentages of profits and revenues from the ventures and company stock.

But Jefferson appears to have solicited as much as millions more in failed business deals that never materialized in various African countries. They included oil concessions in Equatorial Guinea, satellite transmission contracts in Botswana, Equatorial Guinea and the Republic of Congo, and the development of a sugar plant and oil fields in Nigeria.

In the most publicized tale, prosecutors charge in the indictment that Jefferson conspired with Louisville, Ky., businessman Vernon Jackson and Jefferson's former aide, Brett Pfeffer, to receive thousands of dollars in revenue from Jackson's company, iGate, in order to help sell its innovative telecommunications technology to officials in Nigeria and Ghana.

Both Jackson and Pfeffer pleaded guilty to conspiring to bribe the Congressman and are now in prison.

The indictment says the Democrat used his Congressional office to go on official trips and meet with African officials for the purpose of helping iGate, without disclosing his own financial stake in the business; used his House aides to create trip itineraries; sent correspondence regarding business trips on official Congressional letterhead; and participated in meetings with U.S. officials that would further iGate's business without disclosing his ties to the company.

Most of the money sought by Jefferson in connection with iGate — which rose over time — went to ANJ, a company created by Jefferson and controlled by his family members.

The indictment also details how Jackson and Jefferson sought a new investor, with Pfeffer's help, after their first business dealing in Nigeria collapsed. The indictment calls that investor a McLean, Va., businesswoman known as "cooperating witness," but press reports have identified her as Lori Mody, who ran a foundation that gave technology to public schools.

The indictment recounts how in December 2004 the "cooperating witness" — presumably Mody — met with Jefferson in a Congressional dining room, where the lawmaker asked her for 5-7 percent of the new company to be involved in the Nigerian deal. Jefferson allegedly told Mody on May 12, 2005, that he wanted to increase his share of the company to 17-20 percent.

"I make a deal for my children. It wouldn't be me," Jefferson said, according to the indictment.

Jefferson also discussed the possibility of bribing Nigerian government officials, including "Nigerian Official A," described in the indictment as a "high-ranking official in the executive branch" of the Nigerian government.

In March 2005, according to media accounts, Mody became suspicious of Jefferson and wore an FBI wire. In July 2005, according to the indictment, the wire captured Jefferson receiving \$100,000, which he said was destined for Nigerian Official A.

The FBI later found \$90,000 in marked bills, separated into \$10,000 stacks and wrapped in aluminum foil, hidden in frozen-food containers in the freezer of Jefferson's home in Washington, D.C.

### **2007 American Eagle Silver Uncirculated Coin Available June 13**

The United States Mint announced today that the 2007 one-ounce American Eagle Silver Uncirculated Coin will be available beginning at noon on Wednesday, June 13, 2007. Struck on specially burnished blanks, the American Eagle Silver Uncirculated Coins feature a finish similar to their bullion counterparts, but carry the "W" mint mark, reflecting their striking at the United States Mint at West Point.

The American Eagle Silver Uncirculated Coin bears the same designs as the bullion and proof versions. The obverse design features Adolph A. Weinman's full-length figure of Liberty in full stride, enveloped in folds of the American flag, with her right hand extended and branches of laurel and oak in her left. The reverse design depicts a Heraldic eagle with shield, an olive branch in the right talon and arrows in the left.

Each coin is encapsulated in protective plastic and placed in a blue presentation case accompanied by a Certificate of Authenticity signed by the Director of the United States Mint, Edmund C. Moy.

Containing one troy ounce of .999 silver, the 2007 American Eagle Silver Uncirculated Coin will be available for \$21.95.

To order online, visit the United States Mint's secure website at [www.usmint.gov](http://www.usmint.gov). To order by telephone, call 1-800-USA-MINT (872-6468). Hearing- and speech-impaired customers with TTY equipment may order by calling 1-888-321-MINT (6468).

There is no mintage limit, and no order limit for the 2007 American Eagle Silver Uncirculated Coin. As an added convenience, customers can participate in an Online Subscription Program in which specific products, such as the United States the 2007 American Eagle Silver Uncirculated Coin, are charged and shipped automatically as each product is released. A shipping and handling fee of \$4.95 per order will be added to all orders. Please allow approximately two to three weeks for delivery.



**Silver Market Report June 2007**

**Price Update:**

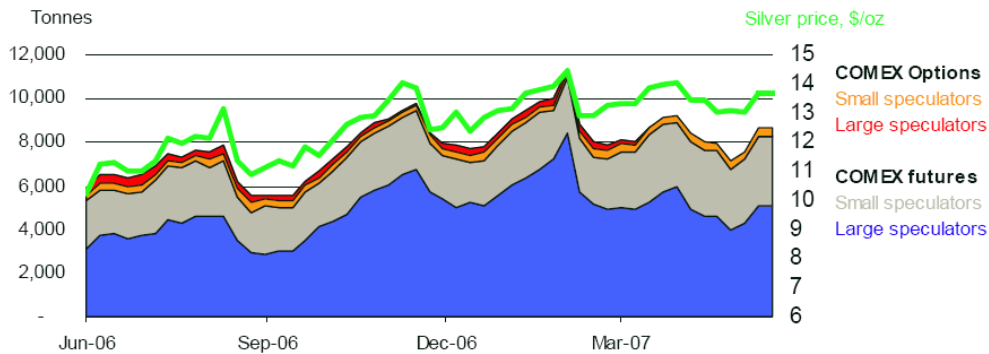
Silver followed an upward trajectory during the final week of May and the rally extended as the white metal peaked at \$13.79 on the 4th June, its highest level since the end of April. At this point, an upside breakout to \$14.10 was the next resistance level. Silver held the \$13.60 level as it sought market direction, aided by robust physical demand. As gold fell through the key \$650 area on the 8th June, this opened the way for a move lower in silver sub \$13 as global equity markets weakened, high US yields and a stronger USD all negatively impacted on the metals. The bond market has weighed heavily on global equity markets and exerted considerable influence over gold, silver and base metals. Rising bond yields have added fire to increased speculation that higher interest rates are on the horizon. In turn, the US dollar has strengthened. This situation has led to global investors re-shuffling their portfolios and a process of asset re-allocation is occurring as investors seek higher yielding securities. Consequently, this has led to liquidation in assets such as equities and gold.

There is a great deal of technical support for silver at the \$12.90 level (which is the 200 day moving average) and due a trend line dating back to June 2006. If this level is taken out, look for a move down to the \$12.50 area where the physical interest should support the market. However, the bull-run remains in tact, but if this key technical level is taken out there may be some severe liquidation from investors before we resume the rally.

**Exchange Update:**

Following on from last months update, silver investors followed a pattern of liquidation for the month of May and the net long silver position declined by 2,078 tonnes. The global silver book, as measured by Mitsui, fell to 7143 tonnes. This was the smallest position since the week of the 31st October last year and was the fourth consecutive weekly decline as silver continued to under-perform. However, during the week of the 29th May and 5th June, silver investors entered into fresh long positions and the net global silver book increased by 1,480 tonnes.

**Silver Exchange Investment — June 2006 to Present**



**ETF Update:**

The dominant silver ETF came back to life on the 4th June after a month of stagnant activity and reported a 61 tonne increase to 4285 tonnes. Since the beginning of 2007, the iShares silver ETF has grown by 517 tonnes. For the remaining silver ETFs: physical silver contained in the ETF Securities contracts currently amounts to 39.6 tonnes (1,275,120oz) while the ZKB contract is equal to 87 tonnes of silver since launch date (2.7 Moz). Even during environments of slackening silver prices, investors continue to add to their ETF holdings. Lease rates remain in the 0.55% area (in the 1 month period) as the silver ETF continues to have a minimal influence on market liquidity. There is no question that the strength of the silver ETF is an significant contributory factor to the silver price run. However, it cannot be ignored that the sheer size of the ETF holdings represent a significant overhang to the market (at 13% of annual supply) and is a very liquid source of supply should investors opt to liquidate.

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