



Silver Users Association

Washington Report

Volume 4, Issue 9

September 27, 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	13.76	12.21	13.09
July	13.36	12.47	12.93
August	13.12	11.47	12.28
September			
October			
November			
December			

In This Issue:

- Silver Users Association Announces Meeting Date
- Tiffany & Co. Reports Second Quarter Results
- Democrats' Narrow Majorities Create Several Budget Resolution Conundrums
- Treasury Secretary to Face Likely Democratic Opposition to Bush's Tax Plans
- Romney Outlines Hill Strategy
- Venture Capital Industry Has a Simple Message for Lawmakers: VC Is Not PE
- Bill Aims to Encourage Stock Offerings From Smaller Firms
- Financial Services Panel to Tackle Consumer Protection Legislation
- Senate Panel Considers Proposal for Regional Presidential Primaries
- MoveOn Ad Flap Likely to Be Replicated — On Both Sides — Through 2008
- Bush Faces China Trade Pressure From the Right
- Silver ETF Update

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.

Tuesday, November 6th

- 1:00 p.m. SUA Board of Directors Meeting (Members Only)
1:45 p.m. Welcome: Jon Potts, SUA President
- 2:00 p.m. Speaker: John Tobon, Dept. Homeland Security
Topic: Government Scrutiny of Precious Metal Imports
- 3:00 p.m. Speaker: Drew Maloney, Mitt Romney for President
Topic: Update on the Romney for Presidential Campaign
- 4:00 p.m. Speaker: Caroline Braibant, REACH
Topic: Update on the EU's new registration system for chemicals and metals – REACH
- 4:30 p.m. Break / Hotel Check-In
5:00 p.m. Hors D'oeuvres & Networking Session
- 6:00 p.m. Cocktail Reception – **Sponsors: Precision Engineered Products, Inc.
Heraeus Precious Metals Management**
- 7:00 p.m. Dinner – **Sponsor: Mitsui Precious Metals**
8:30 p.m. Cigar Bar & Networking Session – **Sponsor: FidelityTrade**

Wednesday, November 7th

- 9:00 a.m. Breakfast (Members and Guests)
Speaker: Jeffrey Christian, CPM Group
Topic: Using Silver in an Era of High Prices
**Sponsors: Ames Goldsmith
Gannon & Scott**
- 10:00 a.m. Speaker: Senator Chuck Schumer (D-NY)
Topic: Unfair Trade Practices with China, Including Silver
- 10:45 a.m. Speaker: Michael Floskis, Tiffany & Co.
Topic: Sustainability – Our Most Important Design
- 11:15 a.m. Speaker: John Conheeney, NYMEX
Topic: NYMEX Overview and Analysis
- 11:30 a.m. Speaker: Bill Tierney, Computer Associates, Inc.
Topic: Finding Markets for Your Silver Inventory
- 12:00 p.m. Adjourn

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.

Tiffany Reports Second Quarter Results

**NET EARNINGS FROM CONTINUING OPERATIONS RISE 41%;
NET SALES UP 19% ON STRONG COMP STORE SALES GROWTH;
COMPANY SELLS, LEASES BACK ITS TOKYO FLAGSHIP STORE**

Tiffany & Co. (NYSE: TIF) reported today that its net sales increased 19% in the three months (second quarter) ended July 31, 2007, reflecting geographically broad-based growth across the U.S. and many international markets. Comparable store sales increased 17% in the U.S. and 7% (on a constant exchange-rate basis) internationally. The strong sales growth and an improved operating margin led to a 41% increase in net earnings from continuing operations. The Company recorded an after-tax charge of \$23,583,000, or \$0.17 per diluted share, related to the pending sale of its Little Switzerland business.

Net sales in the second quarter rose 19% to \$662,562,000. 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 20% and worldwide comparable store sales increased 13%.

In the six months (first half) ended July 31, 2007, net sales increased 18% to \$1,258,291,000. On a constant-exchange-rate basis, net sales rose 17% and worldwide comparable store sales rose 11%.

Net earnings from continuing operations in the second quarter increased 41% to \$63,219,000, or \$0.45 per diluted share, from \$44,714,000, or \$0.32 per diluted share, in the prior year. Including the charge related to the pending sale of Little Switzerland and its losses from operations, net earnings were \$36,973,000, or \$0.26 per diluted share, compared with \$41,144,000, or \$0.29 per diluted share, in the prior year.

Net earnings from continuing operations in the first half rose 28% to \$112,624,000, or \$0.80 per diluted share, compared with \$88,198,000, or \$0.62 per diluted share, in the prior year. Net earnings increased 3% to \$86,632,000, or \$0.62 per diluted share, compared with \$84,286,000, or \$0.59 per diluted share, in the prior year.

Sales by channel of distribution were as follows:

- U.S. Retail sales increased 20% to \$345,336,000 in the second quarter and 17% to \$644,019,000 in the first half primarily due to increased spending per transaction as well as some increase in the number of transactions. Comparable store sales increased 17% in the quarter and 15% in the half. In those respective periods, sales in the New York flagship store rose 31% and 29%, which partly reflected strong sales to foreign tourists, while comparable branch store sales rose 14% and 12%. The Company operated 65 TIFFANY & CO. stores in the U.S. at the end of the quarter, versus 60 stores a year ago.

- International Retail sales rose 16% to \$259,023,000 in the second quarter and 16% to \$507,030,000 in the first half. On a constant-exchange-rate basis, sales increased 17% in the quarter and 15% in the first half as a result of strong growth in most markets except Japan. Detailed sales results by geographical region are noted on the attached "Non-GAAP Measures" schedule. Tiffany opened a store in Hamburg, Germany in the second quarter and operated 107 TIFFANY & CO. international stores and boutiques at the end of the period, versus 97 locations a year ago.

- Direct Marketing sales increased 12% to \$40,103,000 in the second quarter and 12% to \$73,399,000 in the first half, resulting from increases in the number of orders and in the average amount spent per order.

Commenting on the Company's full-year 2007 outlook, Michael Kowalski, chairman and chief executive officer said, "We are experiencing a good start to the third quarter with overall U.S. and international sales growth in August to-date achieving our expectations. In the coming months, we will be opening a number of new stores in attractive markets, while continuing to expand our product offerings with compelling new designs. Based on current conditions, our planned initiatives and a continued favorable retail environment, our financial performance expectations for fiscal 2007 call for (i) net sales growth of approximately 14%, (ii) an improved operating margin from continuing operations due to sales leverage on SG&A expenses and (iii) net earnings from continuing operations per diluted share in a range of \$2.64 - \$2.69 which includes the \$0.47 per diluted share after-tax gain from the sale of the Tokyo store and the \$0.05 per diluted share after-tax contribution to The Tiffany & Co. Foundation (excluding those two items, it equates to \$2.22 - \$2.27 per diluted share and compares with a previous expectation of \$2.10 - \$2.15 per diluted share). Including the charge related to the pending sale of Little Switzerland and its losses from operations, net earnings are expected to be in a range of \$2.44 - \$2.49 per diluted share."

Democrats' Narrow Majorities Create Several Budget Resolution Conundrums

House and Senate Democrats hope to agree quickly on a fiscal 2008 budget plan, but they will have to tread carefully to avoid upsetting the narrow majorities the competing plans won in each chamber.

"We'd certainly like to get it done by the first of May," said House Budget Chairman John M. Spratt Jr., D-S.C., who said staff would begin meeting this week in advance of lawmaker negotiations following the spring recess. "Appropriators should get out of the starting blocks." The key issue in negotiations on the fiscal 2008 budget resolutions will be whether to assume extensions of some tax breaks and an expansion of children's health care without offsets, as the Senate plan (S Con Res 21) assumes, or whether Democrats will stand by the pay-as-you-go principles that they have touted as the foundation of their new guidelines for fiscal responsibility.

The Senate budget plan was sweetened with extra spending and tax cuts in a successful effort by Democratic leaders to unite their caucus and fend off GOP amendments to their budget resolution. The extra costs were nominally offset using a projected surplus in fiscal 2012, yet that still would violate the pay-as-you-go point of order as well as other budget rules that Senate Democrats wrote into their resolution. The Senate budget blueprint was adopted March 23 on a 52-47 vote, with the backing of Maine Republicans Olympia J. Snowe and Susan Collins, who cast their votes only after it was clear that Democrats had won a majority.

A conference report mirroring the House plan (H Con Res 99), which backs tax cuts and new spending on children's health care only if costs are offset, could run into trouble if just one of the Senate's more conservative Democrats balks and the Maine senators change their votes. The House narrowly adopted its \$3 trillion budget plan, 216-210, on March 29.

Senate Budget Chairman Kent Conrad, D-N.D., said a joint budget resolution would have to be substantially similar to the Senate plan to win adoption. But Spratt said he wants to maintain a substantial surplus projected for fiscal 2012, to protect against the vicissitudes of the economic cycle and to start paying down the federal debt. "We're ready to compromise," Spratt said, although he cautioned that Democratic leaders had not yet reached agreement on a conference strategy. "I don't want to think out loud a strategy we haven't formulated yet," he said.

Although the two budget blueprints share the goal of balancing the budget by fiscal 2012 and providing more spending for education, veterans' benefits and other domestic discretionary programs, they have a number of specific differences

on spending, taxes and budget rules. The House plan outlines \$1.1 trillion in fiscal 2008 discretionary spending, including \$145 billion for war operations. That's about \$7 billion more than the Senate and about \$25 billion more than President Bush requested.

The Senate budget, meanwhile, assumes that a two-year "patch" to the alternative minimum tax (AMT) is enacted to prevent it from ensnaring more than 20 million additional taxpayers. However, the cost of that provision would be offset over five years. Interestingly, legislation enacting such a patch would violate the Senate's proposed pay-as-you-go rule and require 60 votes to succeed, yet would not violate the House's enacted pay-as-you-go rule, which allows up-front expenses to be offset by future cuts or tax increases. The House plan contemplates a one-year extension of AMT modifications, but assumes offsets will be found in the first year.

Another area of difference is a string of new budget rules proposed by the Senate. In addition to the pay-as-you-go proposal, there are new 60-vote Senate points of order against any emergency spending, against adding to the deficit before ensuring the solvency of Social Security for 75 years, against legislation not accompanied by the cost of increased interest on the national debt, and against increasing the deficit by \$5 billion or more in any decade between 2017 and 2057.

The House plan includes a "reconciliation" provision that would allow Congress to enact extensive changes to student loan programs in a bill that would be protected from filibuster in the Senate. The Senate plan assumes \$15 billion in new spending on children's health care benefits over five years without offsets, and up to \$35 billion more if offsets are found, with higher tobacco taxes listed as a possibility. The House plan also would allow up to a \$50 billion increase in children's health care but requires the entire cost to be offset.

The House plan also would allow up to a \$20 billion increase in farm programs, while the Senate would allow \$15 billion. Both resolutions require that funding to be offset.

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. The 2001 tax cuts (PL 107-16) focused on rate cuts for individuals. The more controversial 2003 law (PL 108-27) accelerated the effective dates for many of those cuts while setting an even lower rate on income from capital gains and investment dividends. Baucus hasn't said exactly what he would prefer to do with the tax cuts that affect mostly income from investments.

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.

Romney Outlines Hill Strategy

Mitt Romney's (R) plan to pursue an ambitious legislative agenda if elected president and to campaign aggressively to help Republicans regain control of Capitol Hill appears destined to generate friction with a Congress poised to remain in Democratic hands following the 2008 elections. In an interview Monday, Romney — a frontrunner for the Republican presidential nomination — discussed what his presidency would mean for relations between the legislative and executive branches, and how he'd like to see politics conducted in Washington, D.C., if he succeeds President Bush in the White House.

The former one-term Massachusetts governor spent four years dealing with an overwhelmingly Democratic Legislature, and he professes a preference for compromise over confrontation. But legislative priorities that include tax cuts, preserving the USA PATRIOT Act and immigration reform — and Romney's intention to help Republicans win seats in the 2010 elections — seem tailored to spark a battle with Congressional Democrats. "Where I have been successful, it has been the result of first, lining up support among my Republican minority, making sure we're all on the same page, and that we've had a good chance to air our concerns and that we can stand together," Romney said during a 30-minute interview while traveling between two campaign stops in Manhattan.

"And then, No. 2, working with the leadership of the Democratic majority in each house on a sometimes combative and sometimes collaborative basis — but to express our views to one another, to do so in a civil way, not to be personally abusive." Observers of Romney's gubernatorial administration say his claims of bipartisanship to achieve legislative success ring true in some cases, but false in others.

On budget matters, Romney routinely vetoed Democratic spending priorities, only to see those vetoes promptly overridden by the Legislature. He also ran into a brick wall on attempts to overhaul how state government was run and often quarreled with Democrats over taxes. But Massachusetts insiders say the former governor does deserve the credit he gives himself for working with legislative Democrats to reform health care policy. "I would say it was a mixed bag," said Michael Jonas, editor of Commonwealth magazine, which covers policy and politics in the Bay State. "There was a good bit of time when he was at odds with the Legislature on the budget. But health care was for real, and a clear example of his ability to work across the aisle."

If elected president next year, Romney, a multimillionaire businessman before being elected governor in 2002, would upon his inauguration in January 2009 move to address a handful of contentious issues that both require Congressional approval and seem primed to run afoul of Democrats on Capitol Hill. And although it is not among Romney's immediate goals, he said he would welcome the opportunity to repeal the Bipartisan Campaign Reform Act of 2002.

Romney said his immediate goals would be overhauling health care to ensure all Americans have insurance; implementing middle-class tax cuts; and reforming national education policy. Additionally, Romney would move to end illegal immigration and stem the proliferation of Congressional re-election gold, otherwise known as "earmarks." Romney's health care fix would shun government mandates in favor of solutions that rely on the private sector, while his package of middle-class tax reductions would free households earning up to \$200,000 from paying any taxes on savings interest, dividends and capital gains.

Romney's signature economic proposal is heavy on tax cuts — proposing to both implement new reductions and continue those passed under Bush. Romney said he wants to cut taxes paid by corporations and individuals, make Bush's tax cuts permanent, and eliminate the "death tax" — something the president tried but failed to accomplish. "The most important thing is to rein in spending," Romney added. "I have a commitment, and that is that non-military, discretionary spending should be capped at inflation less 1 percent. If I get appropriations above that level I will veto them." Romney also said he wants to "redirect" the money spent on homeland security to focus on preventing an attack, as opposed to responding to one — a move sure to be protested by most Democrats, who feel not enough has been spent on first-responder personnel during Bush's tenure.

To increase his chances of having his agenda passed, Romney plans to campaign hard to help Republicans retake control of Congress next year, something he said he believes is possible. The former governor also said he would work hard to increase Republican representation on Capitol Hill in the midterm elections of 2010, a gamble that paid off for Bush in 2002 but also resulted in a souring of relations between him and Congressional Democrats. In the previous cycle, Romney and his wife, Ann, donated \$500 each to 25 Massachusetts Republican legislative candidates and also kicked in \$10,000 each to the state GOP. The couple donated a total of \$26,500 to the National Republican Senatorial Committee; \$4,000 to then-Sen. George Allen (R-Va.); and \$2,000 each to the re-election campaigns of Minnesota Gov. Tim Pawlenty (R) and Rhode Island Gov. Don Carcieri (R).

The former governor said he expects to donate considerably this cycle and looks forward to appearing with Republican House and Senate candidates on the campaign trail next year if he secures the GOP nomination, though he said he would not automatically stump for candidates just because they have an "R" next to their name. "I would love to have people of like-mind, and like-philosophy, who love America, and have the right principles, get elected to Congressional and Senate seats," Romney said. "It's important for the leader of the party to campaign for other members of his party across the nation. That's part of the job."

Romney is quite critical of his party and indicated that as leader of the GOP, he would be far less lenient on Members of Congress who engage in unethical and unlawful behavior than Bush and Republican Congressional leaders have been. He said Republicans lost control of Congress last year because the GOP "let down the American people" in a variety of ways. Republican Members did not restrain spending, preferring instead to greenlight pork-barrel projects for electoral expediency even though doing so went against the party's principle of smaller government, Romney said, while the Bush administration failed to provide the kind of "thorough, button-down, effectiveness" in managing the aftermath of the Iraq invasion and Hurricane Katrina that voters have come to expect from Republicans.

"The ethics failures from Republican legislators was also disappointing and disgusting," Romney said. Romney declined to discuss the ethical foibles and illegal behavior of any specific Member. But he did not shy away from the notion that the GOP needs to better police itself and said that as president, he would be willing to act as the party's sheriff. "I think we were less than fully effective in communicating to our own members the standards that we expected them to live by and the corrective actions that we expected them to take," Romney said. "When you become elected to the United States Senate, or the Congress, or to the presidency, we expect you to live by a higher standard."

Romney said he has studied the effects of BCRA and concluded that it should be completely rolled back. One of the chief sponsors of campaign finance reform, Sen. John McCain (Ariz.), is one of Romney's rivals for the GOP presidential nomination, as is former Sen. Fred Thompson (R-Tenn.), who supported the reform bill when he served in the Senate. Romney said BCRA has resulted in 527s gaining too much political influence over elections, at the expense of candidates and political parties. He favors a system that allows individuals to contribute whatever amount they want to political candidates and parties, but that requires full disclosure of such donations. "I'd like to see McCain-Feingold repealed," Romney said flatly. "There've been many efforts to reduce the influence of money in politics. McCain-Feingold made things worse, not better."

However, the Massachusetts Republican appears inclined to maintain the new ethics laws that prevent Members from taking privately funded trips and prevent Congressional staffers from accepting meals and gifts from lobbyists or entities that employ lobbyists. Romney said lobbyists don't affect government negatively per se, noting that there are many who lobby on behalf of "good special interests." The problem, he said, are earmarks and the interactions they encourage between lobbyists and Members, and lobbyists and staffers.

"I think that having information available to people about the meetings and the influence of lobbyists is also an important factor," he said. "Certainly, where lobbyists are providing financial benefits — expensive tickets, free air travel or dramatically reduced air travel, or other gifts and largess — that is something that has to be restricted."

Venture Capital Industry Has a Simple Message for Lawmakers: VC Is Not PE

Venture capitalists are trying to sharpen distinctions between themselves and private equity giants, as Congress debates how their businesses are taxed. Venture capitalists help entrepreneurs start businesses, then take profits when they are bought or go public. Private equity firms purchase and restructure struggling companies, then take them public for a profit.

But the two are treated the same for tax purposes: Venture capitalists and private equity firm managers pay capital gains rates of 15 percent on their profits, not ordinary-income rates of up to 35 percent. Politically, however, it's different. Buyout firms carry a taint because of their managers' conspicuous consumption and an equally conspicuous multimillion-dollar lobbying blitz aimed at stopping a bill (HR 2834), expected in a House tax package, that would tax their profits as ordinary income.

The bill would treat venture capitalist firms the same way. They would have to pay a higher income tax rate on their profits — unless they can translate their positive perception into a special exemption. “They need to look at each industry individually,” said Mark Heesen, president of the National Venture Capital Association.

Venture capitalists warned Tuesday that taxing their profits as ordinary income would dampen rewards for innovation, push talented managers to other industries and send bright entrepreneurs overseas. The industry intends to promote its message aggressively. “Venture capital is unique,” said NVCA spokeswoman Emily Mendell.

Bill Aims to Encourage Stock Offerings From Smaller Firms

The House Financial Services Committee on Tuesday approved legislation aimed at encouraging more firms to sell their stock publicly on U.S. exchanges.

The legislation (HR 2868), approved by voice vote, would alter federal securities laws to allow national exchanges such as the New York Stock Exchange and the NASDAQ to create “developmental listing tiers” for smaller companies or those with less traditional business models.

Supporters say the intent is to encourage a more diverse group of firms to hold initial public offerings (IPOs) and list their securities on U.S. exchanges. The legislation is in part a response to concerns from some on Wall Street and the broader financial community that 2002's landmark Sarbanes-Oxley Act (PL 107-204) has discouraged companies from holding IPOs in the United States and has forced stock offerings overseas.

Sarbanes-Oxley brought about a major overhaul of corporate governance and accounting rules, requiring additional disclosures and responsibilities for corporations and their executives. Financial Services Chairman Barney Frank, D-Mass., said after the markup that the legislation would be placed on the House suspension calendar and passed sometime in the next month.

Financial Services Panel to Tackle Consumer Protection Legislation

The House Financial Services Committee is expected as early as Tuesday to approve a pair of bills aimed at boosting federal enforcement of consumer protection laws.

The broader of the two measures, both introduced Sept. 14, would expand the ability of federal banking regulators to write rules against unfair and deceptive financial practices. Under current law, only the Federal Reserve and Federal Home Loan Bank Board are permitted to write and implement such rules for banks and certain savings and loans

institutions. The measure (HR 3526), introduced by Chairman Barney Frank, D-Mass., would extend the authority to the other banking regulators, including the Office of the Comptroller of the Currency and the Office of Thrift Supervision.

The legislation comes amid congressional scrutiny of the role consumer protections, or the lack thereof, may have played in the housing crisis that has roiled stock markets worldwide. Democrats and Republicans have voiced concern about the role that unfair or abusive lending practices have played in the mortgage market fallout, and a number of proposals have been floated to clamp down on abusive lending practices.

Frank has criticized the Federal Reserve's failure to use its rule-making authority to establish adequate consumer protections, repeatedly pressing central bank officials on why more protections were not in place. A spokeswoman said the legislation is intended to help ensure that appropriate consumer protection rules are written.

The committee also is expected to consider a more focused bill (HR 3525) aimed at speeding up implementation of federal regulations to protect consumers from identity theft. The Fair and Accurate Credit Transaction Act (PL 108-159), enacted in 2003, required the Federal Reserve and the Federal Trade Commission to jointly establish rules dealing with the accuracy of consumer information provided to consumer credit companies.

Four years later, however, a number of those rules have yet to be established. Frank's bill seeks to expedite the process and would give the FTC the lead in implementing the required guidelines and regulations within 90 days of enactment. Business groups have expressed some concern about that measure, in part because they feel the FTC might not have the expertise to broadly assess consumer credit issues. Additionally, the quick introduction and markup of the bill has left little time to assess the legislation, said Christian Merida, director of congressional and public affairs for the U.S. Chamber of Commerce.

Senate Panel Considers Proposal for Regional Presidential Primaries

Legislation to create regional presidential primaries won praise at a Senate Rules and Administration Committee hearing for aiming to fix an "arms race" of states striving to be first. But critics argued that regions wouldn't do any better job than the current free-for-all, and warned a constitutional amendment might be necessary.

Sens. Amy Klobuchar, D-Minn.; Lamar Alexander, R-Tenn.; and Joseph I. Lieberman, I-Conn.; sponsored the bill (S 1905) to create four regions taking turns with primaries in early March, April, May and June in 2012. The order would be determined by lottery and then rotated in future cycles. The Iowa caucuses and New Hampshire primary would remain separate as the first of the country.

"Our presidential primary system is broken and it's time to stop the primary arms race," Klobuchar said. The concern that sparked the legislation grew when 26 states scheduled primaries or caucuses on Feb. 5. Florida moved its primary to Jan. 29 and Michigan passed legislation to move to Jan. 15. The fear is that as New Hampshire edges up from a tentative date of Jan. 22, Iowa could move into 2007 in a chaotic scenario that hurts campaigns from making long-term plans.

"It is clear that these issues that create so much uncertainty need to be corrected prior to the next presidential cycle by the parties or by the Congress," said Michael Mauro, the Iowa secretary of state and co-chairman of the National Association of Secretaries of State. Richard L. Hasen, a professor at Loyola Law School in Los Angeles, argued that the bill was unlikely to violate the First Amendment rights of the parties because the bill is directed at the states.

But William G. Mayer, associate professor of political science at Northeastern University, said the bill might be unconstitutional because it's unclear whether the federal government can tell states what to do, or whether any

government can control activities of the parties. Mayer also argued that regional contests might not solve the problem because candidates who are strong in a particular region would enjoy “significant advantage.”

The Democratic and Republican national committees opposed the legislation in testimony submitted to the panel. The DNC argued that the parties establish rules for delegates to their nominating conventions and that Congress lacks the authority to impose a particular system.

Even in committee reaction was mixed. Chairman Dianne Feinstein, D-Calif., co-sponsored the legislation to avoid the scramble that the race has become. But the ranking Republican, Sen. Robert F. Bennett of Utah, suggested a constitutional amendment might be needed. Another committee member, Sen. Ted Stevens, R-Alaska, opposed any regional scheme. He argued regional systems would still be dominated by populous states, so he said the schedule should be divided by population centers.

Lieberman, who campaigned for president and as the Democratic nominee for vice president in 2000, disagreed a bit with his own bill. He suggested that Iowa and New Hampshire should be scheduled in their regions, rather than given special status at the head of the line, because the current system gives them disproportionate influence. “It is clear this is a hot topic for debate,” Feinstein said.

MoveOn Ad Flap Likely to Be Replicated — On Both Sides — Through 2008

First it was the fodder for an eruption of Republican outrage. Now the full-page ad that MoveOn.org ran in the *New York Times* on Sept. 10 slamming Army Gen. David Petraeus, the top commander of U.S. forces in Iraq, is the target of a campaign finance complaint with the Federal Election Committee (FEC).

In the complaint filed last Friday, the American Conservative Union (ACU), a conservative political action organization, has alleged that the *New York Times* had in effect made a contribution to MoveOn.org Political Action, the political action committee (PAC) of the liberal group, by charging a below-market rate for the ad. Under federal election law, PACs are prohibited from accepting individual donations in excess of \$5,000 in a given calendar year. The law also bans corporations from making any kind of contribution to political campaigns or committees.

ACU Chairman David A. Keene, in documents filed with the FEC, cited media reports on the rate of a full-page black-and-white ad in the Times that ranged between \$167,000 and \$181,000. MoveOn.org has stated that it paid \$65,000 for its Petraeus ad, which ran on the first of two days of congressional testimony in which the general strongly defended President Bush’s troop “surge” policy in Iraq. The difference, according to Keene, “constitutes a corporate soft money contribution to a federal political committee” — something that, if deemed true, would be a violation of federal election law that could subject the participants to fines.

But the *New York Times* dismisses the notion that the ad amounted to any sort of political contribution. While Catherine J. Mathis, the newspaper’s vice president of corporate communications, said the *Times* does not publicly disclose the amount any one advertiser pays, she stated that MoveOn’s fee “is the rate that we would charge normally for that type of ad under those conditions. It would be available to other similar advertisers.” In a separate press statement on the subject, the *New York Times* explained, “Rates vary based on such factors as time of year, color, day of the week, section, volume of advertising placed by the advertiser, etc. We do not distinguish advertising rates based on the political content of the ad. In fact, the advertising department does not see the content of the ad before a rate is quoted.”

Neither the paper nor MoveOn should lose too much sleep over the complaint, said Thomas E. Mann, senior fellow in governance studies at the Brookings Institution, a Washington, D.C., think tank. “I see the ACU complaint as a way to

keep the MoveOn.org ad in the news. It will almost certainly be dismissed by the FEC,” Mann wrote in an e-mail response to a question by CQPolitics.

And developments such as the “viral” dissemination of campaign messages and video across the Internet and broadcast media, and the proliferation of political action groups — many of them organized under Section 527 of the Internal Revenue Code and thus permitted to accept large and unlimited “soft money” contributions — virtually ensure that the MoveOn dustup will be just one of many such controversies between now and November 2008. Still, the conservative group’s FEC complaint serves to prolong a repeated flogging of MoveOn’s ad by the many on the ideological right. Conservatives are up in arms over the “Betray Us” pun, arguing that it impugned the integrity of an active-duty general and, by extension, the military as a whole.

The National Republican Senatorial Committee (NRSC), which orchestrates the GOP’s national campaigns for control of the U.S. Senate, issued a press release immediately after the ad was published calling MoveOn a “Democrat front group” and calling on all Senate Democrats to “denounce this outrageous ad and return the campaign funds MoveOn.org has lavished on them.” The NRSC also issued separate press releases calling on four Democratic Senate incumbents who are running for re-election in races to be held in 2008 — Tom Harkin of Iowa, Max Baucus of Montana, Mary L. Landrieu of Louisiana, and Mark Pryor of Arkansas — to condemn the ad, and targeted the same demand at Colorado Rep. Mark Udall, who is running for the Senate seat left open by retiring Republican Wayne Allard.

Republican presidential candidates also have gotten in on the action. Former New York City Mayor Rudolph Giuliani was the first to take a stand, accusing his hometown newspaper of giving MoveOn an advertising discount — and demanding the same rate for an ad of his own. It ran last Friday, decrying what he called “the Democrats’ orchestrated attacks on General Petraeus.” Giuliani’s top-tier rivals for the Republican nomination — former Massachusetts Gov. Mitt Romney, Arizona Sen. John McCain and former Tennessee Sen. Fred Thompson — also have been vocal in their criticism of the ad. Republicans also point to the amount of money MoveOn provides for Democratic campaigns: In the first six months of 2007, for example, MoveOn Political Action PAC channeled more than \$533,000 in earmarked contributions from its individual members to Democratic candidates for federal office. Among presidential contenders, this included more than \$30,000 to Illinois Sen. Barack Obama, \$24,000 to Ohio Rep. Dennis J. Kucinich, \$18,000 to New Mexico Gov. Bill Richardson, \$5,000 apiece to Clinton and Delaware Sen. Joseph R. Biden Jr., and \$900 to Connecticut Sen. Christopher J. Dodd.

Whether this sound and fury signifies anything, however, depends on how well the Republicans are able to tie Democrats to MoveOn and its rhetoric. Under federal law, parties and candidates of both major parties are prohibited from coordinating their activity with independent interest groups, which in turn enables Democrats and Republicans alike to distance themselves whenever a faction raises a flap with negative advertising. Controversy concerning the ties of parties to interest groups — and whether they are responsible for disowning what these groups say on their own — is not new. But it has become increasingly salient as independent political organizations have become more visible actors in seeking to influence election campaigns over the past decade.

Republicans have had to defend against allegations of ties to GOP-allied interest groups, most famously the Swift Boat Veterans For Truth, who gained widespread attention in the 2004 presidential election for attacking Kerry’s record of military service during the Vietnam War. The Kerry campaign filed an FEC complaint against the group, alleging it had illegally coordinated campaign activity with the GOP and the Bush-Cheney campaign. In the fall-out, Bush campaign legal adviser Benjamin Ginsberg was forced to resign after it was revealed he had also advised the Swift Boat Veterans. The FEC fined the Swift Boat group nearly \$300,000 in 2006 for its failure to register as a political committee during the 2004 election, but did not find evidence of direct collusion with the Republican Party or the Bush campaign.

Few Republican politicians apologized for or denounced the behavior of independent groups in these previous instances, the notable exception being a condemnation of the Swift Boat ads by McCain — a former Vietnam prisoner of war — in which he called the attacks “terrible” and “very, very inappropriate.” It’s unlikely any Democrats will apologize this time around, either. Most have been mute on the subject, though Kerry did call the ad “over the top,” and Senate Democratic Whip Richard Durbin of Illinois, said it used “a poor choice of words.”

MoveOn has been unrepentant, publicly accusing two more public officials of “betrayal” this week. Its political action arm escalated the war of words with Giuliani with a 30-second ad calling the former mayor’s lack of participation in the Iraq Study Group empaneled by Bush a “betrayal of trust.” The ad is now featured on the organization’s Web site, with plans to air it on Iowa television stations this week. MoveOn Political Action uses the same “betrayal of trust” language in a television advertisement criticizing Bush and his “surge” strategy in Iraq, which it is preparing to air nationally.

Bush Faces China Trade Pressure From the Right

It was a strong rebuke to the White House, made stronger still because it came from a GOP lawmaker. Rep. Thomas M. Reynolds of New York blasted the Bush administration’s opposition to legislation pressuring China on its currency policies Thursday.

He told four administration officials at a hearing that while he supports free trade, he’s frustrated by the lack of results from the White House on compelling the Chinese to raise the value of their currency, the yuan. “Be ready for the fact that there is a boiling point in Congress,” Reynolds, a former National Republican Congressional Committee chairman, told the officials at a hearing on China legislation in the House Ways and Means Trade Subcommittee.

At the hearing, it was abundantly clear that the administration’s concerns with China-focused legislation are falling flat on Capitol Hill. Yet it is unclear what approach the subcommittee’s chairman, Sander M. Levin, D-Mich., plans to take on the issue. The answer will come in the fall, Levin said Thursday. He plans to consult with Democrat Charles B. Rangel of New York, who chairs the Ways and Means Committee, and other panel members in September to “map out the course from here.” “I anticipate there will be legislation,” said Levin, who is one of many critics who blame the low yuan — and other Chinese trade practices — for the burgeoning national trade deficit with China and a loss of U.S. manufacturing jobs.

Levin and Rangel have a host of House legislative proposals on China to choose from, as well as two Senate bills (S 1607, S 1677) on China currency from the influential Finance Committee and the Banking, Housing and Urban Affairs Committee. Levin said he may try to fashion one China measure out of several pending bills.

While offering no details, Levin praised a currency bill (HR 2942) sponsored by Democrat Tim Ryan of Ohio, and Republican Duncan Hunter of California, saying it “is tighter than what has been proposed to date in the Senate.” The Ryan-Hunter legislation takes a tack that Senate leaders so far have eschewed: defining currency manipulation as an unfair subsidy subject to U.S. trade remedies. Many experts and the administration contend that applying so-called countervailing duties in currency cases would violate World Trade Organization rules.

The latest version of the Ryan-Hunter bill includes a provision from the Senate Finance bill that would apply U.S. anti-dumping laws to undervalued currencies. But the countervailing duties could become a stumbling block if the House embraces the idea and the Senate does not. Ryan said he’s worried that such disagreement could complicate conference talks. At the hearing, administration officials reiterated warnings of the economic harm that China-directed legislation could cause the United States.

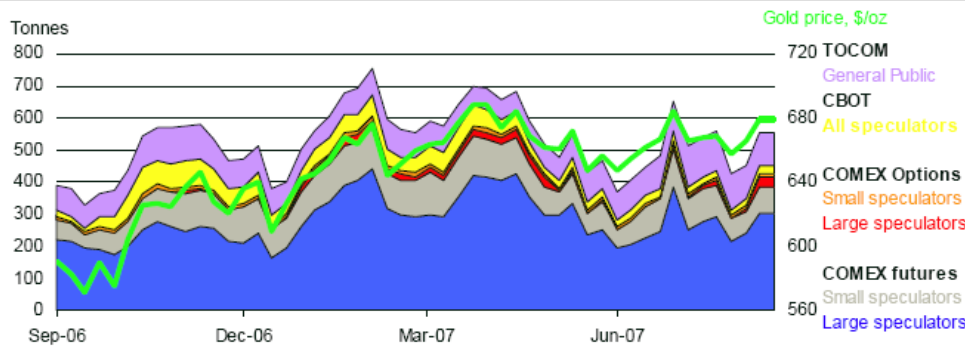


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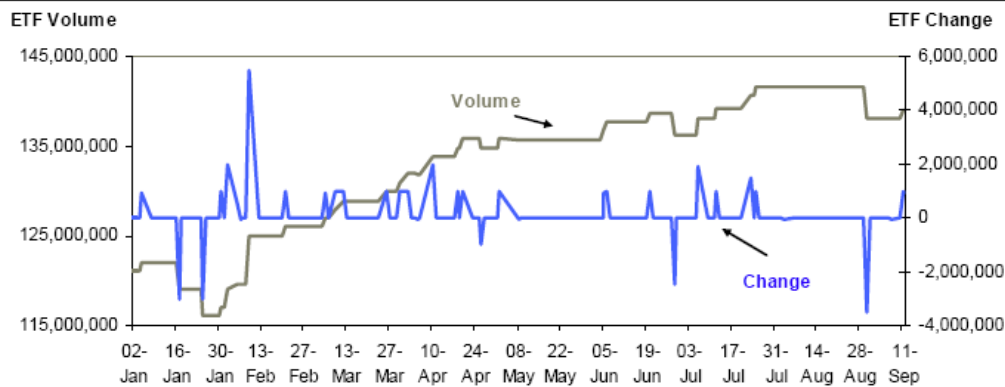
ETF Activity and Liquidity: In line with silver's rapid demise towards the \$11 area, the CFTC data to the week of the 21st August revealed a sharp reversal in the net long exchange position. The global silver book fell by 2,082 tonnes or 29%. However, the combined silver ETF's grew by 13 tonnes, remaining steadfast in the face of a plummeting silver price. At that point, investors found themselves in a situation where they were forced to sell traditional quality assets in order to meet margin calls. Meanwhile, central banks world-wide continued to intervene in an effort to ease liquidity issues. Macroeconomic conditions induce much volatility in the precious metals and the actions of international markets over the last number of weeks of trading reflect the inter-dependence and contagion effects that transfer globally. What started as a US dominated sub-prime issue has now become an international situation. While much of the action in the precious metals has been dollar driven, extreme erratic behaviour in the equity markets inject much fear and apprehension. Certainly, international credit squeezes and a flight to cash is the story of the moment and as sub-prime worries deepen and spread across international markets, it is likely the turmoil will continue. The uncertainty over the scale of the losses in the sub-prime market, which is now a borderless problem, leads to fear of additional liquidation of positions in the short term.

Exchange gold investment, September 06 to September 07, tonnes



The silver book currently amounts to 4,342 tonnes – its lowest level since the end April 2003 when silver was trading sub \$5. This reflects investor's weariness with the white metal which has underperformed in the current year to date. As of the AM fix on the 13th Sept, silver is currently trading at \$2 below the high reached in late February. Similarly, the net long position is currently 6,002 tonnes less than the year high which occurred at this time. The sharp reversal in the silver exchange position, its seventh such occasion to decline by over 10% this year, represents investors desire to exit out of their silver positions in dramatic fashion this year relative to its fellow precious metals. More positively, in line with a stronger gold price which has rallied through the important psychological \$700 level, silver has bounced from the recent lows and reached a high of \$12.78 on the 11th September. The upside target at present is the 13.41 area if silver can hold on to the coattails of a rallying gold price.

ETF Activity: January 2007 to Present



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