



Secretary: Marlea Sheridan

Editor: Penny Esplin

DATE: July 26, 2012

SHORT AND SWEET FROM THE PREZ:

Another great meeting our whole club gets along so well it makes our meetings so much fun and my job as president so much easier. It is good to see so many members stepping up this year to present or give demonstrations of what they love to do and have special skills in. I would like to give a special thank you to one of our newest members Bob Goodrich who jumped in with both feet right into the middle of our group and gave a fantastic demonstration of a portable sluice the Grizzley III that he developed.

I also would like to thank Ferman Blalock who lead two outstanding metal detecting outings in the month of July. Even though we could not search for those prize tokens this time around still hidden at Pioneer Park we found another good site awaiting us in Sublimity at Church Park. What a wonderful park with lots of history anyone for another trip? Church Park sponsors a farmers market, vendor booths, food, and live music the first Tuesday of the month.

Coming up is our annual maintenance trip to our Briggs Creek claims. I'm hoping more of you can make the trip we could use the help and working together is a great way to get to know some of our newer members. Bring a shovel, gloves and buckets to move gravel. We will be working together to keep our claim access safe. Back in camp we will share stories of our prospecting and treasure hunting adventures. It doesn't get better than that.

Wishing you all a prosperous safe season,

A handwritten signature in black ink that reads 'Claudia J. Wise'. The signature is written in a cursive style with a large initial 'C'.

Claudia Wise



Diggers detecting at Church Park

Call to Order: Claudia called the meeting of 2012 to order. New visitors and members were introduced.

Meeting Minutes: Marlea read the minutes from the last newsletter from June.

Treasury Report: Joe reported that we had one new member joining. We will welcome any items for use in our club raffles.

Claims Report: Buzz was not in attendance.

In Attendance: There were 28 present. We welcomed new member, Cecil Beckstead.

Welcome Back to Joe Greene, Jim Miller and Gene Smith who have been ill and are doing much better! We are all so happy to see you with us again, you really have been missed!

Old Business: Names were taken for e-mail update and name tag information.

Ferman shared that the club was having another Pioneer Park metal detecting outing on July 28th at 10:00. Prizes will be given! Members could meet for lunch there. Santiam Summer Fest will also be happening there at the park.

New Business: Terry would like to have a Trommel outing in August or September with the club.

Briggs Creek Claim area needs to have the club perform a **Maintenance Work Party** on **August 11 and 12th**. All club members are invited to come on down there and spend a few fun and memorable days camping, helping out, looking for gold, and just being

there! Bring shovels to help repair the road into our claim. Larry Sheridan and Marvin Swain will be there at the claim.

Demonstrations: Bob shared how his Grizzly III sluice worked. Barb brought in her Desert Fox machine and set it up. Many stories and ideas were also exchanged.

“D” Rocks/Treasures: Delmon, Ken and Judy shared their agates, petrified wood, Penny brought a Danburite crystal (calcium boro silicate) and a Herkimer Diamond (quartz crystal), and Judy also shared what looked like a dinosaur (?) egg rock!

Next month’s Letter is “E”: Maybe bring in Emerald, Epidote, Elbaite, Emery, Erythrite, Epsom Salts, electro-magnets, engines, any hard-“earned” treasures and/or “everything” you’ve found this summer?

Note from Penny: I have a scale model of a “Sterling Hot Air Engine” that I will bring to our next meeting. It runs on an alcohol flame, I use Ever Clear; it burns clean and has all the BTU’s required!

Next Meeting is on August 23rd at 7:00. Be there or be Square!!

Visit our website at <http://www.millenniumdiggers.com/>

The Millennium Diggers Club is a group based in Keizer, Oregon, which is near Salem, Oregon. The club is for people that share an interest in searching for things of value. The club's charter is to provide members with a club that will help promote the hobbies of metal detecting, prospecting, rock hounding, and treasure hunting. Part of our yearly dues pay for mining claims that are available for all club members to use. We use club meetings to share information about locating gold, silver, coins, jewelry, gemstones, fossils and metal detecting. We plan club outings each month where we can help each other learn all aspects of our hobbies. This is a great family activity, bring the kids! Please feel free to drop in on one of the monthly meetings or outings.

We meet the 4th Thursday of each month, 7:00 p.m, at:

Clear Lake United Methodist Church

920 Marks Drive

Keizer, OR 97303

We meet in the church's Fellowship Hall; a real a nice meeting place complete with tables, chairs and a kitchen. The church is located across the street from the Clear Lake Fire Station. There's plenty of parking in the church's parking lot.

1,000-year-old gold coins found at Crusades site

A 1,000-year-old hoard of gold coins has been unearthed at a famous Crusader battleground where Christian and Muslim forces once fought for control of the Holy Land,

 **REUTERS**, Reporting by Rami Amichai and Ari Rabinovitch
<http://news.yahoo.com/hoard-gold-coins-found-israel-crusades-114326841.html>



An Israel Nature and Parks Authority employee shows gold coins, which were unearthed during excavations at a Crusader fortress, near Herzliya July 9, 2012.

HERZLIYA, Israel (Reuters) - A 1,000-year-old hoard of gold coins has been unearthed at a famous Crusader battleground where Christian and Muslim forces once fought for control of the Holy Land, Israeli archaeologists said on Wednesday.

The treasure was dug up from the ruins of a castle in Arsuf, a strategic stronghold during the religious conflict waged in the 12th and 13th centuries.

The 108 coins - one of the biggest collections of ancient coins discovered in Israel - were found hidden in a ceramic jug beneath a tile floor at the cliff-top coastal ruins, 15 km (9 miles) from Tel Aviv.



Gold coins and the jar within which they were unearthed during excavations at a Crusader fortress in Apollonia National Park, are displayed near Herzliya July 9, 2012. The ancient jar containing a collection of 108 gold coins dating back to the Mamluk era was discovered a week ago during a joint venture by Tel Aviv University and the Nature and Parks Authority aimed at exploring the layers of the almost destroyed fortress on the shores of the of the Mediterranean sea.

"It is a rare find. We don't have a lot of gold that had been circulated by the Crusaders," said Oren Tal, a professor at Tel Aviv University who leads the dig.

Arsuf, which overlooks the Mediterranean sea, was the site of a famous 12th century victory for England's King Richard I - known as Lionheart - over Muslim leader Saladin.

About 80 years later, in 1265, the Muslim army returned under a different general, and lay siege to the city for 40 days. When the outer walls fell, the knights retreated to the castle, which was eventually destroyed.

The stash, Tal believes, belonged to the Knights Hospitaller who inhabited the castle. It may have been payment they were due to pay for leasing the land, or perhaps profits from industrial activities, he said.

The gold coins weigh about 400 grams (14 ounces) in total. Some were minted two centuries earlier in Egypt, and they will be studied over the next six months, Tal said.

"The study of these coins will contribute to our understanding of how large-scale economic interactions were made at the time," he said.

Silver Has Been A Store of Wealth

"Since ancient times, silver has been a store of wealth," says Byron King, "either as coinage or via its use in jewelry."

But unlike gold, silver also has a substantial role as an industrial metal. And the transition from analog to digital photography isn't changing that.

"Even allowing for the loss of the photographic market," Byron explains, "silver usage has taken off in other sectors. Today, you'll find silver in all manner of electronics, from your computer and keyboard to your iPad, cellphone and much more:



More than an investment...

"Consider the growing use of electronics in automobiles. Depending on the make and model, there are two or more ounces of silver in every new car that rolls off an assembly line. Last year — in 2011 — there were about 80 million new cars produced globally. If you do the math, it's clear that the auto industry alone uses a lot of silver."

"To this automotive demand — an outgrowth of accelerating electronic demand — now add the growing medical uses for silver, as an anti-bacterial agent. And consider the very fast-growing use of silver in solar panels. It all makes for an expanding market for silver, with a tight global supply base."

If you're thinking about adding physical precious metals to your portfolio — or adding to your existing stash — you'll want to consider the Hard Assets Alliance. It launched yesterday; Agora Financial is a founding member. Whether it's gold,

silver, platinum or even palladium, the Hard Assets Alliance offers the easiest way to buy, store and sell precious metals. And taking delivery is always an option.

SEC charges family in \$11 billion Ohio gravel-pit/gold mining scam

The SEC claims father Harry Dean Proudfoot III, his son Matthew Dale Proudfoot and daughter Laurie Anne Vrvilo used 3 Eagles Research & Development "as if it was their own personal piggy bank".

Author: Dorothy Kosich, 18 Jul 2012

<http://www.mineweb.com/mineweb/view/mineweb/en/page67?oid=155284&sn=Detail&pid=110649>

RENO (MINEWEB) -

The SEC Tuesday charged a father, son and daughter with running a nationwide investment scam, claiming their company, 3 Eagles Research & Development LLC, would extract more than \$11 billion in gold from two gravel pits in central Ohio.

The agency claims that Harry Dean Proudfoot III of Mt. Vernon, Ohio, and his children Matthew Dale Proudfoot of Colbert, Washington, and Laurie Anne Vrvilo of Tigard, Ore., raised at least \$2.7 million from 140 investors in 23 states through 3 Eagles, which operated out of Vrvilo's house.

"However, 3 Eagles did not even have the rights to much of the property it claimed to be mining for gold, and the Proudfoots instead diverted investor money for personal use rather than the mining activities outlined in presentations to investors," said a SEC news release.

The SEC complaint filed in federal district court in Portland, claims the scheme primarily occurred between September 2009 and October 2011. "The Proudfoots falsely touted they had an expert geologist on the mining project. They solicited investors in a variety of ways, including through a Power Point presentation filled with misleading information."

The agency charges "the Proudfoots siphoned off more than \$1.1 million of investor money and misused 3 Eagles corporate accounts as their own personal piggy bank, leaving the company penniless and unable to pay the necessary expenses to get the Ohio mine into production."

"Among their illicit personal expenditures, the Proudfoots spent \$80,000 on automobiles, \$235,000 in personal travel, and upwards of \$30,000 per year for vitamins and nutritional supplement," the SEC alleged.

By September 2011, all but \$38,000 of investor money had been spent with no mining equipment installed in Ohio, the agency said.

The SEC complaint charges 3 Eagles, Harry Proudfoot, Matthew Proudfoot and Laurie Vrvilo with violations of the Securities Act of 1933 and the Securities Exchange Act of 1934.

On Tuesday Vrvilo's attorney Bob Calo told the *Portland Business Journal*, "My client is well aware of the [SEC] allegations and we are assessing the charges."

"We'll have more to say at a later date," he added.

Meanwhile, a cease-and-desist order issued by the Oregon Division of Finance and Corporation Securities claims Matthew Proudfoot and associates, Kurt Black and Lyly Hathaway, also raised money from Oregon residents reportedly to develop a placer gold mine on a large tract near Manson Creek in British Columbia.

They ostensibly did so through Nevada companies Rkane III, Rimrock III and Family Benefits USA and a Canadian company Three Nines Minerals. State officials claimed the companies raised \$2.6 million from 158 investors between 2004 and 2007 through promissory notes and gold certificates in the Placer Gold Project.

Oregon officials claim Rkane, Rimrock and Three Nines Minerals represented their aim was to mine over \$1.5 million or more in gold in the first three months of operations and that they reportedly had "an agreement to sell gold to three European bullion banks" which was "a truly extraordinary contract."

In October 2011, the state fined the companies \$474,000 and also fined Proudfoot and Family Benefits USA \$474,000.

South Africa's illegal underground gold miners being starved back to surface

One South African gold mining major is so concerned about safety and production threats from illegal miners it has taken the step of banning all workers from taking any food underground in order to starve out the illegals.

Ed Cropley, 25 Jul 2012, WELKOM, SOUTH AFRICA

<http://www.mineweb.com/mineweb/view/mineweb/en/page68?oid=155807&sn=Detail&pid=92730>

One of South Africa's biggest gold firms has taken the drastic step of banning all food underground to cut supply lines to gangs of illegal miners used to staying deep in the mines for months on end, threatening lives and official production.

With gold mining around Welkom, 200 km (130 miles) south of Johannesburg, dating back to the 1930s, the bedrock is criss-crossed by a myriad network of tunnels that provide perfect cover and multiple entry points for illegal miners.

Bosses of Harmony Gold's 2.4 km (7874 ft.) deep Phakisa mine - one of the world's deepest - have tried blocking up old shafts and installing stadium-style turnstiles at the top of the main shaft to stop imposters slipping through.

In January this year, they tightened the screw by imposing a total ban on food to prevent official miners bringing in supplies to sell or give to their unofficial counterparts.

"There are two things you need to survive underground: food and water. You can always get water down a mine but the food ban has made a real difference," Harmony chief executive Graham Briggs told Reuters this week during a mine visit.

Unions agreed to the ban - as long as it was accompanied by a free meal at the end of a shift - even though it means teams of men will consume nothing but water during an eight-hour shift pounding at the gold-bearing rock in sweltering heat.

Although nobody knows the full extent of a problem that is literally hidden deep in the bowels of the earth, the countermeasures introduced by firms such as Harmony suggest the threat from illegal mining in South Africa is significant.

Once underground, the men will stay there for weeks, if not months, subsisting on food brought in from above ground.

They make a living by crushing the ore by hand and panning out the specks of gold or lighting fires beneath ad hoc smelters. In some cases they will even undertake their own drilling and blasting - at great risk to themselves and others.

Reports of underground clashes between armed gangs and mine security officers are common in the domestic media, as are accidents caused by unofficial mining activity.

In March, up to 20 men were killed after a rock fall at an abandoned gold mine near Johannesburg, and at least 10 died in May when a tunnel collapsed at a disused diamond mine.

Although mine owners are not blamed for such tragedies - and will often send in their own rescue experts to pull out victims - an aggressive "zero harm"

government safety push means they cannot afford to have outsiders wandering around underground.

"There's a very big risk to safety in these mines because illegal miners could mine pillars, boundary walls and basically dismantle the structures established to ensure stability," said May Hermanus, a former chief mines inspector.

"That's very serious."

Despite the success of Harmony's food ban, the overall threat is unlikely to go away while gold is fetching \$1,600 an ounce and South Africa's 25 percent unemployment rate pushes many young men to risk everything to eke out a living.

"These guys are crazy," Briggs said. "They will try and go down a vertical shaft with just a few bits of old rope."

WWII Shipwreck Yields \$38 Million of Silver from Atlantic

By Jack Kaskey - Jul 18, 2012 1:27 PM PT

<http://www.bloomberg.com/news/2012-07-18/wwii-shipwreck-yields-38-million-of-silver-from-atlantic.html>

[Odyssey Marine Exploration Inc. \(OMEX\)](#), a deep-ocean exploration company, said it recovered about 48 tons of silver from a World War II shipwreck three miles (4.8 kilometers) beneath the Atlantic Ocean.

The company retrieved 1,203 silver bars, or about 1.4 million ounces of the metal, from the SS Gairsoppa, a 412-foot (126-meter) British cargo ship that sank after being torpedoed by German U-boat in February 1941, Tampa, Florida-based Odyssey said today in a statement. The metal, worth \$38 million at today's prices, is being held at a secure facility in the U.K.



Odyssey Marine Exploration Inc. retrieved 1,203 silver bars from the SS Gairsoppa, a British cargo ship that sank after being torpedoed by German U-boat in February 1941. Source: Odyssey Marine Exploration, Inc., www.shipwreck.net via Bloomberg

Odyssey said the recovered silver represents about 20 percent of the bullion that may be on board the Gairsoppa, which lies about 300 miles off the coast of Ireland. The operation, the largest and deepest recovery of precious metals from a shipwreck, should be completed in the third quarter.

“With the shipwreck lying approximately three miles below the surface of the North Atlantic, this was a complex operation,” Greg Stemm, Odyssey chief executive officer, said in the statement. “Our success on the Gairsoppa marks the beginning of a new paradigm for Odyssey in which we expect modern shipwreck projects will complement our archaeological shipwreck excavations.”

Silver Recovery

The recovery began in May using a chartered 291-foot ship after a series of reconnaissance dives earlier in the year, the company said. Odyssey last year announced plans to recover another 600,000 ounces of silver from the SS Mantola, a British vessel sunk by a German submarine in 1917, which lies about 100 miles from the the Gairsoppa.

Odyssey has salvage contracts with the U.K. allowing it to retain 80 percent of the net silver value recovered.

Gold Discoveries Falling Behind Mined Production

By Debbie Carlson of Kitco News , 17 July 2012
http://www.kitco.com/reports/KitcoNews20120717DeC_meg.html

(Kitco News) - The amount of new gold discovered has not kept up with the current pace of mine output, as the easy-to-reach gold deposits are being depleted, said a mining consultancy group on Tuesday.

From 1997-2011, there have been 99 discoveries of gold deposits containing at least 2 million ounces of the metal, totaling 743 million ounces of gold in reserves, resources and past production as of the end of 2011, said the Metals Economics Group in a research report.

“Assuming a 75% resource-conversion rate and a 90% recovery rate during production, these 99 discoveries could potentially replace only 56% of the

estimated gold mined during the same period, if they are economical to mine,” they said in their report,

“Strategies for Gold Reserves Replacement: The Costs of Finding and Acquiring Gold.”

The challenge for producers is “not that there is no gold left, but that all the ‘easy’ gold has been found,” they said.

The total amount of gold in reserves and resources at development-stage projects on a global scale roughly matches current mine production. “However, with increasing risk of political, regulatory, and tax instability in many resource-rich nations, declining grades, rising costs, and dramatically longer development times, the amount of gold available for production in the near term is likely far less than has been found,” they said.

Intelligent bet remains on gold

Commentary: Contrarians, though frustrated, are sticking with gold

http://articles.marketwatch.com/2012-07-13/commentary/32649963_1_gold-market-yellow-metal-average-gold

July 13, 2012 | Mark Hulbert, MarketWatch

TEMAGAMI, Ont. (MarketWatch) — Some day, gold will wake up from its dreary, listless state and take off.

And, if contrarian analysis is right, that day will come sooner rather than later.

Of course, you have every right to be skeptical of this argument, since contrarian analysis has been bullish on gold for several months now and the yellow metal — so far at least — has failed to respond.

But contrarian analysis has been far more right than wrong about gold's short-term gyrations over the last three decades, which in effect means that the intelligent bet over the years has been to bet against the consensus of gold timers.

And that consensus right now is decidedly bearish — and has been since March. In fact, the gold timers' average gold market exposure over the last four months has been actually negative. That is, for four months now they've been betting that the gold market would go down.

That much persistent bearishness is unprecedented in recent history.

Consider the Hulbert Gold Newsletter Sentiment Index (HGNSI), which reflects the average recommended gold market exposure of a subset of short-term gold timers tracked by the Hulbert Financial Digest. Mar. 14 was the first date this year on which the HGNSI slipped into negative territory, indicating that the average gold timer was recommending that his clients be net short the gold market.

And the HGNSI remains negative today. The average HGNSI reading over the last four months is minus 3.3%. You have to go back as far as 1991 to find another four-month period in which the average HGNSI reading was this negative. Gold at that time was trading around \$360 per ounce — or around \$1,200 an ounce lower than where it stands today.

Of course, as we've seen over the last four months, there is no guarantee that gold will soon try to climb the robust wall of worry that has formed. But that remains the intelligent bet today, unless you think that the gold-timing community, after decades of failure, has suddenly figured out how to successfully time the market.

Gold-market contrarians these days must be feeling like the card counter in blackjack who knows that the odds are in his favor—provided he continues to play rationally. But beads of sweat are definitely visible on his brow.

Silver Is About to Cross \$30/oz for the Last Time

Source: Bob Kirtley, SK Options Trading (7/6/12)

"The odds are skewed toward an increase in silver prices rather than a fall, and once they do catch fire it will be dramatic."

<http://www.theaureport.com/pub/na/13830>

It has been an interesting week on the economic stimulus front with what looks like a coordinated effort by the major powers to ignite their respective economies.

The European Central Bank (ECB) made the headlines with a widely anticipated cut to its key interest rate of a quarter of a percentage point to a record low 0.75% in an attempt to ease Europe's financial crisis and boost its stagnating economy. This move by the ECB will make it cheaper for people and the business community to borrow and ultimately spend this cheap cash.

Next up to the plate was The Bank of England (BoE) chipping in with \$50 billion or US\$77.62 as part of its Quantitative Easing stimulus package to boost Britain's recession-torn economy. The BoE also decided to keep its main interest rate at a record low of 0.50% after a two-day monetary policy meeting.

Then we have The People's Bank of China who decided to cut its benchmark lending rate by 31 basis points to 6%.

Now we wait patiently for the next shoe to drop, which belongs to the United States. This Friday another set of Non Farm Payroll (NFP) will be announced with the hope that they are somewhere north of 120,000 jobs. However, should this figure come in at sub 120,000 then the heat is back on the Fed to take action. If this figure is as low as 60,000, then Chairman Ben Bernanke will be required to move and move quickly. Our own opinion is that it will be a low number and therefore some form of QE3 will make an appearance albeit in drag if necessary. Any indication that QE3 is on the cards will ignite gold prices with a subsequent knock on effect lifting silver prices as the demand for both of these precious metals gains traction.

All of the above represents a policy of cheaper money and more money, which is inflationary through the continuing debasement of our spending power. The lack of confidence in fiat currencies still exists despite the short term rally in the US dollar.

You may recall the last time we updated the silver chart we said: "*that silver could go as low \$26.00, so acquire gently.*" That level is holding for now as the chart shows and the longer this sideways action continues, the bigger the move will be when it comes. Also note that the RSI has dipped below the '30' level and that silver prices did rise, but not in a convincing fashion, the 'tease' for silver bugs continues. However, rather like a bouncing ball the oscillations are getting smaller with every bounce. The trading range is narrowing and in the near term silver prices will break out of this range and move almost violently to new ground. As we see, it the odds are skewed towards an increase in silver prices rather than a fall, and once they do catch fire it will be dramatic. The regulators may well move to limit the rate of change that occurs, however, once through the \$30.00/oz level the ensuing pullbacks, real or manipulated will not bring the price back to this level again.



To conclude we politely suggest that you accumulate as and when you can and that you do not sell any of your physical silver bars or coins, you might be just offering someone else a real bargain. As for the stocks we remain skeptical about their ability to perform, its not happening for them at the moment and we need to see some signs of investor interest in the producers before we decide to

increase our exposure to them. At the same time we are not selling any of our silver producers as we purchased them early in this bull market and they owe us nothing.

Now for those of you who are adrenalin junkies you may want to consider allocating some of your funds to a few well thought out [options](#) trades. As we see it options are the only vehicle offering leverage to the underlying movement of silver prices. You will need to be highly selective, totally focused and disciplined. Once you have made a purchase the clock is working against you and Theta is your enemy as the time premium erodes with each passing day. [Options](#) do not fit a 'buy and hold' strategy its a buy, wait until your target has been achieved and sell regardless of how much further you think that they may have to run.

So if we have stimulated your interest drop by and see us some time.

We hope that you all had a very good Thanks Giving break, however, its behind us now so get your game face on, the second half promises to be explosive, one way or another.

Disclaimer: www.gold-prices.net or www.skoptionstrading.com makes no guarantee or warranty on the accuracy or completeness of the data provided. Nothing contained herein is intended or shall be deemed to be investment advice, implied or otherwise. This letter represents our views and replicates trades that we are making but nothing more than that. Always consult your registered adviser to assist you with your investments. We accept no liability for any loss arising from the use of the data contained on this letter. Options contain a high level or risk that may result in the loss of part or all invested capital and therefore are suitable for experienced and professional investors and traders only. Past performance is not a guide nor guarantee of future success.

Bob Kirtley
SK Options Trading

The War on Silver

Theodore Butler, July 23, 2012

<http://www.silverseek.com/commentary/war-silver>

It has taken more than 25 years for me to fully comprehend a conclusion that I never wanted to reach, namely, that there is an organized war against the price of silver that has come to include the US Government. I think the US Government involvement came into being almost accidentally, but even if it was an accident of sorts, that does not diminish the serious nature of what must be described as

illegal activity at the highest levels. I am conflicted between feelings of sadness and outrage.

Starting around 1985, I became convinced that the price of silver was being manipulated by collusive and concentrated short selling by certain commercial entities on the world's leading precious metals commodity exchange, the COMEX. Having a background in futures trading going back to 1972, it dawned on me that the concentrated and orchestrated short selling was dominating and, therefore, manipulating the price of silver. The very first thing I did after this discovery was to petition the regulators at the CFTC and the COMEX to alert them to the existence of the most serious market crime possible. My petitions fell on deaf ears but I continued to petition them through the present. Since this was in the pre-Internet era, I was limited in convincing others of the silver manipulation due to distribution restrictions. Communication was very different 25 years ago.

Around 1996, I was exposed to the Internet for the first time and began to write in my spare time on that medium about the silver (and gold) manipulation. As a result, more observers came to appreciate the manipulation and took up the cause of exposing and terminating this serious market crime. Were it not for the Internet there would be no broad discussion of a silver or gold price manipulation, even to this day. Certainly, the discussion has led to multiple official inquiries into a silver manipulation by the CFTC over the past ten years. I am unaware of any investigation in any other market based upon wide public contacts to the agency. For sure, there are many who still reject the premise of a silver or gold manipulation; but at least there is a discussion about it now, thanks to the Internet.

So why did it take me so long to recognize a US government involvement in the decades-old silver manipulation? For one thing, I still don't believe that the silver manipulation (which began in 1983) was a government creation from the get go. I know many believe the motive for the silver and gold manipulation is as a means for the US Government to help keep the dollar strong in currency markets. I don't agree. Instead, I believe the origins of the manipulation can be traced to collusive and concentrated short selling for profit by large financial institutions, starting with Drexel Burnham, then on to AIG Trading, Bear Stearns and finally to JPMorgan. These were the firms at war with higher silver prices, which the US Government subsequently joined.

The war against silver is not between producers and consumers, as these vital market participants interact in every market, as they must. All commodity producers want strong and consistent demand for their products from financially-healthy consumers who will continue to buy. While all commodity

producers desire the highest price possible for their production, no producer wishes harm to the buyers of that production. There is no war between the actual commodity producers and consumers; both interact continuously under the law of supply and demand.

The war has been waged against all silver market participants by a few well-connected financial firms and banks for the purpose of price control. This price control enables JPMorgan and others to capture profits on a variety of derivatives transactions, including COMEX futures and options contracts. This is exactly the same motive that caused Barclays to manipulate LIBOR; interest rates were manipulated for mostly short-term payoffs on derivatives contracts valued by the rates being manipulated. Likewise, JPMorgan and others manipulate the price of silver on the COMEX to capture short term profits on silver derivatives contracts.

An important characteristic of the war on silver is that it is centered in the world of derivatives, as opposed to the actual world of metal production and consumption. The main objective of JPMorgan and the other silver manipulators is to take as much money as possible away from those holding the counterparty and opposite derivatives positions. Nevertheless, all producers and holders of metal are harmed when derivatives manipulation causes silver prices to fall for no legitimate supply/demand explanation, as is a regular feature of the silver market. That's because the size and intensity of trading in COMEX derivatives has grown to be much larger than the actual market for metal. In a very real sense, actual producers and holders of metal are innocent bystanders and victims of a private gun battle between opposing silver derivatives traders. Real producers and holders are being terrorized by a few derivatives traders, led by JPMorgan.

I suppose some might say that this is the silver big league and that there will always be winners and losers. I can understand that, but that implies a level playing field and no cheating. Quite simply, the game is rigged and JPMorgan and the others do nothing but cheat. The proof lies in the hugely concentrated short position held by JPMorgan ever since its takeover of Bear Stearns in March 2008. Throw in the crooked High Frequency Trading encouraged by the CME Group and you have all the ingredients necessary to prove manipulation and end the war on silver.

Yet the war on silver has persisted, despite the clear evidence that this market is manipulated. The reason it has persisted is because the federal agency whose primary mission is to prevent manipulation has decided to look the other way. I know that my discussions of market structure and concentration can get complicated and confusing to many, as much as I try to simplify it. But what I

allege that is happening in silver is not over the heads of the CFTC. I take pains to explain it to them in their own terms and legal perspective and by using their own data. Because of those explanations, the CFTC has said it has been investigating for a silver manipulation for almost 4 years, but with no conclusion reached. By any standard, that's way too long.

What finally convinced me that the CFTC is aligned with JPMorgan and the other silver manipulators on the COMEX rests on a few specific facts. One is that the agency has continued to ignore the glaring concentration on the short side of COMEX silver by JPMorgan and a few other traders. Concentration is not some term I dreamed up on a whim; it is the CFTC's most important frontline defense against manipulation. That is why the agency publishes and monitors highly detailed concentration data every week for every regulated market in the Commitment of Traders Report (COT). The Commission doesn't publish this data on my request; the concentration data are the most important feature of the COT. What the COT report has documented for years is that COMEX silver is the most concentrated major market of all on the short side. That the agency won't address this fact is beyond troubling.

The second fact is the two unusual silver price events of 2011. In the first week of May 2011, the price of silver fell more than 30% and later, over a three-day period in September 2011, the price fell 35%. For a world commodity to fall that much in price within days is beyond unusual. It may be unprecedented, as I don't recall many or any such price drops in my 40 year experience with markets. Certainly, for such a price decline to occur in the same commodity within six months is unthinkable. Further, all the circumstances surrounding these two price plunges in silver point to these being manipulative moves, as nothing occurred in the real world of silver supply and demand to account for them. These price drops were shocking in that world commodities don't move like that for no reason.

I had been waiting for the CFTC to file enforcement charges against JPMorgan and the CME Group for these deliberate silver price smashes; or at the very least, for the agency to make special reference to these two unprecedented price declines. It would be impossible for any other world commodity under the Commission's jurisdiction to fall 35% in days without the agency commenting on the price fall. Yet there has been no statement and no enforcement filing from the CFTC in silver. At some point, one must conclude that the CFTC does not intend to file charges or comment on what transpired in silver. By reaching that conclusion, one must also assign an alternative explanation for the agency's lack of action. The most plausible is that the agency has thrown in with the likes of JPMorgan, the CME and the other silver crooks.

As I indicated previously, my best guess is that the CFTC was compromised in dealing appropriately with the silver manipulation by interference from the US Treasury Secretary who oversaw the takeover of Bear Stearns (and its giant silver and gold short positions) by JPMorgan. It now appears clear that JPMorgan extracted guarantees of future immunity for manipulation as a condition of the takeover. The Bear Stearns takeover gave JPMorgan a free "get out of jail" card from the US Treasury Dept for the continued silver manipulation. In the political pecking order, the CFTC is many rungs below the Treasury Dept. It was a deal structured that was not in the best interest of the American investing public

To recap to this point, there is a war on silver being waged by JPMorgan, the CME and others on the COMEX. This war necessarily includes innocent casualties throughout the world of real silver producers and holders, even though US commodity law strictly forbids such artificial price setting. Worst of all, it is now apparent that the prime market regulator and public protector, the CFTC, has thrown in with the crooks. This is so bad, on so many levels, that one must carefully consider the future investment merits of silver. Having already done so, please allow me to share my thoughts, especially in light of the ongoing wave of almost daily revelations of impropriety and probable criminal behavior on the part of the big banks. We certainly live in an unusual time.

Perhaps perversely, because of the ongoing silver manipulation and evidence that the CFTC may be complicit in illegal behavior, I believe the future price prospects for silver never looked better. Huh? Please hear me out. The continuing flow of news pointing to widespread wrongdoing by the big banks, including interest rate manipulation, increases the chance that silver has been manipulated. It appears to me that the punishment for institutional wrongdoing is quickly moving towards a criminal phase, which will likely include jail time. It would not surprise me if some regulators or self regulators were included in future criminal findings. Certainly, those swearing an oath to protect the public are not above the law. But how can I be positive about the future price prospects for silver in such an environment?

The simple fact is that silver has been manipulated for decades and that has not prevented it from climbing, at times more than any other commodity. The war on silver rages on, but it does so in starts and fits, with notable price advances having been recorded along the way. The silver war cannot be considered to be in its infancy. After all, I've petitioned the CFTC about it for more than 25 years, which is an extraordinarily long period for such a thing to exist. Like all widespread financial frauds, they become undone when a critical number of observers recognize the scam and adjust accordingly. Therefore, since the silver manipulation has been in place for so many years and is now more widely discussed because of the Internet, the odds favor it ending sooner, rather than

later. I know that it feels like these crooks can pull it off forever, but common sense and historical experience suggest otherwise.

More importantly, this war on silver will eventually be decided on the physical level. Even though it is the derivatives world dictating (false) prices to the actual world of silver presently, it is impossible for that circumstance to exist indefinitely. Paper can overwhelm physical only as long as there is enough physical silver to go around. The point at which the current tight supply situation in silver slips into the slightest shortage, additional paper short sales won't satisfy new buyers of physical silver. That's not a theoretical discussion for silver any longer, as it had been prior to April 2011. For years, it was thought there would always be a sufficient amount of silver available, given the large world supplies thought to exist. But shortages were starting to come into place last year, which accounted for the run to near \$50. Yes, the deliberate price smash on May 1, 2011 broke both the silver price and the budding shortage; but it could have easily gone the other way and if it did, we would now be looking (way) down at the \$50 price mark. My point is that having come so close to a genuine silver shortage last year only increases the odds that a shortage will reemerge. The conditions that existed in the spring of 2011 are more likely to appear again than not.

While it is unfortunate not to have the CFTC as an ally in the fight against the silver manipulation, there never was any previous support from the agency. Instead, time after time, the Commission always sided with the big short silver manipulators. Undoubtedly, those past denials of a silver manipulation would create embarrassing questions about the agency's historical competence if it were to admit to wrongdoing in silver now. Still, I admit to a particular disappointment in Chairman Gensler and Commissioner Chilton since they had offered so much hope through their public statements about manipulation, concentration, position limits and the need to protect the public.

The war on silver is real and ongoing. Because it has lasted so long, it may feel like a war without end. Because the war mongers appear so powerful and well-connected, it may feel like they are invincible. But feelings do not always project fact. The fact is that the silver manipulators have been in retreat. This can be seen in the overall rising price and the fact that previous silver short kingpins like Drexel, AIG and Bear Stearns have truly bit the dust. The recent news surrounding the current big silver short, JPMorgan, seems to project weakness and trouble, not invincibility. Since the CFTC never aided silver producers and investors in the past, there is no great loss in the agency continuing not to do its job.

If you are going to be in a war, I would think it is better to recognize that and react accordingly. That means immunizing yourself against the artificial pricing as much as possible. The best way to do that is by holding fully-paid silver

positions and no margin. The worst way is by playing the very derivatives used to manipulate the price. This war is coming to an end and when it does, the wisdom of owning silver will become obvious. Lastly, it never hurts to let the regulators know what type of a job they are doing.

Many Wall Street executives says wrongdoing is necessary: survey

Tue Jul 10, 2012, Lauren Tara LaCapra

<http://www.reuters.com/article/2012/07/10/us-wallstreet-survey-idUSBRE86906G20120710>



(Reuters) - If the ancient Greek philosopher Diogenes were to go out with his lantern in search of an honest man today, a survey of Wall Street executives on workplace conduct suggests he might have to look elsewhere.

A quarter of Wall Street executives see wrongdoing as a key to success, according to a survey by whistleblower law firm Labaton Sucharow released on Tuesday.

In a survey of 500 senior executives in the United States and the UK, 26 percent of respondents said they had observed or had firsthand knowledge of wrongdoing in the workplace, while **24 percent** said they believed financial services professionals may need to engage in unethical or illegal conduct to be successful.

Sixteen percent of respondents said they would commit insider trading if they could get away with it, according to Labaton Sucharow. And **30 percent** said their compensation plans created pressure to compromise ethical standards or violate the law.

"When misconduct is common and accepted by financial services professionals, the integrity of our entire financial system is at risk," Jordan Thomas, partner and chair of Labaton Sucharow's whistleblower representation practice, said in a statement.

The survey's release comes as the fallout from Barclays PLC's ([BARC.L](#)) Libor-rigging scandal continues and other banks including Citigroup Inc ([C.N](#)), HSBC Holdings PLC ([HSBA.L](#)), Royal Bank of Scotland Group PLC ([RBS.L](#)) and UBS AG ([UBSN.VX](#)) await the outcome of an industry-wide probe.
