

**Butler/Cook Interview <?xml:namespace prefix  
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**June 9, 2011**

**Cook:** I see that some financial writers are telling people to avoid silver. What do you say to that?

**Butler:** They were saying that when silver was \$4.00. I think they will be wrong again.

**Cook:** The consensus opinion seems to be that silver was in a speculative bubble. Are they right?

**Butler:** No, the consensus is wrong. First, you must define a bubble and see if it matches. No bubble criteria were present in silver. A price going up doesn't necessarily mean a bubble.

**Cook:** Why did it go up?

**Butler:** Short covering and the big entities buying.

**Cook:** It's hard to argue with the naysayers when the price dropped just as they

predicted.

**Butler:** Many were calling for a price drop from \$20 on up, so you want to be careful when dealing with predictions and frankly most of it was wrong. You want to pay close attention to the reasoning behind any analysis.

**Cook:** Everybody else is wrong and you are right?

**Butler:** You know me better than that. I try to keep in mind we are still more than double the price of a year ago. Not many investments doubled in the past year. From that standpoint I've been right. Since we joined forces the price is 9 to 10 times higher.

**Cook:** What about silver around \$40? Is it a buy?

**Butler:** Absolutely, I think there will be a big surprise to the upside.

**Cook:** Why do you think that?

**Butler:** The market structure in the Commitment of Traders Report (COT) looks great. Silver hasn't had as good a COT set up in almost two years. That means there is not much "juice" to fuel a giant move to the downside, while there is a large potential supply of fuel to the upside.

**Cook:** What changed?

**Butler:** After the run to \$49 and subsequent collapse, the commercial net short position is now 35,000 contracts or 20,000 contracts less than it was two months ago. This means that the commercials have reduced their collective net short position by 100 million ounces on the COMEX between the time we first touched \$38 and where we stand today.

**Cook:** Can you give us an historical perspective?

**Butler:** You have to go back to the summer of 2009, when silver traded in the \$12 to \$14 range to find a COT reading as low as it is today. This is 100 million paper ounces that the commercials succeeded in forcing the leveraged long traders to liquidate.

**Cook:** Does that mean JPMorgan is off the hook?

**Butler:** They have greatly reduced their net short position on the COMEX, almost to a remarkable extent. But it is precisely that short covering that has helped lift the price.

**Cook:** You're talking about paper silver. What happened with physical silver?

**Butler:** These same collusive commercials have succeeded in forcing close to

50 million real silver ounces to be liquidated from the big silver ETF, SLV, over the past month. That's a total of 150 million ounces of silver that just changed hands.

**Cook:** Sounds like a lot.

**Butler:** Since there's one billion ounces of above ground silver it means that 15% of the world's silver inventory has moved to much stronger hands.

**Cook:** Can you put that in perspective for us?

**Butler:** It is more silver than any country has ever mined in a year. It is more silver than the Hunt Brothers or Warren Buffet ever bought; at a time when there is much less silver in the world than there was 30 and 15 years ago.

**Cook:** Are you saying they had to pull the rug out from silver to buy this much?

**Butler:** Yes, it is an amount of silver that, if attempted to be purchased without a deliberate and coordinated price smash, would send the price up two or three times. Were it not for the illegal and manipulative nature under which was purchased, it would rank as one of the best trades in financial history.

**Cook:** What was their motive?

**Butler:** No one would go to extremes to create this price smash without good reason. No one buys anything if they are not convinced it will rise in price. The commercials set out to get these 150 million ounces of silver for the simple reason they are convinced it will rise sharply in price. So am I.

**Cook:** How high?

**Butler:** Based upon the urgency and determination displayed by the commercials in grabbing this giant quantity of silver a test of the old highs would be in order. That's if the commercials who now own this silver are content to merely book a massive profit. If they hold this silver more tightly a relatively quick move to \$60 or \$75 could be in the cards.

**Cook:** Are you still claiming there is an ongoing silver shortage?

**Butler:** It's not in an extreme state yet but it's definitely happening.

**Cook:** Based on what evidence?

**Butler:** Delays and unusual inventory flows in the COMEX warehouses and in the big silver ETF, SLV.

**Cook:** You know a lot of people laugh at the idea of a silver shortage?

**Butler:** I don't know why they would laugh. Silver is an industrial material with a depleted inventory. Virtually all the silver ever mined in 2500 years is used up and gone. It's not smart to laugh in the face of the most bullish fact for any commodity.

**Cook:** You're claiming the big guys bagged the investors in the ETF by dropping the price of silver and buying most of the silver these investors sold. Is that right?

**Butler:** Yes, faced with a sudden 30% price smash, many holders sold in a panic and that silver was bought by the bad guys.

**Cook:** If you can accumulate this much silver out of the ETF how can there be a shortage? Isn't the ETF now a source of supply?

**Butler:** Sure, but at what price? Any significant buying will send it into orbit. That's why they manipulated the price down so they could buy it cheap. We'll look back on this episode as the great silver robbery.

**Cook:** You've been criticizing the management of the ETF for the big short position they've allowed. Why?

**Butler:** I think that BlackRock, the Trust's sponsor, has been negligent in allowing a big short position to develop in the SLV. That's contrary to their

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prospectus. I think this large short position contributed to the big sell-off.