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The Honorable Dick Thornburgh,
United States Attorney General
Department of Justice
Washington, D.C. 20530

Dear Attorney General Thornburgh:

I respectfully request that you look into a matter of national concern. For almost three years, I have tried to expose and eliminate, through the proper channels, a massive fraud and manipulation in one of our leading commodity markets. This criminal activity has cheated hundreds of thousands of individuals and companies directly, and all U.S. citizens indirectly, as one of our country's most valuable assets is being disposed of by our Government at prices that have been fixed artificially low.

The price of Silver, since 1983, has been depressed due to economically unjustified and excessive short sales on the Commodity Exchange, Inc. (COMEX). In all of financial history, we have never witnessed, except in COMEX Silver, a total short position that is greater than either total world stocks, total world annual production, or total world annual consumption. In sanctioning of sales contracts of a commodity which can not possibly be fulfilled, the COMEX has permitted short sellers of paper Silver contracts to illegally set the price of real Silver.

The very premise upon which the futures and option markets exists is to allow the real producers and consumers of a commodity the ability to hedge the price risks normally inherent in their business. Therefore, the total contractual commitment of the derivitive futures or options market in any commodity cannot be any bigger that the entire real stocks, or real production, or real consumption, <u>assuming</u> that every single producer and consumer were hedged. If the total commitment is bigger than what all possible producers or consumers could hedge, then it means that someone other than the real producers and consumers is setting the prices. Alarmingly, on the COMEX, real producers make up only a small fraction of the short position, making the size of the short position even more suspicious and dangerous.

Some might argue that excessive and unrestricted short sales would not artificially depress prices -- this is grossly incorrect and is precisely why we have restrictive short sale regulations in securities. Unfortunately for the American public, which has, for six years, been the largest group of buyers of COMEX Silver contracts, the people responsible for preventing such a crime are either incompetent or conspirators.

As you are aware, there exists a Federal agency, the Commodity Futures Trading Commission (CFTC), whose main function is to prevent and terminate market manipulations and protect the public interest. When I presented the evidence of fraud in COMEX Silver, the chairman of the CFTC, the Hon. Wendy Gramm, did acknowledge that COMEX Silver is the only commodity to have, or ever have such an obscene short position. But she wrote that this was "irrelevant" and it was "inconceivable" that a manipulation this great could occur. Perhaps that explains why the CFTC has never prevailed in any manipulation case in its history, and why the average American is plagued and bombarded with commodity fraud daily. It is difficult to root out that which you cannot conceive.

Of course, the leadership of the COMEX does not fall into the incompetent category. They are aware that the public has been consistent and dogged in its ownership of silver contracts, and that the leading inside members have sold those contracts short which they can not fulfill. What the insiders intend to do is eventually change the rules of the exchange, as is their custom, and demand the public give up their contracts. I hope you might have better results in eliciting a legitimate response from the long standing CEO of the COMEX, Mr. Alan J. Brody, than I have. But you cannot delay, as he is resigning as of June 30.

To assure you that I would not waste your valuable time on a misguided matter, I would like to relate two recent legal proceedings that involved me, the CFTC, and the COMEX.

When I first contacted the CFTC in 1986, about COMEX Silver, I included as supporting evidence, allegations of some suspicious trades that were contributing to the manipulation by the shorts. This past November, the CFTC, with little fanfare, settled Federal charges against Mocatta and Drexel Burnham related to my complaints. The fine (over $ 500,000) was for trades, that in the words of the CFTC were "rigged and non-competitive". Even though the settlement was one of the largest in CFTC history it raised more questions than it answered. If you decide to take a look at this settlement, and ask why the trades were done in the first place you will get a true glimpse at "crime in the suites". You also might find it odd that Wendy Gramm would find my allegations of manipulation as "inconceivable" when her agency, acting on my information, just netted the largest settlement by the CFTC in years.

The second proceeding involves the CFTC and myself in a matter, that on the surface, looks unrelated to the COMEX Silver situation, but, I assure you, is very much related.

In February, 1988, the CFTC, in what I feel is the ultimate irony, brought various charges concerning alleged attempts at maniputations in orange juice futures against me, one of my former clients and my former employer. As you know, manipulation charges are the strongest charges the CFTC an bring against anyone. These were the first manipulation charges in almost ten years, and only the fifth time brought in CFTC history. There is no doubt in my mind that the charges were brought against me for raising and re-raising the Silver issue with CFTC.

In February of this year, an Administrative Law Judge, the Hon. William G. Spruill, summarily dismissed the attempted manipulation charge. As our nation's number one attorney, perhaps you might find it odd that the chief enforcement effort in recent years for the CFTC (involving thousands of man-hours and millions in legal fees), would be thrown out for a complete lack of substance. If you can stomach an account of wasted time and taxpayer money and an agency lost in direction, please read Judge Spruill's ruling (Docket 88-10). The point of all this is to demostrate that the CFTC is not qualified, in its present form, to fairly decide what is or isn't a manipulation.

I implore you to assign just one agent of the Justice Department to check out my allegations of fraud and manipulation in COMEX Silver. If you do, you will find yourself face to face with the "big fish" of organized financial crime, and you will prove to the critics why we need the RICO statutes to protect the rights of the American public.

The true sorrow in this whole affair is that , in addition to the unnecessary financial punishment, the producers and owners of Silver (including the U.S. Government) have experienced over the past six years, there are tens of thousands of contracts held short by innocent and unsuspecting speculators who are in for a ruinous shock. Do not be surprised, when this manipulation is attacked, to see the price of Silver open $ 20 per ounce higher at that time. Since that would represent a $ 100,000 loss on each contract held short, the current $ 2,000 COMEX margin will provide scant protection against the inevitible massive bankruptcies for those shorts not holding real Silver.

Respectfully,

Theodore J. Butler

TJB/cr

cc: Hon. Patrich Leahy, Senate Ag. Com.
Hon. Kika de la Garza, House Ag. Com.
Hon. Wendy Gramm, CFTC
Mr. Alan Brody, COMEX