The MILES FRANKLIN Report

Winter 2012 Andrew "Ranting Andy" Hoffman Number 1

2012 – Potential Inflection Point in Financial History

Andy Hoffman, Marketing Director

To precious metals enthusiasts, survivalists, and market junkies alike, greetings and Happy New Year! Welcome to Miles Franklin's first quarterly report of the year, the first written by me, "Ranting Andy" Hoffman.

The venerable David *Miles* Schectman, who founded Miles Franklin in 1990, has been writing the *Miles Franklin Report* for several decades, and works as hard in semi-retirement, writing the Miles Franklin Daily blog and assisting in business development, as on Day One.

David is 28 years my senior, but the two of us are of like mind regarding our analytical basis, quest to PROTECT and INFORM clients, and philosophy of how to treat others. There are few coincidences in life, so when my missives, passionately called RANTS, found their way to his inbox earlier this year, it was *fait accompli* that I'd join him at Miles Franklin.

Focus on Client Education

David started Miles Franklin with his son, Andy Schectman, more than two decades ago, so management of the firm could not be in better hands. Andy is one of the top precious metals salesmen in the business, supported by a dedicated, knowledgeable staff averaging 17 years of experience, each with a passion for precious metals reflective of the firm's founder.

Over the past 22 years, Miles Franklin has built a reputation for service, reliability, and competitive pricing, but what sets it apart is its belief in client education. Not promotion or salesmanship, but *education*, as espoused in one of the best marketing slogans of all time, from the Syms department store chain, "an educated consumer is our best customer."

David has tirelessly written his daily and quarterly newsletters for decades. Due to his belief in education, he hired me to carry on his legacy, for now *with* him, and eventually *without* when he decides to stop writing (sometime in the next 20 years or so, I'd guess). David's "Daily" is still published each morning, while my RANTS are published each afternoon, archived neatly on our blog site at blog.milesfranklin.com.

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In This Issue

Gold Nuggets

"If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around [the banks] will deprive the people of all property until their children wake up homeless on the continent their fathers conquered."

— Thomas Jefferson

Cover Story *from page 1*

I joined Miles Franklin in October 2011 as Marketing Director. My goal is to *educate* clients about the macroeconomic factors influencing not just precious metals but the world in general. Few have packed as much experience into a 20-year career as I, and my background and *passion* is uniquely suited to serve as guide to precious metals investors. As you will see in my missives, I write *frankly* and *openly* about the difficult world around us, pulling no punches in my quest to help you understand the potential "life or death" financial decisions we all face in the coming "Kondratieff Winter."

Nikolai Kondratieff was an early–20th century Russian economist who determined that economic conditions follow lengthy, repeating patterns over time, and right now all signs point to America being mired in the dangerous "winter phase" for years to come. Of course, when Kondratieff wrote in the 1920s, the economic world was isolated, U.S.-centric, and decidedly more conservative, so the negative impact of a "Kondratieff winter" wasn't nearly as damaging as in today's *global, fiat currency-dominated, overleveraged* environment.

But I digress, my apologies. My goal is to help you understand who I am, my views of precious metals fundamentals, and why I chose *this* position, with *this* company, as the platform to spread my message of SELF PROTECTION.

The Ranting Andy Story – Part 1

I am 41 years old, was born in New York, and grew up in the suburbs of Long Island. My career path, like countless reasonably intelligent New Yorkers, was always focused on Wall Street. I graduated from SUNY Albany with a Finance degree in 1992, obtained my CFA charter in 1998, and was on the "fast track" to success from the start. From my first position as an intern at Paine Webber in 1989, to my last as a sell-side analyst covering oilfield services at Salomon Smith Barney in 2005, there was nothing unusual about my Wall Street experience.

However, the seeds of dissent were sown in 2000, when I experienced firsthand the "tech wreck," numerous Salomon scandals, and 9/11. Despite the bogus "record bonuses" paid out today to a handful of criminals — er, executives — at the "Too Big To Fail" banks, traditional Wall Street business peaked in 2000 — i.e., investment banking and retail stock trading. The layoffs in "traditional" Wall Street businesses commenced in 2001, and haven't stopped since, with all of today's "profits" generated from immoral (if not illegal) practices such as "high-frequency trading," derivatives creation, taxpayer-financed "carry trades," and in the case of politically connected firms, insider trading.

While awaiting my turn at the chopping block, which mercifully came in 2005, I spent my free time researching precious metals, which I invested "all in" to in May 2002. By the time I left Salomon in February 2005, I had already learned more about precious metals than 99% of the population — and I was *just getting started*.

Despite my disillusionment with Wall Street, it was all I knew, so I geared up to become a sell-side analyst in the precious metals sector, completing a full database and writing a 100-page initiation report. I was leery that anyone I signed on with would try to compromise my beliefs with investment banking demands, but was steadfast enough in my bullishness (gold and silver, at the time, traded at $425/oz and $7.00/oz, respectively), that I thought my clients could not lose, no matter what I recommended, or was forced to recommend.

But alas, not one of the roughly dozen firms I pitched precious metals to would hire me, from cities as diverse as Denver (my current home), New Orleans, Birmingham, Memphis, Washington, and Baltimore. Americans have been brainwashed by decades that the fiat dollar is "money," enhanced by the "world reserve currency" status lavished on it by a desperate, decimated postwar Europe at the infamous Bretton Woods conference in 1944. The deal with the devil was clinched in August 1971 when Richard Nixon abandoned the dollar's last link to "real money," i.e., the gold standard, and since then, the world has built an edifice of debt unrivalled in all of history, not just on *Earth* but likely the entire *universe*.

Anyhow, that was the summer of 2005, more than six years ago, and since that time gold has risen as high as $1,920/oz, a gain of 450%, and silver to $49.80/oz, or 700%. And would you believe it, just two U.S.-based brokerage firms have dedicated precious metals analysts today, one of whom was just hired.

The Ranting Andy Story – Part 2

At that point, I realized my Wall Street career was over — a thought that simultaneously scared and thrilled me. The scandals increased in size and frequency during the early 2000s, making me *more* averse to the slimy banks that ruled New York, and between my experience owning precious metals and

To the world's detriment, Alan Greenspan concluded that by using the authority vested in him to print money at will . . . he could refute the laws of "Economic Mother Nature," avoiding cyclical recessions in the same manner that Queen Maleficent avoided aging in *Sleeping Beauty*. Fortunately for Greenspan, he aged enough that it was time for him to retire in 2006, just in time to avoid the real estate bubble he created from bursting on his watch.

observing the broad markets, I was convinced that manipulation, and thus *illusion*, was becoming a dangerous, misleading part of the economic world.

The stock market became relatively calm after the 2000-2002 bear market, but an equally lethal real estate bubble was growing under the auspices of Alan Greenspan, a former "gold bug" who sold his soul for the *power* afforded by his role as chairman of the Federal Reserve. Under his "leadership," the "President's Working Group on Financial Markets" — i.e., the PPT — became a dominant player in supporting the stock market, while the "Gold Cartel" became an equally powerful force suppressing gold and silver prices. To the world's detriment, Greenspan concluded that by using the authority vested in him to *print money* at will, thus instituting the "Greenspan put" on stock and bond markets, he could refute the laws of "Economic Mother Nature," avoiding cyclical recessions in the same manner that Queen Maleficent avoided aging in *Sleeping Beauty*. Fortunately for Greenspan, he aged enough that it was time for him to retire in 2006, just in time to avoid the real estate bubble he created from bursting on his watch.

Enter Ben Bernanke.

Bernanke, a career academic with not a whit of "street creds," claimed to be an expert on the 1930s U.S. depression and the deflationary episode ongoing in Japan since its stock and real estate markets burst in 1989. By the way, the reason Japan's bubble burst ten years before the U.S. was simple math — its population was ten years older, and committed the same fiat money sins as the U.S. ten years earlier.

"Helicopter Ben" believed the problem with both the 1930s U.S. and 1990s-2000s Japan was not enough money printing, even though the basis of his analysis was both ludicrous and "apples and oranges." By the time Bernanke took the Fed chairmanship in 2006, the Glass-Steagall repeal was seven years old, enabling Wall Street to take a firm grip on Washington. All Federal Reserve actions became highly politicized, and Bernanke was happy to test his money-printing theories to the fullest, first under George Bush and then Barack Obama.

Unfortunately, his theories proved *wrong*, and what's worse, those same nefarious Wall Street influences on Washington were creating the same money-printing biases across the *global* financial world. The aforementioned Kondratieff winter involves the inevitable write-down of leverage during economic downcycles, but *all* the world's central banks were fighting this inevitability simultaneously, with *paper money*, for the first time in history.

Circa 2007, after two years of trading my personal account (100% precious metal mining stocks), I longed to "get out of Dodge" and move to my favorite city, Denver, Colorado. I had traveled there numerous times in my previous life as an oil analyst, as well as to ski its beautiful mountains, and finally got my chance to make the switch when I received an opportunity to head the Investor Relations department at a junior mining company. From that time through the end of 2010, I spent four years in that role, but as is the case with 95% of all junior miners, they could not execute their business plan, which was not helped one bit by *Global Meltdown I* in late 2008.

In early 2011, my disillusionment led me to join the largest, U.S.-based investor relations consultant to junior miners. However, throughout 2011 I watched manipulation escalate dramatically, across markets as diverse as stocks, bonds, currencies, commodities, and of course, precious metals, which I still had 100% of my liquid assets invested in, but now just 70% in mining stocks and 30% actual bullion.

The Ranting Andy Story – Part 3

Since global markets, including those for precious metal miners, peaked in late 2007, I learned a lot about how difficult the world can be, particularly the deceitful and treacherous nature of much of humanity. I held on for dear life, watching mining stocks vacillate and my career stand still, despite having been right about all I had professed for the past decade. My leaning toward bullion grew stronger and stronger, and despite working for a mining stock–focused firm, my RANTS grew more and more *defensive*, focused on the mantra "PROTECT YOURSELF," which has concluded all my writings for the past five years.

By the middle of 2011, I had an epiphany, finally selling my mining stocks and investing 100% in *physical* precious metals. I had found my calling in life — to *protect* people from the evils I had seen over a 20-year

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financial market career — but I didn't yet have an optimal platform to execute it, other than the increasingly intense and frequent RANTS I generated that summer, focused increasingly on the crimes that caused the economic collapse, intensified it, and caused trillions in investor losses. My following grew larger, but only a position within the bullion industry itself was likely to materially raise the decibel level of my message.

In the summer of 2011, I received a call from David Schectman, who had been featuring my RANTS in his daily blog for some time. I was aware of Miles Franklin from having seen it on eBay over the past three years (Miles Franklin is eBay's largest high-end precious metals seller). He broached the subject of a partnership in which I would market the firm by writing daily RANTS and promoting the company's products and services, which I quickly jumped at the chance to do.

David and I are "twin brothers from different mothers," and the entire staff at Miles Franklin is as focused on protecting its clients as it is on increasing sales. This is the perfect combination for a business well-situated to capitalize on the upcoming market turmoil, and protect as many people as possible, be they "suspecting" or unsuspecting of the hard times— and evil — around us.

Precious Metals – The Once and Future King

As noted above, I have been 100% invested in precious metals since May 2002, although back then I was fully invested in mining stocks, while today I am 100% in bullion. David and Andy Schectman are also heavily, if not fully, invested in the sector, as we all believe in the product we sell, to the point that our financial lives are staked on it.

Given my background as a financial analyst, "analyzing" precious metals comes easy to me, no different than researching a stock or bond, albeit with the added twist that gold and silver are heavily *manipulated* by a cartel of government-backed bullion banks, whose only goal is to maintain the dollar's perceived value as "money."

My three most effective analytical tools are logic, history, and simple mathematics.

Logic states that if something (an unbacked, or *fiat* currency, for example) makes no sense, it probably is flawed or erroneous. History tells me that for 5,000 years, gold and silver have served as money, and many of the world's most well-known currencies have etymologies based on gold and silver, such as the Russian ruble, Malaysian ringgit, and…drum roll please…the U.S. dollar! In other nations, the currency itself does not derive its name from gold and silver, but the word for money does, such as the French word "argent," i.e., silver. And don't forget the "currency of the realm" in the most progressive cultures throughout history was gold or silver. Yes, the Egyptians, Greeks, Romans, and …drum roll please… 20th century Americans…utilized gold and silver as money, and for good reason.

Gold and silver are the only known substances that meet the defining criteria of *money*, in that they are divisible, fungible, limited, measurable, universal mediums of exchange and, most importantly, reliable stores of value. Due to the limitations of fiat currency, particularly regarding the latter categories, no currency in *history* has lasted more than 40 years or so without collapsing or being significantly devalued, and today's dollar is 40 on the dot, alive longer than most because it has entrenched itself in the currency reserves of other nations, each scared to sell and cause a simultaneous stampede to the exits.

All fiat currencies throughout history, particularly those of nations possessing economic and military power comparable to the U.S., have succumbed to unchecked, fatal credit expansions at the hands of its bankers, who have a habit of taking control of governments via campaign contributions. America's founding fathers, having witnessed countless European currency collapses (such as the French franc in 1720), created a Constitution mandating *only* gold and silver to be money, to be issued *only* by the government, not banks like the Federal Reserve (which, by the way, was created in a secretly convened Christmas Eve session of Congress in 1913).

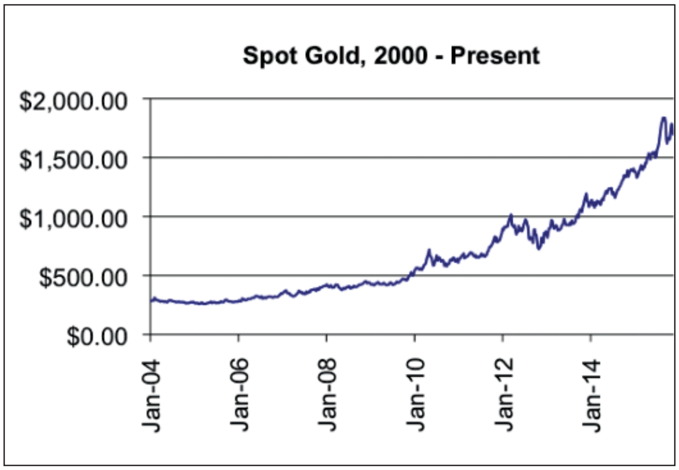
> *"I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around [the banks] will deprive the people of all property until their children wake up homeless on the continent their fathers conquered. The issuing power should be taken from the banks and restored to the people, to whom it properly belongs."* —*Thomas Jefferson*

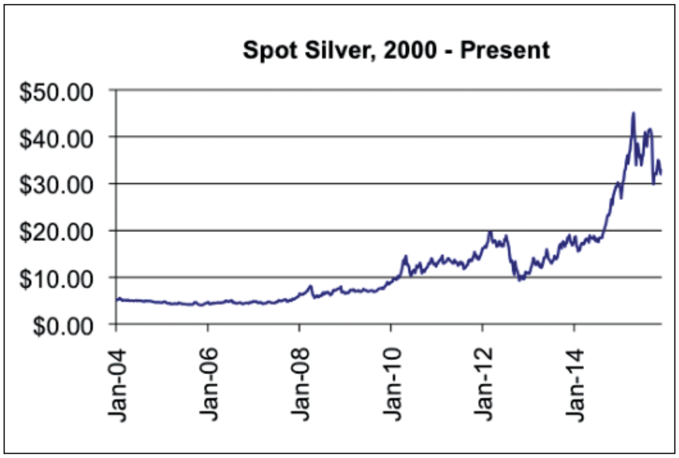
Unfortunately, the Constitution, which explicitly states "no state shall…make anything but gold and silver coin a Tender in Payment of Debt" has been ignored, which is why the U.S. currently has $15+ trillion of "on-balance sheet" debt, $5+ trillion of "off-balance sheet" debt, and $115 trillion of unfunded liabilities. Then again, the U.S. dollar is one of 182 fiat currencies —

precisely why *every* major nation on Earth is mired in a debt crisis, with no hope of resolution other than printing more money, diluting the currency, and increasing hyperinflation risk with each passing minute.

Current Fundamentals

As of late December, gold and silver prices had retreated from their all-time highs, having reached $1,920/oz in early September and $49.80/oz in late April, respectively.

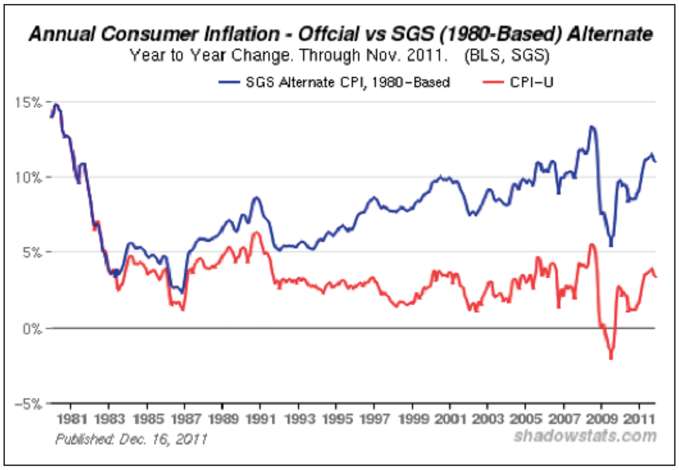


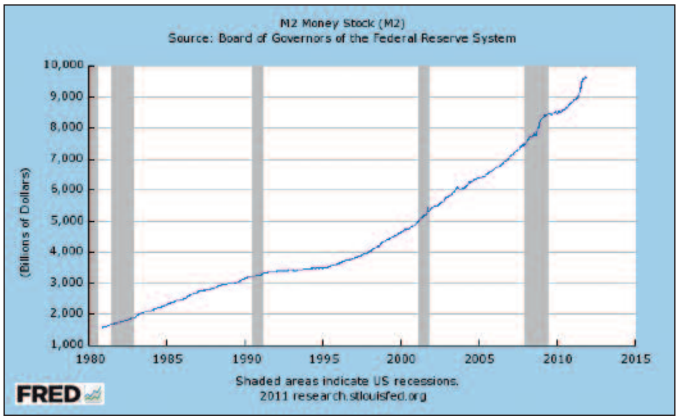


The fundamental reasons behind the precious metals bull market have increased dramatically throughout the year, given ongoing financial deterioration across *all* global regions, unchecked growth in debt and deficits, and exponential growth in the worldwide money supply. The secret that few analysts, and fewer politicians, understand is that gold and silver are not in bull markets, but instead fiat currencies such as the dollar, euro, pound, and yen are in *bear* markets.

This is why gold and silver advanced to record highs in essentially *all* global currencies in 2011, to the chagrin of central bankers, politicians, and the mainstream media alike, and why "the Cartel" is omnipresent in the PAPER gold and silver markets, seeking to diminish their historical roles as *money*. The activity of this group of government-financed banks is the reason gold and silver move so violently, particularly in the New York COMEX futures market, where the lack of *physical* gold trading makes their fractional reserve–based, naked shorting campaign so effective.

Even at $1,600/oz, gold was on track for its 11th straight annual gain, while at $29.00/oz, silver was roughly unchanged from a year ago. Cumulatively, both metals have trounced *all* other asset classes over the past decade, with gold rising more than 700% from its low in mid-2000, and silver a more impressive 1200%, while the Dow was *flat* in nominal terms, *down* when considering that Citigroup, General Motors, and AIG were removed after being bankrupted or nationalized, and *down considerably* in real terms, no matter what method is utilized to calculate inflation.





Gold and Silver Price Calculations

"Simple math" states the U.S. dollar gold price should equal the amount of dollars outstanding divided by the nation's gold reserves. This statement, of course, requires assumptions of the amount of dollars outstanding and gold reserves. M2 is still published,

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but M3, the broadest measure of money supply, was discontinued in 2005 under the pretense of saving $1.5 million of annual publication costs (ROFLMAO). Moreover, it is common knowledge that the Federal Reserve has been creating money surreptitiously without reporting it, such as the $16 trillion secretly lent out for essentially zero interest rates during the 2008 financial crisis, as reported in the one-time GAO audit mandated in 2011 by the Dodd-Frank Wall Street Reform and Consumer Protection Act (an oxymoron if I ever heard one).

As for national gold reserves, the U.S. government claims to hold 8,135 metric tons, or 261.5 million ounces, although such reserves have not been audited in 60 years, and numerous admissions by government officials suggest significant portions have been sold, leased, or otherwise encumbered. The International Monetary Fund, or IMF, governs the accounting of Central Bank gold holdings, permitting nations to double-count gold that has been leased or swapped to third parties, and the IMF's gold itself likely represents double-counted pledges from member nations, adding further opaqueness to the amount of gold owned by the U.S. government, the largest and most influential IMF member.

To simplify the equation, let's make some assumptions, including the published M2 and reported U.S. Treasury gold reserves, as well as the estimated M3 calculation of John Williams of Shadow Stats, the preeminent firm devoted to the pursuit of real, untainted U.S. economic data.

Category	as of November 2011
M2 - Actual	$9.64 Trillion
M3 - Estimated	$17.6 Trillion
U.S. Gold Reserves - Published	261,500,000 Ounces

The calculations below represent rough outlines, with no way of knowing how such a scenario might unfold in the future, particularly if hyperinflationary monetary policy takes hold. But suffice it to say, this simple calculation yields gold prices exponentially higher than the current values, implying extreme undervaluation.

Projected Gold Price based on:	$/ounce
M2, Gold 100% intact	$36,864
M3, Gold 100% intact	$66,922
M2, Gold 50% intact	$73,728
M3, Gold 50% intact	$133,843
M2, Gold 0% intact	Infinite
M3, Gold 0% intact	Infinite

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But what if we don't just utilize the supposed 8,135 metric tons of U.S. government gold reserves, but all the gold mined in the history of mankind, amounting to roughly 160,000 metric tons. Some of this gold has been lost, and most is not for sale. But let's assume it's all in bullion form and readily available for sale — that money supply growth stops cold as of now, and that the exponentially rising debt loads of individual, corporate, municipal, and sovereign entities are irrelevant — in the words of Dick Cheney, "deficits don't matter."

Using the same calculations as above, and excluding the $40+ trillion of global, non-U.S. dollar currencies, we get the following, EXTREMELY conservative gold price forecasts. As you can see, the range of expected scenarios, excluding numerous factors that would all skew this range HIGHER, is quite high compared to current prices.

Projected Gold Price based on:	$/ounce
M2, Gold 100% intact	$1,843
M3, Gold 100% intact	$3,346
M2, Gold 50% intact	$3,686
M3, Gold 50% intact	$6,692
M2, Gold 0% intact	Infinite
M3, Gold 0% intact	Infinite

Regarding silver, my forecasting method relates to the gold/silver ratio, which has averaged 15:1 over the past 500 years, but 60:1 since the gold standard was abandoned in 1971. Manipulation of the tiny paper silver market is a major factor, but silver was last monetized in the U.S. in the mid-1800s, so the memory of its monetary value has likely been somewhat "recessed" in recent decades, certainly by the mainstream media, which has trouble remembering yesterday.

The historic 15:1 ratio was based on the amount of silver ounces typically mined for each gold ounce, which in recent years has declined to 9:1 due to silver's relative production decline. Moreover, while essentially all the gold ever mined still exists above ground, essentially *all* the silver has been consumed by industry due to its unique physical characteristics. It is estimated that less than one billion ounces of silver exists above ground, much of it in "strong hands" and thus not for sale, causing the U.S. Geological Service (USGS) to recently state that silver would be the first "extinct" element on the periodic table.

Thus, my simplified estimate of silver prices is based on a return to at least the historic 15:1 ratio, if not lower. Based on the tables above, the most conservative calculation of silver prices would be $1,843/15, or $123/ounce, thus no need to go into some of the higher numbers.

Why YOU Need Precious Metals in Your Portfolio

Gold and silver are *monetary* metals, utilized as a store of value throughout history. Fiat currencies come and go, but precious metals are eternal — scarce in value, unencumbered by debt, and universally recognized as *money*. The past 40 years represents the largest experiment in unbacked currency in history, failing before our eyes as the debts created by unchecked money printing can never be repaid.

Politicians have *never* opted for monetary contraction, and *never* will due to the *immediate* social and economic ramifications, which, although beneficial for the long-term, are taboo subjects when seeking re-election. Hyperinflation has been the end result of *all* fiat currencies, and will befall the dollar, euro, pound, yen, and *all* others in the coming years.

Only gold and silver can PROTECT you from this inevitable outcome, exclusive of the highly favorable fundamentals resulting from stagnant production and surging monetary demand for both metals, as well as industrial demand for silver.

No form of *paper* gold or silver ensures such protection, and Miles Franklin has been in the business of facilitating *physical* bullion sales for 22 years. The firm's brokers average 17 years of industry experience, focusing on personal service and flexibility. Miles Franklin also offers storage solutions in the United States and Canada, in its goal of offering end-to-end investment solutions.

To register for our two FREE daily publications, one from David Schectman and one from myself, simply enter your email address in the home page of our website.

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