

Rare Coin Trends and Market Report

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Did you know:

Since March 2000, the amount of money lost by investors in the current stock market decline is **\$7 trillion, \$250 billion**. If you lost \$1 million a day since the birth of Christ, you would still have 1,000 more years to go before you would lose ONE trillion dollars. (Source: NBC Nightline)

\$63 billion of gold derivatives are on the books of U.S. banks and trust companies (as of Dec. 31, 2001)

Gross Domestic Product (GDP)

From 1942 to 1966, the average annual real GDP growth rate was 4.5%. From 1975 through 1999, it was only 3.2%.

Fabled 1933 \$20 St. Gaudens Sells For \$7 Million



New York, NY -- On July 30, 2002 Sotheby's and Stack's sold for the first time, on the behalf of the United States Government, the most valuable gold coin in the world, the fabled and elusive 1933 Double Eagle

twenty dollar gold coin. The realized price with auction premium (hammer) was \$7,590,000. This is the highest price received at public auction for a single United States coin. It eclipsed the \$4.14 million fetched by the 1913 Liberty Nickel sold in 2000.

This is the first time that the United States Government has authorized private ownership of a 1933 Double Eagle. After it was struck in 1933, President Roosevelt, in one of his first acts as President, took the United States off the gold standard in an effort to help the struggling American economy out of the Great Depression. All of the 1933 Double Eagles were ordered destroyed, but ten specimens are known to have escaped into private hands. However, as they had never been officially "issued" as United States coinage, they cannot be legally owned. As a result, nine of the ten specimens were seized by, or turned in to, the United States Secret Service in the 1940s and '50s and were subsequently destroyed. The remaining 1933 Double Eagle, which will be offered, surfaced in 1996 and was seized by the United States Secret Service. The coin was returned to the United States Mint as a result of the Department of Justice's settlement of a forfeiture action, and in that landmark legal settlement, this one coin became the only 1933 Double Eagle now or ever authorized for private ownership by the United States Government. The coin was sold in a single lot auction at Sotheby's York Avenue premises in New York. The pre-auction estimates ranged between \$4-6 million.

"This storied coin has been the center of international numismatic intrigue for more than seventy years, said Mint Director Henrietta Holzman Fore. "The Mint has certified the authenticity of this legendary 1933 Double Eagle. We will

officially transfer full, legal ownership of the coin to the highest bidder at this historic sale."

"We expect that this coin may become the most valuable coin in the world and one of the most sought-after rarities in history", said David Pickens, Associate Director, United States Mint.

David Redden, Vice Chairman of Sotheby's, and Lawrence R. Stack, Managing Director of Stack's, said, "The story of this coin is one of the great numismatic mysteries of all time whose final chapter will be written with this auction. Currently held at United States Gold Bullion Depository at Fort Knox, Kentucky, the coin has an intriguing history which includes seizure by the United States Government, a five-year trial with a landmark resolution and a possible connection to a royal Egyptian Collection dispersed in the 1950s."

1933 Double Eagles

The twenty dollar gold coin, known as a Double Eagle, was a child of the California Gold Rush, and the massive shipments of ore sent back East. The first Double Eagles were issued to the public in 1850.

In 1907, at the behest of President Theodore Roosevelt, the denomination was radically re-designed by famed American sculptor Augustus Saint-Gaudens. These were struck until 1933 when production of the Double Eagle was discontinued along with all other United States gold coins as a result of Executive Order 6260 issued by President Franklin Roosevelt which, in an effort to aid the struggling American economy, prohibited banks from paying out gold. According to the United States Government, any Double Eagle struck in 1933 could not be legally owned, because none were officially released to the public. In early 1944, prior to the government's discovery of the missing 1933 Double Eagles, the Royal Legation of Egypt presented a 1933 Twenty Dollar Double Eagle to the Treasury Department, seeking a license to export the coin to Egypt for King Farouk's collection. The export license was required for virtually all gold coins under the extensive gold restrictions that had been in effect since March of 1933. Not yet recognizing the significance of an unissued 1933 coin, the Department of the Treasury inadvertently issued the export license and the King Farouk specimen was exported

Fabled 1933 \$20 St. Gaudens Sells For \$7 Million

(*Con't from Page 1*) Within weeks Government officials came to recognize the significance of the 1933 Double Eagle, and discovered the existence of nine other 1933 Double Eagles that illegally left the Mint without ever being issued. Over the next ten years, these nine 1933 Double Eagles were seized or voluntarily turned in to the Department of the Treasury, and were subsequently destroyed.



Secret Service agents who were posing as coin collectors. The legal proceedings which lasted five years, ultimately resulting in a ground-breaking settlement which specifically allows this particular Double Eagle, nearly seventy years after its production, to be the only 1933 Double Eagle permitted to be privately owned.

The Auction

Part of the intrigue surrounding the coin is the fact that it has existed in limbo for nearly seventy years. In the eyes of the United States Treasury, up until now, the coin has had no monetary value and its possession could result in a possible imprisonment. Associate Director Pickens confirmed, "upon auction the coin will be officially released for private ownership and it will become official U.S. coinage. After the sale, the final purchase price was increased by \$20, which went to the United States Treasury General Fund. In other words, the United States Government 'issued' one 1933 Double Eagle for the first (and only) time at this historic sale."

The new owner of the coin was given an official Certificate of Transfer that makes the coin legal to own. Given the complex issues surrounding the elusive 1933 Double Eagle, this Certificate of Transfer will be itself historically significant.

"...the United States Government 'issued' one 1933 Double Eagle for the first (and only) time at this historic sale."

Possible King Farouk Provenance

In 1954, a 1933 Double Eagle appeared at auction in Cairo, Egypt; Sotheby's, acting on behalf of the new Republic of Egypt, was selling the astonishing collections assembled by the deposed King Farouk. King Farouk was one of the greatest coin collectors of all time, though it was not until this auction that the world learned of his remarkable achievement – the collection comprised more than 8,500 gold coins and the sale itself took nine days. Lot 185 in that auction contained a 1933 Double Eagle. Learning of the offering, the United States Treasury successfully requested that the coin be withdrawn from the sale. After this, the whereabouts of the coin remained a mystery for nearly half a century. It has been suggested, in sworn depositions, that the present coin is the King Farouk coin, and there is significant evidence that it was part of the famed collection, including the fact that no other 1933 Double Eagle is known to exist or has ever been identified.

The location of the present coin, since its minting in 1933, had been a mystery until 1996 when it was seized at the Waldorf-Astoria in New York as respected and leading British coin dealer, Stephen Fenton, attempted to sell it to



"Gold Will Skyrocket" Tice Advises Dallas Planners

David W. Tice, CFA, manager of the Prudent Bear Fund was one of the featured speakers at the Lone Star Planners Conference held in Fort Worth, Texas on July 26, 2002.

Mr. Tice stated to the eager listeners that the present stock market is not cheap when compared to the S&P Industrial price to book value. He said that when there are dramatic parabolic advances in a market as experienced in the last run-up, they are followed by severe and equal declines. The problem with the economy is too much debt. "If money growth was the key to economic growth, then Latin America would be the world's leaders", Tice stated. According to Tice, the bear market is far from over. Three main points that were made in his presentation were:

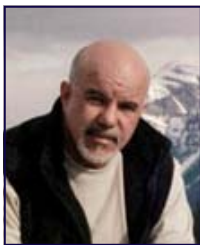
1) short exposure and golds will offset risk of other longs; 2) gold should do well in deflation or inflation; and 3) gold stocks represent the investment opportunity of the century. "In the next cycle, gold will skyrocket", Tice said.

Approximately 350 financial advisors from the Dallas-Fort Worth area were on hand for an all-day conference hosted by the DFW Chapter of the Financial Planning Association.

Among the other featured speakers at the conference were Amy Leavitt, CFP; Ron Bell, CFA, CIC; Rick Darvis, CPA; Mark Hurley, President and CEO of Undiscovered Managers; Joe Kopczycki, CFP, ChFC, and Bob Veres, editor and publisher of *Inside Information*.



Question From The Back Seat: Are We There Yet?



Burnett Marus, RFC

If you ever had a family “road trip” vacation with small children, you know that exactly 200 feet from your garage and approximately every 5.7 miles thereafter, the question from the back seat “Are we there yet?” emanates. It’s funny at first, and you patiently explain how long the trip will take. After the next forty times that question is asked, you begin to think ahead to more peaceful times — when the kids are in college.

In the present stock market, the same question “Are we there yet?” is asked about the bottom of the market. It is a natural question to ask on a tiresome trip on a downward spiral. We all hope that the trip is short because it is so unpleasant. On the front page of this newsletter is the fact that since March 2000, \$7 TRILLION, 250 billion dollars has evaporated from the stock market. If anyone was told in 1998 that Nortel would go from \$100 per share to \$1.00 per share by 2002, or JDS Uniphase would retreat to \$2.70 per share from \$155 per share, or that WorldCom would be delisted after declaring Chapter 11, the bearer of such news would be escorted under guard to the nearest mental institution. Given today’s new realities, the question “Are we there yet?” seems to beg for an answer of “Yes”. Unfortunately, such an answer is premature at best.

The stock market has entered a secular bear cycle and the excesses of the past years of “irrational exuberance”, as expressed by Alan Greenspan, has not yet been exorcised from our economy. The huge losses experienced so far will have an effect on markets like a massive falling domino structure. The losses of investment dollars will affect retirement plans, refinanced homes with equity placed in the stock market are in jeopardy, airlines and hotels are still suffering after September 11. Major corporation failures will negatively affect the smaller firms that relied on them for business; office supplies, maintenance, food service, restaurants, etc. The shakeout is not yet finished...the most pessimistic state that what has happened so far is only the tip of the iceberg. Like our road trip, we’ve just left our neighborhood and the question arises “Are we there yet?” The answer is “No.”

This is the most trying time to be a professional in the financial services field. For those of us who experienced the collapse of the Nifty Fifty at the end of the ‘60’s and watched the near demise of the stock market in October 1987, this market decline is not a stranger. For the new planner (and investor) who have been in the market since 1992 - an entire decade - this is a very new experience. What do we say to our clients who ask “Are we there

yet?”. The month of July has given us a schizophrenic market. Down 1,000 points in two weeks, up 800 points in two days, down again 225 points the next day. The stock market has more ups and downs than a roller coaster at Six Flags.

The same question has been asked of the rare coin market. Well, the stock market is down, are rare coins up? “Are we there yet?” No. Investors do not lose tons in the stock market and then decide it’s a great time to get into rare coins. The first phase of investor reaction to a down market involves mild concern, even denial that the market may be turning. The much used phrase “I’m in it for the long haul” is oft quoted. What other choice is there? After sustained and continued losses, “I’m in it for the long haul” is replaced with “I can’t take these losses anymore” and the investors then consolidate their assets and move into the safe havens of money markets, bonds, T-bills, cash and in some cases, annuities (not the variable kind). It is time for the investor to gather his assets and his wits about him.

In the final phase of a market decline, the investors begin to look for alternative investments that have a history of growth and are not subject to the vagaries of paper assets, such as false annual reports, cooked books, and overstated earnings. This time Wall Street has a huge job restoring the trust of the investor. The miscreants of the market tumble were not slimy boiler room operators working out of cramped warehouses. They were slimy CEOs, CFOs, accountants and analysts from the biggest firms on Wall Street. Enron, Arthur Andersen, Merrill Lynch, Salomon Smith Barney, Citibank, Adelphia, Qwest, Xerox, WorldCom. The public has a right to be outraged at the absolute breach of fiduciary trust committed by these firms. If you watched any of the Senate hearings on CSPAN2 concerning Enron and the Bankers/financial institutions, you may feel the same.

It’s during this phase that gold stocks and gold bullion usually make their move as a safe haven asset. The investor has assets in safe havens but now is concerned that inflation will beat him. Inflation? What inflation you ask? Exactly. Inflation has been creeping up quietly, not being noticed, but it is there. This market will experience a deflationary pressure first, then an inflationary surge. It is during the inflationary surge that tangible assets become very popular with the investors. “Are we there yet?” Nope. The investors are just now deciding when to move to safe havens. There is not a lot of confidence in this stock market. After the deflationary rush (caused by too many imported / manufactured goods and not enough buyers) there will be an inflationary pressure (caused by a stimulus - printing dollars - in our money supply which is now beginning). The rare coin market is very accommodating. It will give you all the signals of when it is time to SELL. It happens when everyone and his brother tells you how much they are making in rare coins (or stamps, comics, etc). The time to BUY, however, is now. So, the answer to the rare coin question “Are we there yet?”, is “No...but we are well on our way. It will be a very rewarding trip. Don’t miss it!”



The stock market has entered a secular bear cycle and the excesses of the past years of “irrational exuberance” as expressed by Alan Greenspan has not yet been exorcised from our economy.



www.ustic.com



Heritage Plaza
100 Highland Park Village
Dallas, TX 75205

United States: 800-742-6000
Canada: 800-872-6467 ext. 308
E-Mail: coins@ustic.com

For Further Information:

Burnett Marus
Executive Vice President
800-742-6000 ext 308 (US)
800-872-6467 ext 308 (Canada)
burnett@ustic.com

David K. Goad
Senior Vice President
800-992-7273
david@ustic.com

Dorann Lokash
Administration Manager
800-742-6000 ext.333
dorann@ustic.com

Paul Minshull
Chief Operating Officer
800-742-6000 ext 266
paul@ustic.com

July—August 2002 Trend Indicators

USTIC Generic Gold Index: %Chg Trend
MS65: \$29,750 ↑ **+1.55%** ↑
MS64: \$10,760 ↓ **-0.37%** ↑
MS63: \$ 6,105 ↑ **+1.75%** ↑

Generic Morgan Dollar Index:
MS65: \$75.00 ↑ **+2.74%** ↑

CU3000 Index:
\$54,777 ↑ **+0.13%** ↑

Gold Bullion Spot:
\$323.90 per oz. ↑ **+2.60%** ↑

Silver Bullion Spot:
\$5.03 per oz. ↑ **+5.45%** ↑

CCDN (+/-) Count (Total: 10074 listed prices):
Plus: 343 Minus:51 Unch: 9968 ↑

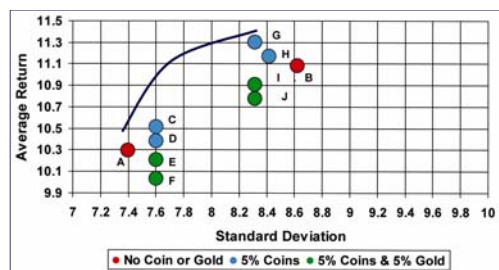
Most active series:
Mint State Type, Morgan Dollars, Buffalo Nickels,
Silver Commemoratives, Peace Dollars, Walking
Liberty Half Dollars

CCDN CMI Values: 5/24/01 to 7/26/02 %Chg
Silver Commem 502.36 510.28 +1.57%
Gold Commem 527.81 532.52 +0.89%
Morgan Dollars 861.34 871.14 +1.25%
Peace Dollars 601.75 644.35 +7.08%
Mint State Gold 470.68 467.67 -0.63%
Proof Gold 736.49 739.01 +0.34%
Proof Singles 628.24 734.90 +16.97%

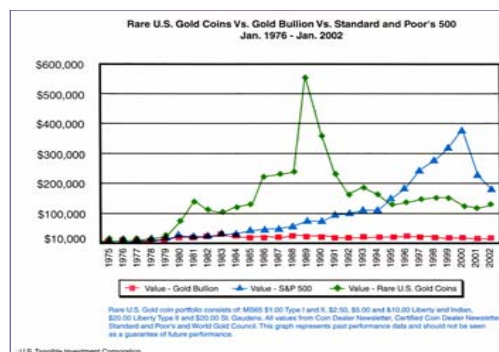
Efficient Frontier Charts:
Jan 1977 - Dec 2001

Asset Classes	A	B	C	D	E	F	G	H	I	J
Stocks	33.3	50.0	31.7	31.7	30.0	30.0	47.5	47.5	45.0	45.0
Treasury Bonds	33.3	25.0	31.7	31.7	30.0	30.0	23.8	23.8	22.5	22.5
Treasury Bills	33.3	25.0	31.7	31.7	30.0	30.0	23.8	23.8	22.5	22.5
Coins (MS65)	0	0	5	0	5	0	5	0	5	0
Coins (MS63,64,65)	0	0	0	5	0	5	0	5	0	5
Gold	0	0	0	0	5	5	0	0	5	5
Average Return %	10.3	11.1	10.5	10.4	10.2	10.0	11.3	11.2	10.9	10.8
Standard Deviation	7.5	8.6	7.6	7.6	7.6	7.6	8.3	8.4	8.3	8.3

The colored columns above correspond with the matching colored dots on the chart below.



Rare Gold Coin Market Performance
Jan 1976 - Jan 2002



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EDITOR: Burnett Marus
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