

Testimony of Beth Deisher, Editor, *Coin World*
before the HOUSE FINANCIAL SERVICES
SUBCOMMITTEE ON DOMESTIC AND INTERNATIONAL MONETARY POLICY,
TRADE, AND TECHNOLOGY

HEARING July 19, 2006, entitled:
Coin and Currency Issues Facing Congress: Can We Still Afford Money?

Madam Chairman, my name is Beth Deisher. I am editor of *Coin World*, the largest and most widely circulated news weekly serving collectors of coins, medals, paper money and any objects once used as money. I am also founding editor of two new magazines, *Coin Values* and *Paper Money Values*. Amos Hobby Publishing, with headquarters in Sidney, Ohio, publishes all of these magazines.

I would like to thank you and the Subcommittee for inviting me to testify today.

While I will willingly respond to any questions you may ask about coin and currency issues, I have chosen to focus my prepared testimony on H.R. 5077, the proposed "Numismatic Rarities Certainty Act of 2006."

In general H.R. 5077 seeks to clarify the legality of owning certain coins and numismatic items; would establish guidelines for the preservation, public display and disposition of certain of these items; and would require an inventory of all coins, medals, or other numismatic items in the possession of the United States government, regardless of when such items were struck or made.

Virtually all in the coin collecting community welcome the certainty that H.R. 5077 would bestow upon certain coins, medals and numismatic items made by or in the facilities of the United States government prior to January 1, 1933. It would clarify the right to own and trade these historic U.S. numismatic items, many with origins that cannot be proven or documented today. For example, 15 specimens of the Draped Bust silver dollar bearing the date 1804 are known. All are known to have been struck in 1834 or later, but the pedigrees of only four can be traced with certainty. Two were authorized, struck and placed into coin sets that were presented as diplomatic gifts to foreign heads of state. Also, one from that striking and a later piece were set aside for the Mint's collection and were transferred to the Smithsonian Institution, where they reside today in the National Numismatic Collection. The remaining 11 are survivors that various Mint officials sold or selectively traded to collectors and coin dealers over a period of some 30 years in the mid-19th century. Because of their extreme rarity all 15 are accorded special status in today's numismatic community. There are thousands of lesser-known but highly desirable and historic patterns, coins, re-strikes and medals that would be taken out from under the cloud of uncertainty with the passage of H.R. 5077.

H.R. 5077 arbitrarily draws a line in the sand with regard to any coin, medal or numismatic item manufactured by an agency of the U.S. government “after December 31, 1932” that “was never issued by the United States Government; and comes into the possession of the United States Government.”

A very high-profile rarity – the 1933 Saint-Gaudens double eagle – which was manufactured in the early spring of 1933 stands at the cusp of this timeline of demarcation. It is not my intent to comment specifically about that particular coin, but I believe it is important to point out at least three salient points regarding this section of the proposed legislation:

1. There needs to be a legal definition of “issued.” We have found this term to be used and applied in different ways. Various government officials have used it to mean “struck” or “manufactured.” Others interpret it to mean when the coin or item is “monetized” and shipped to a customer: the Federal Reserve Bank in the case of circulating coins; the buyer or recipient, in the case of numismatic items sold or distributed directly to the public by the U.S. Mint.
2. There needs to be a timeframe or statute of limitations on items which have entered the collector marketplace, are known to government officials, but for which no action has been taken by the government to recover them.
Examples:
 - Treasury officials consider certain of the 2000 Sacagawea mules to be stolen property. (See Exhibit A)
 - The 1974 Lincoln cent struck on aluminum planchets (See Exhibit B)
 - The 1974 Lincoln cent struck on bronze-clad steel planchets (See Exhibit C)Again, these situations demand certainty. One hundred (100) years appears to be a logical such timeframe because it would preclude any who may have been involved in questionable activity from directly profiting. Thus, if after 100 years from the time of manufacture, the government has taken no action to recover a numismatic item deemed illegal for a citizen to hold, the item could be held and freely traded. This would allow the government to prosecute those proven to be involved in illegal acts, but would not punish the numismatic item itself for existing. This would allow the public to learn about the particulars of its manufacture and its role in numismatic history.
3. This legislation should address burden of proof. The burden of proof that a coin, medal or numismatic item has been stolen or illegally removed from a government facility should rest on the shoulders of the government prior to the item being seized. Some numismatic collectibles have in the past been subject to seizure or threat of seizure, when in fact they entered the channels of commerce under ordinary and legal circumstances, with the owner having to bear the burden of proof.

All sections of this proposed legislation are important, but I would like to draw your attention to Section C, which would require an inventory of all coins, medals, or other numismatic items in the possession of the United States government, regardless of when such items were struck or made.

An inventory and public accounting of the government's holdings in coins, medals, and other numismatic items is important to you as members of Congress because you are essentially the board of directors of the two money manufacturing branches of government – the U.S. Mint and the Bureau of Engraving and Printing. The need for transparency is equally important for their shareholders – U.S. taxpayers. However, it is critically important for their customers – the sector of the public that purchases numismatic collectibles – to have full faith in the products they manufacture and certainty in quantities because the number available to collect is one of the primary determinants of value in numismatic collectibles.

If the U.S. Mint operated in the private sector, it would no doubt qualify as a Fortune 500 company. As currently constituted, it is a government owned and operated monopoly. Since its creation in 1792, the Mint's director – the presidentially appointed chief executive officer – has been mandated to report to Congress annually through the Secretary of the Treasury regarding the operations of the Mint.

From 1793 to 1980 that mandate was interpreted to require a comprehensive public accounting of the operations and inventory of each facility operated by the U.S. Mint. For example, today it is possible to open the 1906 report and find listed precisely how many coins were made at each facility during the fiscal year, the amount of metal used in making them, the number issued for commerce, the number melted and re-coined, the number held in inventory, and the number of dies used to make each denomination. Even the floor sweeps are accounted for!

Under the guise of reducing government costs, the Mint Director's Report was greatly reduced in page count in 1981, but it still provides essential information such as the number of coins produced (by denomination) at each facility, the number of coins shipped to the Federal Reserve Banks, and the number held in inventory. A similar accounting is also made of the medals produced and sold.

With the resumption of commemorative coins in 1982, the Mint reported the number of coins produced, number held in inventory, and the number sold. When melted, the denominations and numbers of coins were promptly reported. For example, the 1985 annual report reveals that 889,588.33 ounces of Olympic dollar coins made of .900 fine silver were melted with a market value of \$1,150,237.71. The 1986 annual report states that 923,254.18 ounces of .900 fine silver Statue of Liberty dollars coins were melted with a market value of \$1,823,673.95. This is important information to the collector market. By using the pertinent annual reports, it is possible to compute precisely the number of coins available to the collector market, providing some certainty that none remain in vaults to one day change the number available to collectors.

If the U.S. Mint has melted any commemorative coins since 1986, it has not reported the fact. Nor has it reported how many of each denomination, design, and finish it has produced. For some unexplained reason, it apparently switched in 1987 and began reporting only the number of commemorative coins it has sold for each program. Collectors have no information with regard to how many coins were actually produced and how many may be being held in vaults at Mint facilities. A similar situation exists for the silver, gold, and platinum bullion coins produced for the American Eagle program and American Buffalo 24-karat bullion coins. The U.S. Mint reports only the number sold. We are aware that sales of bullion coins dated the previous year sometimes continue to be sold into the new calendar year. Yet, the Mint has never reported actual production of bullion coins and whether it retains production from previous years within its vaults.

Also, the U.S. Mint has produced commemorative silver coins since 1982, commemorative gold coins since 1984, and precious metals bullion coins since 1986, yet there exists no independent, public verification of the content of these coins. Only Mint employees assay and confirm the purity and amount of precious metals in U.S. coins. Congress should immediately reinstitute the U.S. Assay Commission with authorization to test the weight and fineness of the coins produced by the U.S. Mint in order to assure that they conform to their respective legal standards.

Through 1993, the U.S. Mint published within the annual Mint Director's report the actual production of circulating coins by denomination, the number of each denomination in inventory and the number shipped to the Federal Reserve Banks. However, with the advent of the corporate style financial report in Fiscal Year 1994, the precise mintage and inventory information vanished. Such information for 1994, 1995, and 1996 is reported, rounded to millions in graphs. After protests from the numismatic community – particularly publishers – precise mintage figures for circulating coins returned in the 1997, 1998, and 1999 reports. However, graphs reporting mintages in millions returned in 2000. Again, after protests were registered, mintages for circulation coins briefly returned in the annual reports issued in 2001 and 2002. However, reports published in 2003 and 2004 reverted to imprecise graphs reporting mintages by the millions, with no information about coins held in inventory. Numismatic product information continues to be reported by sales, providing no information about the actual number produced or whether any coins or packaging options are being held in inventory.

An inventory of U.S. Mint holdings is essential. With out such an inventory, uncertainty and speculation will continue to eat away at the integrity of the U.S. Mint's products, particularly its numismatic offerings. Rather than an inventory mandated every five years beginning, January 1, 2007, as proposed in H.R. 5077, an annual product inventory concurrent with end of the Mint's Fiscal Year on September 30 would seem more logical and efficient. During the last decade the U.S. Mint has spent hundreds of millions of dollars to computerize its operations and accounting abilities. Surely, that system should be capable of identifying products in inventory on a date certain and Mint officials should be able to report that information in a timely manner and in a permanent document, such as the annual report.

The inventory envisioned in H.R. 5077 also includes an inventory of historic artifacts and experimental items. This kind of material, in all likelihood, is not part of the Mint's production and numismatic marketing computer systems. Identification and inventory of such items may take more than the time allotted in the proposed legislation. Two-year inventory intervals would seem logical for this kind of material, beginning September 30, 2008.

Historically, it is imperative that numismatic artifacts held at the various U.S. Mint facilities be identified and inventoried and that such information be disseminated in a timely and permanent format.

Permit me to explain why such an inventory is important. Back in 1994, when an experimental 1974 Lincoln cent struck on a bronze-clad steel planchet surfaced, *Coin World* contacted U.S. Mint officials, in part to help verify whether the item could be genuine. Bear in mind, a 1973 Treasury publication stated that such a coin was never produced, yet our source claimed that it was produced and that a quarter million or more of them were destroyed by Mint officials more than 20 years earlier, but that a few pieces escaped destruction. It took Mint officials more than two months to state that the previously unknown experimental pieces had indeed been produced. With that revelation also came the news that the U.S. Mint had retained two of the experimental 1974 Lincoln cents struck on bronze-clad steel planchets in its specimen files. (See Exhibits D 1 and D 2). This was historical information and historic artifacts that well could have been lost to numismatic history had not an example surfaced in the collector arena.

More recent examples point to the necessity of identifying and preserving numismatic artifacts in the possession of the U.S. Mint and of making them accessible to numismatic researchers and writers. During the American Numismatic Association World's Fair of Money staged in San Francisco in July 2005, the U.S. Mint showcased a collection of unique historical artifacts, many on public display for the first time. The artifacts included original photographs that chronicle a portion of the Mint's 214-year history, including the aftermath of the devastating 1906 San Francisco Earthquake and pictures of the original transfer of gold bars to the Fort Knox Bullion Depository in Kentucky. In addition, it included original, hardbound annual reports from the late 19th and early 20th centuries and original ledgers, die books and other United States Mint documents. These artifacts were reportedly found in various rooms and files at various Mint facilities. Several numismatic researchers have requested the opportunity to examine and photograph these artifacts, but all have been denied. Mint officials claim they are in the process of preparing them for posting online at its web site. Questions abound as to why these artifacts have not been transferred to the National Archives or the Smithsonian's National Numismatic Collection, for proper care and preservation and access by the public.

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A similar situation exists with regard to historic plasters and galvanos believed to be in storage at the Philadelphia Mint. When Chief Sculptor Engraver Elizabeth Jones arrived at the Philadelphia Mint in 1981, she found an estimated 250 to 300 such pieces – many dating from the 19th and early 20th centuries – piled haphazardly in storage rooms. Recognizing the artistic worth and historic value of the artifacts, she requested funds and had shelving built on which to safely store them. She and Sculptor Engraver Michael Iacocca identified and created an inventory of the items. Researchers within the last two years have requested to view these historic plasters and galvanos. However, their requests have been denied and the whereabouts of these artifacts is unclear.

Each of the areas I have cited cry out for certainty and accountability. It is the responsibility of Congress to provide guidance and direction so that the American public can have confidence in and respect for the products the government's factories manufacture and sell. It is also important that our nation's numismatic artifacts and history be documented and preserved so that future generations can understand and appreciate their heritage. H.R. 5077 provides a vehicle that brings these issues to you for discussion and action. We trust that you will act wisely, decisively and promptly.

Again, thank you for the opportunity to discuss these import concerns. If you have questions, I shall be happy to answer them.

EXHIBIT A

COIN WORLD 06/05/06, Pg. C1 (Archive reprint)

Mule confiscation not on Treasury's agenda

Mint reserves right to claim errors

By Paul Gilkes

COIN WORLD Staff

U.S. Mint officials reserve the right to seek confiscation of any of the double-denomination quarter dollar/dollar mule error coins they consider to be stolen property, but no one within the Treasury Department has shown a willingness to take that step.

The mule error coins feature an undated (2000) State quarter dollar obverse, with P Mint mark, showing George Washington, matched with the Sacagawea dollar Eagle reverse, struck on a manganese-brass clad dollar planchet. Ten examples are publicly known since the first surfaced in Mountain View, Ark., in the late spring of 2000. Numismatic experts determined that the 10 coins were struck using three separate pairs of dies, indicating production was executed on three separate presses.

New Mexico collector Tommy Bolack has been patiently waiting for the government officials to decide whether they plan to seek forfeiture of any of the known errors. Bolack is particularly interested in the government's position since he owns eight of the 10 known mules and has spent hundreds of thousands of dollars acquiring the pieces in market transactions. Bolack said he is willing to legally defend his rights to keep possession of the coins if forfeiture is pursued.

The U.S. Secret Service assumed control from the Treasury Department's Office of Inspector General over a more than two-year-old investigation. The investigation's goal was to determine which of the known mules escaped the Mint through other than legitimate distribution channels and whether they should be confiscated. The Secret Service's investigation into the matter ended March 2005 following the sentencing of one of two former Philadelphia Mint coinage press operators in connection with the theft and subsequent sale of some of the mules.

The Mint does not have the legal authority to confiscate any of the coins. The Mint would have to seek forfeiture through the Department of Justice, with the Secret Service responsible for recovering the coins should the courts rule in the Mint's favor.

Coin World on May 15 asked the Mint's chief counsel, Daniel P. Shaver, whether the Mint plans to confiscate any of the 10 known mule error coins. Shaver forwarded the question to the Mint's Office of Public Affairs, which subsequently issued a "no comment" to the inquiry.

In an Oct. 25, 2003, *Coin World* article, Shaver was quoted as saying. "Only the secretary of the Treasury has the authority to issue coins. Unissued coins, including coins not properly issued pursuant to the secretary's authority, remain the public property of the government of the United States. Accordingly, the United States Mint's title and right to possession of such public property survives, notwithstanding larceny or other acts amounting to unlawful conversion."

In the March 10, 2005, sentencing memorandum submitted by Assistant U.S. Attorney Anita Eve for former Philadelphia Mint coinage press operator James Watkins, the following language was included: "As the court is aware, the error coins remain property of the United States government. The United States Mint is in a position to reclaim their property from the coin collectors who have purchased the coins stolen from the Mint by the defendant, but has no current intentions to seek the coins. Instead, the Mint seeks to punish the defendant and to deter theft by current and future Mint employees and other government employees."

Eve told *Coin World* May 19 that the language included in the Watkins sentencing memorandum came from Shaver. She said on several occasions, she had spoken with various Treasury and Mint officials, including Shaver, about the prospects of pursuing forfeiture, but received no definitive answers. Eve said she wouldn't pursue such action unless requested to do so, and so far, that request has not come.

Two of the 10 known examples are exempt from possible forfeiture, Eve said, because investigators already have determined they were released through normal circulation channels.

Eve identified one of the two coins as the discovery coin, found by collector Frank Wallis in late May 2000, in a roll of Uncirculated Sacagawea dollars from the First National Bank & Trust in Mountain Home, Ark. The coin is graded Mint State 66 by Professional Coin Grading Service.

The second exempt example is the piece Greg Senske, Cape Girardeau, Mo., found in September 2001. The coin, fifth among those found, was received in change from a cashier at the cafeteria in the plant where Senske worked. It had been in a 25-coin roll of Sacagawea dollars wrapped in a U.S. Mint designated paper wrapper. The coin is graded MS-67 by Numismatic Guaranty Corp. and is still in Senske's collection.

One of the mules targeted for possible confiscation was specifically named in Jackson's indictment. Delaware Valley Rare Coin in Broomall, Pa., sold it on eBay for \$41,395 in July 2000 on behalf of a collector client who purchased the mule error from someone else, according to DVRC's Frank Greenberg.

Watkins had been indicted on three counts of conversion of government property and one count of witness tampering, while fellow coin press operator Raymond Jackson was indicted on one count of converting government property to his own use and one count of witness tampering.

Jackson was sentenced Feb. 12, 2003, to five years probation and ordered to make \$5,000 in restitution, the amount of money he was accused of receiving in payment from a collector for one of the mule errors. Jackson pleaded guilty Sept. 25, 2002, to the one count of converting government property to his own use. The witness tampering charge was dropped.

Watkins – who faced up to 40 years in prison and a \$1 million fine if convicted on all counts – had failed to appear for his July 11, 2002, arraignment. He had been indicted on the four federal charges on June 16, 2002.

Watkins remained a fugitive for more than two years until Philadelphia police arrested him in September 2004 in connection with a drug investigation. A records search turned up the federal fugitive warrant. Watkins pleaded guilty to all charges on Oct. 26, 2004. Although prosecutors sought a prison term of 15 to 21 months, Watkins was sentenced March 10, 2005, to six months house arrest, five years probation and fined \$9,250.

Coin World sources indicated that Watkins and Jackson's case was an isolated situation and not part of any larger conspiracy. Watkins reportedly told authorities that only 25 percent of the error coins that actually make it out of the Mint through legitimate or other means are accidentally made, according to sources.

According to Watkins' sentencing memorandum, in the late winter or early spring of 2000, Watkins approached an unidentified individual and asked him if he wanted to make some money by selling one of the mule error coins. The unidentified man took the error coin from Watkins and sold it for \$250, with Watkins receiving \$200, and \$50 going to the unidentified man who sold it.

In April or May 2000, Watkins took two more of the double-denomination quarter dollar/dollar mules to sell at Gold World in Philadelphia. The store's owner, initially not realizing the value of the coins, bought them for \$500 each, reselling one for \$3,500 and the other, after doing some research, for \$40,000.

In June 2000, Watkins asked a woman – identified only by initials in court documents – to accompany him to a coin dealer so that he could sell a coin at Republic Precious Metals in Abington, Pa. Watkins negotiated with the store owner and ultimately sold the coin for \$8,000. The store owner subsequently resold the coin for \$31,000, according to court documents.

Following the sale to the dealer, Treasury agents contacted the woman who accompanied Watkins to the dealer. In conversations with her taped by authorities, Watkins denied taking the coin from the Mint and instead claimed he had acquired it from a friend.

Watkins, according to court documents, told the woman to lie to Treasury investigators about the source of the coin.

Until Mint officials confirmed that the Philadelphia Mint had struck the quarter dollar/dollar mules, such U.S. coin errors were thought impossible due to safeguards believed in place. However, several unique cent/dime mules have been authenticated since the existence of the quarter dollar/dollar mules were announced.

A numismatic mule is one in which designs not intended to used together are mated to create an unintended issue. Coin, note and medallic mules are known.

EXHIBIT D

COIN WORLD 10/17/05 Pg. 02 (Archive reprint)

Aluminum 1¢ ‘changes’ grade

PCGS grades cent MS-62; formerly ICG AU-58

By Paul Gilkes

COIN WORLD Staff

The only known privately owned example of a 1974 Lincoln cent experimentally struck in aluminum has been regraded four points higher than the grade previously assigned by another firm, and is now called Mint State rather than About Uncirculated.

After less than two months of being encapsulated in an Independent Coin Grading Company slab as authentic and grading About Uncirculated 58, Professional Coin Grading Service graders have also certified it as genuine but assigned it a grade of Mint State 62.

The aluminum cent reportedly had been retrieved by a U.S. Capitol police officer after being dropped by a member of the U.S. House of Representatives following a hearing concerning changing the composition of the cent because of rising copper prices. Mint officials had distributed examples of the 1974-dated experimental strikes during hearings into the proposed alloy change; members of Congress and some staff reportedly received the test strikes.

However, despite this public distribution, Mint officials assert that the pieces cannot be held privately, and say any extant pieces are subject to confiscation.

PCGS President David Hall confirmed Sept. 26 to *Coin World* that graders at the grading service in Newport Beach, Calif., had examined the aluminum cent, determined it to be genuine, then graded it MS-62 before encapsulating it and returning it to its owner. Hall told *Coin World* that after the piece was authenticated, graders examined the coin's condition and considered it Uncirculated, with no signs of circulation marks.

That puts PCGS graders at odds with graders at ICG, based in Englewood, Colo., who graded the same 1974 Lincoln aluminum cent at AU-58. Keith Love, ICG founder and president, told *Coin World* Sept. 29, “The ICG graders were unanimous in calling the coin AU-58.”

Unlike the ICG grading insert that identified the aluminum cent as the “Toven Specimen,” named after the individual who reportedly recovered it in the District of Columbia, the PCGS grading insert is absent such attribution. While the aluminum cent has its own PCGS registration number, Hall said there are no immediate plans to publish the piece in the PCGS Population Report of certified coins and patterns.

The Toven piece is the first example in private possession to be publicly acknowledged. Anyone who possesses one of these pieces faces its possible confiscation.

The Mint for more than 30 years has considered all 1974 Lincoln aluminum cents subject to seizure, but the bureau has no enforcement powers, so the matter will be left up to the U.S. Secret Service to pursue, if the agency so desires. *Coin World* learned the issue has been under investigation by the Secret Service's Criminal Division since mid-July, but no decision has been reached as to what course of action might be taken, if anything.

“The position of the United States Mint regarding aluminum one-cent pieces, bearing the year 1974, has been consistent for the nearly three decades since the agency minted them,” the Mint's chief counsel, Daniel P. Shaver, told *Coin World* soon after ICG's July 1 announcement. “The United States Mint produced these pieces solely as experimental prototypes. None of these prototype coins was ever issued by the secretary of the Treasury or otherwise lawfully released for private ownership. Accordingly, the United States Mint regards all of these pieces as property belonging to the United States and, as such, no one may lawfully circulate, sell, buy, or own them.” Moreover, because the United States Mint produced these pieces pursuant to its mission of performing a constitutional power reserved to the federal government, no party may acquire any right or title to one of these pieces, regardless of how the party obtained it. It is therefore the United States Mint's position that any person who possesses one of these aluminum pieces is obligated to return it to the ... Mint.”

Although examples of the 1974 Lincoln aluminum cent are considered by U.S. Mint officials as illegal to own, federal authorities, including at the Mint, have been in no great hurry to seek confiscation of the Toven piece. At least one legal specialist representing the collecting community disagrees with the Mint's position on private ownership.

Armen Vartian, PCGS's legal counsel and author of the monthly *Coin World* column, "Collectibles and Law," believes the Toven example is legal to own if the provenance is what the owner claims it is.

According to published reports as well as the owner of the cent, on-duty U.S. Capitol Police Officer Albert Toven saw a U.S. Representative drop the cent in the basement of the Rayburn Office Building in late 1973. Picking it up, he ran after the representative to return what he thought was a dime, but was reportedly told by the member of Congress to keep it. Toven later realized it was not a dime, but an aluminum cent. Toven kept the piece, frequently re-telling the story of how he came to own it and showing it at every opportunity until it became part of his family's history, according to ICG officials. Officer Toven is now deceased.

Relatives of the late police officer have declined to discuss the aluminum cent since ICG made its July 1 announcement.

The story behind the Mint's striking of the 1974 Lincoln aluminum cent is well documented. In the early 1970s, copper prices steadily rose on the international market. By the summer of 1973, the value of the copper content in the cent and the coin's manufacturing costs nearly exceeded the denomination's face value. As a result, the Mint began looking for alternative metals.

After testing seven different alloys of aluminum and other compositions, including bronze-clad steel, Mint officials in December 1973 requested Congress approve legislation that would give the secretary of the Treasury authority to adopt an aluminum alloy for the cent.

The proposed legislation was referred to the House Banking and Currency Committee and the Senate Banking, Housing and Urban Affairs Committee. Meanwhile, the Mint had already begun striking the 1974-dated aluminum coins, using regular production Lincoln cent dies.

Mint records indicate that 1,571,167 of the aluminum cents were struck over the course of two production runs. In order to show congressional leaders what the coins would look and feel like, 14 of the trial pieces were given to the committee members and their staff members - nine to House committee members and staff, and five to Senate committee members and staff. Other pieces were also distributed to Mint and Treasury officials.

With the fall of copper prices in 1974 and opposition from members of the vending machine industry, who contended the aluminum cents would not work in vending machines, the proposal never got out of committee. Mint officials, lacking any authority to change the cent's composition, decided to melt the million and a half pieces that had been struck.

In preparation for the destruction of the coins, Mint officials asked congressional members and staff to return the pieces that had been distributed. Some of the distributed pieces were returned to the Mint, but not all. Several pieces were claimed as lost. One staff member gave the piece in his possession to the National Numismatic Collection at the Museum of American History at the Smithsonian Institution in Washington, D.C., where it remains.

Several examples of the experimental 1974 Lincoln bronze-clad steel cents have also been reported. A *Coin World* staff member has examined one of those pieces in the publication's offices.

The bronze-clad steel example, struck during the same round of experimentation that resulted in the aluminum cent, is also considered illegal to own.

Images courtesy of Independent Coin Grading Company.

PCGS GRADERS CONSIDER this 1974 Lincoln aluminum cent to grade MS-62, which puts them at odds with ICG graders, who graded the same piece earlier calling it AU-58.

EXHIBIT B

COIN WORLD 09/26/94, Pg. 01 (Archive reprint)

1974 bronze-clad steel cents subject to federal confiscation

Mint issues formal ruling

By William T. Gibbs

COIN WORLD Staff

Experimental 1974 Lincoln cents struck on bronze-clad steel planchets have the same legal status as the more famous 1974 aluminum cents, the Mint stated Sept. 9: Both are illegal to own and are subject to confiscation.

Coin World requested a formal statement about the legal status of the bronze-clad steel cents in mid-August, following several conversations with a Mint public affairs officer during which the officer stated the pieces would be considered collectible like any other item that fell into collector hands.

The public affairs officer's statement was at odds with past Mint policy on the experimental 1974 Lincoln cents struck on aluminum planchets, struck at the same time and for the same purposes as the experimental bronze-clad steel cents. The aluminum pieces have always been considered government property and remain subject to confiscation.

The Mint public affairs officer stated at least twice during the week of Aug. 15 that bronze-clad steel cents would be considered collectible, the second time after what *Coin World* was led to believe was further research by the Mint staff. *Coin World* asked the officer at that time for a formal opinion, not only on the bronze-clad steel cents, but whether the statement represented a policy shift that would also apply to the aluminum cents.

However, the August statement was not a formal declaration, nor did it represent a policy shift, Mint officials now say.

In a Sept. 9 letter, Mint chief counsel Kenneth B. Gubin states: "The Mint's policy regarding the 1973-dated [sic] aluminum one-cent pieces remains unchanged; since these pieces were experimental and never issued by the Mint, any still outstanding are considered property of the U.S. Government and may not be circulated, sold or held in collections. If they were to appear in the hands of the public, they are, and will continue to be, subject to confiscation by the U.S. Secret Service as no individual may acquire valid title to them. This policy also applies to other similar experimental pieces, including the experimental 1974 bronze-clad steel Lincoln cents."

Mint officials confirmed the existence of the experimental bronze-clad steel cents Aug. 15. The pieces were unknown to the numismatic community until one was sent to *Coin World* in June by an individual who requested anonymity. *Coin World* staff examining the piece believed it to be genuine. Treasury records available to *Coin World* then stated that while bronze-clad steel pieces had been produced, they bore "nonsense" designs.

Coin World contacted Mint officials about the bronze-clad steel pieces in June. It took several months before the Mint confirmed that the pieces were struck using Lincoln cent dies.

The individual sending the experimental piece to *Coin World* reported having five of the bronze-clad steel pieces, obtained in 1974 in a Pennsylvania steel mill. The pieces reportedly had been transported to the mill by Mint officials to be destroyed through melting. Several pieces escaped destruction when a bag of the experimental pieces broke open and were not melted.

The missing aluminum cents were given to members of Congress and their staffs during hearings in 1973. Mint officials sought authority to strike cents in aluminum because of rising copper prices. That authority was not granted. Copper prices dropped and Mint officials asked for the experimental aluminum pieces back. From 12-14 were not immediately returned, and some are extant today. One is in the National Numismatic Collection of the Smithsonian Institution.

The bronze-clad steel cents are not the only experimental pieces to surface recently. The Sept. 21-22 Stack's auction was to offer three experimental 1942 Lincoln cents struck on non-standard planchets. Gubin told *Coin World* those pieces would also fall under the same policy as the 1974 experimental pieces.

Two experimental piece planchets were sold in July by Heritage in its American Numismatic Association convention auction, including one intended for the aluminum cent. The other dates from 1977-78 and was produced for experimental small dollar coins; it is composed of magnimat.

Both planchets sold in a single lot. Gubin said it would be more difficult to determine whether those planchets would be subject to the Mint's policy.

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EXHIBIT C 1

COIN WOLRD 09/05/94, Pg. 01 (Archive reprint)

Mint confirms existence of 1974 bronze-clad steel Lincoln cents

Retains two in Mint files

By William T. Gibbs
COIN WORLD Staff

The United States Mint retains two experimental 1974 Lincoln cents struck on bronze-clad steel planchets in its specimen files, a Mint spokesman said Aug. 15.

The admission confirms a July 4 *Coin World* article announcing the discovery of the previously unknown experimental pieces. The existence of the experimental bronze-clad steel pieces was unknown until June when a collector contacted *Coin World* with a first-person account of the destruction of a quarter-million or more of the pieces in a steel mill furnace, and the accidental survival of a handful of pieces now in private hands.

The 1974-dated experimental pieces are survivors of 1973 testing that also resulted in the famous 1974 aluminum cent.

It took Mint officials two months to confirm that the Mint did in fact strike experimental 1974 Lincoln cents on bronze-clad steel planchets using regular dies. Mint spokesman Michael White said no records survive of the coin's production or destruction.

However, the anonymous collector who says he holds five of the pieces says he witnessed the destruction of a quarter million or more bronze-clad steel cents in 1974 at a Pennsylvania steel mill (see *Coin World*, July 4, Page 1). Several other burnt pieces may also survive in private hands, according to the collector.

A 1973 Department of the Treasury study discusses the testing of the bronze-clad steel composition, but indicates that none were struck with regular cent dies. "Nonsense" dies were reportedly used, according to the 1973 Treasury report now known to be incorrect.

An examination of one piece by *Coin World* staff indicated that the cent was struck by regular Lincoln cent dies dated 1974. The coin, with its steel core, is attracted to a magnet.

The bronze-clad steel pieces are unlisted in any work discussing pattern issues, including the just published *United States Patterns and Related Issues* by Andrew W. Pollock III. The new book was published almost at the same time as the bronze-clad steel cents surfaced.

Both the 1974 bronze-clad steel cents and the well-known 1974 aluminum cents were struck in 1973 as Mint officials experimented with alternatives to the 95 percent copper, 5 percent zinc cent then in production. Rising copper prices threatened to make the cent's intrinsic value higher than its face value. Copper prices dropped, however, and the composition remained unchanged until 1982.

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EXHIBIT C 2

COIN WORLD 07/04/94, Pg. 01 (Archive reprint)

1974 Lincoln cent experimental piece, bronze-clad steel, surfaces

Similar to aluminum cent

By William T. Gibbs

COIN WORLD Staff

An experimental 1974 Lincoln cent struck on a bronze-clad steel planchet – a piece a 1973 Treasury publication says was never produced, has surfaced – and with a source who claims a quarter million or more of them were destroyed by Mint officials 20 years ago.

Coin World has examined a 1974 Lincoln cent struck on a bronze-clad steel planchet that appears to be a genuine U.S. Mint experimental piece. It matches the description of planchets produced and tested in 1973, and mentioned in various Department of Treasury reports discussing alternative cent compositions.

This is the first indication that specimens of experimental 1974 Lincoln cents struck on other than aluminum planchets survived. Previously, it was thought that only specimens of the more famous 1974 aluminum experimental pieces had escaped destruction.

The piece examined by *Coin World* is something of a mystery. According to a 1973 study published by the Department of Treasury, only aluminum experimental cents were struck between 1974 Lincoln cent dies, with all other experimental pieces struck using “nonsense dies” designed to simulate the cent designs in relief and location of letters and images.

The piece examined by *Coin World*, which appears genuine, would seem to dispute this statement.

The experimental piece is from a source who claims to possess five of the pieces. The source wishes to remain anonymous.

The experimental piece was presumably struck in 1973 as Mint officials sought a replacement for the standard cent composition of 95 percent copper, 5 percent zinc. Rising copper prices were approaching levels that made it too expensive to produce the 1-cent coin with a high copper content.

The Mint ran short production runs of experimental pieces in several compositions. The compositions tested included the aluminum experimental cent, of which 1,579,324 pieces were struck using standard 1974-dated cent dies. Also produced, according to Treasury documents, using nonsense dies, were a 70 percent copper, 30 percent zinc alloy; and a bronze-clad steel composition, with two outer layers of 90 percent copper and 10 percent zinc bonded to low-grade steel.

According to the December 1973 *Alternative Materials for One-Cent Coinage*: “The nonsense dies were designed to simulate the actual penny dies with regard to relief and location of images and lettering. In this way, coining characteristics of the alloys could be compared relative to one another without creating a large number of potentially valuable numismatic oddities. . . . Finally, 1974 cent dies were used to strike a carefully controlled number of aluminum alloy coins.”

The 1974 Lincoln cent struck on a bronze-clad steel planchet examined by *Coin World* weighs 2.77 grams and has a specific gravity of 7.9142.

At first glance, the coin appears to be a normal 1974 Lincoln cent. In fact, the obverse and reverse are indistinguishable from a standard Lincoln cent in color and texture, even under high magnification.

However, when one examines the edge, it becomes immediately apparent that the piece is not a normal Lincoln cent. The steel core is visible along the edge as a grayish band between layers of bronze.

Most spectacularly, the coin is attracted to a magnet because of its steel core. The standard copper-zinc cent is not.

Annual Mint Reports for 1973-75 show that no foreign coins were struck by the U.S. Mint those years on bronze-clad steel planchets, virtually eliminating the possibility that the piece was struck on a foreign coin planchet.

The source providing the piece to *Coin World* related the story of how Mint officials took the experimental pieces to the Alan Wood Steel Co. in Pennsylvania 20 years ago. According to the source, at least 40 bags of the experimental pieces – 200,000 pieces or more – were destroyed.

But not all of the pieces were destroyed, according to the source.

At least nine and as many as a dozen 1974 Lincoln cent experimental pieces struck on bronze-clad steel planchets reportedly survived the furnace.

According to the source, the bags of experimental cents were shoved down a chute from the third floor to a basic oxygen furnace on the second floor. The source said the cents were under heavy guard by five Mint guards.

As the bags were being placed onto a lift to be transported to the chute, one bag fell to the floor and burst open, scattering the experimental pieces across the floor. The Mint guards made the employees move away from the spilled cents as they swept them up for melting.

According to the source, as the cents from the burst bag poured down the chute, a gust of wind blowing through the plant picked up 10-12 pieces and blew them onto the floor of the furnace, which had not yet gone into operation. The five pieces possessed by the source came from those dozen or so survivors. Another three pieces may exist in burnt condition.

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EXHIBIT E

COIN WORLD 08/22/05, Pg. C1 (Archive reprint)

Mint officials to expand archives history online

Will post more production information

By Paul Gilkes
COIN WORLD Staff

The United States Mint is planning to put more of its production history online at the Mint's Web site at www.usmint.gov.

During the American Numismatic Association World's Fair of Money July 27 to 31 in San Francisco, the Mint's booth showcased an exhibit from the Office of the Historian featuring a collection of unique historical artifacts, many of them on public display for the first time.

Original photographs that chronicle a portion of the agency's 213-year history, including the aftermath of the devastating 1906 San Francisco earthquake along with pictures of the original transfer of gold bars to the Fort Knox Bullion Depository in Kentucky were among the memorabilia displayed. Original, hard-bound annual reports from the late 19th and early 20th century are included in the display, as well as original ledgers, die books and other United States Mint documents offering a fascinating glimpse into the operation of America's coin maker.

The displayed items were exhibited in conjunction with the Historian Corner demonstration of the Web site the Mint hopes to have up and running in the near future.

Additionally, the Mint exhibited:

- U.S. Mint daily coinage ledgers from the Philadelphia, Denver and San Francisco production facilities from 1925 to 1935
- A New Orleans Mint ledger for 1838 to 1893
- Philadelphia Mint foreign coinage die ledgers
- Photographs of various Mint facilities (ranging from the 1930s through 1970s)
- A Jefferson galvano
- Annual Reports for 1879, 1906, 1938 and 1975
- The book Instructions and Laws Governing Assay Offices
- Assay Office letters from 1930 through 1936

Visitors to the U.S. Mint's booth were also able to view a video of Virtual Tour II - Numismatics. Following the launch of last year's Virtual Tour, which detailed the systematic circulating coin production process, the sequel - Virtual Tour II - allows viewers to see numismatic production processes. Virtual Tour II made its debut on the United States Mint Web site in late July

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