CHAPTER TWO

ADVANTAGES OF RARE COIN INVESTMENTS

What makes rare coins such a solid and profitable investment? Actually, there is no one answer. In fact, a number of positive factors combine uniquely in coins, foremost among them rarity, quality and demand. The more perfect the combination of these three elements, the better the investment, and therefore, more likely a profit.

Of the millions of gold coins minted between 1795 and 1933, fewer than four percent have survived in "mint state," or investment grade, condition. On a lesser scale, much the same is true of silver coins; the last minting of regular issue silver coins was in 1964. Because there are relatively few, and because these tend to be held in strong and diversified hands, top-quality coins tend to become harder to find with each passing year, and therefore, their value by and large continues to rise.

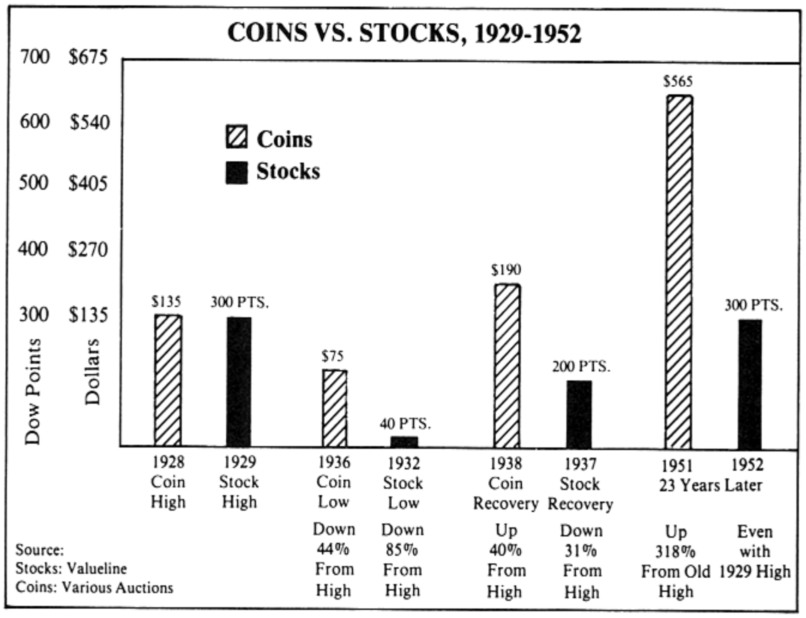
Rare coins also offer historical value, representing different periods, movements and events in the life of America and the world. As many were designed by some of the nation's finest artisans, they have additional, and valid worth as collectibles; and their metal content, whether .900 fine gold or silver, gives them bullion value, too. Rare coins, moreover, offer certain practical advantages not found in other investments. They are portable, highly liquid, easily bought and sold, and cheaply stored or insured. Tucked away in a safe deposit box, they require little management to make you money, and, as an extra added benefit, you own a little piece of American history in your own hands.

As investments, rare coins offer two features that might conceivably be seen as drawbacks: in an average market they must be held, ordinarily, for at least five years; and they yield no interest. On the other hand, they are not as susceptible to the rapid boom-and-bust syndrome as many other investment options are.

Even following the worst depression in the nation's history, coins recovered at a more rapid rate than stocks. In 1929, after "the Crash," all assets dropped in value, including coins. But while it took the stock market twenty-three years to recover to its previous highs, by that same recovery year, 1952, the coin market had not only recovered, but was up more than 300 percent over 1929.

The fact is that because most numismatic investors can afford to hold onto their merchandise, it is unusual to find a high-grade coin rarities offered for less than its current market value by a dealer or knowledgeable investor in the hardest of times and the softest of markets. Of course, exceptions exist like in all tangible markets, and are snapped up by aggressive buyers instantly. Coin rarities tend to be held by strong hands: people who do not need the money to live on. While prices, in theory, may be off, seldom do these professional investors sell a rare first quality coin specimen cheaply, any more than they would sell a top draw Rembrandt or Van Gogh cheaply, unless they are under duress. Again, it does happen, of course, but it does not happen often. In bad times, the bulk of the rare coin market simply puts itself on hold, and resumes when things pick up, usually during growth and inflationary periods. This feat remains unmatched — and perhaps unobtainable — by most other investment options.

CHART 4



Five Major Advantages of Rare Coin Investment

Apart from their inherent value, rare coins also offer the investor a variety of other advantages not found in other assets:

1. Rare Coins are a Hedge Against Inflation.

With the federal deficit exploding, the money supply increasing, the Consumer Price Index up, and economic growth leveling out, high and / or steady hard core unemployment, and extra tax cuts for the wealthy, the U.S. is into the incubation period for a major inflation. All politics aside, the current economic situation and a poorly thought out war, in fact, resemble nothing so much as that of 1978-79, when a comparable combination of uncertain international politics, and poorly thought out national finance ignited the coin and bullion markets. Rare coins have been performing well of late with no inflation to speak of because we are at the bottom of the inflationary cycle. If, or rather when, we head toward inflation, they will continue to do better.

Inflation, moreover, has a devastating effect on the vast majority of other investment options. Between 1950 and 1981, for example, inflation remained relatively under control, averaging only four percent per annum. Yet, even at this moderate level, inflation during this same period served to flatten out much of the gain realized on investments in stocks and bonds. With economists such as Milton Friedman predicting inflation over the next few years, you will require an extraordinary hedge to keep your head above water. That is a virtue of rare coins: not only do they gain in value during periods of inflation; they remain consistent profit-makers. Regardless of when you entered the rare coin market anytime since 1970 (with the sole exception of eighteen months during the 1989-1990 peak), statistics will prove that if you sell today you will make a profit. In the double-digit inflation phase of the late 1970s, many choice quality specimens increased hundreds of percent!

2. Rare Coins are Less Risky than Bullion.
Gold and silver prices have been more or less flat over the past ten years and have not been a particularly good investment over the past thirty years. All dependable indicators suggest that gold and silver prices, for many of the reasons previously noted, are on the way slowly up and will continue to increase in value. Because of their metal content, rare coins inevitably ride the wave of bullion increases. The difference is that coins reap the benefits without falling prey to the pitfalls. While in the past laws governed the purchase and sale of precious metals, gold and silver remain subject to volatile price swings. Booming and busting with abandon; or not moving at all, with prices flat lining for years at a time. While coins tend to move in cycles, each peak being higher than the previous high and each low higher than the previous low, their collectible status and numismatic value again save them when bullion prices tumble. Rare coins, apart from their other benefits, enable you to own gold and silver without having to endure most of the downside risk. They may suffer somewhat when bullion prices are flat; but coin values rarely fluctuate as do the precious metals markets. Also, when selling gold, all transactions over ten thousand dollars or twenty-five ounces must be reported to the tax authorities.

3. Privacy.

Unlike the great majority of major investments, rare coins are not subject to federal disclosure rules. The purchase of any coin that does not carry a premium of at least fifteen percent over its metal content must be reported on a 1099B tax form. As only bullion coins fall into this category, a rare coin portfolio may be constructed in relative privacy — a substantial advantage to the investor. Do not pay with cash and do not ask your coin dealer to accept cash. Pay by check or certified funds and you are within all Federal and State laws. It is that simple.

4. Tax-deferred.

The tax situation for rare coin investors remains extremely advantageous. With the recommendation of a minimum of five years that you hold your coins in an average market, their value should increase substantially. This increase can be tabulated on a per annum basis, giving you a good idea of your paper profits. If you buy and take possession, Uncle Sam does not require payment of his cut until the moment of sale, which means that rare coins accrue their value, essentially tax-free until sold. Moreover, coins held for more than six months are taxable at the lower capital gains rate — another substantial savings if there even is a capital gains rate by the time this book is published. While we strongly suggest that you pay your taxes, you can do it on your own terms.

5. Supply And Demand.

There is really only one thing to say on the subject of demand. Demand has never been higher than it is today, and supplies of quality rare coins in fine condition have never been lower, in stronger hands and more dispersed.

In truth, this represents no more than the culmination of a situation that has been developing for decades. A number of major coin hoards have appeared in the last quarter-century. Between 1959 and 1964, the U.S. Treasury dispersed somewhere in excess of ten million Uncirculated silver dollars. For five years, beginning in 1974, the government sold nearly two million Uncirculated Carson City silver dollars. Between 1976 and 1980, the estate of Lavere Redfield sold almost half a million Morgan and Peace Dollars. Recently, several millions of dollars came out of the Continental Bank failure. Other hoards have appeared from the United States, Europe and South America, several major shipwreck finds and more, particularly of Double Eagles. Yet, staggering though it may seem, these coins, particularly those of investment grade quality, have been absorbed into the market with not so much as a burp.

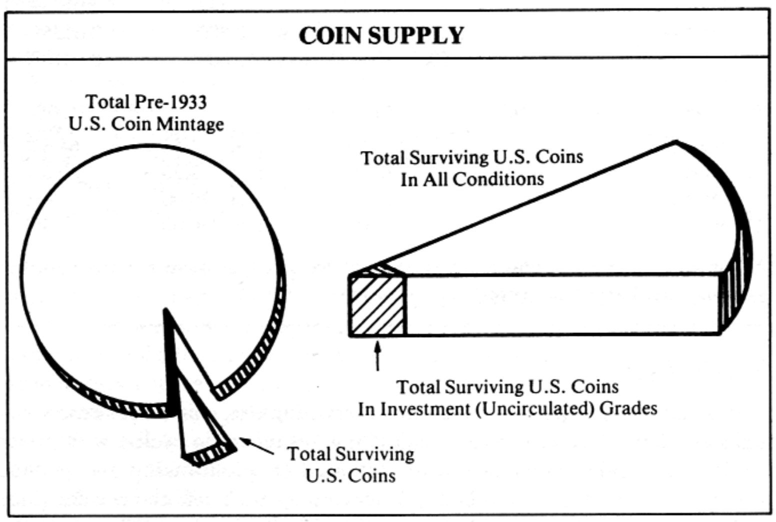
Ten years ago, or even less, a collector or investor seeking top quality gold coins might simply drop in at a numismatist's office, peruse his extensive inventory, and make purchases, usually at an eminently affordable price. Today, only common date coins in higher condition are still commonly available and still reasonably priced.

Of all the Gold and Silver coins minted before 1933, with the exception of Double Eagles and Silver Dollars, as a generalization, less than five percent have survived in any condition. The large pie on the left represents the entire original mintage of all American coins made of precious metal.

Of the surviving mintage in all conditions, less than one percent of those have survived in Mint State grades, and only part of that in MS-65 or better. The pie shaped area represents the surviving coins of the original mintage, and the striped area represents the survivors in Mint State grades.

In truth, in the coming years, the market can be expected to outgrow the war chests of collectors, and perhaps even the lower echelon of investors as well. It has become difficult for an investor to construct a diversified rare coin portfolio — a reversal of the situation as it stood twenty-five years ago. At one time, an interested party collected by date, acquiring a single specimen for each year and at each mint that a coin was produced. This is now beyond the means of all but the richest and best connected investors. Most in the current market collect by type; and, even on that basis, a twelve piece set — incorporating one of each 19th century American gold coin in the best available condition — is a struggle to put together, and expensive to secure.

CHART 5 COIN SURVIVAL RATE ILLUSTRATION



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Eventually, as more and more coins are "warehoused," in coin companies, coin funds, coin partnerships and holding companies catering to coin collectors, stock certificates might conceivably replace actual specimens, as they disappear permanently from the market. With each numbered and marked for identification, stored in a central clearing house, and represented in the world by no more than a sheet of embellished parchment, numismatics will enter the pantheon of entrenched investments personified by the world's stock exchanges.

All this, of course, is informed speculation, and some years in the future. While the current coin market may in ten years be effectively obsolete, it is now open to most investors of means. The point is that coins purchased today will probably be worth fabulous multiples of their purchase prices in the not-too-distant future. That is perhaps the best advantage of all.

This is why, over the past thirty years, top-quality American rare coins have consistently earned more money for investors than any other commonly traded asset, including stocks, bonds, real estate, collectibles, bullion, and diamonds — to name but a few.

CHART 6

TYPICAL SURVIVAL RATE OF U.S. COINS

Total Mintage	10,000,000		100%
Total Survivors	500,000*	1 in 20	5.0000%
A. Circulated	475,000	1 in 21	4.7500%
B. Uncirculated	25,000	1 in 400	0.2500%
1. MS-60	16,150	1 in 619	0.1615%
2. MS-63	7,500	1 in 1,333	0.0750%
3. MS-65	1,250	1 in 8,000	0.0125%
4. MS-67	100	1 in 100,000	0.0010%

Total Uncirculated Population	25,000		100%
A. MS-60	16,150	1 in 1.54	64.6%
B. MS-63	7,500	1 in 3.30	30.0%
C. MS-65	1,250	1 in 20.00	5.0%
D. MS-67	100	1 in 250.00	.4%

* This number is a composite. Silver Dollars, for example, have a much higher survival rate. Early Gold (Pre-1834) has a lower survival rate.

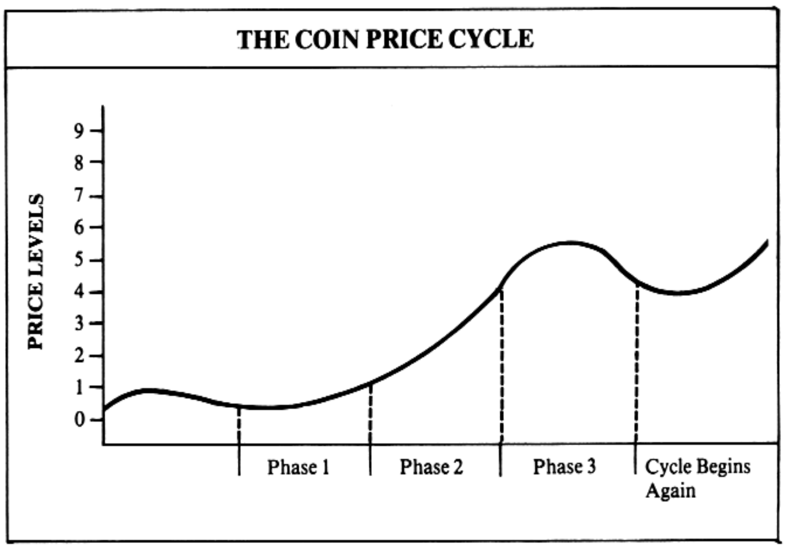
Rare coin prices move in predictable supply and demand cycles. Here, in Phase one, the market is in a plateau, during which dealers lower prices to induce sales in a sluggish market. In Phase two, knowledgeable investors and dealers buy into the market at low prices, shrinking the available supply and setting prices on an upward trend. Phase three occurs when the upward trend becomes obvious to all but those not paying attention, drawing in many more buyers and finally driving prices to a peak, at which those who bought low sell high back into the market. The resulting prohibitively high prices will bring on the next decline in demand causing some dealers to reduce prices during the downward correction process to induce sales to correct reverse cash flow. When market equilibrium is reached and supply and demand are in balance, prices become stable again.

In each cycle, the new high is higher than the old high, and the new low is higher than the old low, or in other words, a classic supply and demand cycle.

Market Cycles

It is important to point out that, like everything else, coin prices experience highs and lows. In fact, the numismatic market moves in cycles, with prices heating up roughly every five years, followed by profit-taking and periods of correction. In the 1960s, before prices really took off, there were price peaks in August of 1964 and the middle of 1968. In the 1970s, when the market began to skyrocket, there were major booms in the summer of 1974 and the winter of 1980, and then in 1989, the market hit its all time high, and thereafter, its all time modern low. A slowdown, then a bottoming-out of market momentum, then a slow, steady climb followed each back to a new, loftier peak. It is worth noting that, despite the correction periods — inevitable in a market that periodically builds up frantic heads of steam — rare coin values never completely collapse. Prices may slip back from their boom period highs, but they always rebuild, and always tend to greatly surpass previous records.

CHART 7 JAMES HALPERIN'S COIN PRICE CYCLE CHART



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There are a number of explanations for the market's cyclical nature. One is that coins take their cue from the economy, doing well in times of inflation, slowing down when recessions hit. Another cycle ties coins to movement in the bullion market. Both explanations are borne out by the facts and figures, and both are at least partially true. Cycles are also influenced, fairly predictably, by the activities of collectors, investors and speculators. Moreover, because of the lackluster performance of other cash assets, even the most cautious investors are now diversifying with tangible assets, particularly land and rare coins.

Yet the coin market, for better or for worse, has often run contrary to the economy. It posted strong prices and consistent gains when the bullion market was depressed, and saw a variety of market players come and go without changing its fundamental patterns. Essentially, the rare coin market is cyclical because — owing to the economy, metal prices, participant mood, and countless other large and small reasons — no financial asset grows all of the time. The important thing to keep in mind is that the market's continuing growth stems from a single, unshakable circumstance: a consistently increasing investor base pursuing an ever-diminishing amount of top-quality merchandise.

Foreign and Ancient Coins

Once you have added American rare coins to your portfolio, you may want to consider foreign and ancient coins as well. Though both markets represent an additional diversification, and require greater management, their potential is undeniable. Foreign coins, obviously, are much more numerous than American. Pricing and grading vary from one dealer to the next, often due to a lack of familiarity with the merchandise. Therefore, you must use a Numismatist who is a foreign specialist or has one on his staff. Some foreign and ancient coins may lose some of their value following the unanticipated appearance of a newly found hoard (a particular problem in Europe, where people historically amassed coins as a hedge against war and revolution). Perhaps most importantly, relatively few Americans collect or invest in foreign coins as compared to American coins, and there remains no strong central market in the United States where these coins are traded, as with United States coins.

As for ancient coins, they are bought and sold primarily by a small, select group of people, and few secondary outlets exist in which the larger public can get involved in the United States. There is, however, a very strong European market.

When starting out, stick with rare, top-quality United States coins. They have a proven record of performance, a solidly established market, and they will make you lots of money. Over the long term, coins have outperformed all other available investments. Nothing else even comes close.

Rare Coins vs. Type Coins

What is the difference between date and type collecting? Collecting dates or rarities is entirely different from collecting types. Let us use the example we briefly mentioned in Chapter Two.

A date collector tries to acquire every date and mintmark combination issued for every coin design within a given series. For example, to assemble a complete date set of Buffalo nickels would require a total of 68 coins, including a 1913-P Type I (from Philadelphia), a 1913-D Type I (from Denver), a 1913-S Type I (from San Francisco), and a 1913-P Type II (from Philadelphia) etc. When complete, you would have one of each date made at each mint for every combination manufactured.

Putting together a type set, on the other hand, would require only two Buffalo nickels: one 1913 Type I and one Type II of any date from 1913 to 1938. To build a complete "set" of type coins, he would go on to acquire one Barber dime, one Seated Liberty quarter, one Franklin half dollar, one Morgan dollar, etc., until he obtained one example of every type or kind of coin issued by the United States from the beginning to the present. In date collecting, the emphasis is on rarity, although many date collectors will still wisely require gem quality coins. In type collecting, the emphasis is on condition, although type collectors, albeit not investors, do not always require quality.

Since only one representative coin of each design is needed, irrespective of date or mintmark combination, type collectors often seek out the most common or semi-common dates in the series. Fortunately, these common coins also are the least expensive coins in the type unless the entire type is rare, like for example, a Type II one dollar gold piece. While in date collecting, the emphasis is on acquiring all the dates and mint mark combinations in the series, in type collecting the emphasis is on the quality of a single coin, since rarity can be only an incidental consideration.

A Few Words about Quality and Rarity

Thus far, when speaking about investment-quality rare coins, we have almost always coupled their mention with the words "top quality"; and, indeed, as a rule, one should never think about purchasing any sort of specimen unless it can be characterized as such. There is an old maxim, one that has rung down the corridors of the numismatic world for years, and it has never been truer than it is today. Remember, quality without rarity does not make an investment; what does is rarity, supply and demand, popularity, and then quality.

We have noted that among the most important elements in calculating the value of a coin are rarity and quality; yet, given what we have seen, does the former not imply the latter? Top-quality rare coins are rare precisely because they are of top quality; as noted, fewer than five percent of all U.S. coins minted have survived in Choice Uncirculated condition.

Remember, this does not tend to include common date Morgan and Peace Dollars, or Double Eagles, of which there are large quantities of common date coins about. Something that everyone can get their hands on — namely, worn, scratched, dented and otherwise injured coins — is never going to be in top demand, especially in a market in which demand for the very best merchandise is growing daily. If examined in a vacuum, rarity is equal to or more important than quality. But, do not ever buy ugly coins.

Yet we are not speaking merely of the difference between coins characterized as "mint state" and those in no better condition than pocket change. Degrees of quality within the "mint state" category itself, however small, can and do mean a difference of thousands of dollars at the moment of sale. Basically, coins are graded on the Sheldon Scale, using a sliding scale of P-1 (Poor 1) at the bottom, to MS-70 (Mint State 70), which is mint state perfect. If a coin is Uncirculated or Mint State (new), it will grade at least MS-60. Coins graded MS-60 or MS-63 are the lower grades of new, while coins graded MS-65 or better are considered the finest, and are generally what we would call investment quality. Some people will attempt to convince you that the difference is minimal, a matter of a few small points; and, if you are unfamiliar with the market, this argument will appear to make sense. A close study of the situation, however, reveals a very different truth.

Using as our point of calculation the best, most accurate information, we can assume that the actual supply of MS-60 coins is, approximately, at least twenty times greater than that of MS-65 specimens. This figure is further affected, however, by the fact that, as we have discussed, those holding the very best coins remain extremely reluctant to sell them, rendering them, for all practical purposes, "off-the-market," and as if they did not exist. As a rule, investors sell off their finest specimens last, or as a last resort in situations of extreme financial distress.

For example, John Pittman's family waited years to sell the bulk of his collection, waiting for the top of the market before selling. The huge sums brought by major collections at auction have tempted many investors to attempt building their own — a job requiring, ordinarily, several decades of consistent work and good luck. Still others buy coins with no intention other than passing them on to their heirs. The result is that, in real and practical terms, the available number of MS-60 coins is roughly twenty to fifty times greater than MS-65 coins. Thus, the case for quality becomes that much more evident, and important.

Many dealers specializing in lower-grade coins point out that MS-65 coins are too expensive. This argument is as peculiar as it is wrong. A new Rolls-Royce costs more than a new Toyota. No one wonders why because there are no free lunches in investing. The reason is quality; quality is the reason people pay more for certain things. Therefore, it is the same with coins.

Still others dealing in MS-60 specimens suggest that they are under priced, and thus a good deal. This argument is undercut by their availability. If they were such a good deal, people would be buying them up by the truckload, and they would be scarce. However, the fact is they are readily available. Only one kind of coin becomes scarce in the marketplace: a top-quality rare coin.

It is often argued, too, that many MS-65 specimens are over graded. The Sheldon Scale, the method by which coins are graded, is highly exact and specific, and leaves little room for conjecture. Though grading is, ultimately, somewhat a matter of opinion, and two numismatists of excellent reputation might disagree about one or another coin, the notion that an entire area of the market — especially the very top — would be over graded simply doesn't wash. Moreover, anyone who might conceivably over grade a coin as an MS-65 would also do the same with coins of a lesser grade. In addition, the entire issue is a non-issue if you stick to coins certified by the two top grading services.

The final arbiter in the matter is, as always, price; and the difference a few points on the grading scale can make can be astonishing.

Obviously, not everyone can afford to buy MS-65 specimens. A good alternative is to always purchase the best quality to be had in your price range. This will insure good value; and it is not unheard of for an investor to trade two or three lesser grade coins for a single, better one.

If you can not afford MS-65 quality, then is it not unreasonable to purchase coins that are graded MS-64 or MS-63? In fact, some numismatists feel that MS-64 or MS-63 coins are undervalued. I do not personally believe it is so, and past statistics bear me out, but of course, no one can know for sure, if coins of lesser quality are undervalued, and if, in fact, there are fabulous investments in the future to be had in MS-64 or MS-63 coins. If a coin is $10,000 in MS-65 and $500 in MS-64, get the latter because one point in grade should never make such a huge price difference. Past experience has shown that the higher the grade, the more likely the investment will perform well. However, past experience, as any professional investor in anything will tell you, is not a guarantee of future performance. As a rule, we say, buy the best quality available, the best quality that you can afford.

When it comes to really rare coins, the rule is to buy the best condition that is available. Some coins are so scarce that they have only survived in lesser conditions and are not always obtainable in Uncirculated condition. In these cases, you try to buy the best quality available for that issue. This applies to many of the early coinage issues, such as the copper and silver pieces prior to 1807, and gold coins prior to 1839, which can be purchased in conditions of less than MS-65.

Rarity

It should be noted, however, that in absolute terms, truly rare coins are currently disproportionately undervalued as an investment when compared with lesser rare issues which are bought solely on the basis of quality. For example, an 1881-S silver dollar, which now sells for about $200 in MS-67, is one of tens of thousands of such coins. Contrast this with an 1856 "No Motto" Eagle (Coronet Type $10 Gold); of which less than a half dozen pieces are known to exist in that mint state. This coin is currently worth at least $50,000 in MS-65, and $150,000 in MS-67, should you be able to find one, which I doubt. It is at least more than 10,000 times rarer than the 1881-S silver dollar, yet sells for only twenty-five times as much money. On a strictly "value" basis, this and other rare date coins may be better buys in today's market than some of the common coins that are bought solely on the basis of their top-quality condition.

However, not all investors can afford to lay out a huge sum of money for one coin, nor would it be appropriate for their individual market portfolio, which is why we say: Buy the best quality you can afford.

Rare coins remain one of the few areas in life in which the pursuit of excellence virtually always yields a tangible reward.

A Few Words about Bullion

We have been consistently advocating the purchase of rare coins over bullion, and this is a philosophy, needless to say, to which we will continue to stick. Rare coins, as we have demonstrated, are a far better investment. Ironically, the reason many supposedly knowledgeable individuals recommend buying bullion is that they do not know anything about coins. We cannot, however, ignore economic and market realities. Bullion, especially gold, is popular and, if cautiously bought and sold, a useful investment option. Gold can be a useful medium for short-term speculation, though it must be carefully, consistently monitored. Gold may also function as an excellent long-term inflation hedge. Since a common and popular method of purchasing bullion is via coins, we propose to address the matter briefly, so that, when it comes time for you to make your move into this glittering arena, you will have the facts.

Gold

A look at the history of American gold in this century will reinforce the caution with which it should be approached as an investment, for its purchase and sale has always been affected by government regulation until 1975, relatively recently.

In 1933, the ownership of gold bullion was declared illegal, a step taken by President Franklin D. Roosevelt in response to the economic stresses of the Great Depression at the time, and one that is largely still debated. Interestingly, the metal could then only be legally purchased in the form of numismatic coins and jewelry. Through the 1950s, gold bugs contented themselves with the legal and numismatically appealing Twenty Dollar gold piece, or Double Eagle, which was readily available, and readily traded, through the middle of the following decade. "Twenties" made gold purchase relatively easy, as they contain nearly an ounce

CHART 8 U.S. TREASURY POSTER

POSTMASTER: PLEASE POST IN A CONSPICUOUS PLACE.—JAMES A. FARLEY, Postmaster General

UNDER EXECUTIVE ORDER OF THE PRESIDENT

Issued April 5, 1933

all persons are required to deliver

ON OR BEFORE MAY 1, 1933

all GOLD COIN, GOLD BULLION, AND GOLD CERTIFICATES now owned by them to a Federal Reserve Bank, branch or agency, or to any member bank of the Federal Reserve System.

Executive Order

FORBIDDING THE HOARDING OF GOLD COIN, GOLD BULLION AND GOLD CERTIFICATES.

By virtue of the authority vested in me by Section 5(b) of the Act of October 6, 1917, as amended by Section 2 of the Act of March 9, 1933, entitled "An Act to provide relief in the existing national emergency in banking, and for other purposes", in which amendatory Act Congress declared that a serious emergency exists, I, Franklin D. Roosevelt, President of the United States of America, do declare that said national emergency still continues to exist and pursuant to said section do hereby prohibit the hoarding of gold coin, gold bullion, and gold certificates within the continental United States by individuals, partnerships, associations and corporations and hereby prescribe the following regulations for carrying out the purposes of this order:

Section 1. For the purposes of this regulation, the term "hoarding" means the withdrawal and withholding of gold coin, gold bullion or gold certificates from the recognized and customary channels of trade. The term "person" means any individual, partnership, association or corporation.

Section 2. All persons are hereby required to deliver on or before May 1, 1933, to a Federal reserve bank or a branch or agency thereof or to any member bank of the Federal Reserve System all gold coin, gold bullion and gold certificates now owned by them or coming into their ownership on or before April 28, 1933, except the following:

(a) Such amount of gold as may be required for legitimate and customary use in industry, profession or art within a reasonable time, including gold prior to refining and stocks of gold in reasonable amounts for the usual trade requirements of owners mining and refining such gold.

(b) Gold coin and gold certificates in an amount not exceeding in the aggregate $100.00 belonging to any one person; and gold coins having a recognized special value to collectors of rare and unusual coins.

(c) Gold coin and bullion earmarked or held in trust for a recognized foreign government or foreign central bank or the Bank for International Settlements.

(d) Gold coin and bullion licensed for other proper transactions (not involving hoarding) including gold coin and bullion imported for reexport or held pending action on applications for export licenses.

Section 3. Until otherwise ordered any person becoming the owner of any gold coin, gold bullion, or gold certificates after April 28, 1933, shall, within three days after receipt thereof, deliver the same in the manner prescribed in Section 2; unless such gold coin, gold bullion or gold certificates are held for any of the purposes specified in paragraphs (a), (b) or (c) of Section 2; or unless such gold coin or gold bullion is held for purposes specified in paragraph (d) of Section 2 and the person holding it is, with respect to such gold coin or bullion, a licensee or applicant for license pending action thereon.

Section 4. Upon receipt of gold coin, gold bullion or gold certificates delivered to it in accordance with Sections 2 or 3, the Federal reserve bank or member bank will pay therefor an equivalent amount of any other form of coin or currency coined or issued under the laws of the United States.

Section 5. Member banks shall deliver all gold coin, gold bullion and gold certificates owned or received by them (other than as exempted under the provisions of Section 2) to the Federal reserve banks of their respective districts and receive credit or payment therefor.

Section 6. The Secretary of the Treasury, out of the sum made available to the President by Section 501 of the Act of March 9, 1933, will in all proper cases pay the reasonable costs of transportation of gold coin, gold bullion or gold certificates delivered to a member bank or Federal reserve bank in accordance with Sections 2, 3, or 5 hereof, including the cost of insurance, protection, and such other incidental costs as may be necessary, upon production of satisfactory evidence of such costs. Voucher forms for this purpose may be procured from Federal reserve banks.

Section 7. In cases where the delivery of gold coin, gold bullion or gold certificates by the owners thereof within the time set forth above will involve extraordinary hardship or difficulty, the Secretary of the Treasury may, in his discretion, extend the time within which such delivery must be made. Applications for such extensions must be made in writing under oath, addressed to the Secretary of the Treasury and filed with a Federal reserve bank. Each application must state the date to which the extension is desired, the amount and location of the gold coin, gold bullion and gold certificates in respect of which such application is made and the facts showing extension to be necessary to avoid extraordinary hardship or difficulty.

Section 8. The Secretary of the Treasury is hereby authorized and empowered to issue such further regulations as he may deem necessary to carry out the purposes of this order and to issue licenses thereunder, through such officers or agencies as he may designate, including licenses permitting the Federal reserve banks and member banks of the Federal Reserve System, in return for an equivalent amount of other coin, currency or credit, to deliver, earmark or hold in trust gold coin and bullion to or for persons showing the need for the same for any of the purposes specified in paragraphs (a), (c) and (d) of Section 2 of these regulations.

Section 9. Whoever willfully violates any provision of this Executive Order or of these regulations or of any rule, regulation or license issued thereunder may be fined not more than $10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in any such violation may be punished by a like fine, imprisonment, or both.

This order and these regulations may be modified or revoked at any time.

FRANKLIN D ROOSEVELT

For Further Information Consult Your Local Bank

GOLD CERTIFICATES may be identified by the words "GOLD CERTIFICATE" appearing thereon. The serial number and the Treasury seal on the face of a GOLD CERTIFICATE are printed in YELLOW. Be careful not to confuse GOLD CERTIFICATES with other issues which are redeemable in gold but which are not GOLD CERTIFICATES. Federal Reserve Notes and United States Notes are "redeemable in gold" but are not "GOLD CERTIFICATES" and are not required to be surrendered

Special attention is directed to the exceptions allowed under Section 2 of the Executive Order

CRIMINAL PENALTIES FOR VIOLATION OF EXECUTIVE ORDER $10,000 fine or 10 years imprisonment, or both, as provided in Section 9 of the order

Secretary of the Treasury.

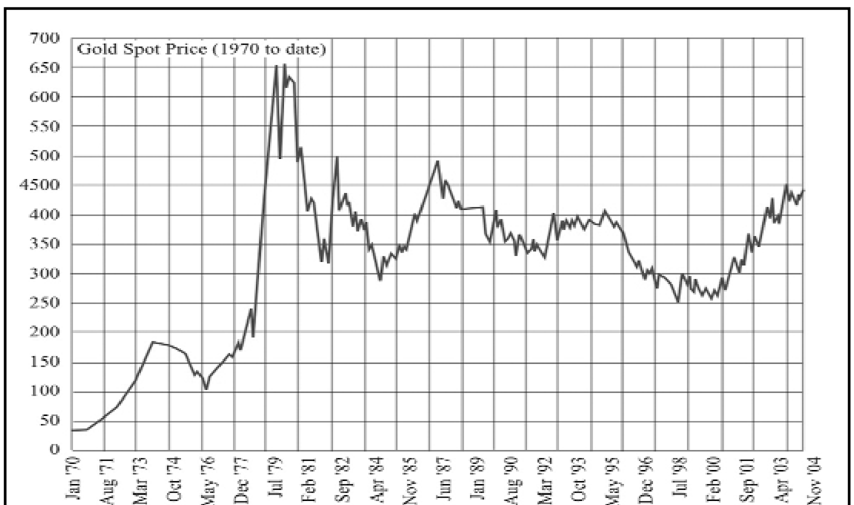
of the precious metal, and thus facilitate the incremental yet legal aspect of a transaction.

In the 1960s, it became legal to own the Mexican Fifty Peso piece, though its importation was still a crime. Once smuggled in, however, the coin, containing 1.2057 Troy ounces of fine gold, quickly found a market, vying with the Double Eagle for popularity because it was less expensive. With two options from which to choose, and a rapidly growing market, many new bullion dealers began opening their doors throughout the country, though on a relatively small scale, with some firms importing Twenties from Switzerland to meet the demand. With prices feeling the first stirrings of an exploding market, gold fever began spreading in the early seventies. Two additional bullion coins became legally available in 1974 — the Austrian One Hundred Corona and the Hungarian One Hundred Koruna—and ownership of all gold coins became completely legal at the start of 1975. Over the next decade, the Krugerrand ruled the bullion coin roost. Krugerrands were banned by the United States Congress in response to South Africa's repugnant racial laws, which then saw it replaced in popularity by the Canadian Maple Leaf, which boasts a full Troy ounce of twenty-four karat gold. The U.S. Mint is also now making bullion pieces, and the Krugerrand is back since the change of South African governments.

The activity of the past fifty years has led to the development of gold markets throughout the world, with trading especially strong in such places as London, Zurich and Hong Kong, and the worlds trading and financial capital, New York.

There are a number of things to keep in mind when making gold purchases. If you are not personally very familiar with them, stay away from gold bars. While bars are a perfectly legitimate and psychologically attractive investment, unless you have a reliable broker to handle the transaction, without an assay for purity they may not always be as easy to resell as one might think. Amateurs should stick to bullion coins, which at least have the guarantee of a government behind them and are assay-free and easy to recognize. Avoid the commodity markets as well — they are risky, expensive, and time-consuming, unless you are a professional or trade like one. Buy bullion coins, and always take physical possession of your bullion at the time of purchase or as soon as possible after your check clears. It will also be worth your while to do a little comparison shopping; this can make a difference, not just on the front end, but when it comes time to sell, too.

CHART 9 PCGS GOLD SPOT PRICE



Source: Professional Coin Grading Service © 2006. Used with permission.

CHOICE GOLD COINS VS. GOLD BULLION
Past Performance Comparisons

The following figures show the price performance of gold bullion compared to the 12 major U.S. gold coins during the climb from the last major bottom to the last major peak and the present. The results show that CHOICE QUALITY rare gold coins dramatically outperformed gold bullion on the way up and then declined a lot less on the way down!

CHART 10

RARE GOLD COINS VS. GOLD BULLION VS. BULLION RELATED COINS 1970-2005

Date	Gold Sport Price Price per Ounce	Krugrerand	Saint Gaudens Extremly Fine	Saint Gaudens MS65
1/1/1970	$180.00	$207.00	$59.00	$62.00
1/1/1975	$175.00	$202.00	$260.00	$300.00
1/1/1980	$559.00	$598.00	$633.00	$800.00
1/1/1985	$305.00	$318.00	$528.00	$2,100.00
1/1/1990	$401.00	$400.00	$418.00	$2,550.00
1/1/1995	$382.00	$383.00	$424.00	$900.00
1/1/2000	$201.00	$284.00	$345.00	$820.00
1/1/2005	$428.00	$431.00	$460.00	$1,200.00
35 Years	137%	108%	679%	1835%
Avg per yr.	3.90%	3.00%	19.40%	52.40%

Source: Yeoman, Kitco

CHART 11

CHOICE GOLD COINS VS. GOLD BULLION
Past Preformance Comparisions

	Low 8/27/1976	Gold High 11/21/1980	Coin Market High 5/5/1989	Current 1/6/2006
Gold Bullion	$103	$850	$377	$530
MS65 Gold Type Coins				
$1 Type I	450	7,000	14,850	3,980
$1 Typpe II	2,200	22,500	36,000	29,500
$1 Type III	400	6,000	5,900	1,980
$2.50 Liberty	165	2,650	6,850	2,200
$2.50 Indian	220	2,850	9,200	5,750
$3.00 Liberty	1,600	15,000	25,000	18,900
$5.00 Liberty WM	160	3,200	13,000	16,500
$5.00 Indian	475	4,800	25,000	18,000
$10.00 Liberty WM	250	4,000	11,600	4,500
$10.00 Indian	250	4,500	12,750	4,550
$20.00 Liberty Type III	205	1,900	10,250	4,380
$20.00 St. Gaudens WM	215	1,350	3,500	1,340
Total	**$6,590**	**$75,750**	**$174,900**	**$111,580**

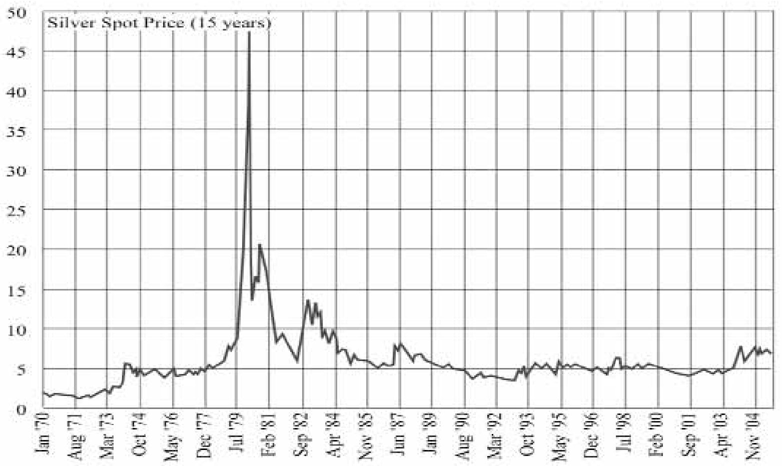
Source: Yeoman

Silver

The principal demand for silver is industrial. It is one of the world's most versatile, useful metals and, as such, remains constantly in demand. The metal, which adorns our belts, fingers, lapels and dinner tables, is also among the finest known conductor of electricity, used for circuitry of all sorts. Silver's reflective qualities are also unequalled, making it of use for everything from mirrors to solar energy cells. Medical uses stem from the metal's natural ability to kill certain germs. It also remains an important ingredient in many photographic processes, despite the exploding popularity of digital photography. It is difficult to imagine a world without a strong, consistent demand for silver; thus, it has long remained a steady and reliable investment.

Silver may be purchased via buying United States “90 percent” silver coins (of no numismatic quality) which sell in bags of $1,000 face value, at the price of the silver plus a slight premium over melt. Bars are less bulky, but be sure to purchase bars only from nationally recognized refiners that are acceptable on at least two commodity exchanges. As with gold, all the rules of purchase — and caveats about the market — apply, principal among them: Proceed with caution.

CHART 12 PCGS SILVER SPOT PRICE



Source: Professional Coin Grading Service © 2006. Used with permission.

CHART 13

Price Comparison

SILVER COINS VS. SILVER BULLION 1970-2005

Date	Silver Spot Price Price per Ounce	Common Date 1881-S MS65	Better Date 1921-S MS65	Rare Date 1883-S MS65
1/1/70	$1.63	$2.65	$3.65	$35.00
1/1/75	$4.08	$7.10	$10.50	$265.00
1/1/80	$46.75	$37.00	$58.00	$415.00
1/1/85	$6.20	$240.00	$875.00	$3,000.00
1/1/90	$5.20	$270.00	$3,650.00	$27,500.00
1/1/95	$4.85	$850.00	$12,500.00	$45,000.00
1/1/00	$5.30	$76.00	$1,475.00	$21,000.00
1/1/05	$6.40	$132.00	$900.00	$16,000.00
Total 35 years	**292%**	**4881%**	**24550%**	**45614%**
Avg per yr.	**83%**	**139%**	**701%**	**1303%**

Source: Yeoman, Kitco

Now that you have become familiar with the “Why?,” the next question is, “How?” Though we never recommend that the novice rare coin investor get involved in the market without the assistance of a numismatist, there are some basic rules of investment that will help you on your way. These simple guidelines are outlined in Chapter Four; and, whether you are investing $1,000 or $100,000, they will form the bedrock of all your movements and decisions.