



UNITED STATES MINT

Implementation of the United States Mint Public Enterprise Fund, P.L. 104-52 Through June 30, 2000

<i>INTRODUCTION</i>	1
<i>FINANCIAL PERFORMANCE</i>	2
<i>NEW DIRECTOR</i>	3
<i>THE GOLDEN DOLLAR</i>	4
<i>LEGAL ISSUES</i>	4
<i>AWARDS AND RECOGNITION</i>	6
<i>CONCLUSION</i>	6

INTRODUCTION

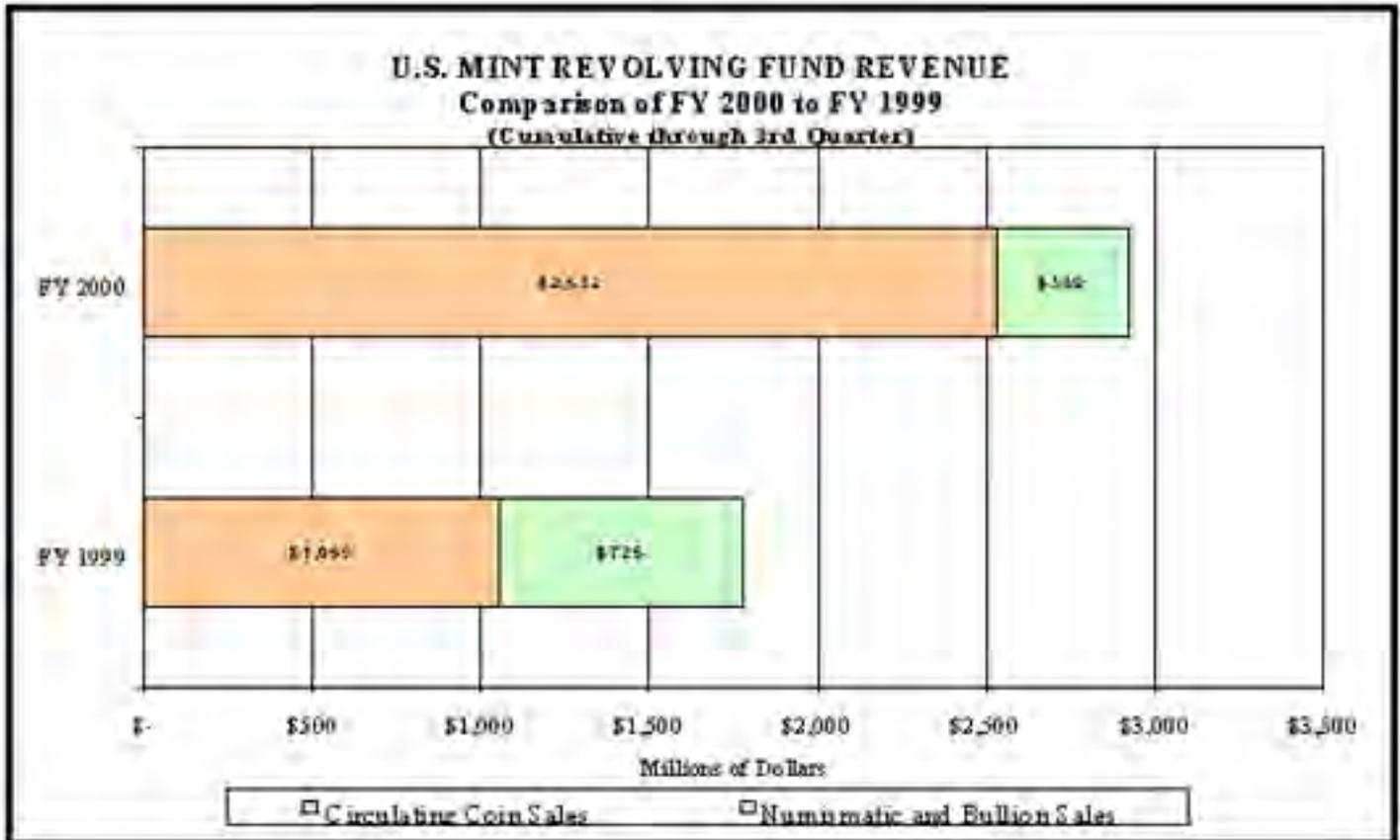
Public Law 104-52 created the United States Mint Public Enterprise Fund and requires the Mint to report quarterly on its implementation. This eighteenth quarterly report covers the third quarter of FY 2000.

Third quarter revenues escalated above the second quarter's elevated levels, fueled by continuing strong public demand for 50 State Quarters™ (Q50) and the Golden Dollar. We transferred the helm to a new director, Jay W. Johnson. We continued to promote using Golden Dollars in everyday commerce, creatively targeting the public and businesses. We sought remedy in the courts to recover Government assets and preserve control over our product designs. And once again, we earned national recognition for our employees and achievements.

FINANCIAL PERFORMANCE

The Mint's three lines of business are: producing circulating coinage; manufacturing and marketing numismatic and bullion coins; and safeguarding bullion reserves at Ft. Knox and elsewhere. The revolving fund is financed by the sale of circulating coins to the Federal Reserve Board (FRB) and the sale of numismatic and bullion coins and products worldwide.

Consolidated third quarter FY 2000 revenues of \$1,328 million exceeded the third quarter of 1999 by nearly 90 percent. Consolidated net income for the quarter was \$953 million.



Revenues from Circulating Coinage

Strong demand for circulating coinage continues as the public searches out and collects 50 State Quarters -- the South Carolina quarter debuted on May 22 -- and Golden Dollars. As we continue to produce and ship coins to meet demand, revenues have continued to soar. Public interest and support propelled circulating revenue in the third quarter FY 2000 to \$1,198 million compared to second quarter revenue of \$819 million. Third quarter revenue for FY 2000 is 152 percent higher than revenue in the third quarter FY 1999.

While shipments to the Federal Reserve increased for all denominations, most of the increase in revenue is attributable to the Golden Dollar, which debuted in January of this year. Third quarter revenue of Golden Dollars was \$562 million, \$282 million higher than the second quarter when the coin debuted. A robust economy indicates that demand for circulating coins will continue

3rd Quarter FY 2000 PEF Report

this fiscal year and total shipments to the FRB in FY 2000 are projected to be more than 27 billion, which far surpasses the previous all-time record of 20.4 billion coins reached just last year in FY 1999. We continue to work closely with the Federal Reserve to meet the unprecedented demand for circulating coinage from commerce and the public. This fiscal year we project that we will be minting record amounts for all denominations of circulating coin.

Revenues from Numismatic and Bullion Products

Third quarter revenues from the sale of bullion and numismatic coins were \$130 million, a nearly 23 percent increase over second quarter FY 2000, but a 44 percent decrease from the strong third quarter FY 1999. The primary reason for the drop from the same period last year was the decline in American Eagle gold bullion coin sales which had been fueled by Y2K concerns in 1999. Third quarter FY 2000 revenues from bullion amounted to only \$23.1 million. This level was also a drop from second quarter FY 2000, as platinum, gold and silver bullion coin revenues declined 68 percent overall compared to second quarter FY 2000 after collector demand for 2000-dated coins was satisfied, and markets became saturated, particularly for gold bullion coins.

In contrast to bullion, revenue from numismatic products saw strong increases this quarter to \$106.9 million, nearly \$72 million above second quarter FY 2000. Library of Congress commemorative coin sets, 2000 American Eagle gold and silver proof sets, the 2000-dated 10-coin proof sets and state quarter products were among the key offerings introduced this quarter. These offerings were met with enthusiastic collector interest. And, in response to our customers' requests, we changed our coin bag sales procedures for the Maryland and South Carolina state quarters, from a unit limit to a time limit, and experienced increased sales and customer satisfaction. Third quarter FY 2000 Q50 revenues increased \$32 million from third quarter FY 1999, led by the FY 2000 ten-coin proof set and the quarter bag sales.

NEW DIRECTOR

On May 25, 2000, Jay W. Johnson was sworn in by Secretary of the Treasury Lawrence W. Summers as the 36th Director of the Mint. Prior to coming to the Mint, Mr. Johnson served as the Deputy Executive Director for Special Programs at the U.S. Savings Bonds Marketing Office, Department of the Treasury, and from 1998 - 1999, was Deputy Assistant Secretary for Congressional Affairs at the U.S. Department of Agriculture. From 1996 - 1998, he served in the 105th Congress, representing the 8th Congressional District in Northeast Wisconsin. Previous to his governmental service, Mr. Johnson, a northern Michigan native, worked for thirty years in media and communications as an award-winning television news anchor. Civic and community affairs have also commanded his attention, including the United Way, Big Brothers-Big Sisters, and Easter Seals. Mr. Johnson's diverse background in media, government and interpersonal relations will enable the Mint to continue its drive to exemplify all the best-in-business practices while operating as a highly profitable public sector enterprise.

THE GOLDEN DOLLAR



The Golden Dollar is continuing to meet acceptance in the marketplace, with consumers and businesses alike clamoring to spend and dispense the new coin. By June 30th we had distributed over 800 million Golden Dollars through all of our distribution channels. We expect to produce our billionth Golden Dollar by the end of summer. In seven months the Golden Dollar program will have exceeded the 920 million coins shipped during the 21-year Susan B. Anthony Dollar program, introduced in 1979. There continue to be ample supplies of Golden Dollars in Federal Reserve Bank (FRB) inventory available for orders by financial institutions.

During the third quarter, we focused our efforts on ensuring the success of transit-based promotional events in four markets: Chicago; Philadelphia; San Diego; and New York. We partnered with the transit authority and a local radio station in each market to distribute coins to commuters so they could complete their farecard purchases. To prepare for the events, we worked closely with the Chicago Transit Authority, the Southeastern Pennsylvania Transit Authority, the San Diego Transit Authority and the Metropolitan Transit Authority (New York) to promote farecard machine conversion, ensure supplies of Golden Dollars, and provide graphic support for the events. As a result, each transit authority was capable of accepting and dispensing the Golden Dollar. All four events received significant newspaper, radio and television coverage. These events put Golden Dollars directly into the hands of consumers in a setting where they could be immediately used in commerce. Eighteen of the nation's twenty largest transit authorities, including New York and Chicago, are using the Golden Dollar.

We continued our outreach to coin-based industry, participating in trade shows and speaking engagements. Conventions hosted by the retail, transit, vending and carwash industries all featured a Golden Dollar presence. Direct outreach to these and other industries has significantly heightened the acceptance of the Golden Dollar. Notably, the coin has been favorably featured in dozens of trade publications at no cost to the Mint.

Additionally, we are dedicated to seeking additional partnerships in the retail, fast food, grocery, banking and vending sectors that use and distribute the dollar coin. We are continuing to plan activities in other regional markets as well, which will provide high visibility of the Golden Dollar, increase demand, speed the distribution system, and reinforce its commercial utility.

LEGAL ISSUES

Recovery of Mint Silver

Handy and Harman Refining Group (HHRG) declared Chapter 11 bankruptcy on March 28, 2000, while performing a silver refining contract with the Mint. While we were able to retrieve a substantial portion of our silver before the bankruptcy, 2.66 million ounces of contaminated silver was in the process of being refined by the company at the time of the bankruptcy. Since

3rd Quarter FY 2000 PEF Report

the bankruptcy filing, we have aggressively sought to remedy this situation and have been providing extensive assistance to the U.S. Attorney's Office in Connecticut in asserting the Government's claim to the remaining Mint silver in the possession of HHRG. We are pursuing every possible legal remedy through the Department of Justice.

Copyright and Trademark Protection

We are determined to preserve the artistic integrity and commercial rewards of our product designs. The success of our products is jeopardized when competitors can pirate our designs and brand equity.

Under existing law, the work of government employees generally does not qualify for copyright protection, so private companies are free to copy Mint coin and medal designs as they see fit. As a result, the replicas these companies create confuse consumers into thinking they are Mint products or somehow authorized or endorsed by the United States Government. Existing Lanham Act and counterfeiting provisions do not adequately address these practices.

Even where copyright protection does exist, private mints blatantly copy our coin designs, refusing to believe that we deserve copyright protection, under any circumstances. The need for heightened copyright protection for Mint coin designs is best illustrated by recent litigation initiated by the Department of Justice, on our behalf, against the Washington Mint, LLC, a private mint.

On August 3, 1999, just a few months after the winning obverse design for the Golden Dollar was announced, the Washington Mint began marketing its replica of the new dollar coin. Despite actual notice that private sculptor Glenna Goodacre had assigned her copyright interests in her obverse design to the Mint, the Washington Mint flooded the market with over 1600 advertisements in national newspapers and achieved sales exceeding \$7,000,000 of its copyright infringing design. We are currently awaiting a U.S. District Court preliminary injunction against the Washington Mint. Even if successful in this effort, the Government will have significant administrative costs in monitoring the return and refund of over 70,000 sales of the infringing product. With heightened copyright protection we expect this type of case would be unnecessary in the future.

A related area causing public confusion is the colorizing or gold plating of authentic United States Mint coins by private companies -- including the Washington Mint -- who often fail to identify the source of the colorization or enhancement process. That omission, along with misleading advertisements, permits private mints to "pass off" the altered coins as United States Mint merchandise. Thus, consumers routinely believe that the embellished products are originating from the United States Mint. Over 90% of calls during the past year to our Customer Care Center expressing consumer confusion stem from the marketing and sales of embellished United States Mint products. We remain hopeful that any new legislation would address this concern as well.

Because of such copyright and trademark infringement, we have made repeated formal requests asking Congress to remedy this problem legislatively. The Citizens Commemorative Coin Advisory Committee (CCCAC) has joined us in requesting congressional action. Clearly, the

3rd Quarter FY 2000 PEF Report

need to extend enhanced copyright and trademark protections to Mint coin designs is an issue of growing urgency.

AWARDS AND RECOGNITION

Hammer Award for Coinage Metal Purchasing Improvements

On June 14, 2000, the Office of Procurement received the Mint's eleventh Hammer Award -- for reinventing the way we procure copper, nickel and zinc. In the past, we purchased these metals without consideration to market prices, but now we have adopted industry practices for buying metals and are employing sophisticated techniques to manage risk. By monitoring market prices daily and establishing annual contracts with fixed price premiums, we minimize our exposure to supply shortages and price increases. As a result, we expect to post \$4.8 million in savings and cost avoidance in FY 2000.

Management Recognition

This quarter, Mint Assistant Director for Procurement Coleen Vogel earned the prestigious Arthur S. Flemming Award for 1999 for her outstanding leadership in the procurement community. The award honors exemplary Federal employees who have made significant contributions to the Federal Government. Past award winners include U.S. Senator Daniel Patrick Moynihan and American Red Cross Director Elizabeth Hanford Dole. Also, Ms. Vogel was named by *Federal Computer Week* as a winner of this year's Federal 100 Award, given to top executives from government, industry and academia found to have had the greatest impact on the Government information technology (IT) systems community. Ms. Vogel led Procurement efforts to establish long-term agreements allowing end-users to order IT and office supplies through Web site catalogues at discounted prices and enabling the Mint to leverage buying power.

CONCLUSION

In the third quarter of FY 2000, we amplified revenues as the public continued to clamor for 50 State Quarters™ and Golden Dollars. We transferred leadership to a new director. We sought remedy in the courts to recover Government assets and preserve control over our product designs. And yet again, we added to our long string of awards and recognition. FY 2000 is looking like another record year.