

GOLDEN ART



Golden Art

King of Hobbies, Hobby of Kings

This title has been used to describe rare coin collecting (numismatics) for decades. To understand this regal title, we must contemplate the origin of numismatics. While there are millions of coin collectors in the United States, numismatics did not begin there. Long before the United States was ever conceived of, coin collectors sought out the finest rarities for their collections.

These early numismatists were in fact nobles and the most elite among them were Kings. While it is possible to trace numismatics back in time to ancient Rome, numismatics truly began in the world's greatest empire, Great Britain. At a time when a single large gold coin would be equivalent to a man's wages for a year, wealthy nobles pursued their passion for collecting by assembling sets of the finest gold coins. Great art was born in the Renaissance, yet much of it deteriorated with time because it was created with paint and canvas. At the same time, great art was also being hand crafted into precious gold that would last forever.



The magnificent art works created on canvas were in some ways inferior to art engraved in precious metals, for the political importance of coins was greater than any other work of art. The Kings and Queens who ruled Great Britain and controlled its coinage created a rich artistic and historical heritage through great gold coins. These rulers had several objectives with the creation of gold coinage beyond the mere functional job of facilitating commerce. These included Image; International Politics; Religion; and Legacy.

Image

The rule of the Sovereigns of the British Empire was quite different from the democratic governments of today. Everything was about the will, desire, and personal tastes of the King or Queen. These Sovereigns considered the portrayals of their personal likenesses to be the epitome of power, prestige and honor. To place any other object of art on an equal plane would have been tantamount to heresy to these rulers. Therefore, the ultimate object would not be merely a painting of the Sovereign, but a



sculpture of the Sovereign's image engraved on the most precious metal known, gold. Such great importance was given to the careful sculpting of the King's image that an unsatisfactory portrayal could lead to the engraver's death!

The minting of a gold coin bearing the image of a recently crowned King or Queen was not merely coinage for the masses. It was also an expression of reverence for the new Monarch; an honor of the highest order for the artist; and the creation of the newest masterpiece of Golden Art.

International Politics

Long before the invention of media, newspapers or even the printing press, coins became the very first advertising medium. England used political messages and images on its gold coinage to pursue its grand world-conquering agenda. Important victories in battle were commemorated by incorporating various images or words associated with the battle in the design of a coin. For instance, history attributes the great importance of London as the world's economic center in the 17th century to Great Britain's domination and conquest of Africa, and to the gold taken from there. King Charles II established formal control over large parts of Africa with the formation of the Royal African Company. Gold mined in Africa was brought to Great Britain and made into coins

bearing the Company's logo - an elephant with a British crown sitting upon it. This logo was placed beneath the huge bust of King Charles II to signal to the world that Great Britain was the world's greatest power.



Religion

Starting in the early 1300's King Edward III created the world's first gold coins with Bible verses incorporated into the design. The desire to spread the Christian religion was one of Great Britain's major goals. This practice continued for many centuries. In fact, 794 different types of British coins bear Bible verses or fragments of verses. Other nations used the Bible on their coins, but none so extensively as Great Britain.

Legacy and Value

Today with major works of art regularly bringing \$100 million to \$250 million and some United States rare coins valued at up to \$20 million each, it is time to reflect upon the truly remarkable works of art which knowledgeable numismatists have appreciated for centuries. Rare gold coins of the British Empire provide the ultimate collecting and investing experience. The coinage of the British Empire portrays the history of the rise and breakup of the world's greatest empire. These coins are magnificent in their art, style, range of sizes, and historical account.

Great Britain holds first place as the world's longest series of coins. Coins have been minted on its soil for 2,150 years - nearly 10 times the length of time the US has produced coins. As a result of this, Great Britain's coins have also held first place as the world's most valuable throughout all of numismatic history, until recent times. Sophisticated marketing in the US has changed the marketplace, but it has also created a spectacular opportunity to buy European coins at bargain prices.

A magnificent handmade coin portraying the image of Henry VIII seated on his throne compares favorably to other great works of art

from that period, but at a fraction of the cost (even though only ten or twenty of these may still exist). When United States numismatists compare rare coins to great paintings, they often point to the great disparity in value between the mediums as a reason to consider purchasing rare coins. As valid as this comparison is, an even greater gap exists between Great Britain rare coins and paintings.

The huge disparity in value between Great Britain rare coins and United States rare coins exists as a result of the differing rates of modernization and sophistication of the numismatic markets of the two continents. We will delve deeper into direct comparisons later, but consider this now: A 1999



United States copper penny, a coin so common and worthless that most of us would not bother to pick it up off the street, sold for \$138,000 at auction. This is despite the fact that over 5 billion of them were minted.

This particular penny is a rare error, but nevertheless it is only a penny. For a much smaller amount one could own a 500 year old, very rare Henry VIII gold coin in high grade condition.

The history of this great gap in pricing is almost as interesting as the history of the coins themselves. Great Britain's rare coins were the most valuable in the world throughout history until the early 1960's. This was when a major modernization of the United States rare coin market began. Now fifty years later the European rare coin market is just beginning this dramatic process. The modernization of the US rare coin market created a massive bull market, the likes of which are unparalleled in the financial world. Europe is next.



GREAT BRITAIN / UNITED STATES COMPARISONS

On these two pages are a few examples of the huge disparity in value between British and US rare coins. The coins selected are of the same size, metal, and importance. In all cases the British coins are rarer than the United States coins, yet their current prices are dramatically lower; 90% lower on average. *(Source: PCGS Price Guide.)*



1844 English Sovereign
Grade: MS-66
Rarity: 20 known
Cost: \$9,800

1844 US Liberty \$5
Grade: MS-66
Rarity: 25 known
Cost: \$100,000



1828 English Sovereign
Grade: MS-63
Rarity: 7 known
Cost: \$75,000

1829 US Capped Bust \$5
Grade: MS-63
Rarity: 9 known
Cost: \$675,000



1726 English 2 Guineas
Grade: MS-64
Rarity: 75 known
Cost: \$55,000

1795 US Bust \$10
Grade: MS-64
Rarity: 100 known
Cost: \$600,000



GREAT BRITAIN / UNITED STATES COMPARISONS



1837 English Gold Crown
Grade: MS-66
Rarity: 4 known
Cost: \$220,000



1927-D US St. Gaudens \$20
Grade: MS-66
Rarity: 17 known
Cost: \$2,200,000



1663 English Simon Petition Crown
Grade: MS-63
Rarity: 13 known
Cost: \$660,000



1804 US Silver Dollar
Grade: Proof-63
Rarity: 15 known
Cost: \$4,500,000



1656 English 50 Shilling
Grade: Proof-64
Rarity: 4 known
Cost: \$475,000



1804 US Draped Bust \$10
Grade: Proof-64
Rarity: 4 known
Cost: \$4,750,000



The History of the Modernization of the Rare Coin Market

Prior to 1962, all coin markets in the world used a simple four point grading system and an annual price catalogue to determine value. The US began modernizing its market in 1962 in a dramatic series of steps that the rest of the world has yet to follow. This history of the modernization of the US coin market is outlined below.

1962 - Teletype

The teletype machine linked rare coin dealers around the United States with the very first real time, nationwide pricing and communication system. Dealers were able to type out messages offering to buy or sell specific coins and have them instantly seen by other dealers across the United States.

1963 - Coin Dealer Newsletter

Some method of analyzing the thousands of teletype messages was needed to bring order to the market. This began with the weekly publication of the Coin Dealer Newsletter (CDN) in 1963. Published every week since that date, the CDN compiles and lists the current Bid and Ask prices at which dealers are willing to buy and sell for all US rare coins. The CDN is used by everyone in the business, including dealers, collectors and investors.

The importance of the CDN to the modernization of the United States coin market cannot be overstated. Without meaningful, readily available, and continually updated pricing data, the immense bull market in US rare coins would never have occurred.

1980's - Rare Coin Mega Shows

In the 1980's US rare coin shows started growing to mega proportions with up to 1,000 dealer tables and 20,000 attendees. The unique nature, size and short duration of these coin shows meant that tremendous levels of business were now possible face to face. Today as many as ten of these mega shows are held each year in the US in addition to innumerable smaller shows.

1986 - Professional Coin Grading

Despite the revolution in rapidly updated pricing information, more technological advances were still needed to bring true financial acceptance of rare coins into the mainstream financial world. Prior to 1986, all rare coins minted from all countries were bought and sold in person, because the buyers and sellers had to agree that the coins were genuine. They then had to agree on the grade of the coin in order to determine its value. Since counterfeits are a problem with all antiquities, and grading requires considerable knowledge, the buying and selling of rare coins was limited by necessity to the most experienced numismatists. An independent third party that could guarantee authenticity and grade was an absolute necessity if the US rare coin market was going to attract serious levels of investment from investors.



To solve this problem thirty-three of the world's foremost rare coin dealer-graders (one of whom is now Golden Art LLC's Chief Numismatist) met over a period of many months in 1986 to form a dealer network and create modern grading standards for all US rare coins. This major historical event allowed for the creation of the Professional Coin grading Service (PCGS), the first independent third party certification service. Today, PCGS is a publicly traded company that has certified more than \$26 Billion worth of rare coins, ushering in the greatest bull market in any field of antiquities the world has ever witnessed.

70 Point Grading

PCGS employs teams of three graders who individually blind grade each coin, without the others knowing their grade. Afterwards a finalizer reviews the grades and certifies each coin. The genuine coins are then sealed in a tamper proof holder. The holder contains all of the information needed to attribute and price the coin. PCGS grades coins on a point system of 1 to 70. One is the lowest grade. A grade of 70 is perfect, certifying that the coin left the mint with no defects of any kind.

1987 - Numismatic Guaranty Corp

Following in the footsteps of PCGS, the Numismatic Guaranty Corporation (NGC) was created by six experts, one of whom is now Golden Art's Chief Numismatist. While other grading companies exist, today PCGS and NGC dominate the business of grading coins. NGC has grown to become the World's largest third party certification service. Like PCGS, NGC guarantees both the authenticity and the grade of the coins they certify.



1987 - Electronic Trading

The next phase of the modernization of the market was the creation of the first electronic trading system for certified coins, the American Numismatic Exchange (ANE). For the first time it was possible to buy and sell United States rare coins sight-unseen, electronically, in a live real-time marketplace. This major advance in technology made United States rare coins the first, and still to this day, the only antiquity that is also a commodity. Today millions of dollars of rare coins are bought and sold daily on the electronic trading system, similar to the NASDAQ. Golden Art LLC's Chief Numismatist was one of the founders of the ANE.

The dual innovations of third party certification and grading, and the electronic trading of rare coins, have revolutionized the field of rare coins. It has been transformed from a sleepy hobby with a few thousand enthusiasts into a huge international business where billions of dollars change hands each year.



1988 - Population Report

Among all fields of antiquities, only rare coins have meaningful data available regarding rarity. Prior to the creation of PCGS and NGC, only experienced numismatists truly understood which coins were rare and which were not. This exclusive knowledge could not be appreciated by the broader marketplace until modern technology allowed the creation of the Population Report. The Population Report (sometimes referred to as the Census Report) listed data on every certified coin in every grade, quantifying rarity for all to see. This sudden surge in information allowed the mainstream financial world to truly understand rarity. As a result, the marketplace could now properly value rarity. This series of ground-breaking innovations created a huge bull market for rare coins that remains unparalleled in the world of antiquities.



The “Best of the Best”

The modernization of the US coin market led to spectacular across-the-board increases in value for all rare coins in the hundreds of percent. However, a certain class of rare coins outperformed even this amazing performance, rising more than 10,000% in value. The reason this class of rare coins is so desirable and valuable is that they are the “Best of the Best.” These are coins that are both extremely rare and in exceptional condition.

In the pre-modernized US rare coin market, exceptional or “gem quality” uncirculated condition (Mint State/MS-64 and higher) rare coins were worth only a modest amount more than the same type of rare coins in the lowest grade of uncirculated condition (MS-60). For instance, any common year \$5 Indian head gold piece in 1970 was worth \$40 in MS-60 condition and \$50 in MS-65 condition. Today the MS-60 coin has appreciated in value to \$565. However, the extra \$10 you spent for the higher grade MS-65 coin in 1970 was well worth the expense, since it is worth \$20,000 today!

Condition Rarity

What happened to cause this huge price disparity? Both coins are in brand new, uncirculated condition. The difference is that large numbers of coins are known to exist in the lowest grade of uncirculated (MS-60) and very, very few are known to exist in gem quality uncirculated (MS-65) condition. In 1970, few collectors and dealers realized how rare this coin was in MS-65 condition. The Population Report revealed just how rare the \$5 Indian gold coin was in exceptional condition. This coin is known as a “Condition Rarity.” In other words, it is a coin that is rare due to its gem condition.

The phenomenon of Condition Rarity coins that are worth enormous premiums above average quality only occurs in the North American markets. In the rest of the world the markets are just starting to mature, and Condition Rarity coins can still be purchased at bargain prices. The best investment opportunities in the world are the Empire Nations of Great Britain, France and

Spain. There are huge numbers of collectors for these coins, because they were minted and collected all over the world. These countries are just starting to see their markets modernized. As a result they will see their “Best of the Best” rise in value tremendous amounts just as the US already has. A secure floor in value exists because these markets have not yet greatly accelerated in price, therefore allowing for little or no downside risk.

\$1 million invested in US Condition Rarity coins in 1970 would be worth \$1 billion today. Our plan is to purchase at least \$50 million in Condition Rarity Empire Nation coins. Our goal is to help build and modernize the coin systems in Europe and grow this collection to \$1 billion or more. The demand for rare coins is extremely intense in Europe. European rare coin values have been rising steadily for decades, although at a slower rate than US rare coins.

Europeans have a much greater appreciation for gold than anyone else in the world because their currencies have been debased so many times in the past. The German and French Hyper-Inflations are good examples of why Europeans don't trust paper money. This opportunity is time sensitive as PCGS and NGC are now building a presence in Europe with the goal of full modernization of these markets.



What Makes a Rare Coin Valuable?

Four criteria determine the value of a rare coin regardless of the country that minted it. The Golden Art strategy is to buy rare coins that are the best in all four categories:

1. Rarity
2. Familiarity or popularity
3. Metallic content
4. Physical condition (grade)

1. Rarity

A. Date Rarity

Coins are considered rare for one of two reasons: date rarity and condition rarity. The most valuable rare coins in the world are those where few examples are known to exist of that particular type and date. For instance, only five US 1913 Liberty head nickels are known to exist. This coin has sold for more than \$5 million.



B. Condition Rarity

As mentioned earlier, coins are also considered rare if they are in exceptional condition. This is true only if very few exist in gem condition - even though there may be many examples known to exist in low grade. A good example is the 1884-S Silver Dollar. It is worth \$65 in a grade of EF-40, which is a circulated coin with some wear. (EF means Extremely Fine.) However, the same coin in MS-67 Uncirculated condition is worth an astounding \$500,000. This enormous difference in value for the exact same coin is a result of the fact that thousands of average quality (EF-40) 1884-S Silver Dollars are known to exist, versus just one that is known to exist in near perfect (MS-67) condition.

2. Familiarity / Popularity

The Mona Lisa is probably the most valuable painting in the world, mainly because nearly everyone has heard of it. The painting is both famous and popular. The same can be said of valuable rare coins. Yet a rare coin from a third world nation that few care about is of little value.

Even with the coins of important countries, popularity is still vital. For instance, the US 1873 three cent piece made in silver is a rare coin of which only 600 pieces were made. Yet it is worth only \$4,250 in gem quality MS-66 condition.

By contrast, 1.2 million US 1914-D Lincoln cents were made. But a gem quality MS-66 example is worth \$125,000. Why is there such a major difference in value between these two coins? Quite simply, Lincoln cents are extremely popular amongst collectors. By contrast very few people collect 3 cent silver pieces, and many don't even know such coins exist.

3. Metallic Content

The most desirable metal in which coins have been minted is gold. It should therefore come as no surprise that the most valuable rare coin in the world is made of gold.

While copper, nickel, and silver coins can be worth more than \$1 million each, the best candidates for great price appreciation are usually gold coins.



4. Condition

Coins are graded on a 70 point scale, with 70 being the best. Very small differences in grade can make a huge difference in the value of a coin. For instance, there are many rare coins worth over \$100,000 in superb condition, yet they are worth very little in poor condition. Condition is extremely important, and in the past had also been the most challenging of the four criteria to accurately assess. Since the creation of PCGS and NGC (the major coin grading and certification services), this problem has been solved.

The Billion Dollar Strategy

Our Chief Numismatist, one of the world's foremost numismatic experts, was instrumental in the critical developments of modernizing the US rare coin market. Additionally, Golden Art has joined forces with key European dealers to modernize the European rare coin market. However, prior to helping build the systems to authenticate, grade, quantify rarity, properly value, and electronically trade European rare coins, this group is in the process of assembling a \$50 million dollar collection of coins. The focus of this effort is on acquiring the most important European rarities, particularly British, French and Spanish Empire gold rarities at current low price levels.

Golden Art will use the experience and expertise gained in growing the US markets to assist in Europe's modernization. This will maximize the increase in European rare gold and silver coin prices. Due to the fact that these rare coins are currently being priced based on decades-old technology, our group believes that the collection could appreciate in value to \$1 Billion or more once the European rare coin market is fully modernized. The time window is small, because the European rare coin market is already in the early stages of modernization.

Investment Grade Gold: Create Wealth

Today many people understand that gold is the best defense against the massive over-spending and huge debt accumulation of most world governments. They point to the fact that gold bullion has increased in price more than 500% in the past decade. What they do not understand is that historically gold bullion has only gone up as much as the currency has gone down due to inflation. Put another way, as a nation's currency loses value, it takes more dollars, euros or francs to purchase the same amount of gold. As a result, for the last three thousand years an ounce of gold has bought approximately the same amount of food, clothing, labor, materials and shelter.

Gold bullion is a good insurance policy against the poor monetary policy that causes our savings

and retirement plans to buy less and less with each passing year. The most important strength of bullion is the fact that its value doesn't change. But that is also its main weakness, and is the reason it will only preserve wealth and not create wealth. We want our investments to go up in value, not just in price.

So what is the answer? It is Investment Grade Gold (IGG), the type of coins that we have been describing (the great majority of which are certified by PCGS or NGC). These coins go up in price as bullion does, because their precious metal content is one of their values. But they have another type of value that bullion does not have, the value of their rarity. This is the reason why IGG has consistently increased in value more than bullion and other asset classes, making it far more profitable as an investment.

It is also safer than bullion and other types of assets because IGG has not lost value even in those unusual years when bullion goes down. IGG is an asset class that has increased in value in all types of financial emergencies, including the Great Depression, the two World Wars, and the many Hyper-Inflations experienced by major nations over the last 100 years. The smartest investors in the world have discovered Investment Grade Gold.



Conclusion: The Time Machine

We invite you to cross the Atlantic and step into the time machine. You will find that European coin grading and marketing systems have not yet been modernized like those of the United States. For instance, Europe still uses the old Four Point grading system that the US abandoned more than 40 years ago in favor of the 70 Point Scale. Europe's only price guide is only published annually, and is actually out dated by the time it is printed. By contrast, the US has had an accurate weekly price guide for the past 50 years. And there is no electronic trading system in Europe, such as is used in the US.

As a result of these differences the best European rare coins are worth only 10% of the value of similar US rare coins. This is not due to any lack of appreciation by collectors, nor to any perception that the coins are inferior to US rare coins. As a matter of fact, British rare coins were the world's most valuable until the US modernized its rare coin market. There is only one reason for this enormous disparity: European rare coins have simply never been exposed to the technological and marketing breakthroughs that revolutionized the US rare coin markets.

When the inevitable modernization comes to European rare coins the prices will likely rise rapidly. Today, excellent opportunities exist to acquire magnificent works of "Golden Art" at very reasonable prices. Both NGC and PCGS have recently opened European offices. Furthermore, PCGS has begun operations in Europe to begin the very first step towards the modernization of the market. *The day is fast approaching when we will look back at today's prices as tremendous bargains, of which we should have taken advantage.*

1887 Great Britain Gold Proof Set



1902 Great Britain Gold Set



1826 Great Britain Gold Proof Set





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