



UNITED STATES MINT

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

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INTRODUCTION

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

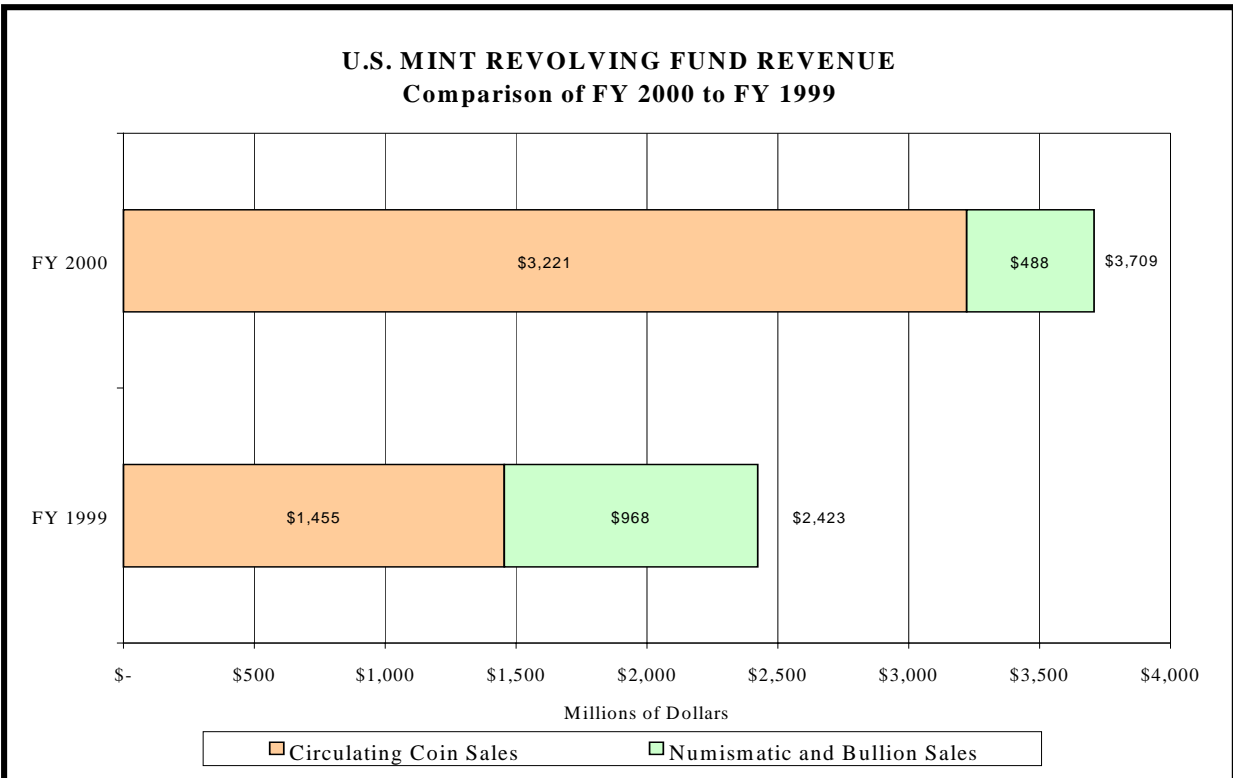
Fourth quarter revenues rounded out our best fiscal year yet as revenues soared 54 percent above FY 1999 record levels to \$3.7 billion and deposits to the Treasury General Fund rocketed 124 percent over FY 1999's record to \$2.281 billion, fueled by the ever popular 50 State Quarters™ Program (Q50) and the Golden Dollar Program. Our biggest deposit since we began operating under the revolving fund reduced the debt issued by the Government and provided an outstanding return to the American public. We're improving our enterprise resource planning system through upgrades and expanding capabilities. We launched an education initiative using

the history represented in the design on the reverse of each state quarter in the 50 State Quarters™ Program to teach mathematics, geography, history and social studies to schoolchildren. We partnered with Hallmark and National Geographic to further promote Q50. We had successful ventures with the banking and entertainment sectors in promoting use of Golden Dollars in everyday transactions. We implemented a more effective way to deliver circulating coin to the Federal Reserve Banks (FRB). We obtained favorable results in our efforts to preserve control over our product designs. And yet 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 Fort Knox and elsewhere. The revolving fund is financed by the sale of circulating coins to the FRB and the sale of numismatic and bullion coins and products worldwide.

Consolidated fourth quarter FY 2000 revenues of \$788 million exceeded the fourth quarter of FY 1999 by 24 percent. Consolidated net income for the quarter was \$541 million, bringing net income for the year to \$2,595 million.



NOTE: FY 1999 Numismatic and Bullion Sales were adjusted upward \$7 million from what was previously reported to include surcharges collected.

Treasury General Fund Deposits

During FY 2000, we transferred to the Treasury General Fund \$2.281 billion in profits in excess of our operating requirements. This was 124 percent more than FY 1999's deposit and our largest deposit ever since we began operating under the revolving fund in FY 1996. And as a result of this deposit, the Government was able to reduce the debt it issued.

Revenues from Circulating Coinage

Demand for circulating coinage continued strong during the quarter, particularly as the public continued its quest to find and collect coins in our 50 State Quarters™ Program -- the New Hampshire quarter dollar, ninth in the series, debuted on August 7. Interest in the 50 State Quarters™ Program remained strong. Demand for the Golden Dollars settled in at an expected level as we continued to keep the distribution pipeline full. Revenues have continued at elevated levels from 1999. Circulating revenues in the fourth quarter FY 2000 were \$689 million. Fourth quarter revenue for FY 2000 was more than 70 percent higher than revenue in the fourth quarter FY 1999. During the fourth quarter we continued to meet all agreed upon FRB shipment orders while increasing their inventories.

As of September 30, 2000, 979 million Golden Dollars had been shipped, the bulk (86 percent) in the second and third quarters. In less than one year the Golden Dollar will have exceeded the entire 21-year total demand of the Susan B. Anthony dollar coin, which had been the largest dollar coin program in U.S. history. For quarter dollars, nearly 6.2 billion were shipped in FY 2000, a 77 percent increase over FY 1999 (just under 3.5 billion -- the 50 State Quarters™ Program was introduced in the 2nd quarter), and nearly 265 percent of FY 1998 (1.7 billion). Total shipments to the FRB in FY 2000 were 27 billion, which far surpasses the previous all-time record of 20.4 billion coins reached just last year in FY 1999.

Revenues from Numismatic and Bullion Products

Fourth quarter revenues from the sale of bullion and numismatic coins were \$99 million. This is down from the \$130 million revenue reported in the third quarter FY 2000. Both bullion and numismatic products showed decreases in sales over the previous quarter. Bullion revenue decreased \$8.5 million as a result of lower silver bullion coin sales as the market became saturated. Revenues from numismatic products decreased \$23 million from the third quarter as sales of 2000 gold and silver proof and 2000 proof sets tapered off during the fourth quarter. Fourth quarter new offerings included the 2000 uncirculated set and 2000 Holiday Catalog (which included the 2000 proof platinum coins and 2000 silver proof set), although the impact on quarterly revenue was limited.

For the fiscal year, total revenue for bullion and numismatic coins was \$488 million compared to \$968 in FY 1999. Bullion sales in FY 1999 were a record \$806.9 million compared to \$182.3 million in FY 2000. Sale of gold bullion plummeted in FY 2000 due to a glut of bullion coins in the market, which were a result of the all time record demand for bullion in 1998/1999 to address Y2K concerns which did not materialize. On the other hand, revenue of numismatic coin products was \$305.7 million in FY 2000 compared to \$161.1 million in FY 1999, almost

90 percent greater. Sale of 50 State Quarters™ Program products energized numismatic coin revenue in FY 2000.

COINS II

Building upon the improvements achieved with the implementation of the **COnsolidated INformation Systems Project (COINS), we moved into the second stage of our long-term business systems improvement plan. In February 2000, we kicked off the COINS II project, a series of interconnected projects designed to upgrade and improve the functionality provided by the systems that were put in place during the initial COINS project.**

The COINS II upgrade effort applies to our core Enterprise Resource Planning (ERP) System, our computerized plant maintenance system, and our mail order cataloging system. The new implementations covered in COINS II include the installation of four new human resources modules to the ERP system and the installation of an automated data collection system for the capture of shop floor production data.

The upgrade portion of COINS II and the automated data collection implementation are scheduled for completion in early December 2000. At the end of the fourth quarter, we were involved in the systems testing phase of the project. Implementation of the HRMS portion of the project is slated to begin in July 2001 with a payroll system and complete in December 2001 with a personnel system. All COINS II projects are on schedule.

50 STATE QUARTERS™ PROGRAM

Q50 Education Initiative

Building on the very successful Mint H.I.P. Pocket Change™ Program initiated in FY 1999, the 50 State Quarters™ Program Education Initiative was launched in the fall of 2000 with three sets of lesson plans for grades K-1, 2-3, and 4-6. The Education Initiative was created to use the popularity of the 50 State Quarters™ Program to help teach children about mathematics, geography, social studies, history, and much more. Each year, lesson plans will be created for these grades based on the quarter dollars launched for that school year, highlighting the history portrayed on each quarter's reverse. The plans will be using the education standards set forth by the National Center for History in the Schools, the National Council for Geographic Education, the Center for Civic Education, and the National Council of Teachers of Mathematics.

This year's lesson plans were created by teachers for teachers and were reviewed by an educational specialist. We have received many letters from teachers thanking us for developing these plans. Over 100,000 lesson plans have been requested by educators from all across the nation! Educators are already asking to be placed on the mailing list to receive next year's lesson plans.

We have added a 50 State Quarters™ Program Education Initiative section on the Mint's Web site, which provides teachers with all the latest information on this program. This site continues

to gives teacher access to downloadable files of the lesson plans. These plans will be archived on this site for the life of the program, allowing teachers access to all of the lesson plans produced to date. Teachers can also request to be mailed hard copies of the lesson plans until the close date for that year's lesson plans. Future plans for the site include providing a comment area for feedback on the lesson plans, and an area for featuring teachers and their students who are participating in the program.

Hallmark Partnership

To further promote the 50 State Quarters™ Program, we have established a strategic partnership with Hallmark to develop products featuring the new state quarter dollars as part of the Hallmark American Spirit™ Collection. This collection currently includes approximately 75 different products which either contain the new state quarter dollars and/or promote the historical reference to each state and collecting these coins. Some of these products include ornaments (which debuted last year), and more recently state dolls, banks, collector's albums, collector coin cards, maps, coins & figurines, puzzles and kids collector items. Distribution has begun through many of the Hallmark Gold Crown stores for the 2000 dated products and will soon appear on their Web site www.hallmark.com. The 2001 products are in the development stages at this time.

Educational Awareness Program with National Geographic

We established a sponsorship with National Geographic World Magazine to celebrate *World Magazine's* 25th birthday with an educational awareness program. As part of this program, an essay competition was conducted at elementary schools throughout the country to answer the question "What's great about your state?" Twenty-five winners were selected and the custom-designed WORLDmobile will be touring the United States from October 2 to December 12, 2000, to stop at each of these schools to award the winner. Each winner receives \$1,000 and a bag of 100 new state quarter dollars from us. A special educational production is held at each winner's school and the fellow students also receive a Birthday Tour T-shirt and other educational and historical gifts are provided by the 50 State Quarters™ Program, the National Geographic Society and the Hallmark American Spirit™ Collection. Early in the first quarter FY 2001, we will have information about the tour on our Web site under the 50 State Quarters™ Program. National Geographic has a live site tracking the tour on the road (www.nationalgeographic.com), so everyone can follow the fun!

THE GOLDEN DOLLAR

By September 30th we had produced over one billion Golden Dollars and had distributed 979 million through all of our distribution channels. There continues to be an adequate supply of Golden Dollars in FRB inventory available for orders by all financial institutions.

During the fourth quarter we have continued to work on normalizing the overall distribution process to ensure that the Golden Dollar is getting out into the cash drawers and ultimately into the hands of consumers and businesses across the nation. On our business-to-business front, we went from a mass market awareness campaign to a targeted marketing approach, based on

maximizing our return on investment in those areas identified from data collected during our earlier market awareness campaign as having the greatest potential for utilization. As a result, we have also focused our resources and investment into the following eight sectors: banking, grocery, fast food, government, retail, transit, vending, and entertainment.

Within these sectors we have had some exciting successes during the fourth quarter. One of the most successful has been in the banking sector. Allfirst Bank, an eastern regional bank with 261 branches across Pennsylvania, Maryland, Virginia, and the District of Columbia, partnered with us in supporting the use of the Golden Dollar. Even though all financial institutions continue to have an opportunity to promote Golden Dollars, Allfirst recognized the importance of being the first financial institution to truly embrace the Golden Dollar. Allfirst began by carrying the Golden Dollar in all of its branches and by giving out Golden Dollars as change. It publicized the coin's availability with a highly successful print and radio campaign that is still running. The bank also gave out five Golden Dollars to customers opening a checking account and sponsored three Golden Dollar awareness events around the Greater Washington-Baltimore area. It reported a measurable lift in the number of accounts that were opened as a result of this campaign, exceeding their projections and setting records for their quarter performance. We continue to inform and educate all financial institutions across the country, to encourage them to conduct similar promotions.

There were also two successful ventures within the entertainment sector. One venture was national in scope, with SFX, which manages several venues across the United States, such as Nissan Pavilion and Merriweather Post Pavilion. The other was local, with the National Performing Arts Center at Wolf Trap. Both utilized the Golden Dollar in all transactions within the entertainment complex and concessions.

We are continuing to aggressively work all eight sectors to ensure that one or two major participants in each sector are successfully utilizing the Golden Dollar in daily transactions.

BULK BAG PROGRAM

Searching for more effective ways to deliver circulating coin to the FRBs, we developed a bulk bag. These bulk bags will contain the same volume of coins as currently shipped on a pallet with several smaller bags (400,000 pennies, 240,000 nickels, 500,000 dimes, 200,000 quarters, etc.) and will also use the existing pallets. Our goal is to ship 100% of all circulating coins from the Philadelphia and Denver Mints to the 110 FRB depots and coin terminals by the end of March 2002 utilizing this much larger bag. We awarded a contract during the fourth quarter to fabricate and deliver up to 18 bulk bag filling stations. The first two filling stations will be delivered to the Philadelphia Mint in early January 2001, with subsequent deliveries of two per month alternating between the Denver Mint and the Philadelphia Mint until the contract is completed.

By the end of March 2001, we will be capable of shipping 100% of all pennies in bulk bags. We and the FRB will jointly publish a schedule to inform the industry when the Mint will be capable of delivering the other denominations in bulk bags. In support of the coin processing industry, we will also supply bulk bag discharge stands and bag lifting bars at no charge to those coin depots and terminals that handle coins shipped from the Mint to the FRB.

We are currently piloting the bulk bags in eight locations with four of the coin depot and terminal operators. In addition, we have jointly developed with the FRB an aggressive schedule to give bulk bag demonstrations in each of the 12 FRB districts over the next six weeks.

COPYRIGHT AND TRADEMARK PROTECTION

In previous quarterly reports, we have discussed problems we have encountered when private mints use our designs to create replicas that confuse the public into thinking they are affiliated with or endorsed by the United States Mint. On September 19, 2000, the U.S. District Court for the District of Minnesota partially granted the United States' Motion for Preliminary Injunction. In response to the United States' copyright infringement claims, the Court enjoined the Washington Mint from producing, advertising, marketing and selling replicas of the new dollar coin. Responding to the United States' trademark infringement, trademark dilution and false and deceptive advertising claims, the Court ordered the parties to file model disclaimer language with the Court. Based on these submissions, the Court will issue a Final Order for Preliminary Injunction. The anticipated order will preclude the defendants from using their trademark unless each advertisement also contains a noticeable disclaimer of any association with the United States Government. Not unexpectedly, this litigation is placing a considerable drain on our resources -- costs we could avoid if we enjoyed copyright and trademark protections comparable to those of the U.S. Postal Service.

AWARDS AND RECOGNITION

CIO Magazine Honors Mint

This quarter, we were recognized by *CIO* magazine as one of the Top 100 organizations around the world that "exemplify the highest level of operational and strategic excellence" because we "make the customer central to doing business and set the benchmarks for others to follow." We are using technology and human resources to employ customer relationship management (CRM) to build customer satisfaction and loyalty. We were one of only three Federal government agencies to receive the 2000 CIO-100 Award. We share the award with companies well-known for their customer service including Amazon.com, Enterprise Rent-A-Car, FedEx, Home Depot, Starbucks Coffee, and Wal-Mart.

Hammer Awards

In the fourth quarter FY 2000, we received three Hammer Awards -- our thirteenth, fourteenth and fifteenth. In July 2000, the COINS team was recognized for having implemented our enterprise-wide resource planning system -- the first in the federal sector -- which links financial, manufacturing, and customer information. We have reported in numerous previous reports about its implementation and the advantages this system affords us, from Y2K compliance to eliminated FMFIA weaknesses to increased profits. In this report we discussed how we are continuing to enhance its capabilities.

In August 2000, we received two additional Hammer Awards, one for the Q50 Team and another for our e-commerce Team. Both teams were cross-functional efforts that involved extraordinary labors which produced outstanding results, benefiting the American public with top quality products, state-of-the-art customer service and profits deposited in the Treasury General Fund. The Q50 Team was the most comprehensive cross-functional task force we've mounted. It was a two-year effort that addressed myriad issues, from forming procedures for citizens to pick designs for their state's coin to getting permission to move mintmarks...from polling consumers to moving thousands more tons of cupro-nickel coin strip. As we have reported, the 50 State Quarters™ Program has continued to gain in popularity since these coins were first issued in January 1999 and our revenues have soared. We have created public demand for circulating coins, revitalized interest in traditional numismatic products and sparked interest in new Q50 specialty products.

The e-commerce team was formed to meet the dual Web challenge of providing public information required of federal bureaus and earning a profit as an e-commerce retailer. Our Web site was first to host a Webcast from the White House and to provide handicap Web site access required by the Rehabilitation Act. That it has been a success has been acknowledged by a number of different organizations, from GovExec.com of *Government Executive Magazine* naming us among 1999's "Best Feds on the Web," to *Fast Company*, *The Washington Times* and *Business Week* extolling their praises. In previous quarterly reports we have discussed these recognitions, as well as the success of our e-commerce business and our kid's corner, H.I.P. Pocket Change™.

CONCLUSION

In the fourth quarter of FY 2000, we rounded out a fiscal year that generated a record \$3.7 billion in revenues and nearly \$2.3 billion in Treasury General Fund deposits. For the year, circulating coinage demand topped last fiscal year's record by 7 billion coins, as 27 billion were shipped to the FRB, including 979 million Golden Dollars -- exceeding in less than one year the entire 21-year total demand of the Susan B. Anthony dollar coin. We began the second stage of our long-term business systems improvement plan. We launched an education initiative using the 50 State Quarters™ Program and partnered with Hallmark and National Geographic to further promote these coins. We advanced the use of Golden Dollars in everyday commerce through successful ventures with the banking and entertainment sectors. We developed and are piloting a more effective way to ship circulating coin. We obtained favorable results in our efforts to preserve control over our product designs. And once more, we added to our long string of awards and recognition. The fourth quarter FY 2000 completed a year that was truly one for the record books.