

Manfra, Tordella & Brookes, Inc.

April 5, 2011

Testimony by: Raymond Nessim of Manfra, Tordella & Brookes, Inc. , New York
To: The Subcommittee on Domestic Monetary Policy and Technology of the United States House of Representatives - Committee on Financial Services

Re: Bullion Coin Programs of the United States Mint: Can They Be Improved

The answer to the question will always be, yes.

Established measurable goals can always be improved by means of flexibility and transparency.

We are assuming that problems that may have prompted this hearing may be:

- a) Current silver Eagle coin supply shortage in relation to unusual current high demand
- b) Circumstances surrounding distribution of the 2010 America The Beautiful ("ATB") five ounce silver bullion coin program.

Silver Eagles recent short supply, probably is caused by limited domestic fabrication capacity of silver blanks. This may be addressed by extending some flexibility to US blank fabricators in order help them invest in additional capital equipment for increased capacity, may be simply in the form of minimum quantity order guarantee per annum for a certain period of time, such as, may be three or more years. The Mint requires very high quality standards and rightfully so.

With regard to the ATB silver five ounce coin issue, the problem was not that of distribution but rather that of supply.

The United States Mint ("Mint") has effectively built up great anticipation with the public for the new 2010 Silver sets. General expectations were that the Mint would probably plan to mint during 2010 sufficient quantities to satisfy potential public demand.

Instead, the Mint announced to the Authorized Purchasers ("AP"), only in early December of 2010 that they were able to fabricate only 33,000 sets of 5 coins each and that each AP is allocated 3,000 sets. As wholesale distributors, the day we were notified of our allocation, we proceeded to sell part of our allocation to several retail dealers, as we normally do.

Later that same day or the following day we were informed by the Mint that allocations were cancelled and that the Mint will re-launch the program and accept orders on December 10, 2010. We quickly cancelled our sales agreements, which action placed us in a very embarrassing predicament. The smaller than expected mintage prompted some retail dealers to offer on their websites to the retail public the five ozs silver coins at high prices.

To protect the U.S. public from potential price gouging, the Mint issued new directives on December 9, 2010 to the APs requiring them to:

- a) Make available for sale directly to the retail US Public all their allocations.
- b) Limit profit margin to no higher than 10 percent.
- c) Enforce a limit of one coin of each design for each household
- d) Not sell any such coins to neither own company officers nor employees.

Despite the problems it created, considering the circumstances, in our opinion, the Mint made the right decision. As a result, one or two of the APs apparently refused to accept the above restrictions, consequently the Mint increased allocations to the other APs to 3,700 sets.

These directives created at least three problems:

- 1) Risk of being accused of price fixing
- 2) Not be able to hedge the silver content of our purchase, which is our norm, consequently be left exposed to silver price risk against potential silver price decline. Fortunately market price has since moved higher. Today our fixed sales price for these coins is below the melt price for silver.
- 3) As wholesale distributors we were not adequately equipped, at the time, to sell one coin of each design for each household.

Under the circumstances the Mint acted promptly, decisively and did what it had to do to counteract delayed production and limited mintage.

On March 9, 2011 the Mint issued new directives to its APs lifting all sales restrictions upon certification by the APs that they have sold all their 2010 sets in compliance with their directives of December 9, 2010.

If there are any lessons to be learned from this experience with reference to "Can They Be Improved" may be:

- a) Providing APs with reasonable notice of price change and minting plans.
- b) Minimizing unexpected surprises by means of regular open and transparent communications with APs regarding marketing plans, fabrication or minting obstacles and/or other difficulties.
- c) Allowing the Mint more flexibility by lifting some legislative restrictions, allowing them to operate a little more like a commercial entity. For example, may be exceptionally authorizing them to complete contemplated production plans to fabricate remainder of the 2010 coins during 2011, thus avoiding the shortage, this assuming they may have encountered blank fabrication or minting obstacles in 2010.

For example the Royal Canadian Mint, a Crown Corporation, which operates under the legislative basis of the Royal Canadian Mint Act. All monies in Canada are technically issued with the authority of the Canadian Government, however all operations are overseen by the President and CEO, or Master of the Mint, who is the senior executive officer of the organization, reporting to a Board of Directors appointed by the Minister of Public Works and Government Services.

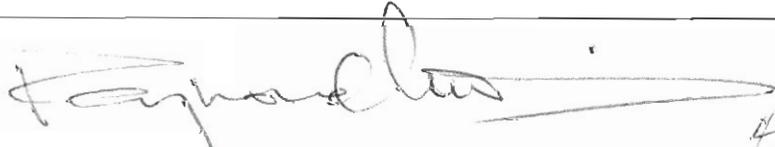
In conclusion and in our opinion, the current middle management of the Mint, be it Bullion, Procurement, Precious Metals, Contracting, Production and Manufacturing, are very experienced, qualified and dedicated individuals. What appears to be void is an experienced senior chief executive with sufficient authority to act and report to a Political Appointee and to a Board of Directors comprised a cross section of specialists with commercial experience, including US blank fabricators and US APs. This will reduce the need to convening a Congressional Committee hearing to address the Mint's macro or micro issues.

Thank you.

United States House of Representatives
Committee on Financial Services

“TRUTH IN TESTIMONY” DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name: Ramond Nessim	2. Organization or organizations you are representing: Manfra, Tordella & Brookes, Inc
3. Business Address and telephone number: 	
4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
6. If you answered yes to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets. We regularly purchase from the United States Mint gold, silver and platinum Coins	
7. Signature:  4/4/2011	

Please attach a copy of this form to your written testimony.