

Heritage Auctions Journal

For Trusts and Estates Advisors

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DEMYSTIFYING THE AUCTION PROCESS

BY MARK PRENDERGAST

We addressed the auction process a few years ago in an issue of this publication, but how the overall auction process works remains one of the most commonly asked questions by potential consignors or client advisors. Depending on the timing of scheduled auctions and the type of material to be sold, it can take anywhere from a few months to a year from initial assessment to final settlement. Each aspect of the auction process is important for consignors to understand, and when broken down step by step, becomes much less of a daunting procedure.

Find the Right Auction Venue

Different auction houses have different specialties and strengths in various categories of material. Finding the right venue for your property can be one of the most important steps in ultimately achieving the highest prices. Start by asking questions regarding the type of items, quantity and value levels of items similar to yours that the auction

house has handled in the past. The larger auction houses usually have many different departments that handle a wide variety of categories, although some categories are stronger than others. For example, Heritage Auctions has 40 categories with market leading strengths in rare coins, comics, sports memorabilia and Illustration Art, but also solid auctions in other areas of art, jewelry and wine.

Initial Assessment

The preliminary contact with an auction house will usually consist of a series of questions to the seller regarding the type of property being considered for sale. If it seems like something that might be of interest to the auction house, the auction house will usually request an inventory, emailed images and any further supporting documentation or provenance from the seller. From this information, the auction specialist will either provide specific auction estimates, an overall insurance value or suggest



Designer jewelry is featured in Heritage's September 28th Auction in Beverly Hills, including this Burmese Sapphire ring designed by Oscar Heyman estimated at \$70,000 to \$90,000 and these beautiful Chanel earrings at \$35,000 to \$45,000.

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an in-person visit or walkthrough. For smaller collectible items and coins, once an overall insurance value is established, it is common practice to send the property in for review and inspection – of course insured at the auction house's expense. If the property is determined by the auction house not to be of interest to them, they may often suggest another auction house, an online auction or non-auction market that might be more appropriate.

The Auction Estimate

Next, the auction house will establish an auction estimate on the items in question. The auction estimate is the range of value that a piece is expected to sell for at auction. Trusting the expertise of the auction house in setting the estimate is advisable. The nuances of the specific items in question, the current market conditions and past auction records are all considered in establishing the auction estimate. If estimates are pushed too high, buyers are turned away from even getting involved in bidding at the auction. Realistic yet conservative estimates prove time and time again to be attractive to bidders, allowing for the most competition and the highest final sale price.

Terms of Sale

The consignor selling through auction will pay the auction house an agreed upon seller's fee or commission. The percentages vary from house to house, region to region and even category of material. In general, a higher value consignment will have a lower seller's commission, subject to standardized rates or negotiations. The standard rate for seller's fee at Heritage Auctions varies by category– for example Coins is 15%, Fine Art is 20%, Rare Books is 12-25% and Wine is 10%.

Many auction houses charge additional fees for photography, marketing, and insurance. These fees may only be a percentage or two of the sale price or a set dollar amount per lot, but can add up significantly when dealing with a collection or estate containing hundreds of individual lots. To simplify terms for

consignors, Heritage Auctions does not charge these extraneous fees - including insurance.

Special Financing

Based on the value of the consignment, the number of items and the type of property, some auction houses may offer special financing options such as advances or guarantees. As the auction process can take upwards of 6 months or more in some instances, an advance against sale proceeds can be very helpful to consignors who need the immediate access to funds for paying taxes or other expenses. Heritage Auctions has standardized the practice of offering advances with 1% per month simple interest. Guarantees are less common and refer to an auction house agreeing to pay the consignor a specific amount for a single item or collection – even if not sold for that much at auction.

Shipping and Insurance

Unless negotiated in the terms of sale, the cost of shipping an item to the auction house is usually paid by the consignor. At Heritage, we often arrange packing and shipping for the consignor, with the cost initially absorbed by us and then deducted from the proceeds of the sale. Insurance costs are usually negotiable - at Heritage insurance is included as part of the seller's fee. Whether or not the auction house

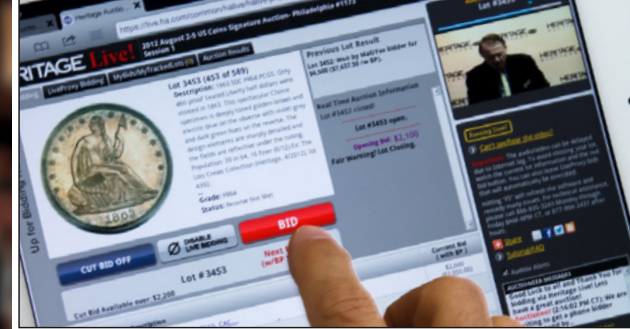
charges for the insurance coverage, consignors should expect that their property will be covered for specified amounts as a whole collection or as itemized pieces throughout the auction process.

Cataloging

Once property is received by the auction house, it goes through inventory control, photography and cataloging. The cataloging is comprised of detailed written description, condition grading, expert scrutiny, authentication and marketing. Images of the lots together with the description are presented to the market through print and online catalogs, which are usually made available to potential bidders about a month prior to the date of the auction.

A very important aspect of preparing for the auction is widespread and targeted marketing. Ask your chosen auction house what their plan is for attracting bidders to their auctions. Heritage spends over \$15 million per year on marketing its auctions using national/international print publications, online advertising, extensive media distributions and direct mailings to make all potentially interested buyers aware of the items offered in each upcoming auction.





Open for Bidding

When the auction catalog comes out in print or online form, some auction houses will allow advance bidding. This permits bidders to enter a bid prior to the auction which will then be executed by the auctioneer on their behalf during the actual auction. Heritage allows advance competitive bidding on all its auction lots a few weeks prior to the auction date through its website HA.com.

The Auction

The auction begins at the designated time and location as set forth by the auction house and publicized in the auction catalog and online. The auctioneer will call for bids on each lot, beginning with a pre-established starting bid at some point below the low auction estimate and continue to take competitive bids at specific dollar increments until there is an uncontested high bidder. At Heritage Auctions, the starting bid is clearly noted in the print or online catalog and is often the reserve price – meaning that any bid accepted during the auction at or above this price can truly be the winning bid. Some auction houses will maintain a hidden or private reserve price which, if not achieved during the auction, will result in the lot going unsold.

The traditional means of bidding at the auction is in-person and on the telephone. As technology has advanced to allow real-time internet bidding during the live auction, many bidders find remote bidding through their computer

or handheld device as the preferable method. HERITAGELive!®, Heritage's own platform for internet bidding, provides live streaming video of the auctioneer creating an interactive experience for bidders from the comfort of their home or office.

Sold!

The highest bidder and the bid amount is recorded by the auctioneer and the legal title of ownership of the lot is immediately transferred to the buyer. Buyers are generally required to make payment for their winning bids within 7 days of the auction but the property is not released to the buyer until full payment has been received.

Buyer's pay the auction house a buyer's premium for each purchased lot which is a percentage of the winning bid, or "hammer price". Often sale results are publicized and listed inclusive of the buyer's premium – which should be taken into account when researching auction records for sale prices. See Meredith Meuwly's article "All about Appraisals" in this issue for more information about buyer's premiums.

Settlement

The settlement of an auction usually happens between 15 and 45 days following the auction sale – contingent to the terms of your agreement with the auction house. A detailed line-item accounting of the sale with sold amounts for each lot including the deductions for

fees and expenses should be expected to be received with the payment. Payment is most often by check, but can be arranged for delivery by wire or bank transfer.

When a lot at auction fails to receive bids up to the pre-established reserve price, the lot will go unsold. Unsold lots are then either returned to the consignor or reoffered in a subsequent auction, usually with a revised auction estimate and reserve price – reflecting the levels of interest and bidding from the previous offering. Many auction houses charge a fee as a percentage of the reserve for unsold lots. Be sure to identify this 'buy back' or 'buy-in' as you negotiate the seller's fees for your consignment. At Heritage, such a fee is waived for lots offered without reserve.

Selling valuables and collectibles through auction may be the most viable and timely method for reaching the widest audience and achieving the best possible sale prices. Knowing a definite sale date and expected sale estimates are strong arguments for trusting the auction process in selling valuables. To further demystify the auction process, Heritage's automated system updates consignors by email as their property advances on each step of its journey to being sold. One thing to remember when selling at auction – since the fees earned by the auction house are based on a percentage of the sale price of each sold lot - your interests and those of the auction house are directly aligned.

CALIFORNIA DREAMING

BY KATIE NARTONIS

A woodworker, a feather-artist and a printmaker - all from the Golden State - will highlight a strong West Coast Design offering on October 10th in Heritage's 20th & 21st Century Design auction in Dallas.

Sam Maloof, Nicki Marx and Tom Laursen were part of a rich and historically important time during the West Coast Studio Art and Design Movement in the mid-20th century. These unique and mostly self-taught artists and makers reimaged the craftsman lifestyle and established the maker/apprentice system up and down the California coastline.

Woodworker and furniture maker Sam Maloof (1916-2009) is regarded a West-Coast design legend and one of the most important American Studio furniture makers. Born in Chino, Samuel Solomon Maloof was a member of a large Lebanese immigrant family. Maloof is nationally known for his hand-crafted studio furniture and his work resides in scores of major institutions and important collections across the country. His most



Sam Maloof's *Rocker* is an icon of American design craftsmanship – estimated at \$25,000 to \$35,000.



Nicki Marx's fanciful feather clothing and wearables have recently been newly appreciated for their quality and design flair. This vest from 1979 is estimated at \$3,000 to \$5,000.

famous form is the sinuous, organic rocking chair, which has been acquired by three American Presidents, including his friend and fellow woodworker, President Jimmy Carter. Heritage's 20th Century Design auction is offering a beautiful example of the Maloof Rocker as well as an exciting collection of rare and early Maloof furniture from a private 1961 Pacific Palisades, California collection.

The consignment includes a rare dining table with custom removable end-table extensions, eight hand-carved dining chairs and an impressive credenza. This important group highlights the very best of Maloof's work.

Nicki Marx (b.1943) is an important counter-culture artist whose career has been enjoying a renaissance since 2014. Marx has been crafting feather wearables (such as capes and collars) and wall works

of great beauty and spiritual presence for decades. In the 1960's, she became well known for her highly creative feather pieces and her work was collected by art luminaries such as Georgia O'Keeffe and Louise Nevelson. It was an early encounter with a feather fly at a sporting goods store in New Mexico that led her on her path of using feathers in her creations. Marx, who was raised in Los Angeles and Palm Springs, found widespread success early in her career and was exhibited nationally in galleries and institutions and collected widely. Rediscovered in 2014, her work has since been the subject of a one-woman show "Marx Rising" at Reform Gallery in Los Angeles. In the last year, her pieces have been featured in "C" *California Style Magazine*, *American Craft*, *The Los Angeles Fashion Magazine* and *Ornament Magazine*. Heritage will offer a selection of both historically important Marx pieces

from the 1970's as well as newer examples of her wearable feather work.

Maloof and Marx are joined by the work of the masterful southern California printmaker and sculptor, Tom Laursen. Tom Laursen (died 1992) is a mid-century artist whose work fits seamlessly with other highly respected artists' aesthetic from the same era. Born and raised in California, Laursen won a scholarship to attend the Chouinard Art Institute in 1938. He became Rico LaBraun's teaching assistant at Chouinard and also became life-long friends with fellow artists Frederick Hammersley, Roger Hollenbeck and other noted LA artists. Over the course of his creative life, he painted, made prints, built collage and made sculpture. In serigraphy, Laursen experimented with color, transparency and linear structure. The compositions are quiet with long stretches of open color. The Fall Design auction will offer a collection of a dozen works from the 1950's and 60's by Laursen sure to entice collectors of California art and mid-century design.



The screenprints of Tom Laursen evoke a sense of style and color that is vibrantly California. *Horizontal Day* of 1955 is estimated at \$1,200 to \$1,500.



Katie Nartonis is a Consignment Director in Heritage's 20th & 21st Century Design department in Beverly Hills. Katie can be contacted at KatieN@HA.com



VALUATIONS – IN THE – VAULT WITH HERITAGE AUCTIONS

We encourage all trust officers, estate professionals and wealth managers to take the opportunity to review with your clients their complete asset portfolio, including the tangible assets that may, at first glance, not appear to have value. This gives you the opportunity to discuss new products on the market and include any "hidden" assets that may be viable sources of liquidity or secured investment. Many clients fail to consider items that are languishing in safety deposit boxes, such as coins and jewelry, for their investments or estate plans. This is often due to outdated appraisals and misconceptions of true market values. With this in mind, Heritage Auctions offers a unique concierge-style service called "Valuations in the Vault", providing one-on-one private verbal appraisals, free of charge to your clients.

Heritage will produce a professional invitation for you to mail to your clients for free verbal appraisals right in their own bank vault. During appointments over the course of a day or two, Heritage's knowledgeable experts will meet with your clients to discuss an accurate and current valuation for their coins, currency, jewelry, timepieces and other related items. Should written appraisals for insurance or tax purposes be requested, we will provide the costs and timeline for delivering the necessary USPAP and IRS complaint documents.

All valuations can be done in a private, confidential manner at the bank so that property does not need to be transferred or ever taken out of the security of their own trusted bank. This unique service will assist your clients in their financial and estate planning and be a great benefit that you can offer with minimal expense. Heritage is willing to provide our expert appraisers for appointments in major cities throughout the United States and we will also produce the stylish mailing with the specific details of your personalized event. The only expense for you will be the postage for the confidential mailing of the invitation to your clients.

For more information on offering a "Valuations in the Vault" event or to schedule a private appointment for one of your clients with our experts, please contact Mark Prendergast (713) 899-8364, Carolyn Mani (310) 492-8614, or Elyse Luray (212) 486 3504.

FIRST RECORDING CONTRACT EVER SIGNED BY THE BEATLES HIGHLIGHTS THE BLASCHKE COLLECTION

Important Beatles collection from Hamburg, Germany, offered Sept. 19 in New York; collection will be displayed for the first time in the US in New York, Beverly Hills, and Dallas prior to sale

The first recording contract ever signed by The Beatles, which put the Fab Four on a path that would change music history, is expected to sell for \$150,000 as Heritage Auctions presents The Uwe Blaschke Beatles Collection Sept. 19 in New York. The resulting single from the recording session — a rock & roll version of "My Bonnie Lies Over The Ocean" — led directly to the Beatles being discovered by manager Brian Epstein, through whose efforts the group then secured their unprecedented worldwide success.

Blaschke's collection tells the Beatles' story through original photographs, documents, autographs and memorabilia. A noted Beatle expert and historian, Blaschke amassed one of the finest collections of Beatles material in Europe, if not the world, much of which was displayed at a dedicated Beatles museum in Hamburg, Germany. The 300+ lot collection covers the entire career of the group, but is especially notable for the inclusion of many items related to the time the Beatles spent in Hamburg from 1960-62, performing in the city's vibrant nightclubs and honing their distinctive sound which would soon win the world over.

"This is perhaps the most historically important Beatles document to ever appear at auction," said Dean Harmeyer, Consignment Director at Heritage Auctions. "Without this contract, which directly led to their involvement with Brian Epstein, the Beatles may have never been able achieve their later success as a recording group. And at the time it was a momentous career milestone — they'd finally secured an actual recording deal, something they had only dreamed of before 'My Bonnie'".

During the Beatles' second visit to Hamburg in 1961, the German record producer Bert Kaempfert saw them performing at the Top Ten Club on the city's famed Reeperbahn. Liking what he heard, Kaempfert enlisted the Beatles and another Top Ten Club performer, Tony Sheridan, to spend a day recording rock & roll versions of traditional songs for the German market. "My Bonnie" was a song taught to

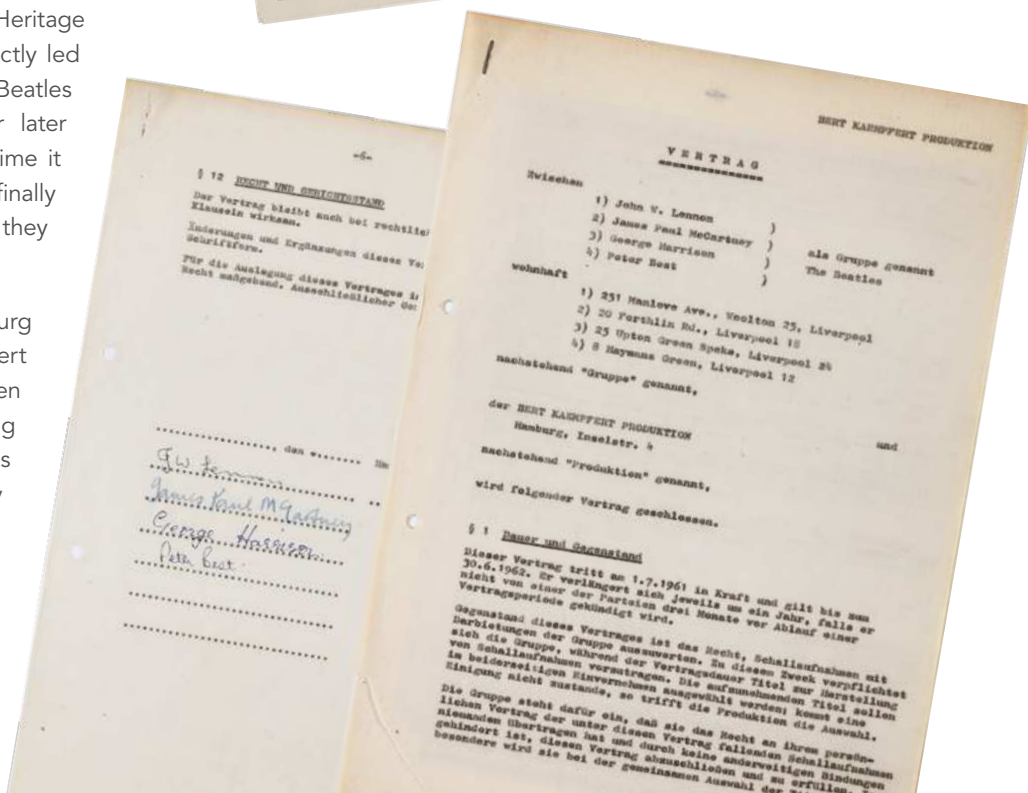
children in German schools, and the producer thought that a modern, uptempo version could be a hit. For their efforts, the Beatles — John Lennon, Paul McCartney, George Harrison, and original drummer Pete Best — were paid what amounted to about \$20 each.

"This collection opens a window to a part of Beatles history that's not well known internationally," said author and Beatles expert Ulf Krüger, who worked with Blaschke to launch the Hamburg museum "Beatlemania Hamburg," before Blaschke's unexpected death in 2012. "John Lennon himself famously said he was born in Liverpool but grew up in Hamburg and this collection documents that transition. There's really nothing comparable to it in the entire world."



Among the collection's highlights is a vintage snapshot of 17-year-old George Harrison modeling his first leather jacket, taken in 1960 in Hamburg shortly before his deportation from Germany for being underage.
Estimate: \$3,000+

[View the entire collection at HA.com/Beatles](https://www.ha.com/Beatles)



The First Recording Contract Signed
By The Beatles, For The "My Bonnie"
Session (Germany, 1961).
Estimate: \$150,000+

SELECTIONS FROM THE ESTATE OF ROD MCKUEN AT HERITAGE AUCTIONS

PERSONALLY-OWNED TREASURES FROM THE SINGER-SONGWRITER, MUSICIAN AND POET OFFERED ACROSS SEVERAL AUCTIONS THIS AUTUMN



One Peanuts strip comically mentions McKuen by name

View the entire collection at HA.com/McKuen

Artwork, literature and personal-owned mementos from the estate of popular and influential poet, singer-songwriter and musician Rod McKuen will be offered at Heritage Auctions across several auctions through the end of the year. McKuen's best-selling poetry and poignant ballads sold by the millions through the 1960's and 1970's as he once claimed the title of America's "unofficial poet laureate."

The collection features treasures from across McKuen's professional repertoire, including three examples of original art gifted by Charles Schulz. McKuen wrote the song "A Boy Named Charlie Brown" for the 1969 animated movie of the same name, which delivered him an instant smash hit and permanent pop-culture fame. One strip comically mentions McKuen by name and a drawing by Schulz references a McKuen poem from

his blockbuster book of poetry "Listen to The Warm".

"Mr. McKuen surrounded himself with inspiration and took great pleasure in celebrating the many deep and abiding relationships that influenced his songs, his poetry and his soul," said James Gannon, Director of Rare Books at Heritage Auctions. "His work was a keystone to the mid-20th century culture and these personally-owned treasures will certainly speak to his millions of fans."

The collection includes art and furnishings from McKuen's Beverly Hills, California, home – a social hot spot for movie stars and musicians for over 40 years and, in the case of John Lennon, a retreat from media spotlight. McKuen famously provided his luxuriously-appointed home to John Lennon during the singer's "Lost Weekend," the 18-month separation from Yoko Ono in

the early 1970's.

Several lots of entertainment collectibles are highlighted by McKuen's personally-owned and played Steinway Concert Grand Piano and a set of Three Awards – marking his Gold Record for the single "Jean," his Oscar Nomination for the song and a plaque for his star on the Hollywood Walk of Fame. McKuen's love for the artwork of Andy Warhol is on display across three lots of iconic screen prints in Heritage's Nov. 14 Modern & Contemporary Art Auction, including Mao, 1972 (est. \$25,000 to \$35,000); Jane Fonda, 1982 (est. \$15,000 to \$25,000); and Vote McGovern, 1972 (est. \$15,000 to \$25,000).



ANDY WARHOL
Jane Fonda, 1982
Screenprint in colors on Lenox Museum Board
39-1/2 x 31-1/2 inches
Estimate: \$15,000-\$25,000

BULLION VS. NUMISMATIC COINS

BY SARAH MILLER

When one finds an accumulation of gold or silver coins in an estate collection, the assumption often is that these pieces are something special. What may not be so immediately obvious, though, is that the value of such coins is sometimes equal to only the gold or silver melt content that these pieces contain.

Such coins, called bullion coins, are valued by their weight in a specific precious metal even though they have a face value assigned by the government of origin. Rather than so-called numismatic coins, which have additional collectible value beyond their metal content or face value due to history, age, rarity, popularity, or limited mintage, bullion coins are typically purchased by investors rather than collectors.



American Eagles, Krugerrands and Canadian Maple Leafs are the most common and popular bullion coins.

Some of the most popular bullion coins today are Gold, Silver, or Platinum American Eagles, Canadian Maple Leafs, or South African Krugerrands. However, many world mints produce bullion coins, allowing for an interesting array of designs that investors can choose from. These tend to be available in fairly consistent sizes; typically, this includes 1 ounce, ½ ounce, ¼ ounce, and 1/10 ounce. Such pieces also tend to have a face value, such as \$1 for the 1 ounce American Silver Eagles or \$50 for 1 ounce American Gold Eagles.

When evaluating a group of coins, these bullion coins can be identified relatively easily as pieces that are worth just their metal value rather than an additional amount for their scarcity or collectability. Most bullion coins tend to be dated relatively recently, with such coins becoming popular and widely produced starting in the 1960's for Krugerrands and 1980's for most other bullion series. In addition, they have recognizable and consistent designs that each country uses to



This well struck 1926-S Buffalo Nickel is valuable for its collectible value. As a mint state graded coin with lovely peripheral color, it sold for \$14,100 on August 12, 2015 at Heritage's ANA U.S. Coin Auction in Chicago.

identify bullion coins, such as the distinctive "family of eagles" motif on the reverse of American Gold, Silver, and Platinum Eagles or the familiar portrait of Paul Kruger on South African Krugerrands. Finally, they tend to be clearly marked with an amount of precious metal, with phrasing such as "1 oz fine Gold," "1/4 oz Platinum," etc.

On the other hand, numismatic coins hold additional value beyond the metal they contain and can have any number of designs or dates. Such pieces may be a 1926-S Buffalo Nickel in especially nice condition, a low-mintage Russian coin, or perhaps a gold coin from the early 1800's. However, as an advisor who works with estates, it is helpful to recognize that not all old coins are valuable or highly collectible. Gold coins produced from the 1880's until 1933 in the United States, as well as British sovereigns produced in the late 1800's and early 1900's, are just a few examples of how some gold coins that are quite common in "average" circulated condition. Even so, these pieces tend to carry more value than their counterparts that are produced purely as bullion by a world mint.

With this information in mind, you should be better equipped to avoid a common pitfall that estate advisors and executors can fall into, believing that all precious metal coinage is "rare." You can thus have an additional tool to help you more easily assess the pieces you discover as you assist your clients.



Sarah Miller serves as Director of Numismatics in Heritage Auction's New York Office located at 445 Park Avenue. Sarah can be contacted at SarahM@HA.com.

NIGEL RUSSELL JOINS HERITAGE AUCTIONS AS DIRECTOR OF PHOTOGRAPHS, NEW YORK

WORKING OUT OF HERITAGE'S NEW YORK OFFICES; BRINGS 35 YEARS OF INDUSTRY EXPERIENCE

Heritage Auctions has announced that auction industry veteran Nigel Russell has joined the company as its new Director of Photographs, New York, effective immediately. Nigel will be based out of Heritage's New York offices at 445 Park Avenue (at 57th Street).

"Nigel is a tremendous talent and we're quite happy to have him on-board," said Greg Rohan, President of Heritage Auctions. "He brings a wealth of experience to the job and an encyclopedic knowledge of photography. We're excited about working with him to expand the reach of our Photography auctions."

"Heritage is a growing and dynamic company," said Russell. "The chance to join the company's impressive rosters is one that I am happy to have. I look forward to helping the department, and the company, continue to grow."

Russell was educated at Vassar College and the Rochester Institute of Technology, where he studied Photographic Science and Engineering. He started his career in 1979 at Sotheby's London cataloguing antique cameras and scientific instruments and instituted Sotheby's first auctions devoted solely to cameras, photographic viewers and

optical toys. In 1981 he transferred to Sotheby's New York as Assistant Departmental Director of the Collectibles Department and was responsible for the auction of the Dobran Collection of Photographica, the first sale of its kind in America.

After leaving Sotheby's, Russell became the curator of the Spira Collection, New York, a private collection of approximately 20,000 items relating to the history of photography. He remained there until 1999, then working at Swann Auction Galleries as the Photographs & Camera Specialist. Subsequent to Swann's, Russell was back at Sotheby's as the Director of the Photographs Department for Sothebys.com and at Christie's New York as a Photographs Specialist. He also consulted on antique and collectible cameras for Adorama, New York and WestLicht Photographica Auctions, Vienna.

From November 2005 to March 2006, Nigel was a photography consultant for the National Counsel for Culture, Art & Heritage, Doha, Qatar and worked as Photography Curator for the Qatar Museums Authority from November 2006 until March 2013.

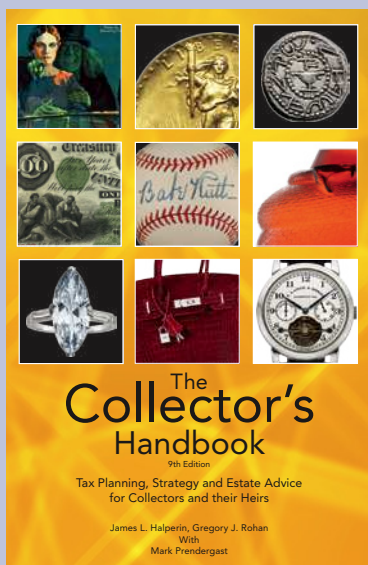
Nigel is a major contributor to "The

History of Photography As Seen Through The Spira Collection," published by *Aperture* in the fall of 2001 and co-author of "Spirit Capture: Photographs from the National Museum of the American Indian," published by the Smithsonian in the fall of 1998 as well as a contributor to various photography magazines.

He was a member of the advisory committee of the Technology Department of the International Museum of Photography at the George Eastman House and has also lectured on the Photography Auction Market and Collecting Photographica.



Nigel Russell may be reached at NigelR@HA.com or 1-877-HERITAGE (437-4824), ext. 1231.



THE COLLECTOR'S HANDBOOK

The 9th Edition is newly revised and updated with related stories from Heritage experts and new sections.

Do you or your client own a significant collection of art, antiques, coins or collectibles? The Collector's Handbook is an award winning, step-by-step guide to estate planning for collectors. From record keeping and taxes to the best methods for maximizing proceeds, this beneficial primer provides a comprehensive overview of the logistical elements related to the assembly, maintenance, and dispersal of collections. Certain chapters also have "Tips for Heirs" sections to aid non-collectors in avoiding common pitfalls after inheriting a collection.

Email your contact information to Estates@HA.com and we will mail you up to 10 free copies of The Collector's Handbook (value \$15 each), which you can use for your own reference or give to your clients with collections.

ALL ABOUT APPRAISALS:

WHY DOES FAIR MARKET VALUE INCLUDE BUYER'S PREMIUM?

BY MEREDITH MEUWLY, ISA CAPP

One of the first lessons you learn when you become an appraiser is that fair market value always includes buyer's premium. It's become a mantra that is repeated over and over by instructors, peer appraisers, and the IRS staff. But why? Why does fair market value include buyer's premium?

When an item sells at auction, the price called by the auctioneer for the winning bid is called the hammer price. The winning bidder then pays a buyer's premium on top of the hammer price which is the fee the auction house keeps for their services. At Heritage, the buyer's premium ranges from 10% to 25%, depending on the auction category.

In Treasury Regulation §1.170A-1(c)(2), the IRS defines fair market value at "the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts". This definition of fair market value is applied by the IRS to any tax-related appraisal situation – estate tax, gift tax, and charitable donation.

It is in Treasury Regulation §20.2031-1(b) regarding Estate Tax that the definition of fair market is expanded: "...nor is the fair market value of an item of property to be determined by the sale price of the item in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate." Although relating specifically to estate tax in this statement, the same concept is applied to both gift tax and charitable donation.

It is here that the IRS has clarified for us that the fair market value is the sale price of an item to the public in the item's most common market. Simply, it is the amount obtained in a sale, not the amount retained. Still, confusion reigned, because it was unclear to many whether



This Important Factory Engraved Colt Bisley Single Action Revolver sold in Heritage's June 2015 Arms & Armor Auction for a hammer price of \$15,000, but the fair market value would include the buyer's premium and totals \$18,750.

or not buyer's premium was part of the sale price. Thus, on May 27, 1992, the IRS issued Technical Advisory Memorandum 9235005, based on a ruling in *Publicker v. Commissioner*, stating very clearly that in an auction the buyer's premium is a component of the purchase price, and as such, is included when calculating fair market value.

So why does fair market value include buyer's premium? The answer is: because the IRS said so. Thus, when appraisers use the auction market to find comparables for the fair market value of an item, they have to include the buyer's premium in their calculations.

It may seem unfair to taxpayers to pay estate or gift taxes on the total purchase prices, but don't forget that the same policy also applies to charitable donations. Taxpayers receive tax benefits based on the fair market value of the item, which includes buyer's premium!

For more information about fair market value appraisals, contact Meredith Meuwly, Director of Appraisal Services, today for a confidential consultation at MeredithM@HA.com or 214-409-1631

NUMBER 7 IN YOUR PROGRAMS, BUT NUMBER 1 IN YOUR HEARTS.....

BELOVED YANKEES CENTERFIELDER MICKEY MANTLE LEADS HERITAGE'S SPORTS COLLECTIBLES PLATINUM NIGHT® AUCTION IN CHICAGO ON JULY 30-31.



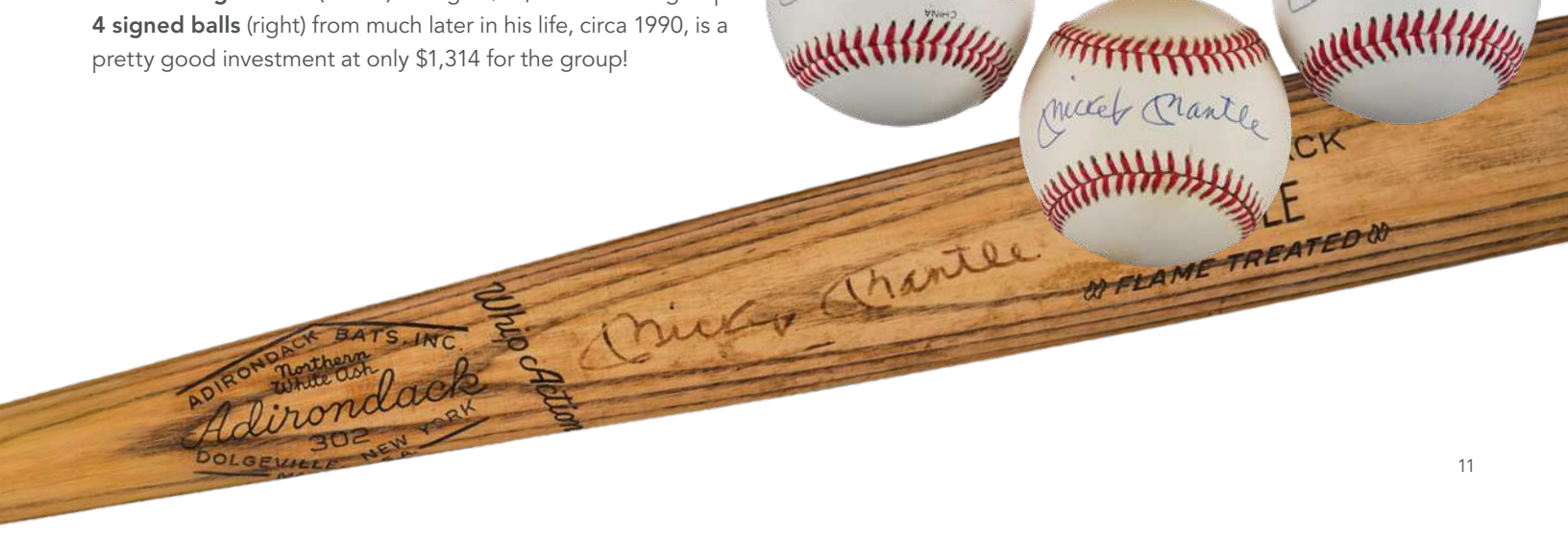
The most important, valuable and recognizable gum card of the post-war era, the 1952 **Topps Mickey Mantle rookie card** (left) in a near mint 8 out of 10 condition grade commanded the top price of the auction at \$382,400!

Mantle's Game Worn New York Yankees Jersey (far right) from his waning years as a player in 1966 sold for \$322,650. "I always loved the game," Mantle once told a reporter, "but when my legs weren't hurting it was a lot easier to love." By the time that

the Mick took the field for Opening Day 1966, it was a troubled love affair indeed. Still a brilliant and naturally gifted talent, who would yet again top the Yanks with a .538 slugging average in 1966, Mickey continued to battle the injuries that had plagued him throughout his Hall of Fame career.

One of only two known to exist, a **1951 Mickey Mantle Original News Photograph Used for 1951 Bowman Rookie Card** (right) achieves \$71,700! Mantle in an ill-fitted jersey requires rolled sleeves and holding a borrowed bat is but an untested rookie at Arizona spring training in 1951.

From the era of the Mick's 500th home run – this **1964-67 game used and signed bat** (below) brought \$25,095 - while a group of **4 signed balls** (right) from much later in his life, circa 1990, is a pretty good investment at only \$1,314 for the group!



HERITAGE[®]

LUXURY REAL ESTATE AUCTIONS

LUXURY REAL ESTATE AUCTIONS PROVIDE SELLERS OF PROPERTIES VALUED AT \$2 MILLION AND ABOVE THE PERFECT ALTERNATIVE TO TRADITIONAL METHODS OF SELLING HIGH-END HOMES AND ESTATES.

As interest in real estate auctions increases, the benefits of buying and selling homes at auction are becoming clearer. Our experts have detailed below some of the overlooked benefits of buying and selling at auction.

Auctions are beneficial for tactful and savvy sellers and buyers alike. Our method offers buyers access to one-of-a-kind properties and enables sellers to enjoy the most efficient and financially rewarding approach to selling their property.

Competitive bidding achieves true market value. Unlike traditional listings, an auction captures the market for a given property and buyers determine the selling price. Our wide-reaching marketing campaigns bring together an interested pool of international buyers and sellers based on the qualities of each individual property. Sellers will know they have captured the market and left no stone unturned and buyers understand they will

pay the best value possible when bidding against a group of qualified buyers.

The auction process offers a timely and cost effective way to sell your property.

While a luxury property listing remains on the current market an average of 3 to 5 years, the auction process produces much faster results. From consignment to closing, the property will be sold within 90 days. Auctions are also more cost effective than traditional real estate transactions, enabling us to offer attractive referral incentives.

Realtors are part of the process. Agents are encouraged to participate, with no loss or sacrifice of commission structure on their part. Informed agents are integral to the Heritage process. Experienced agents can help interested buyers understand the process and evaluate the property. Heritage's Directors have fostered many broker relationships and share their wealth of knowledge and expertise with their sellers and buyers.

Real Estate Auctions with Heritage are simple, efficient and transparent. From start to finish, the luxury real estate team will work with both buyers and sellers to ensure they experience none of the stress and complications that often come with traditional home sales. Our team provides due diligence packages, which include fully detailed information on the property from third party expert inspection reports to tax records, all the way down to architect's drawings. We pride ourselves on the transparency of our bidding procedures and we work with each buyer individually to make sure they understand the value of the property.

Do your clients have a one-of-a-kind luxury property they need to sell? Are they interested in purchasing a specific type of property that may not be available on the primary market? Contact us today to learn more about buying and selling luxury real estate with Heritage Auctions.

Call **855.261.0573** or email **LuxuryEstates@HA.com**.

For a free evaluation of your client's luxury property, visit **HA.com/SellHome**.



Lake Winnepesaukee estate, located on 2+ acres on Governor's Island, New Hampshire – Live auction October 6 with no reserve!

1793 WREATH CENT: \$399,500 IN HERITAGE'S \$46+ MILLION ANA AUCTIONS

HERITAGE U.S. COINS PORTION
ALONE REALIZES ABOUT
\$35 MILLION, AUG. 12-16
IN CHICAGO

A 1793 1C Wreath Cent, Vine and Bars, MS66 Red and Brown PCGS CAC, the finest known Sprung Die example and one of the five finest 1793 Wreath Cents known overall, realized \$399,500 as the top lot in Heritage Auctions Aug. 12-16, 2015, Summer ANA Convention offerings in Chicago, IL.

"This is just simply a magnificent and historic coin," said Greg Rohan, President of Heritage Auctions. "It set the stage for what was an incredibly successful week overall for Heritage. We posted more than \$46 million altogether, across three different auction venues, throughout the week."

A rare, low-mintage key, an 1856-O \$20 AU55 NGC Ex: Duquesne, long considered the rarest coin from the New Orleans Mint – and one of just 23 known examples – became the delight of a present day collector with a total price realized of \$340,750, while another New Orleans classic rarity, in the form of an 1854-O \$20 AU55 NGC Ex: Duquesne shone equally bright as the 1856 example, as it brought a total price realized of \$340,750.

U.S. highlights continued with an 1838-O 50C SP50 PCGS Secure, a classic Reeded Edge rarity and one of just nine traced, realized \$293,750 amidst spirited bidding. A magnificent Matte Proof 1937 Boone Half Dollar Set PR63 NGC, believed to be unique, a marquee offering for the classic commemorative specialist, did not disappoint as it soared to a final price realized of \$223,250.

Further highlights include, but are not limited to:

1879 \$4 Flowing Hair PR65 Cameo PCGS Secure CAC: **Realized \$202,625.**

1879 \$4 Flowing Hair PR65 PCGS CAC: **Realized \$199,750.**

1853-O 50C No Arrows VG8 PCGS Secure: **Realized \$199,750.**

1863 G\$1 MS68 PCGS Secure CAC Ex: Duckor/Akers/Virgil Brand: **Realized \$193,875.**

1870-CC \$20 VF30 NGC Ex: Duquesne: **Realized \$182,125.**



Upcoming Auctions

Numismatic Auctions	Location	Auction Dates	Consignment Deadline
U.S. Coins, U.S. & World Currency, World & Ancient Coins	Long Beach	September 16-22, 2015	Closed
U.S. Currency	Dallas	October 21-24, 2015	Closed
U.S. Coins, Gardner Collection, Part IV	New York	October 27, 2015	Closed
U.S. Coins	New York	October 29-30, 2015	September 15, 2015
U.S. Coins (Houston Money Show)	Houston	December 3-4, 2015	October 20, 2015
World Coins	Hong Kong	December 10-12, 2015	October 19, 2015
World Currency	Hong Kong	December 11-12, 2015	October 20, 2015
World & Ancient Coins (NYINC)	New York	January 3-4, 2016	November 13, 2015
U.S. Coins (FUN)	Tampa	January 6-8, 2016	November 23, 2015
U.S. & World Currency (FUN)	Tampa	January 6-12, 2016	November 16, 2015
Fine & Decorative Arts Auctions	Location	Auction Dates	Consignment Deadline
Fine & Decorative Arts including Estates	Dallas	September 12, 2015	Closed
Nature & Science	Dallas	October 4, 2015	Closed
20th & 21st Century Design	Dallas	October 10, 2015	Closed
Illustration Art	New York	October 14, 2015	Closed
Nature & Science	New York	October 15, 2015	Closed
American Art	Dallas	October 24, 2015	Closed
American Indian Art	Dallas	November 6, 2015	Closed
Texas Art	Dallas	November 7, 2015	Closed
Photographs	Dallas	November 13, 2015	Closed
Modern & Contemporary Art	Dallas	November 13, 2015	Closed
Fine Silver & Objects Of Vertu	Dallas	November 12, 2015	Closed
Tiffany, Lalique & Art Glass	Dallas	November 23, 2015	September 16, 2015
European Art	Dallas	December 9, 2015	October 2, 2015
Nature & Science	Dallas	January 31, 2016	November 17, 2015
Fine & Decorative Arts including Estates	Dallas	February 20, 2016	December 14, 2015
20th & 21st Century Design	Dallas	March 29, 2016	January 19, 2016
Illustration Art	Dallas	April 22, 2016	February 15, 2016
American Art	Dallas	May 7, 2016	February 29, 2016
American Indian Art	Dallas	May 20, 2016	March 15, 2016
Texas Art	Dallas	May 21, 2016	March 14, 2016
Memorabilia & Collectibles Auctions	Location	Auction Dates	Consignment Deadline
Entertainment & Music	New York	September 19-20, 2015	Closed
Guitars & Musical Instruments	Dallas	October 24, 2015	Closed
Animation Art	Dallas	October 30, 2015	Closed
Sports	Dallas	November 5-7, 2015	Closed
Comics & Original Comic Art	Beverly Hills	November 19-20, 2015	October 6, 2015
Vintage Movie Posters	Dallas	November 21-22, 2015	September 29, 2015
Entertainment & Music	Dallas	December 12, 2015	October 21, 2015
Animation Art	Dallas	December 14, 2015	October 30, 2015
Stallone - The Auction	Los Angeles	December 18-20, 2015	Closed
Historical Collectibles Auctions	Location	Auction Dates	Consignment Deadline
Americana & Political - The Merrill C. Berman Collection, III	Dallas	September 26, 2015	Closed
Arms & Armor - The Gary Robertson Collection	Dallas	October 25, 2015	Closed
Historical Manuscripts	New York	November 4, 2015	Closed
Rare Books	New York	November 4, 2015	Closed
Space Exploration	Dallas	November 6, 2015	September 15, 2015
Americana & Political	Dallas	November 7, 2015	September 16, 2015
Civil War & Militaria	Dallas	December 11, 2015	October 20, 2015
Arms & Armor	Dallas	December 13, 2015	October 22, 2015
Texana	Dallas	March 12, 2016	January 20, 2016
Historical Manuscripts	Dallas	Spring 2016	February 15, 2016
Luxury Lifestyle Auctions	Location	Auction Dates	Consignment Deadline
Luxury Accessories	Beverly Hills	September 28-29, 2015	Closed
Fine Jewelry	Beverly Hills	September 28-29, 2015	Closed
Luxury Real Estate	New Hampshire	October 6, 2015	Closed
Luxury Real Estate	TBD	Winter 2015	October 15, 2015
Timepieces	New York	October 29, 2015	Closed
Fine & Rare Wine	Beverly Hills	December 4-5, 2015	November 2, 2015
Fine Jewelry	Dallas	December 7-8, 2015	October 6, 2015
Luxury Accessories	Dallas	December 7-8, 2015	October 6, 2015
Timepieces	Dallas	Spring 2016	February 15, 2016
Domain Names	Location	Auction Dates	Consignment Deadline
Domain Names	Dallas	August 2016	July 15, 2016

HA.com/Consign • Consignment Hotline 877-HERITAGE (437-4824) • All dates and auctions subject to change after press time. Go to HA.com for updates.

HERITAGE INTERNET-ONLY AUCTIONS with Live Sessions

Comics – 6PM CT Sundays

Movie Posters - 6PM CT Sundays

Sports - 10PM CT Sundays (Extended Bidding)

U.S. Coins - 7PM CT Sundays & Tuesdays

Currency – 7PM CT Tuesdays

Luxury Accessories - 9PM CT Tuesdays

Timepieces & Jewelry – 8PM CT Tuesdays

Nature & Science - 10PM CT Thursdays

Rare Books & Autographs – 8PM CT Thursdays

World Coins - 8PM CT Thursdays

Wine - 10PM CT 2nd Thursdays

Monthly World Coins - 8PM CT final Sundays

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September 24

**Calvary Hospital Annual
Attorney CLE Conference**

The Roosevelt Hotel
New York, New York

September 30 - October 1

**New York Bankers Association
Trust and Investment Conference**

The Sagamore Resort
Bolton Landing, New York
NYBA.com

October 29

**UJA-Federation 34th Annual
Long Island Estate, Tax & Financial
Planning Conference**

Crest Hollow Country Club
Woodbury, New York
ujafedny.org

November 6

Art Law Day
NYU Kimmel Center
New York, New York
SCPS.NYU.edu

November 8-9

**Appraisers Association of America
National Conference**

The New York Athletic Club
New York, New York
AppraisersAssociation.org

November 18-20

**National Association of Estate
Planners & Councils (NAEPC)
52nd Annual Conference**

Omni Amelia Island Plantation Resort
Amelia Island, Florida
NAEPC.org

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MARK PRENDERGAST
 Director of Trusts & Estates
 877.437.4824, ext. 1632
 214.409.1632
 MPrendergast@HA.com



MEREDITH MEUWLY
 Director of Appraisal Services
 877.437.4824, ext. 1631
 214.409.1631
 MeredithM@HA.com

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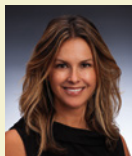
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ELYSE LURAY
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 New York
 877.437.4824, ext. 1369
 214.409.1369
 ElyseL@HA.com



ALISSA FORD
 Trusts & Estates
 San Francisco
 877.437.4824, ext. 1926
 214.409.1926
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CAROLYN MANI
 Trusts & Estates
 Beverly Hills
 877.437.4824, ext. 1677
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Items you presently collect
 or have collected in the past
 (check all that apply):

Items you have considered
 collecting but never have
 (check all that apply):

Americana & Political	<input type="checkbox"/>	<input type="checkbox"/>
American Indian Art	<input type="checkbox"/>	<input type="checkbox"/>
Arms & Armor	<input type="checkbox"/>	<input type="checkbox"/>
Automobilia	<input type="checkbox"/>	<input type="checkbox"/>
Civil War & Militaria	<input type="checkbox"/>	<input type="checkbox"/>
Comics & Comic Art	<input type="checkbox"/>	<input type="checkbox"/>
Domain Names & Intellectual Property	<input type="checkbox"/>	<input type="checkbox"/>
Entertainment & Music Memorabilia	<input type="checkbox"/>	<input type="checkbox"/>
Fine & Decorative Arts	<input type="checkbox"/>	<input type="checkbox"/>
Fine & Rare Wines	<input type="checkbox"/>	<input type="checkbox"/>
Fine Jewelry & Timepieces	<input type="checkbox"/>	<input type="checkbox"/>
Luxury Accessories	<input type="checkbox"/>	<input type="checkbox"/>
Luxury Real Estate	<input type="checkbox"/>	<input type="checkbox"/>
Modern & Contemporary Art	<input type="checkbox"/>	<input type="checkbox"/>
Nature & Science	<input type="checkbox"/>	<input type="checkbox"/>
Rare Books & Manuscripts	<input type="checkbox"/>	<input type="checkbox"/>
Rare Coins & Currency	<input type="checkbox"/>	<input type="checkbox"/>
Silver & Vertu	<input type="checkbox"/>	<input type="checkbox"/>
Space Exploration	<input type="checkbox"/>	<input type="checkbox"/>
Sports Collectibles	<input type="checkbox"/>	<input type="checkbox"/>
Texana	<input type="checkbox"/>	<input type="checkbox"/>
Vintage Guitars & Musical Instruments	<input type="checkbox"/>	<input type="checkbox"/>
Vintage Movie Posters	<input type="checkbox"/>	<input type="checkbox"/>
Other (Please List)	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>

What is the nature of your practice?

- ☐ Attorney ☐ Bank/Trust Officer
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- ☐ Yes ☐ No

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