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D CEO



⊙ *Heritage CEO Steve Ivy with one of John Wayne's 1970s-era cowboy hats, which Heritage was tapped to sell.*

SOTHEBY'S, BEWARE

Offering everything from rare books to Lou Gehrig's jersey, Heritage Auctions under CEO **STEVE IVY** grows to become the third-largest auction house in the world.

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RICH HERITAGE

BY STEVE PATE
PORTRAITS BY ELIZABETH LAVIN

FOR YEARS THE NATION'S TOP CURRENCY AND COIN HOUSE, DALLAS-BASED **HERITAGE AUCTIONS** HAS USED ITS FOUNDERS' ENTREPRENEURIAL PROWESS TO DIVERSIFY AND FLOURISH IN RECENT YEARS—PARTLY AT THE EXPENSE OF INDUSTRY GIANTS SOTHEBY'S AND CHRISTIE'S.



BID MEN: Heritage President Greg Rohan (this page) and Jim Halperin, the company's co-founder (opposite), work at what Halperin calls "the most interesting business imaginable."

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HEN ACTOR NICOLAS CAGE DECIDED TO unload most of his vast comic book collection in 2002, he used Heritage Auctions in Dallas to execute the \$1.68 million sale.

In Orlando last year, a 1913 U.S. Liberty head nickel previously owned by Egypt's King Farouk and before that, Los Angeles Lakers owner Jerry Buss (who sold it

years earlier for a paltry \$200,000), was sold at a Heritage auction for \$3.7 million to an East Coast collector.

A 1939 Detective Comics book? Sold, for \$1.075 million. Beatle George Harrison's autographed Fender Telecaster, used on *Let It Be?* Yours, for \$434,750. Gen. Ulysses S. Grant's Civil War sword? \$1.673 million. Lou Gehrig's New York Yankees jersey No. 4, the first jersey number ever retired in American professional sports? \$717,000. All sold in Heritage auctions.

Heritage has made so many huge "sells" that when centerfielder Lenny Dykstra decided to cash in on his 1986 New York Mets World Series ring, the \$56,763 final bid did not crack Heritage's top 1,000.

This is not eBay, despite the online giant's enormous success. Says Steve Ivy, Heritage co-founder and CEO, "eBay is more pedestrian, more like a giant flea market. It's all consumer-to-consumer, for the most part. What we do is bring in collections, catalog them, photograph them, sell them, and guarantee everything so the risk factor is essentially eliminated. We bring order to a much more chaotic market."

Heritage is not a thorn in eBay's side, but it is an ever-prickling nuisance to the world's leading auction houses, Sotheby's in London and Christie's in New York. Based on reported revenue from the industry, Heritage bills itself as No. 3 in the world overall, and No. 1 in collectibles—items made in multiples that people collect in sets. Ivy says Heritage sales reached \$700 million last year, while publicly owned Sotheby's and privately held Christie's are each in the \$4.5 billion to \$5 billion range.

Sotheby's and Christie's specialize mainly in fine art and extremely rare items. Heritage continues to make a modest dent in fine art but also concentrates on, among other things, coins and currency, comic books and comic art illustration, sports cards and memorabilia, music memorabilia, vintage photography, historical manuscripts, rare books, Texana, jewelry and timepieces, and vintage movie posters.

"It's only been the last five years that we've been what I'd semi-call going head-to-head with them," Ivy says of the Big Two. "They were just sort of outside my universe. I did think they didn't do a very good job in what are typically referred to as collectibles, because those areas are so expert-driven, and they've never hired anybody and created an atmosphere where experts in so many fields could do well. They do well with art experts, but they don't do well with collectible experts. That's one of the reasons Heritage was able to prosper, somewhat at their expense."

For years the top currency and coin house in the United States, Heritage has sold a number of coins for more than \$1 million apiece—the most recent (\$1.3 million) at an August coin auction in Chicago that brought in a total of \$31.5 million. Last year, the company also became No. 1 in the world in sports memorabilia, with almost \$13 million in sales. It does \$30 million a year in comics and comic art alone. The house has sold \$25 million in illustration and fine art just this year.

As of *D CEO's* November-issue deadline, ABC was still mulling over a new reality series, *Great Big American Auction*, using Heritage exclusively to run the auctions for the weekly prime-time series.

Though based in Dallas, the company under the Heritage umbrella includes offices on Park Avenue in New York and on Olympic Avenue in Beverly Hills. It most recently acquired the assets of Greg Martin Auctions in San Francisco, which deals in rare firearms. Smaller buying offices are located in Paris and Geneva, and another full-service branch is opening next year in Hong Kong. The company's range of expertise, compared to other elite auction houses in the world, borders on flabbergasting.

Heritage has sold items from the moon (Apollo 11 astronaut Buzz Aldrin's slide rule and handwritten notes he carried onto the moon's surface) and has sold far more Academy Awards Oscar statu-

ettes than any auction house. In October, some 745 never-released items from the John Wayne Estate were scheduled to be sold in Los Angeles, including the *True Grit* eye patch, the hat Wayne wore in *Rooster Cogburn* and the shirt he wore in *The Man Who Shot Liberty Valance*.

Did someone say dinosaurs? The Natural History Auction on June 12 in the spacious Tower Building at Fair Park was a rock-solid gem. It was, according to those who dabble in such matters, the most notable auction of its kind in the world.

About 150 bidders attended, and countless thousands of other bidder-subscribers participated in Heritage's streamed auction online at HA.com. More than 200 items—minerals and meteorites and fish scales and, yes, incredibly pieced-together dinosaurs—were sold to museums from all over the world and, as Heritage President Greg Rohan reflected, "to people with really big rooms."

Heritage publicly posts all of its reserves but no longer announces many of its winning bidders, at the winners' request, preventing other auction houses from recruiting its top customers. Thirty minutes into the natural history auction, a brilliant and pure Rhodochrosite mineral (4 inches wide, 2-3/4 inches high, 1-7/8 inches thick) went for \$300,000. Heritage's 19.5 percent buyer's premium on that one item alone recouped what it cost to stage the event.

Shortly thereafter, an unnamed museum purchased "The Fighting Pair"—two 155 million-year-old dinosaurs pieced together in their life-like stances—for \$2.75 million. The bones of the *Allosaurus* and *Stegosaurus* had been dug up in the prestigious Dana Quarry near Ten Sleep, Wyo., at the foothills of the Big Horn Mountains, and had been "articulated in their osteologically accurate positions," as they say in the trade.

"A lot of dinosaurs just died in a big mud-hole," explained quarry manager Henry Galiano. "I

normally don't auction items from my dinosaur quarry; it's one of the largest collections of near-perfect Jurassic dinosaurs. But we needed money."

The story behind Heritage is largely built around three self-confessed nerds who put their skulls together to jolt the auction world from its dinosaur days into the 21st Century. As Ivy explains, "The founders of Sotheby's and Christie's have been dead for over 300 years, so they have a lot more corporate types than we do. My partners and I all came up as collectors. We're all seat-of-the-pants entrepreneurs."

Dynamic Threesome

Heritage's three top executives hail from three far-flung points of the United States—Ivy, who's 61, from Fort Worth; co-founder Jim Halperin, 59, from Boston; and Rohan, 49, the president, from Seattle. It's no exaggeration to say that each nickel-and-dimed his way to riches in rare coins and currency, yet had only scratched the surface of what was to come.

Back in the *Leave It To Beaver* 1950s, young Ivy borrowed \$25 from his dad Robert, who was president of the Tarrant County Trial Lawyers Association. He used the money to buy a rare coin, then sold the coin for \$50 that same week—back when \$50 looked like a hundred bucks. He devoted that \$50 to more coins, and on it went—the early stages of what Ivy assures is a genetic disorder known as obsessive compulsion.

"People ask me what I did before I got into this business," Ivy says. "I tell them I was in the fifth grade."

At the age of 12, he set up his first table at a coin show in Fort Worth. He went on to attend the University of Texas in 1967 as a business major, but dropped out in '69 ("It was always coins first, school second"), and moved to Dallas. In his first year in a one-man office, Ivy says, he sold "a few hundred thousand dollars worth of coins," working out of the LTV Tower on Pacific Avenue downtown. Already, many of the world's major players in coin collecting knew his name.

Ivy moved into a 300-square-foot office in Metropolitan Mall when Dallas' underground tunnel system "was like three buildings at the time," later moved to Bryan Tower, then Greenville Avenue near Walnut Hill, a building at Akard and Woodall Rodgers Freeway, Highland Park Village, the West End Historic District and, finally, the company's current office in an 18-story, glass-encased tower at 3500 Maple Avenue.

In Boston, meanwhile, Halperin shunned the playing fields of youth and got into collecting stamps at age 6. He added coins and comic books when he was 8. By 16, he had opened a stamp and coin shop and was obsessed with the business of collectibles. One of his admitted idols? Steve Ivy, the kid from North Texas. Ivy and Halperin kept running into each other at coin shows around the country.

"He was 19 and I was 16," Halperin says. "He was one of my heroes. He was a famous coin dealer,

and I was just getting started. We had a friendly rivalry. We almost always went out to dinner together at coin shows."

Halperin was accepted into Harvard University, but he dropped out as a sophomore when his booming New England Rare Coin Galleries overtook the pursuit of a Harvard degree. In late 1982, he sold a major portion of his Boston coin business, moved to Dallas and merged the auction company and his European operations with Ivy's company. Ivy had added auctions to Steve Ivy Rare Coin Co. in 1976, but the real foundation of Heritage Auctions began when Halperin joined forces.

"I think if you measured it on volume of sells," Halperin says, "my company was probably the largest [coin dealer in the world], and Steve's was probably second. He was married and had much deeper roots than I did, and I loved Dallas and looked forward to moving here."

In Seattle, meantime, 8-year-old Rohan would often ride the bus downtown, buy pennies for a quarter at the local coin shop, and sell them at school for 50 cents "to the kids who got bigger allowances." By 11, he was setting up his own booth as a dealer at coin shows.

At 15, he met Ivy and Halperin in San Francisco at Rohan's first out-of-state show. "They were competitors and owned the two largest coin companies in the world," Rohan says. "They were the guys I looked up to."

In 1985, Ivy and Halperin staged a contest under the Heritage banner pitting the abilities of collectors to evaluate the condition of coins. Rohan won. He says Ivy and Halperin invited him to dinner "because they wanted to make me an offer I wouldn't be able to refuse."

At 25, roughly 25 years ago, Rohan moved to Dallas to manage Heritage's coin department and to become the company's coin grader and buyer.

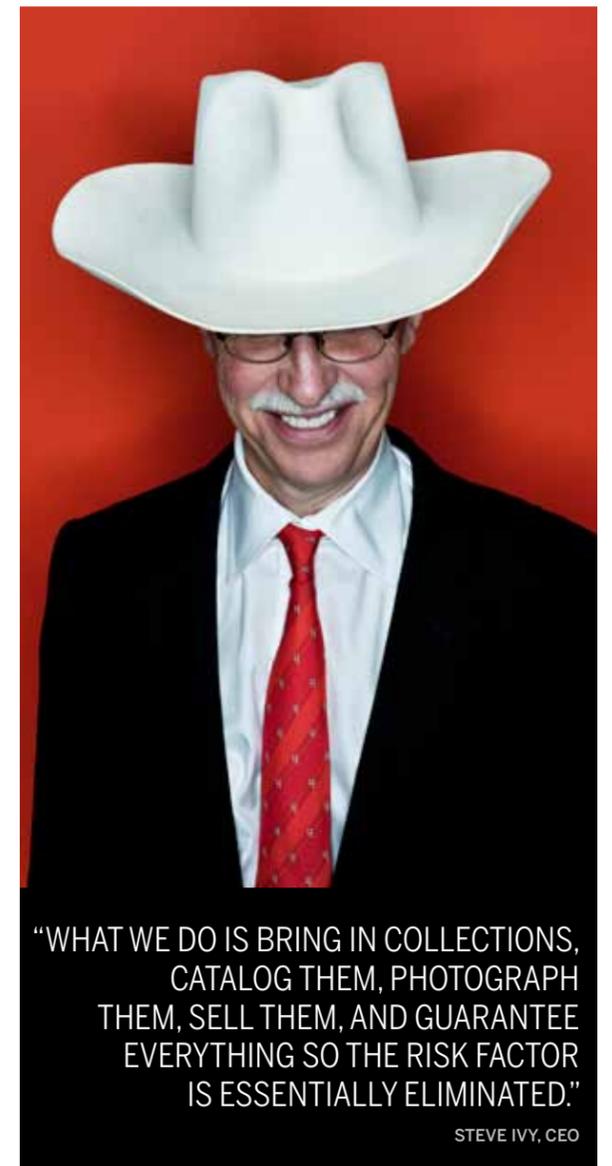
By then, the company's offices were located in the West End and, according to Rohan, Heritage was already the largest coin company in the world, pulling in \$60 million a year in "sells."

Online Pioneers

None of the three can clearly recall the specific meeting, or who made the suggestion that they try selling their coins online. But the idea came up in 1996, long before most businesses understood the Internet's potential for buying and selling. Almost feverishly, Halperin jumped at the idea, and Heritage's world changed dramatically.

"I was very inspired by the success Amazon.com was having," Halperin says. "I understood immediately that it was a great Internet model, and we threw a lot of money into building our site."

Auction junkies, big-time consignors, and ma-and-pa collectors registered on the elaborate

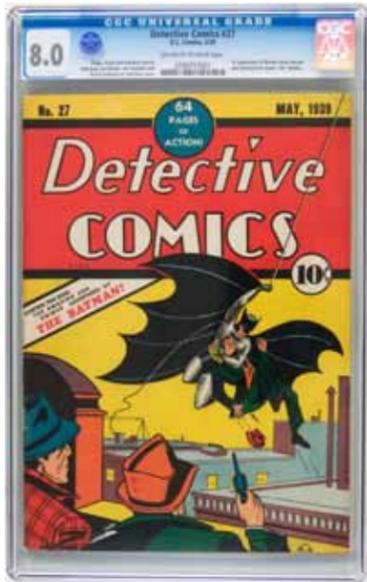


website, thereby furnishing Heritage with the names and addresses of an incredible audience. Heritage became the go-to source for coin information and for collectors looking to sell or buy. Almost overnight, a man living in western Pennsylvania contacted them, and, Rohan was dispatched to find him.

"I went down a few dirt roads and pulled up to this nice house," Rohan says. "The man's deceased father [had known] who we were because he had been a coin collector, but I asked the guy how on earth he found us. He said, 'I went down to the library and typed 'rare coins' in the search engine

GOING ONCE ...

A FEW OF THE MOST NOTABLE ITEMS SOLD FOR BIG BUCKS AT DALLAS'S HERITAGE AUCTIONS.



Detective Comics #27 (DC, 1939) CGC VF 8.0 Off-white to white pages. This was perhaps the most desirable comic book auctioned at Heritage to date. **Sold for \$1,075,500 in February 2010.**



1804 \$1 Original PR62 NGC. The "King of American Coins." The Mickle-Hawn-Queller 1804 Silver Dollar, Class I Original, PR62 NGC. **Sold for \$3,737,500 in April 2008.**



van Konstantinovich Aivazovsky (Crimean, 1817-1900), *Pushkin at the Waters Edge*, 1886. Oil on canvas. Signed and dated to the lower right. 31 x 40-1/2 inches (78.7 x 102.9 cm). **Sold for \$1,613,250 in October 2007.**



1927 Lou Gehrig Game-Worn New York Yankees Jersey. **Sold for \$717,000 in November 2010.**



Diamond, Platinum Ring. **Sold for \$388,375 in December 2010.**



General Ulysses S. Grant's Civil War Presentation Sword as "General in Chief of the United States Army 1864". **Sold for \$1,673,000 in June 2007.**



The Fighting Pair - Allosaurus vs. Stegosaurus. **Sold for \$2,748,500 in June 2011.**

and your website came up, along with another company. I called the other company and they said to take the coins to the post office and put them in a box and mail them to us registered mail. They said, 'We'll call you and let you know if you have anything good.' Then I called you people, and 24 hours later you're sitting in my living room."

Rohan says that first major consignment cleared \$900,000—and Heritage raked in six figures through the Internet blockbuster. Today, Heritage has 660,000 online subscribers and counting, and Ivy estimates some 8,000 to 9,000 participate in each coin auction. By the end of 2011, Heritage will have conducted about 50 live auctions, half in Dallas and the other half around the country and world. But there will also be another 400 auctions online in 2011 alone.

The standard buyer's premium is either 15 percent or 19.5 percent, depending on the category; the standard seller's fee ranges from 5 to 20 percent. And Heritage collects them both.

Beyond Coins

It was Halperin who first wanted Heritage to branch out into additional areas. In 2001, he pushed to include comic books. Ivy balked. Halperin pushed harder. Finally, Ivy consented—if Halperin would agree to consign a significant portion of his comics collection for Heritage's first auction. Halperin agreed.

Ivy says Heritage controlled "90 percent of the market share in comics by the early 2000's, within two or three years" of adding it as a second category.

Halperin says he always foresaw the day that Heritage would dabble in numerous collectibles. Steve's son, Chris Ivy, created the company's Sports Memorabilia department in 2003, at age 27. He sold \$2 million worth of vintage collectibles in his first auction. And this calendar year, his dad says Heritage Sports is on track again to realize almost \$15 million—"far and away the most of any of our competitors in this category."

The company now has 33 fields of high-quality expertise. Each has required its own authorities, and Ivy and Halperin pursued the very best they could find. Asked what led him to use Heritage to sell his ancient items, the dinosaur guru Galiano says, "I've known [Heritage natural history expert] David Herskowitz for many years, and I know his reputation."

Ivy concedes, "Ten years ago I didn't know we'd be selling 90 percent of the stuff we sell. We were the biggest coin company by then, but I had no expectations of selling, you know, dinosaurs. We were used to dealing with things that all fit nicely in a relatively small room. Now we're dealing in things that require us to use 18-wheelers just to get from one place to another."

Heritage pulled off a major coup in 2005 by hiring Ted Pillsbury, a darling of the international art scene, as director of its fine art department. Before pursuing other endeavors, Pillsbury had

been director of Fort Worth's Kimbell Art Museum from 1980-1998, when the Kimbell gained world recognition, thanks in large part to Pillsbury's impressive acquisition of European masterworks for the Kimbell's permanent collection.

Then, shockingly, in March 2010, Pillsbury was found dead, at age 66, beside his car on a country road near Interstate 20 in Kaufman County. Mystery shrouded his death as the Kaufman sheriff's office waited several days before determining that Pillsbury had died of a self-inflicted bullet wound.

"It was a total shock," Ivy says. "Ted was one of those guys who, if anything, had high self-esteem, not low self-esteem. He was very gregarious and temperamental sometime, as those kind of experts tend to be. He put Kimbell on the map. Outside of New York City, in terms of the art world, he was generally considered at the top of the food chain."

This year, Pillsbury's estate has used Heritage to auction more than 250 works from his private collection, which suggests a harmonious relationship has remained between Heritage and the Pillsbury family.

Perils and Perks

Heritage does not thrive in a land of \$50 deals, even as Rohan concedes, "Everyone thinks they have the Hope Diamond, when usually all they have is hope." The very nature of the auction business is fraught with proprietary issues and legal challenges, and Heritage has dealt with a few.

One of the most widely publicized came in 2009, when a Civil War memorabilia dealer sued Heritage for violating several Texas state laws. Heritage strenuously denied the claims and the suit was dismissed, with prejudice, and remanded to arbitration.

"We do business with about 40,000 people a year, consignors and buyers," Ivy says. "Considering that, we deal with very few complaints ... It's not any different from attorneys or writers or doctors. Integrity is huge in the auction business. We are by far the most transparent auction company in the country. We publicize all our reserves; every lot we've ever sold is listed on the website."

These days, Heritage includes five other partners who participate in daily decision-making. Paul Minshull, the COO since 1994, joined in 1984. Marc Emory, who made the move from Boston with Halperin, oversees the European offices. Ryan Carroll is the head coin trader, Todd Imhof is executive vice president, and Cristiano Bierrenbach is executive vice president of International Numismatics, its newest addition.

Of their 385 employees worldwide, about 350 work out of the company's Maple Avenue head-

quarters. Heritage takes up four floors totaling 80,000 square feet of space, not including the first-floor auction room. The company's main lobby, on the 17th floor, includes at least five visible overhead cameras, and the two receptionists work behind a completely glassed-in area.

Heritage operates its own security system full-time, watching over every foot of every floor. Many employees only have access to the break room and their own areas of expertise. The most recent items not stored in one of a half-dozen vaults, or

HERITAGE OPERATES ITS OWN SECURITY SYSTEM FULL-TIME, WATCHING OVER EVERY FOOT OF EVERY FLOOR. MANY EMPLOYEES ONLY HAVE ACCESS TO THE BREAK ROOM AND THEIR OWN AREAS OF EXPERTISE.

in one of as many as 20 safes, clutter the areas on and around cubicles and walking paths on each floor. It's not unusual for employees to work amid ever-changing scenery: rare books, art, movie posters, and on and on.

Heritage has its own ad agency, does its own marketing, and publishes its own books, magazines, and brochures. It also has its own computer system and its own photographers.

The company's skyrocketing rise in recent years has brought its share of perks.

"I started reading *Forbes* magazine when I was 16 years old," Rohan says. "And now Christopher Forbes is my client and my personal friend. I went ballooning with him in the *Forbes* balloon in the countryside of Normandy last year. He invited my wife and I and others to his chateau. It's not an invitation you turn down. Without the direction our business has taken, I would never have had the opportunity to meet wonderful people like him and many others like him. I would have never dreamed my life would have taken that turn."

Despite the boom into so many surprising areas of collectibles, Halperin says, "I think Steve and I both always envisioned a company this size, organized this way, and run with this kind of velocity. We're very much on the same page. It's a lot of fun. It's just about the most interesting business imaginable. Something new every day."

Worldwide economic woes and heightened competition have done nothing to slow Heritage Auctions' growth.

"Never in my entire life did I think it wasn't going to work," Ivy says, looking back to that day he dropped out of college. "I never said to myself, 'When I get to a certain level, I'm going to stop.' I never want to stop."

Dinosaurs beware. **D**