

Rare Coin Trends and Market Report

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Do you know:

◆ Today's 1% interest rate is the lowest in the nation since 1958.

◆ Since 1957 the average American's income has climbed 300% while the average person's debt has shot up 700% and continues to accelerate.

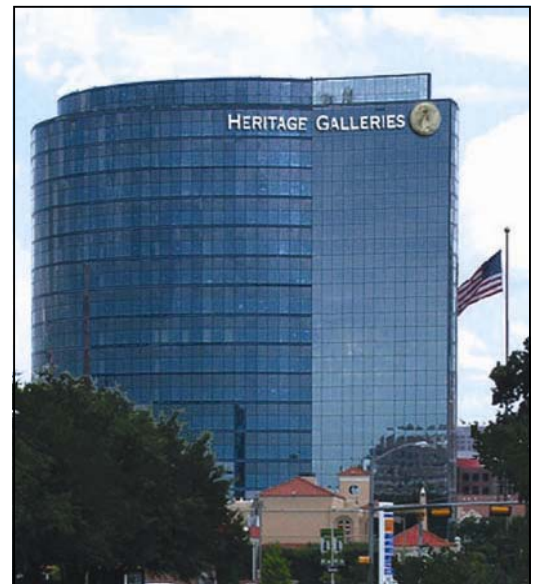
◆ Our national debt has reached \$34 trillion dollars. That is \$34,000,000,000,000.

Heritage To Move Corporate Headquarters

In January 2004, Heritage Capital Corporation will be moving the corporate headquarters from their present 23,000 square foot facility at Highland Park Village to a 45,000 square foot location on Maple Avenue near downtown Dallas. Heritage has been at the present location for almost 15 years and the successful expansion of the company into the collectible fields of comics, vintage movie posters, illustrative art, collectible toys, movie memorabilia, sports cards and rock and roll memorabilia has created a need for more and larger space to facilitate operations. The rare coin division has added world coins and currency to its auction line-up making Heritage the world's largest numismatic auctioneer and dealer.

Located at the new facility on the 17th and 18th Floor at 3500 Maple Avenue will be Heritage Rare Coin Galleries, Heritage Numismatic Auctions, Heritage World Coin Auctions, Heritage Currency Auctions of America, Heritage Sportscards, Heritage Comics, Heritage Galleries and U.S. Tangible Investment Corporation.

Future announcements will provide any changes in e-mail, telephone or fax numbers. We invite you to visit us at our new location in 2004.



Now on-line: U.S. Tangible's new website



U.S. Tangible Investment Corporation has completely updated its website for 2003. The address is the same, www.ustic.com, however the layout and content has changed. The site has been redesigned to have more of a financial services firm appearance rather than a "coin firm" look. New for the site are downloadable Powerpoint presentations on coins in trust applications; the current Penn State University rare coin performance study; NASD 3030 and 3040 regulations as they apply to rare coin sales; and an introduction to USTIC and its services. The site is easy to navigate and has been designed with the financial services professional in mind as the key user.

Special thanks to Shane Reed in the Heritage Information Technology Department for his patience and help with this site. Please visit the site and give us your comments.

Heritage Baltimore sales surpass \$14 million



Nearly 6,000 lots U.S. coins and tokens were offered in the Signature sale held in Baltimore, MD. In addition,

5,000 lots were offered in the Baltimore Bullet sale which closed on August 6th. "Hundreds of the lots being offered in Baltimore were Condition Census in quality" stated Heritage President Greg Rohan, "and the market continues to chase these Registry-level coins to record prices. Registry collections and individual conditional rarities continue to bring absolute top dollar." Listed are some of the highlights of the sale.

1858 Flying Eagle Cent, Large Letters

NGC PR67 Cameo \$ 35,650

1858 Flying Eagle Cent, Small Letters

PCGS PR66 Cameo \$ 87,400

1864 Two Cent Piece, Small Motto

PCGS PR65 Red Brown \$ 43,700

1916-D Mercury Dime

PCGS MS65 Full Bands \$ 27,600

1916 Standing Liberty Quarter

PCGS MS66 Full Head \$ 36,800

1852 Half Dollar

NGC MS67 \$ 18,400

1889-CC Morgan Dollar

PCGS MS64 \$ 39,100

1893-S Morgan Dollar

NGC MS63 \$ 74,750

1890 Liberty Gold \$5.00

NGC PR66 Deep Cameo \$35,650

1875-S Liberty Gold \$10.00

PCGS MS67 \$ 49,450

Gold bullion climbed 25 percent last year, its biggest gain since 1979.

Gold prices rising - \$400 per oz. in sight?

Gold prices may reach \$400 an ounce by the end of 2003, the highest in almost eight years, because of higher demand from investors seeking a haven, a London-based consultant said.

Demand from investors in North America and Europe jumped an estimated 55 percent in the first half from a year earlier, to 140 metric tons, Gold Fields Mineral Services Ltd. said in a report.

"There's a definite, if still modest, pick up in longer term interest from people seeking a hedge against current insecurities," Philip Klapwijk, Gold Fields managing director, said in a faxed statement. "Stocks are looking shaky, the dollar's probably heading south and the political situation doesn't seem to show much signs of calming down."

Gold climbed 25 percent last year, its biggest gain since 1979. A gold fund, the Merrill Lynch Gold & General Fund, was the U.K.'s top-performing unit trust. Two U.S.-led wars since the Sept. 11, 2001, terrorist attacks in New York and Washington may have spurred interest in the metal.

The weakening of the U.S. dollar also has made dollar-denominated gold cheaper for holders of other currencies. The euro gained 18 percent against the dollar last year while the British pound climbed 11 percent.



Rare Coins in IRAs and the Porsche 959



Burnett Marus, RFC

In the current issue of Autoweek (yes, I read other magazines besides all the financial ones) there was an interesting article about the legendary 959 supercar from Porsche built in 1988, and the attempts to federalize the car for use in the United States. How does this relate to rare coins? Read on. It seems that the EPA had placed restrictions on the importation of this amazing automobile to the U.S. due to the fact it meet U.S. bumper or ride-height standards. (Please, no calls or letters to me on the "PC" of environmental issues, that's not what this is about) What was intriguing was the absolute maze of regulations and legislative chicanery that occurred in the



**Porsche 959- \$400,000.
Fits in your garage**

ultimate legalization of the 959 in the U.S. In 1988, eight examples were imported to the U.S. in street legal trim yet federal inspectors refused to authorize importation and the eight cars were returned to Germany. One car was converted to true racing specs and imported for racing purposes only (Yep, racing them in the U.S. was legal; you just couldn't drive them on the street) but was never raced. Another was imported as strictly a museum display with a strict agreement it was not to be driven on public roads. Others that tried to come to the US were impounded at the docks. Two were imported for Microsoft owners Bill Gates and Paul Allen in the early 1990's but never made it past the Customs officials in Oakland, CA.

Car dealer Bruce Canepa, who tried to import the cars, said "I was going to declare myself a manufacturer to facilitate the federalization process and the feds should have allowed it imported. But politically the car was a hot potato so they stonewalled us". Washington DC attorney Warren Dean was retained and representing Canepa. Publishing heir Otis Chandler, Ralph Lauren, Gates and Allen went to EPA, NHTSA and every major manufacturer to keep everyone happy. They formulated a law—that if 500 or fewer cars were produced, if they were never U.S.—legal, and if they were rare—you could import them without having to pass DOT standards. As long as they met EPA standards and were driven no more than 2500 miles per year, they'd be legal.

Attached to miscellaneous bills, the supercar rider failed passage two years in a row before Dean maneuvered it into a Senate transportation bill he knew was a guaranteed winner. Remember that sentence, it's important. In April 1998 the supercar proviso became law when President Clinton signed off on it. Two more years passed before the feds drafted procedural documents in 2000 to implement the supercar law. Piling forms on top of forms, they not only insisted on insurance policies stipulating 2500 mile use restrictions, they also made owners submit documents confirming the same thing.

So, how does this relate to coins in IRAs? Well, first, have you ever heard about the supercar law? Probably not. The same is true of the coins in IRA provision. Besides hearing about it from this source, there is no publicity outside the coin industry on this. The same was true in 1981 when the collectibles section was removed from IRAs in 1981. A two paragraph insertion in a 3000 page document called the Economic Recovery Tax Act of 1981 (ERTA) amended Section 408 of the Tax Code by adding subsection (m). The rare coin industry wasn't aware of this law until about three months after passage. It was one of the main reasons for the formation of the Industry Council for Tangible Assets (ICTA) a lobby organization.

Simply, the movement to add a provision to include rare U.S. coins in IRAs is not widely publicized. It is surprising since if there is one thing that could jump start market performance in rare coins it would be the inclusion of coins in IRAs. There already have been studies by Congress on the impact of the law (part of which was the initial study of rare coin performance completed at Penn State University in 1994), review by the IRS and review by both House and Senate staffers.

If this proviso is added, it will be under the same conditions as the supercar bill; attached to a guaranteed, slamdunk bill that will pass without veto. It will not be hotly debated on the hill, you won't see campaigners canvassing neighborhoods urging them to contact legislators to support passage. Many financial planning organizations are just becoming aware about this pending amendment. The first ones who will know about the passage when it comes will be the coin direct marketers and coin telemarketers. Hopefully, the financial planning community will not be fashionably late to the party. Senate Bill 935 and House Resolution 1820 are now pending. To see the actual language, go to www.theorator.com/billpage.html and click on the corresponding bill numbers. This is a very good site to look up any pending legislation in Congress.

The facts of the matter are rare coins and Porsche 959's are the realm of specialty collectors and investors. The general public has little knowledge about these areas. The supercar bill was passed with BIG bucks coming to a lobbyist who was able to use lots of this lobby money to influence legislators to slip in a bill so Bill Gates, Paul Allen and Ralph Lauren could finally drive their expensive toys. Yes, if you have \$400,000, you too can drive 215 mph in the fastest non-racing edition Porsche ever built. Bill, please call me, I want a ride.



**Rare US gold coins- \$400,000.
Fits in a safe deposit box**

In summary, the coins in IRAs bill and the supercar bill are alike in the fact they require almost covert attachment to a major bill that will unquestionably pass through the legislative process. They are unlike in the fact that the supercar bill had financial support from billionaires, while the coins in IRAs bill does not. And importantly, the supercar bill benefits a privileged few while the coins in IRA bill will benefit thousands of collectors and investors alike. Maybe Bill Gates will get interested in rare coins???

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Sept - Oct 2003 Trend Indicators

USTIC Generic Gold Index: %Chg Trend

MS65: \$31,895 ↓ -0.43% →

MS64: \$11,986 → -0.04% ↑

MS63: \$ 7,710 ↑ +4.33% ↑

Generic Morgan Dollar Index:

MS65: \$84.00 → +10.52% ↑

CU3000 Index: (09/19/03)

\$58,120 ↑ +1.87% ↑

Gold Bullion Spot: (09/19/03)

\$382.00 per oz. ↑ +5.58% ↑

Silver Bullion Spot: (09/19/03)

\$5.19 per oz. ↑ +15.07% ↑

CCDN (+/-) Count (Total: 10074 listed prices):

Plus: 285 Minus: 29 Unch: 9760 →

Most active series:

Morgan Dollars, Mint State Gold, Peace Dollars, Gold Commemoratives, Silver Commemoratives, Walking Liberty Half Dollars.

CCDN CMI Values: 12/13/02 to 9/19/03 %Chg

Silver Commem	514.97	518.59	+0.70%
Gold Commem	524.16	563.48	+7.50%
Morgan Dollars	879.43	917.55	+4.33%
Peace Dollars	638.04	646.65	+1.34%
Mint State Gold	468.22	498.64	+6.49%
Proof Gold	736.62	767.68	+4.21%
Proof Singles	752.23	783.02	+4.12%

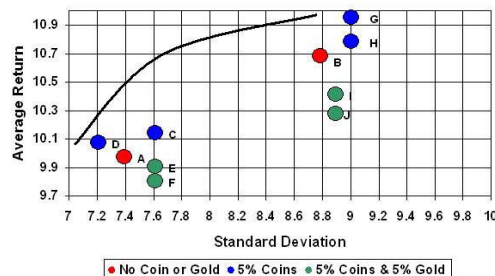
Informed Investing: Asset Allocations, 1978 - 2002

Asset Classes	A	B	C	D	E	F	G	H	I	J
Stocks	33.3	60.0	31.7	31.7	30.0	30.0	47.5	47.5	45.0	45.0
Treasury Bonds	33.3	26.0	31.7	31.7	30.0	30.0	23.8	23.8	22.5	22.5
Treasury Bills	33.3	26.0	31.7	31.7	30.0	30.0	23.8	23.8	22.5	22.5
Coins (MS65)	0	0	0	0	0	0	0	0	0	0
Coins (MS63-65)	0	0	0	0	0	0	0	0	0	0
Gold	0	0	0	0	0	0	0	0	0	0
Average % Return	10.2	11.0	10.4	10.3	10.0	10.0	11.2	11.1	10.8	10.7
Standard Deviation	7.1	8.2	7.3	7.4	7.4	7.4	8.6	8.6	8.0	8.5

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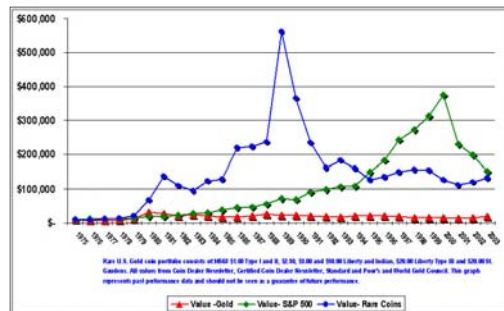
The colored columns above correspond with the matching colored dots on the chart below.

Efficient Frontier - 1978 - 2002



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Rare Gold Coin Market Performance Jan 1977 - Jan 2003



Rare U.S. Gold coin portfolio consists of MS65 Liberty Type 1 and 2, 3, 5, 10, 20, 50 and 100 MS Liberty and Indian, 50 MS Liberty Type 10 and 50 MS Indian. All values from Coin Stock Research, Certified Coin Dealer Newsletter, Standard and Poors and World Gold Council. The graph represents past performance data and should not be used as a predictor of future performance.

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