

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 12, 1999

REGISTRATION NO. 333-86449

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

COLLECTORS UNIVERSE, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OF OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	7389 PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	33-0846191 (I.R.S. EMPLOYER IDENTIFICATION NO.)
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1936 DEERE STREET, SANTA ANA, CALIFORNIA 92705  
(949) 567-1234  
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,  
OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

LOUIS M. CRAIN, CHIEF EXECUTIVE OFFICER  
COLLECTORS UNIVERSE, INC.  
1936 DEERE STREET  
SANTA ANA, CALIFORNIA 92705  
(949) 567-1234  
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,  
OF AGENT FOR SERVICE)  
COPIES TO:

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:  
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on  
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
1933, check the following box. [ ]

If this Form is filed to register additional securities for an offering

pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

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The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the SEC, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission becomes effective. This preliminary prospectus is not an offer to sell these securities nor does it seek offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 12, 1999

PROSPECTUS

4,000,000 SHARES

[LOGO]

COLLECTORS UNIVERSE, INC.

COMMON STOCK

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We are offering 4,000,000 shares of common stock with this prospectus. Prior to this offering, there has been no public market for the common stock. We expect the initial public offering price to be between \$7.00 and \$9.00 per share. We have applied for quotation of our common stock on the Nasdaq National Market under the symbol "CLCT."

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INVESTING IN THE COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 7.

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	PER SHARE	TOTAL
Initial Public Offering Price.....	\$	\$
Underwriting Discount.....	\$	\$
Proceeds, before expenses, to Collectors Universe.....	\$	\$

The underwriters may also purchase up to an additional 600,000 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus, to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities or determined if this prospectus is truthful or complete. It is illegal for any person to tell you otherwise.

NEEDHAM & COMPANY, INC.

FIRST SECURITY VAN KASPER

The date of this Prospectus is , 1999

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Inside Cover

Contains pictures of the following collectibles with the captions indicated:

Picture	Caption
Baseball Card	1941 Play Ball Joe DiMaggio Sportscard. Graded and sold at auction by Collectors Universe
1804 Silver Dollar	The Eliasberg 1804 Silver Dollar. Graded by Collectors Universe
Baseball	Mark McGwire's 70th Home Run Ball. Authenticated by Collectors Universe
Album Cover	The Beatles "Butcher" Album Cover. Sold by Collectors Universe
\$1,000 Bill	1890 \$1,000 "Grand Watermelon" Note. Sold by Collectors Universe

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Inside Fold

Contains a banner at the top of the page that states, "Providing a Suite of Products and Services to the High-End Collectibles Markets" and pictures of various collectibles that are authenticated, graded or auctioned by Collectors Universe. Also includes displays of our logos which include, as part of the logos, the captions indicated:

Logo	Caption included within logo
Professional Sports Authenticator	Sports Authentication and Grading
PSA/DNA	"Get Real" Memorabilia Authentication and Certification
PCGS	Coin Authentication and Grading
Collectors Universe Auctions	N/A

Superior Sports Auctions	Sports Collectibles
Good Rockin' Tonight	Rare Records
Lyn Knight Currency Auctions	Rare Currency
Collectors Universe One-of-a-Kind Auctions	Unique and Rare Collectibles
Kingswood Coin Auctions	Rare Coins

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

Collectors Universe, PCGS, PSA, PSA/DNA and Good Rockin' Tonight are registered trademarks of Collectors Universe. See "Business" for a list of other trademarks of Collectors Universe, including Collectors.com, Coin Universe, Lyn Knight Currency Auctions, Superior Sports Auctions, Kingswood Coin Auctions, Record Universe, Sports Collectors Universe, Currency Universe and One-of-a-Kind Auctions. Each of the logos associated with such names are trademarks of Collectors Universe. All other brand names or trademarks appearing in this prospectus are the property of their respective owners.

## PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information and financial statements and notes thereto appearing elsewhere in this prospectus. Except as otherwise indicated, the information in this prospectus assumes the underwriters do not exercise their over-allotment option and assumes any outstanding options to purchase shares of common stock have not been exercised.

## COLLECTORS UNIVERSE

Collectors Universe is a full-service provider of value-added services to dealers and collectors of coins, sports cards, sports memorabilia, rare currency and rare records. We authenticate and grade the quality of coins and sports cards, authenticate autographs and memorabilia, compile and publish authoritative information about collectibles and conduct collectibles auctions on the Internet, by telephone or in person. At our website, [www.collectors.com](http://www.collectors.com), collectors and dealers access authoritative information on collectibles and buy and sell collectibles at our auctions.

We have established widely recognized brand names in coin grading (Professional Coin Grading Service or PCGS), sports card grading (Professional Sports Authenticator or PSA), rare currency auctions (Lyn Knight Currency Auctions), sports card auctions (Superior Sports Auctions), autograph authentication and collectible certification (PSA/DNA Authentication Services), rare coin auctions (Kingswood Coin Auctions), Internet coin auctions (Coin Universe) and rare record auctions (Good Rockin' Tonight).

We believe we have developed an unequalled reputation for the accuracy of our authentication and grading services within the collectibles markets we serve. Since 1986, we have authenticated and graded more than 7.1 million collectible coins and sports cards with a declared insured value of approximately \$8.7 billion. In the quarter ended September 30, 1999, we received submissions of more than 200,000 individual items for authentication and grading each month.

Our reputation and the breadth of our value-added services provide collectors and dealers with the confidence to buy and sell high-end collectibles without physical inspection, commonly referred to as "sight-unseen," through Internet and telephone auctions by providing answers to the following questions:

- "Is it real?" We authenticate collectible coins, sports cards and autographs to confirm that they are genuine.
- "What's the quality?" We grade the quality of collectible coins and sports cards in accordance with consistently applied uniform standards.
- "What's the value?" We compile and publish price guides, rarity reports, market indices and other authoritative content regarding collectibles that enable buyers and sellers to make more informed decisions.
- "How do I buy or sell it?" As an increasing part of our business, we conduct integrated multi-venue auctions that enable buyers and sellers of high-end collectibles to participate in simultaneous Internet, telephonic and in-person auctions.

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We believe that we have earned the trust and confidence of dealers and collectors of high-end collectibles as demonstrated by the following:

- we authenticated, graded and auctioned for \$109,000 a 1941 Joe DiMaggio sports card and we certified the authenticity of Mark McGwire's 70th home run baseball and Hank Aaron's 715th home run baseball and bat;
- we authenticated and graded an 1804 silver dollar that was recently

auctioned for approximately \$4.1 million;

- we obtained by consignment and sold at one of our recent auctions a limited edition Beatles album for \$38,500; and
- we will be auctioning at our inaugural "One-of-a-Kind" auction in October 1999, the basketball court where Michael Jordan took the last shot of his NBA career to win the 1998 NBA Championship.

We generate revenues from fees paid for authentication and grading services provided to our customers, typically ranging from \$8 to \$40 per item. We also generate revenues from commissions paid by both buyers and sellers when we sell collectibles that have been consigned to us, the total of which generally ranges from 10% to 20% of the sale prices of the collectibles, and from the resale of purchased collectibles equal to the prices at which they are sold.

Internet auction providers also recognize that our authentication, grading and information services facilitate the purchase and sale of collectibles by their customers. For example, we have entered into a contract with eBay that provides its users with access to our authentication and grading services. We pay eBay commissions on revenues derived from our co-branded website.

Our objective is to become the full-service marketplace of choice for high-end collectibles. To achieve this objective, we intend to: leverage our authentication and grading leadership to increase our auction business from customers of our authentication and grading services; cross-sell our services and products to our established customer base; penetrate other collectibles markets; expand recognition of the Collectors Universe(R) brand; and use proprietary technology to expand and enhance the services we provide.

We commenced our business in 1986 as Professional Coin Grading Service. We incorporated Collectors Universe as a Delaware corporation in February 1999 to become the parent holding company of Professional Coin Grading Service, to acquire the currency auction business of Lyn F. Knight Rare Coins, Inc., the rare coin auction business of Kingswood Coin Auctions, LLC and minority interests in two other companies we control. In these transactions, we issued an aggregate of 19,000,000 shares and paid a total of \$2.1 million in cash.

Our principal executive offices are located at 1936 East Deere Street, Santa Ana, California 92705, and our telephone number is (949) 567-1234. Our website can be found at [www.collectors.com](http://www.collectors.com). The information on our website is not incorporated by reference into this prospectus.

#### THE OFFERING

Common stock offered by Collectors Universe.....	4,000,000 shares
Common stock to be outstanding after the offering.....	24,425,076 shares
Use of proceeds.....	To expand into authentication and grading of additional collectibles, to create additional service offerings to collectibles markets and for other general corporate purposes. See "Use of Proceeds."
Proposed Nasdaq National Market symbol....	CLCT

The number of shares outstanding immediately after this offering is based

on shares outstanding on October 2, 1999 and excludes 3,288,417 shares of our common stock issuable pursuant to the exercise of stock options and warrants outstanding as of October 2, 1999. If the underwriters exercise the over-allotment option in full, there will be 25,025,076 shares outstanding after the offering.

SUMMARY CONSOLIDATED FINANCIAL DATA  
(IN THOUSANDS, EXCEPT PER SHARE AND OTHER DATA)

	FISCAL YEAR ENDED JUNE 30,				
	1995	1996	1997	1998	1999
CONSOLIDATED STATEMENTS OF INCOME DATA:					
Net revenues.....	\$ 9,265	\$ 8,432	\$ 9,393	\$ 10,989	\$ 22,563
Cost of revenues.....	2,451	2,623	2,651	2,915	8,654
Gross profit.....	6,814	5,809	6,742	8,074	13,909
Operating income.....	2,961	532	514	906	37
Interest income (expense), net.....	(62)	72	34	26	30
Minority interest.....	--	(11)	(7)	(46)	(28)
Income before provision (benefit) for income taxes.....	2,899	593	541	886	39
Provision (benefit) for income taxes.....	43	9	36	13	(348)
Historical net income.....	\$ 2,856	\$ 584	\$ 505	\$ 873	\$ 387
Historical net income per share, basic and diluted.....	\$ 0.18	\$ 0.04	\$ 0.03	\$ 0.05	\$ 0.02
Weighted average shares outstanding:					
Basic.....	16,565	16,154	16,217	16,064	17,644
Diluted.....	16,565	16,154	16,217	16,064	18,765
PRO FORMA DATA(1):					
Historical income before provision for income taxes.....	\$ 2,899	\$ 593	\$ 541	\$ 886	\$ 39
Pro forma provision for income taxes.....	1,160	237	216	354	16
Pro forma net income.....	\$ 1,739	\$ 356	\$ 325	\$ 532	\$ 23
Pro forma net income per share, basic and diluted...					\$ --
Pro forma weighted average shares outstanding(2):					
Basic.....					17,922
Diluted.....					19,043
OTHER DATA:					
Number of coins graded.....	425,900	419,900	400,200	428,500	521,500
Number of cards graded.....	12,500	32,100	93,500	167,600	898,800
Average selling price for all collectibles auctions(3).....					\$ 249

AT JUNE 30, 1999

ACTUAL	AS ADJUSTED(4)
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CONSOLIDATED BALANCE SHEET DATA:

Cash and cash equivalents.....	\$ 1,852	\$31,012
Working capital.....	2,330	31,498
Total assets.....	14,749	44,242
Total stockholders' equity.....	9,300	38,460

(1) Pro forma data reflects adjustments for federal and state income taxes as if we had been treated as a C corporation rather than an S corporation during all of the fiscal years presented above. See Note 2 to Consolidated

Financial Statements.

- (2) Pro forma weighted average shares outstanding for basic and diluted includes 278 shares which represents the number of shares which, when multiplied by the assumed initial public offering price of \$8.00, is required to replace the excess of capital withdrawn during fiscal 1999 in excess of earnings for this fiscal year.
- (3) Average selling price for all collectibles auctions is determined by dividing the number of collectibles sold by their aggregated selling prices irrespective of whether the collectibles sold were owned or consigned to us.
- (4) Adjusted to give effect to the sale by us of 4,000,000 shares of common stock offered hereby and the application of the estimated net proceeds therefrom. See "Use of Proceeds" and "Capitalization."

The historical operating results presented above are not comparable for all periods shown. The operating results for fiscal 1999 include revenues from auctions conducted by Lyn Knight Currency Auctions and Kingswood Coin Auctions, the operating results of which were included in our consolidated financial statements for the first time beginning on February 5, 1999, the date on which we acquired those businesses. On February 5, 1999, we became a C corporation obligated to pay federal and state corporate income taxes. For periods prior to February 5, 1999 there is no provision for federal income taxes and a provision of 1.5% of earnings for California S corporation income tax.

On January 24, 1999 we declared an S corporation dividend in the aggregate amount of \$2.2 million, which represented a substantial portion of accumulated earnings that had been or would be taxed to the stockholders individually. The S corporation dividend was paid in cash from the proceeds of our March 1999 private placement of shares of our common stock. This dividend is reflected in the balance sheet data at June 30, 1999.

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#### RISK FACTORS

Before you invest in our common stock, you should be aware that there are various risks, including those described below. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the following risks actually occur, our business could be harmed. In such case, the trading price of our common stock could decline and you may lose all or part of your investment. You should consider carefully these risk factors together with all of the other information included in this prospectus before you decide to purchase shares of our common stock.

#### A DECLINE IN THE POPULARITY OF HIGH-END COLLECTIBLES COULD IMPACT OUR BUSINESS

The popularity of collectibles may vary over time due to perceived scarcity, subjective value, general consumer trends, changes in the prices of precious metals, interest rates and other general economic conditions. We derive a significant portion of our revenues from fees paid by collectors for our authentication and grading services, commissions paid to us upon the sale of collectibles in our auctions and sales of collectibles from our own inventory. A decline in popularity of high-end collectibles would likely cause a decrease in the number of items submitted to us for authentication and grading.

Since our authentication and grading revenues are based on the volume of collectibles submitted and not the value of the collectibles submitted, a reduction in demand for authentication and grading services would have a



negative effect on our revenues. Additionally, a decline in the popularity of collectibles, and coins and sports cards in particular, would result in fewer transactions in our auctions and fewer sales from our inventory, reducing our revenue from auction sales.

#### TEMPORARY POPULARITY OF SOME COLLECTIBLES COULD CAUSE OUR REVENUES TO FLUCTUATE

Temporary consumer popularity or "fads" among collectors may temporarily inflate the volume of collectibles that we authenticate, grade, auction and sell. These trends may result in significant fluctuations in our operating results from one quarter to the next. Any decline in the popularity of the collectibles we authenticate, grade, auction and sell as a result of changes in consumer trends could harm our business. In particular, the market for authentication and grading is relatively new and the volume of sports cards we receive has increased significantly in the past five fiscal quarters. However, there is no guarantee that the level of trading in sports cards will continue to grow or maintain its current level.

#### OUR FUTURE OPERATING RESULTS ARE SUBJECT TO FLUCTUATIONS

Our operating results are unpredictable and we expect them to fluctuate in the future due to a number of factors which are outside our control. These factors include:

- consumer trends affecting the popularity of collectibles;
- our ability to significantly increase our customer base;
- our ability to obtain consignments of and to purchase collectibles to offer at our auctions;
- our ability to re-sell our inventory of collectibles in a timely manner;
- our ability to maintain gross margins;
- our ability to maintain customer satisfaction;

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- the general availability and pricing of high-end collectibles;
- costs relating to the expansion of our operations and the introduction of new types of services;
- services offered by our competitors and the success of our competitors;
- technical difficulties with consumers' use of our website or service interruptions; and
- general economic conditions and economic conditions specific to the prices of high-end collectibles.

#### THERE IS A RISK THAT OUR AUCTION OPERATIONS WILL NOT BECOME PROFITABLE

Our future operating results are also dependent on the success of our auction operations and the amount of resources that we will need to devote to the development of our Internet website. Our auction operations currently are not profitable. We will need to achieve significant growth in our Internet business in order for the auction operations to become profitable. We are in the early stages of development of several new portions of our website which will offer content and auctions for collectibles that may have a lower average selling price than many of the collectibles in the markets we currently serve. Continued development of our website will require significant resources. There is a risk that the planned expansion of our website will not result in increased

revenues which would have a negative impact on our business.

#### WE MAY INCUR LOSSES AS A RESULT OF ACCUMULATING INVENTORY

In addition to auctioning collectibles on consignment, currently approximately 15% of the aggregate sales prices of collectibles sold at our auctions are from our own inventory. We purchase these collectibles from dealers and collectors and assume the inventory and price risks of these items until they are sold. If we were unable to resell our purchased collectibles when we want or need to, or at prices sufficient to generate a profit on their resale, or if the market value of our inventory of purchased collectibles were to decline, our revenues could decline.

#### THERE ARE LIMITED SUPPLIES OF COLLECTIBLES

Our business is substantially dependent upon obtaining collectible coins, sportscards, records and other high-end collectibles for authentication, grading and auction. We depend upon dealers and collectors submitting collectibles for authentication and grading and there is no guarantee that the current rate of submission will continue. In particular, we have recently experienced a significant increase in the rate of sportscard submissions which may indicate that the sportscard market for authentication and grading may be approaching maturity. Although there are numerous dealers and collectors from whom we are able to obtain collectibles for our auctions, there are only a limited number of dealers with the capacity to submit high-end collectibles for auction on a regular basis. As a result, we sometimes extend discounts on seller commissions and guarantee the receipt of a minimum auction price and sometimes also make advances based on such minimum prices as incentives to such dealers to consign collectibles to us. If consigned collectibles do not generate sales prices in excess of the amounts advanced by us, we may realize a loss on those advances. During calendar 1999, we granted stock options to selected high volume dealers as a further incentive for their consignments. However, we do not expect in the future to use option grants to any significant extent as incentives to suppliers.

A change in our relationships with suppliers or dealers could negatively impact our ability to obtain or auction high-end collectibles in the quantities and at the times we desire. This could impair our ability to attract a sufficient number of people interested in high-end collectibles to our auctions, which would harm our business.

#### WE FACE COMPETITION IN ATTRACTING COLLECTORS TO OUR INTERNET WEBSITE

The market for Internet auctions is highly competitive and most major Internet websites of such companies as Yahoo!, Inc., eBay Inc., Onsale, Inc. and Excite, Inc., a subsidiary of At Home Corporation, host Internet auctions where collectibles are frequently traded. Barriers to entry to the Internet auction market are relatively low, and current and new competitors can launch new websites at a relatively low cost using commercially available software. We potentially face competition from a number of large Internet communities and services that have expertise in developing Internet commerce, such as Amazon.com, Inc., America Online, Inc. and Microsoft Corporation. Other large companies with strong brand name recognition, substantial resources and experience in Internet commerce, such as Cendant Corporation, QVC, Inc. and other large media companies may also seek to compete in the Internet auction market. In addition to currently or potentially competing for auction services with major Internet commerce companies, we also compete with a number of other small service providers including those that specifically serve the collectibles markets. Competitive pressures created by any one of these companies, or by our competitors collectively, could harm our business by decreasing our revenues.

Some of our current competitors and many of our potential competitors have longer operating histories in Internet commerce, larger customer bases, greater brand name recognition and significantly greater financial, marketing, technical and other resources. In addition, other Internet trading services may be acquired by or enter into commercial relationships with larger, well-established and well-financed companies as use of the Internet increases. Further, there is a risk that someone could create a website that draws auction information from numerous auction websites to create a consolidated auction. Such an "auction supermarket" could reduce the amount of traffic we receive on our website and have a negative effect on our Internet business by decreasing our revenues.

#### OUR TRADITIONAL AUCTION BUSINESS IS HIGHLY COMPETITIVE

Our traditional auction business is also highly competitive. We compete directly with other companies that specialize in collectibles and have an industry reputation for hosting premium collectibles auctions, including Heritage Numismatic Auctions, Inc., Auctions by Bowers & Merena and Mastro Fine Sports Auctions as well as other companies such as Sotheby's, Inc., Christie's, Inc. and Greg Manning Auctions, Inc., which do not specialize in but do conduct, coin and sportscard auctions. These competitors each have the ability to attract buyers to their auctions as a result of their reputation and the quality collectibles they obtain through their industry connections. In addition, other reputable auction companies that do not presently engage in auctions for coins or sportscards or other collectibles that are the focus of our business may decide to enter our markets to compete with us. These companies have greater name recognition and have greater financial and marketing resources than we do. If these auction companies are successful in entering the specialized high-end collectibles markets in which we participate or dealers participate less in our auctions, we may attract fewer buyers and our business could be harmed due to decreased revenues.

#### OUR AUTHENTICATION AND GRADING BUSINESS IS SUBJECT TO INTENSE COMPETITION

There are few major competitors in the collectibles authentication and grading markets. However, competition is intense in these markets. Our competitors in the coin grading and authentication market include Numismatic Guaranty Corporation of America, Inc. and ANACS, a subsidiary of Amos Press, Inc. In the sportscard grading and authentication business, our competitors include Beckett, Certified Sports Authentication, Inc. and Sportscard Guarantee, L.L.C. Existing authentication and grading companies could attempt to capture greater market share by lowering prices for services or increasing advertising, marketing or other costs of sales. Additionally, established auction companies could expand their services to include authentication and grading of collectibles, or

unanticipated competitors could enter the grading and authentication markets. Such increased competition could result in a decrease in our revenues.

#### SOME OF OUR DIRECTORS OWN AN INTEREST IN A COMPETING COMPANY

David Hall, Chairman of the Board, and Van Simmons, a director, together own a majority interest in David Hall's North American Trading, which is primarily engaged in the retail sale of coins through a direct sales force. Although David Hall's North American Trading does not conduct auctions or submit coins to us for authentication and grading, it may sell coins to collectors who also buy or sell coins at auctions conducted by Collectors Universe. It also purchases rare coins for resale through a sole source supplier who is also a supplier to Collectors Universe. Therefore, David Hall's North American Trading indirectly competes with Collectors Universe which creates a conflict of interest in connection with the purchase and sale of rare coins.

## GROWTH AND ACQUISITIONS MAY STRAIN OUR MANAGEMENT, OPERATIONAL AND FINANCIAL RESOURCES

We are currently experiencing a period of significant expansion and we anticipate that we must expand further and continue to develop our business plan to address potential growth in our customer base and market opportunities. Our expansion has placed, and we expect it to continue to place, a significant strain on our management, operational and financial resources. Also, as our business plan evolves, we risk distracting management away from expanding currently profitable operations and decreasing interest of suppliers and customers to our core authentication and grading business. We cannot assure you that our current and planned facilities, computer systems, personnel and inventory controls will be adequate to support our future operations. In addition, there is a risk that we may not be able to expand our sportscard and coin authentication and grading operations to allow for additional capacity at the same rate as market demand may be created.

If appropriate opportunities present themselves, we also intend to acquire businesses, technologies, services or products that we believe will help us develop and expand our business. The process of integrating an acquired business, technology, service or product may result in operating difficulties and expenditures which we cannot anticipate and may absorb significant management attention that would otherwise be available for further development of our existing business. Moreover, the anticipated benefits of any acquisition may not be realized. Any future acquisitions of other businesses, technologies, services or products might require us to obtain additional equity or debt financing, which might not be available to us on favorable terms or at all, and might be dilutive. Additionally, we may not be able to successfully identify, negotiate or finance future acquisitions or to integrate acquisitions with our current business.

## WE BECAME AN INTEGRATED COMPANY IN FEBRUARY 1999

We were founded in 1986 as Professional Coin Grading Service, Inc. or PCGS and began operating primarily as a coin grading service to the collectible coin market. In 1991, principals of our company founded Professional Sports Authenticator or PSA, an authentication and grading service for the sportscards trading market. In 1998, principals of our company founded PSA/DNA, an authentication service for sports memorabilia and other high-end collectibles. In February 1999, we combined PCGS, PSA and PSA/DNA and several other established auction businesses in the collectible coin market, sportscard market, sports memorabilia market, currency market and other high-end collectibles markets into Collectors Universe. As a result, while parts of our business have a longer operating history, in our present state, we have only a limited operating history as an integrated company on which our business may be evaluated. Because of our limited operating history as an

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integrated company, we believe that period-to-period comparisons of our operating results are not necessarily meaningful and you should not rely upon them as indications of our future performance.

## WE COULD SUFFER SIGNIFICANT LOSSES ON AUTHENTICATION AND GRADING WARRANTIES

We offer a warranty covering the coins and sportscards authenticated and graded by us. Under the terms of our warranty, any coin or sportscard that was originally graded by us and which subsequently receives a lower grade upon resubmittal to our company, obligates us either to purchase the coin or sportscard or pay the difference in value of the item at its original grade as compared with its lower grade. We have a reserve of \$232,000 at June 30, 1999 to satisfy claims made under our warranty. To the extent that our actual warranty expense exceeds that amount, we would incur unanticipated expenses. In addition, we have no insurance coverage to protect us from adverse warranty expenses.

## WE RUN A RISK OF SYSTEM CAPACITY CONSTRAINTS

We seek to generate a high volume of traffic and transactions on our

website. If we generate too much traffic to our website, our website will exceed its capacity, load slowly and be less responsive. This may potentially drive away customers. We must continually enhance and improve these systems in order to accommodate the level of use of our websites. Our inability to integrate additional software and hardware or to develop and further upgrade our existing technology to accommodate increased traffic on our websites or increased transaction volume through our processing systems may cause unanticipated system disruptions, slower response times, degradation in levels of customer service, impaired quality of the user's experience on our websites, and delays in reporting accurate financial information.

#### WE RUN A RISK OF SYSTEM INTERRUPTIONS

Any system interruptions that result in the unavailability of our service or reduced customer activity would reduce the volume of collectibles listed and auctions completed and could affect the selling price of collectibles listed for sale. Thus, we depend upon our communications and computer hardware, substantially all of which is currently located at our leased facility in Santa Ana, California. We will be moving into new facilities in April 2000, which move may have a disruptive effect on our computer systems. We have experienced periodic system interruptions, which we believe will continue to occur from time to time. We experienced two system interruptions in 1999 of approximately 7 hours each, in which we lost the ability to operate our Internet website. In each instance the failure was caused by a telecommunications line failure of a third party. A substantial interruption in our systems would harm our business and result in decreased revenues.

#### WE ARE VULNERABLE TO SYSTEM FAILURE DUE TO A LACK OF REDUNDANT SYSTEMS AT ANOTHER LOCATION

We do not have and we do not plan to implement redundant systems at a location separate from where our computer system currently operates. If our systems were to become inoperable due to damage from earthquake, fire, flood, sustained power loss, telecommunication failure, break-in or similar catastrophic events, we have no secondary system at a separate location to act as a backup. A substantial interruption in our systems due to a lack of backup would result in a decrease in our revenues.

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#### THE LOSS OF KEY PERSONNEL COULD ADVERSELY AFFECT OPERATIONS

Our performance is greatly dependent on the performance of our senior management and key employees. The loss of the services of any of our executive officers or other key employees could harm our business. Some of our executive officers and key employees are experts in the collectibles markets and have industry-wide reputations for authentication and of grading collectibles, purchasing collectibles and preparing auctions that will be attractive to buyers of high-end collectibles. The loss of these executive officers or key employees could have a negative effect on our reputation for expertise in the collectibles markets. Additionally, we must identify, attract, hire, train, retain and motivate other highly skilled technical, managerial, marketing and customer service personnel, including programmers and authenticators and graders of collectibles. Competition for highly skilled technical, managerial, marketing and customer service personnel is intense. We may not be able to successfully attract, integrate or retain sufficiently qualified personnel, which failure could harm our ability to stay competitive and thus result in decreased revenues.

#### WE DEPEND ON ACCEPTANCE OF THE COLLECTORS UNIVERSE BRAND NAME AND THE INTEGRATION OF EXISTING BRAND NAMES

We believe that brand name recognition is extremely important in the collectibles services industry. Authentication and grading services are based to a large degree on the reputation of the company providing the services, and recognizable branding is crucial to maintain customer loyalty. In the auctions industry, many collectors look for brands that are associated with auctions that provide high-end collectibles for sale. However, the Collectors Universe brand name has only been in existence for a short period of time, and brand recognition associated with one of our existing brands may not carry over to the Collectors Universe brand. We must work to tie customer awareness of each of our existing brands to our new brand. We run the risk that we will not be able to accomplish such an integration at all, or that we will dilute the awareness of our existing brand names. If our established brand names dissipate, or if we are unsuccessful in promoting, integrating and maintaining our brand names, our revenues may decline.

#### WE ARE DEPENDENT ON THE CONTINUED GROWTH OF INTERNET COMMERCE

Our business could be harmed if any of the following situations occur:

- the use of the Internet does not continue to grow or grows more slowly than expected;
- the Internet's infrastructure does not effectively support the growth that may occur; and
- the Internet does not become a viable commercial marketplace.

The market for the sale of goods over the Internet is a new and emerging market. Rapid growth in the use of, and interest in, the Internet is a recent phenomenon and may not continue to develop.

#### INSECURE TRANSMISSION OF CONFIDENTIAL INFORMATION AND THIRD PARTY MISCONDUCT COULD HURT CUSTOMER CONFIDENCE IN INTERNET COMMERCE

Many consumers are concerned about transmitting confidential information, such as credit card numbers, over the Internet. Public confidence in secure transmissions is a significant barrier to Internet commerce and communications. We rely on encryption technology licensed from third parties to transmit confidential information, including customer credit card numbers. In addition, our servers are vulnerable to computer viruses, physical or electronic break-ins, deliberate attempts by third parties to exceed the capacity of our systems and similar disruptive problems. Computer viruses,

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break-ins or other problems caused by third parties could lead to interruptions, delays, loss of data or cessation in service to users of our services and products. The law relating to the liability of Internet service companies for information carried on or disseminated through their services is currently unsettled. It is possible that claims could be made against Internet service companies under both U.S. and foreign law for defamation, libel, invasion of privacy, negligence, copyright or trademark infringement, or other theories based on the nature and content of the materials disseminated through their services. Concerns regarding liability for information disseminated over the Internet and the adoption of any additional laws or regulations may decrease the growth of the Internet, which could decrease the demand for our Internet auctions and other services, resulting in a decrease in revenues.

#### WE ARE SUBJECT TO AN FTC CONSENT DECREE

In a consent decree with the Federal Trade Commission (FTC) dated August 1990, PCGS consented to restrictions in the operation of the PCGS business. Under the consent decree, PCGS agreed that it will make no representations that are untrue with respect to the objectivity of its services or the marketability of coins. In addition, PCGS agreed not to improperly adjust its grading standards, nor to permit any coin graders to knowingly grade coins in which the graders have a financial interest or to discuss grading procedures with persons

not authorized by PCGS. If the FTC determines that we have violated this agreement, it may seek additional restrictions or penalties or otherwise limit our operations.

#### ADDITIONAL REGULATIONS COULD BE IMPOSED ON OUR INDUSTRY

AUTHORITIES COULD IMPOSE ADDITIONAL REGULATIONS ON COLLECTIBLES AND AUCTION MARKETS. The collectible coin and other high-end collectibles markets are not currently subject to direct federal, state or local regulation, although auctions in general and the sale of particular types of artwork and autographed sports memorabilia are regulated in some states. However, from time to time authorities discuss additional regulations which could impose restrictions on the collectibles industry, such as regulating collectibles as securities or requiring collectibles dealers to meet registration or reporting requirements, and impose restrictions on the conduct of auction businesses. Adoption of laws or regulations of this nature could increase the complexity and costs of conducting auctions, which might decrease our ability to attract sellers and buyers. In addition, due to the increasing popularity and use of the Internet, laws and regulations may be adopted with respect to the Internet that could significantly limit our Internet auction business or otherwise harm our business.

STATES COULD IMPOSE OBLIGATIONS TO COLLECT SALES TAXES. Generally, we do not collect sales or other similar taxes on goods sold by users through our Internet auction service. However, one or more states may seek to impose sales tax collection obligations on out-of-state companies such as ours, which engage in or facilitate Internet commerce, and a number of proposals have been made at the state and local level that would impose additional taxes on the sale of goods and services through the Internet. If adopted, these proposals could substantially impair the growth of Internet commerce, and could adversely affect our ability to profit from Internet commerce. Moreover, a successful assertion by one or more states or any foreign country that we should collect sales or other taxes on the exchange of merchandise on our system could reduce our revenues.

#### WE DEPEND ON OUR ABILITY TO PROTECT AND ENFORCE OUR INTELLECTUAL PROPERTY RIGHTS

We believe that our trademarks and other proprietary rights are important to our success and competitive position. We rely on a combination of trademark, copyright and trade secret laws to establish and protect our proprietary rights. However, the actions we take to establish and protect our trademarks and other proprietary rights may be inadequate to prevent imitation of our services or

products or to prevent others from claiming violations of their trademarks and proprietary rights by us. In addition, others may develop similar technology independently or assert rights in our trademarks and other proprietary rights. The laws of other countries may afford us little or no effective protection of our intellectual property.

#### OUR UNREGISTERED TRADEMARKS COULD CONFLICT WITH TRADEMARKS OF OTHERS

We have not conducted an exhaustive search of possible prior users of our unregistered trademarks, including Coin Universe, Collectors.com, Lyn Knight Currency Auctions, Superior Sports Auctions, Kingswood Coin Auctions, Record Universe, Sports Collectors Universe, Currency Universe and One-of-a-Kind Auctions. Therefore, it is possible that our use of some of these trademarks may conflict with others. As a result, we could face litigation or lose the use of some of these trademarks, which could have an impact on our name recognition and result in a decrease in revenues.

#### FAILURE TO SOLVE YEAR 2000 COMPLIANCE PROBLEMS MAY IMPACT OUR BUSINESS

The computer systems of many businesses face the risk of malfunction in the year 2000. This malfunction is the result of computer programs that were designed to use two digits rather than four digits to define an applicable year. These computer programs may recognize the year 2000 as the year 1900, or be completely unable to recognize the year 2000. A malfunction of this type could result in a system failure or miscalculations in the processing of data. System failure or miscalculations in the processing of data would cause disruptions in business operations and could cause the temporary inability to process transactions, bill activities, send invoices or engage in other normal business transactions. We do not presently have a contingency plan in place if our computer systems fail to comply with year 2000 issues.

#### FAILURE TO MAKE OUR PROPRIETARY SOFTWARE YEAR 2000 COMPLIANT COULD DISRUPT OUR OPERATIONS

In our authentication and grading business we use proprietary software that we developed which is not yet year 2000 compliant. We estimate that the cost to make our proprietary software year 2000 compliant will be approximately \$50,000. In the event that we encounter any disruptions in the operation of our proprietary software due to year 2000 issues, the time required to grade coins and sportscards would increase and the number of coins and sportscards we could grade would decrease, which could reduce our revenues. We do not presently have a contingency plan in place if our software fails to comply with year 2000 issues.

#### WE FACE A RISK OF SYSTEM FAILURE DUE TO RELIANCE ON THE YEAR 2000 COMPLIANCE OF THIRD PARTIES

In addition to our internally developed software, we utilize software and hardware developed by third parties for both our network and internal information systems. We also rely on the Internet for customers to access our websites. There is no guarantee that our third party software and hardware providers or the operation of the Internet itself will be unaffected by the year 2000. Failure of third-party equipment or software to properly process dates for the year 2000 and thereafter, or any similar impact on the Internet, could require us to incur unanticipated expenses to remedy any problems, which could harm our business. We do not presently have a contingency plan in place if one of our third party providers, such as our Internet service provider, should experience system failure due to year 2000 issues, and we do not intend to establish such a contingency plan.

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#### WE ARE LARGELY CONTROLLED BY MANAGEMENT

Our officers and directors currently own or control a substantial majority of our outstanding common stock. If they act in concert, they will continue to be able to exercise voting control over Collectors Universe for the foreseeable future and will be able to elect the entire Board of Directors, set dividend policy and otherwise generally determine our management. This management control could prevent, or make more difficult, a sale of our company that is not on terms acceptable to our management.

#### WE RELY ON THIRD PARTIES FOR VARIOUS INTERNET AND PROCESSING SERVICES

In addition to our merchandise suppliers, our operations depend on a number of third parties for Internet access, delivery services and credit card processing. We have limited control over these third parties and no long-term relationships with any of them. For example, we do not own a gateway onto the Internet, but instead, rely on Internet service providers to connect our website



to the Internet. Should the third parties that we rely on for Internet access, delivery services or credit card processing services be unable to serve our needs for a sustained time period as a result of a strike, natural disaster or other reason, our revenues and business could be harmed.

#### YOU WILL INCUR SUBSTANTIAL DILUTION

If you purchase shares of our common stock, you will incur immediate and substantial dilution in pro forma net tangible book value. We estimate this dilution to be approximately \$6.62 per share, or approximately 83%, assuming an initial public offering price of \$8.00 per share. If other security holders exercise options or warrants to purchase our capital stock, you will suffer further dilution. See "Dilution" for a description of how dilution was calculated.

#### A SIGNIFICANT NUMBER OF SHARES ARE ELIGIBLE FOR SALE AND THEIR SALE COULD DEPRESS OUR STOCK PRICE

The sale of a large number of shares could harm our stock price. After this offering, we will have outstanding 24,425,076 shares of common stock, a majority of which will be held by existing stockholders and will become eligible for resale shortly after this offering. 180 days following the date of this prospectus, all 20,425,076 shares of our common stock held by existing stockholders will become available for sale in the public market, subject to volume restrictions imposed by federal securities laws.

#### PROVISIONS IN OUR CHARTER DOCUMENTS MAY MAKE AN ACQUISITION OF US MORE DIFFICULT

Provisions of our Amended and Restated Certificate of Incorporation, Bylaws and Delaware law could make it more difficult for a third party to acquire us, even if doing so would be beneficial to stockholders. See "Description of Capital Stock" for a description of provisions that could impede or prevent an acquisition.

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#### FORWARD-LOOKING STATEMENTS

Some of the information in this prospectus contains forward-looking statements. These statements can be identified by the use of forward-looking terms such as "may," "will," "expect," "anticipate," "estimate," "continue" or other similar words. These statements discuss future expectations, projections of results of operations or of financial condition or state other "forward-looking" information. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus. The risk factors noted under the heading "Risk Factors" and other factors noted throughout this prospectus could cause our actual results to differ materially from those contained in any forward-looking statement.

#### THE REORGANIZATION

We commenced our business in 1986 as Professional Coin Grading Service. We incorporated Collectors Universe as a Delaware corporation in February 1999 to become the parent holding company of Professional Coin Grading Service and to acquire the currency auction business of Lyn F. Knight Rare Coins and the rare coin auction business of Kingswood Coin Auctions. In those transactions:

- We issued a total of 17,310,585 of our shares to the stockholders of PCGS in exchange for their contribution to Collectors Universe of all of the shares of PCGS, thereby making PCGS a wholly owned subsidiary of Collectors Universe.
  
- We issued a total of 760,000 of our shares and paid cash of \$1.1 million

to Lyn F. Knight to acquire the currency auction business of Lyn Knight Rare Coins, which we operate as a wholly owned subsidiary under the name "Lyn Knight Currency Auctions."

- We issued a total of 190,000 of our shares and paid \$1.0 million in cash to the owners of Kingswood Coin Auctions to acquire its rare coin auction business, which is now operated as a division of Professional Coin Grading Service.

At the same time, we acquired the minority ownership interests in two other businesses, Superior Sportscard Auctions and Internet Universe, that were majority owned subsidiaries of Professional Coin Grading Services. As a result, Superior Sportscard Auctions and Internet Universe are indirect, but wholly owned, subsidiaries of Collectors Universe. We issued a total of 739,415 shares of our common stock to acquire those minority interests.

Some officers and directors of Collectors Universe also were owners of Kingswood Coin Auctions and as a result, received a proportionate share of the consideration that was payable to the Kingswood Coin Auctions' owners in the reorganization. See "Certain Relationships and Related Transactions."

Prior to the reorganization, PCGS was an S corporation for federal and state income tax purposes. Individual owners of an S corporation are obligated to pay taxes on their proportionate share of the earnings of the S corporation. In anticipation of the reorganization, one of the effects of which was to cause a termination of PCGS' status as an S corporation, PCGS declared an S corporation dividend of \$2.2 million to its stockholders on January 24, 1999. This dividend represented a substantial portion, but not all, of the accumulated earnings of PCGS that had been or were taxable to the PCGS stockholders individually. The S corporation dividend was paid with proceeds from the sale of shares in the March 1999 private placement.

Additional information regarding the reorganization is set forth in Note 3 to our Consolidated Financial Statements contained in this prospectus.

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#### USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the 4,000,000 shares of common stock offered by this prospectus will be approximately \$29.1 million, \$33.5 million if the underwriters' over-allotment option is exercised in full, at an assumed initial public offering price of \$8.00 per share, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We currently expect to use the net proceeds from this offering as follows:

- approximately \$1.5 million to expand into authentication and grading of additional collectibles and to create additional service offerings to collectibles markets; and
- for other general corporate purposes. For example, we may use a portion of the net proceeds to acquire or invest in complementary businesses, technologies, services or products. However, we currently have no commitments or agreements with respect to any such transactions.

As of the date of this prospectus, we cannot specify with certainty the particular uses for the net proceeds to be received upon completion of the offering. Accordingly, our management will have broad discretion in the application of the net proceeds.

Until used, the net proceeds will be invested in short-term investment-grade investments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We do not intend to declare or pay cash dividends in the foreseeable future. Our current policy is to retain all earnings to support future growth and expansion.

CAPITALIZATION

The following table sets forth our capitalization at June 30, 1999 adjusted to give pro forma effect to the sale of 4,000,000 shares of common stock being offered by us at an assumed initial public offering price of \$8.00 per share after deducting underwriters' discount and estimated offering expenses to be paid by us:

	AT JUNE 30, 1999	
	----- ACTUAL	AS ADJUSTED -----
	(IN THOUSANDS)	
Stockholders' equity:		
Preferred stock, \$.001 par value; 3,000,000 shares authorized; no shares issued and outstanding.....	\$ --	\$ --
Common stock, \$0.001 par value, 30,000,000 shares authorized; 20,282,076 shares issued and outstanding (actual); 24,282,076 shares issued and outstanding (as adjusted) (1).....	20	24
Additional paid-in capital.....	10,781	39,827
Accumulated deficit.....	(1,501)	(1,501)
	-----	-----
Total stockholders' equity.....	9,300	38,350
	-----	-----
Total capitalization.....	\$ 9,300	\$38,350
	=====	=====

(1) Excludes 3,309,700 shares of common stock issuable pursuant to the exercise of stock options and warrants outstanding as of June 30, 1999, at a weighted average exercise price of \$3.31 per share, 1,907,908 of which were exercisable as of June 30, 1999.

DILUTION

At June 30, 1999, our net tangible book value was approximately \$4.2 million or \$.21 per share. Net tangible book value per share represents the amount of our total tangible assets less total liabilities divided by the number of shares of common stock outstanding at June 30, 1999.

Net tangible book value dilution per share represents the difference between the amount per share paid by purchasers of shares of common stock offered by this prospectus and the net tangible book value per share of common stock immediately after completion of the offering. After giving effect to the sale of the 4,000,000 shares of common stock at an assumed initial public offering price of \$8 per share and deducting the underwriting discount and commission and estimated offering expenses payable by us, our net tangible book value at June 30, 1999 would have been \$33.3 million or \$1.37 per share. This represents an immediate increase in net tangible book value of \$1.16 per share to existing stockholders and an immediate dilution in net tangible book value of \$6.63 per share to new investors purchasing common stock offered by this prospectus. These changes are illustrated in the following table:

Assumed initial public offering price per share.....	\$8.00
Net tangible book value per share at June 30, 1999.....	\$ .21
Increase per share attributable to new investors.....	1.16
	-----
Net tangible book value per share after this offering.....	1.37
	-----
Pro forma dilution per share to new investors.....	\$6.63
	=====

The following table summarizes the difference between the existing stockholders and the purchasers of shares of common stock offered by this prospectus. This table uses an assumed price of \$8.00 per share, with respect to the number of shares purchased from us, the total consideration paid and the average price per share paid.

	SHARES PURCHASED(1)		TOTAL CONSIDERATION(2)		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing Stockholders.....	20,282,076	84%	\$10,801,000	25%	\$ .53
New Investors.....	4,000,000	16	32,000,000	75	8.00
	-----	---	-----	---	
Total.....	24,282,076	100%	42,801,000	100%	
	=====	===	=====	===	

(1) The number of shares excludes 3,309,700 shares of common stock issuable pursuant to the exercise of stock options and warrants outstanding as of June 30, 1999, at a weighted average exercise price of \$3.31 per share, 1,907,908 of which were exercisable as of June 30, 1999. To the extent options are exercised, there will be further dilution to new investors. See "Management -- Employee Benefit Plans" and Note 10 to the Consolidated Financial Statements.

(2) Does not reflect any deductions for commissions or expenses paid or incurred in connection with the issuance of such shares of common stock.

The consolidated statements of income data and balance sheets data for each of the fiscal years shown below include the operations of Collectors Universe Inc. and its predecessor, Professional Coin Grading Service, Inc. The consolidated statements of income data for the fiscal year ended, and balance sheet data at June 30, 1999, also include the operations of Lyn F. Knight Rare Coins, Inc. and Kingswood Coin Auctions, LLC from February 5, 1999, when those operations were acquired by Collectors Universe. The consolidated statements of income data for each of the fiscal years in the three years ended June 30, 1999, and the balance sheets data at June 30, 1998 and 1999 are derived from consolidated financial statements that have been audited by Deloitte & Touche LLP, independent accountants, and are contained elsewhere in this prospectus. The consolidated statements of income data for the fiscal years ended June 30, 1995 and 1996, and the balance sheets data at June 30, 1995, 1996 and 1997 are derived from consolidated financial statements that also have been audited but are not contained in this prospectus. The following data should be read in conjunction with our consolidated financial statements and the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	FISCAL YEAR ENDED JUNE 30,				
	1995	1996	1997	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
CONSOLIDATED STATEMENTS OF INCOME DATA(1)					
Net revenues.....	\$9,265	\$8,432	\$9,393	\$10,989	\$22,563
Cost of revenues.....	2,451	2,623	2,651	2,915	8,654
Gross profit.....	6,814	5,809	6,742	8,074	13,909
Operating expenses:					
Supplier compensation cost(2).....	--	--	--	--	585
Selling, general and administration.....	3,853	5,277	6,228	7,168	13,287
Total operating expenses.....	3,853	5,277	6,228	7,168	13,872
Operating income.....	2,961	532	514	906	37
Other income (expense):					
Interest income (expense), net.....	(62)	72	34	26	30
Minority interest.....	--	(11)	(7)	(46)	(28)
Total other income (expense).....	(62)	61	27	(20)	2
Income before provision (benefit) for income taxes.....	2,899	593	541	886	39
Provision (benefit) for income taxes(3).....	43	9	36	13	(348)
Historical net income(4).....	\$2,856	\$ 584	\$ 505	\$ 873	\$ 387
Historical net income per share, basic and diluted.....	\$ 0.18	\$ 0.04	\$ 0.03	\$ 0.05	\$ 0.02
Weighted average shares outstanding:					
Basic.....	16,565	16,154	16,217	16,064	17,644
Diluted.....	16,565	16,154	16,217	16,064	18,765
PRO FORMA DATA(5):					
Historical income before provision for income taxes.....	\$2,899	\$ 593	\$ 541	\$ 886	\$ 39
Pro forma provision for income taxes(6).....	1,160	237	216	354	16
Pro forma net income.....	\$1,739	\$ 356	\$ 325	\$ 532	\$ 23
Pro forma net income per share, basic and diluted.....					\$ --
Pro forma weighted average shares outstanding(7):					
Basic.....					17,922
Diluted.....					19,043

AT JUNE 30,				
1995	1996	1997	1998	1999

(IN THOUSANDS)

CONSOLIDATED BALANCE SHEETS DATA:

Cash and cash equivalents.....	\$2,312	\$ 542	\$ 372	\$ 612	\$ 1,852
Working capital.....	(51)	50	346	975	2,330
Total assets.....	5,114	2,075	2,513	3,104	14,749
Short-term debt.....	1,550	--	--	--	--
Total stockholders' equity.....	2,487	861	1,070	1,562	9,300

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- (1) Historical Consolidated Statements of Income Data are not comparable for all periods shown. On January 25, 1999 we acquired an additional 40% membership interest in Internet Universe LLC. Additionally, on February 5, 1999 we acquired the auction businesses of Lyn F. Knight Rare Coins, Inc. and Kingswood Coin Auctions LLC and acquired an additional 40% membership interest in Superior Sports Auctions LLC. See Note 3 "Acquisitions" to Consolidated Financial Statements.
  - (2) Represents a non-cash charge for stock options to purchase shares of our common stock granted to some of our collectible suppliers and content providers.
  - (3) In each of the fiscal years in the four year period ended June 30, 1998, the provision for income taxes was made for California state franchise taxes payable at a rate of 1.5% on income of California S corporations. The amount of the provision for fiscal 1999 includes both a provision for such California franchise tax for the period from July 1, 1998 through February 4, 1999 and a provision for federal and state corporate income taxes effective February 5, 1999, the date on which we became a C corporation for income tax purposes.
  - (4) Historical net income is not comparable for all periods shown due to the change from a non-taxable entity to a taxable entity effective February 5, 1999.
  - (5) Pro forma data presents income taxes computed as if we were subject to federal and state income taxes for fiscal years ended June 30, 1995 through June 30, 1999. See Note 2 to Consolidated Financial Statements.
  - (6) Amounts reflect adjustments for federal and state income taxes as if we had been taxed as a C corporation rather than an S corporation during all of the fiscal years presented above.
  - (7) Pro forma weighted average shares outstanding for basic and diluted includes 278 shares which represents the number of shares which, when multiplied by the assumed initial public offering price of \$8.00, is required to replace the excess of capital withdrawn during fiscal 1999 in excess of earnings for this fiscal year.

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You should read this section in combination with "Selected Financial Data" and our consolidated financial statements and the notes thereto included elsewhere in this prospectus.

## OVERVIEW

Collectors Universe provides authentication and grading services for rare coins and sports cards and authentication services for autographs. In most instances, fees for authentication and grading services are prepaid. We also conduct Internet, telephone and in-person auctions of rare coins, sports cards, sports memorabilia, rare currency, rare records and other high-end collectibles. Collectibles constituting approximately 85% of the aggregate sales prices of collectibles sold at our auctions are consigned to us by third parties and we receive commissions, usually from both sellers and buyers, when the consigned collectibles are sold. The remaining 15% have been purchased by us and upon resale we record the sales prices of those collectibles as revenues.

It is our practice to extend discounts to qualified coin dealers that submit rare coins to us for authentication and grading. Those discounts are deducted from our gross revenues to arrive at net revenues. In fiscal 1999, these discounts declined as a percentage of gross revenues because of an increase in sports card authentication and grading submissions on which we do not extend discounts and an increase in auction revenues that grew at a greater rate than did authentication and grading revenues.

The gross margin on sales of consigned collectibles is significantly higher than the gross margin on sales of purchased collectibles, because we realize commissions on sales of consigned collectibles without having to incur any significant associated costs. By contrast, upon the sale of purchased collectibles, we record the costs of acquiring those collectibles which are usually a significant percentage of the selling price. As a result, the sale of purchased collectibles reduces our overall auction margins to a level that is below that realized for authentication and grading services. Consequently, our gross margin in future periods will depend not only upon the mix of auction revenues and grading revenues, but also upon the mix of consigned and purchased collectibles sold at auction.

Collectors Universe was organized to enable PCGS, its predecessor corporation, to acquire additional businesses engaged in providing services to the collectibles markets. On February 5, 1999, we acquired the currency auction business of Lyn F. Knight Rare Coins, Inc. and the coin auction business of Kingswood Coin Auctions, LLC. These acquisitions were accounted for under the purchase method of accounting and accordingly, their operating results are included in our financial statements only for periods from the date of acquisition. On February 5, 1999, we also acquired the minority interests in two majority owned subsidiaries of PCGS the results of which were consolidated in our financial statements with appropriate minority interests accounting to the date of acquisition. Additional information regarding these acquisition transactions is set forth in Note 3 to the Consolidated Financial Statements.

Prior to these acquisitions, PCGS was an S corporation for federal and state income tax purposes. It ceased to be an S corporation and became a C corporation on February 5, 1999 with the completion of the reorganization. In January 1999, while still an S corporation, PCGS declared a dividend payable to its stockholders in an aggregate amount of \$2.2 million, which represented a substantial portion of S corporation accumulated earnings that were taxed or taxable to PCGS' stockholders individually. The dividend was paid in cash in April 1999.

## RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, financial data expressed as a percentage of net revenues:

FISCAL YEARS ENDED JUNE 30,

	1997	1998	1999
Net revenues.....	100.0%	100.0%	100.0%
Cost of revenues.....	28.2	26.5	38.4
Gross profit.....	71.8	73.5	61.6
Operating expenses:			
Supplier compensation cost.....	--	--	2.6
Selling, general & administrative expenses.....	66.3	65.3	58.9
Total operating expenses.....	66.3	65.3	61.5
Operating income.....	5.5	8.2	0.1
Interest income, net.....	0.4	0.2	0.1
Minority interest.....	(0.1)	(0.4)	(0.1)
Income before provision (benefit) for income taxes.....	5.8	8.0	0.1
Provision (benefit) for income taxes(1).....	0.4	0.1	(1.6)
Net income.....	5.4%	7.9%	1.7%

(1) Until February 5, 1999, PCGS (the predecessor of Collectors Universe) was an S corporation for income tax purposes and, therefore, taxes on its income were payable by its stockholders. The provision made for income taxes in fiscal 1997 and fiscal 1998 is the result of a 1.5% California franchise tax assessed on S corporations. On February 5, 1999, PCGS became a C corporation for income tax purposes and, as a result, we became responsible for paying taxes at federal and state corporate tax rates on income generated after that date.

COMPARISON OF YEARS ENDED JUNE 30, 1999, 1998 AND 1997

NET REVENUES. Net revenues increased 105% to \$22.6 million in fiscal 1999 from \$11.0 million in the prior year. Authentication and grading revenues for coins and sportscards increased 84% to \$17.7 million in fiscal 1999 from \$9.6 million in fiscal 1998 primarily due to significantly higher sportscard authentication and grading submittals. Authentication and grading revenues represented 78% of total net revenues in fiscal 1999 and 87% in fiscal 1998. Auction revenues increased 250% to \$4.9 million in fiscal 1999 from \$1.4 million in fiscal 1998. Auction revenues represented 22% of total net revenues in fiscal 1999 and 13% in fiscal 1998. This increase was attributable to an increase in the number of collectibles auctions we conducted and an increase in the number of collectibles sold at each of our auctions. Also contributing to higher auction revenues for fiscal 1999 were auctions conducted by Lyn Knight Currency Auctions and Kingswood Coin Auctions subsequent to their acquisitions.

Net revenues increased 17% to \$11.0 million in fiscal 1998 from \$9.4 million in fiscal 1997. Authentication and grading revenues increased 11% to \$9.6 million in fiscal 1998 from \$8.6 million in fiscal 1997. Authentication and grading revenues represented 87% of total net revenues in fiscal 1998 and 92% in fiscal 1997. Auction revenues increased 81% to \$1.4 million in 1998 from \$766,000 in fiscal 1997. Auction revenues represented 13% of total net revenues in fiscal 1998 and 8% in fiscal 1997.



**GROSS PROFIT.** Gross profit increased by 72% to \$13.9 million in fiscal 1999 from \$8.1 million in fiscal 1998. This increase was attributable to an increase in authentication and grading and auction revenues. Our gross margin declined to 61.6% in fiscal 1999 from 73.5% in fiscal 1998. Auction segment gross margin declined to 33.6% in fiscal 1999 from 72.5% in fiscal 1998. This decrease resulted from a much higher mix of purchased collectibles versus consigned collectibles sold at our auctions. Our gross margin on consigned collectibles is much higher as we realize a commission on each sale, which is reported as revenue, while we do not incur any significant cost of revenues associated with these sales. For purchased collectibles sold, we report the sales prices of the collectibles sold as revenue and the cost of acquiring those collectibles as a cost of revenues. Gross margin on authentication and grading services declined in fiscal 1999 to 70.3% from 73.6% in fiscal 1998 because of higher associated costs.

In fiscal 1998, our gross margin increased to 73.5% from 71.8% in fiscal 1997. The gross margin on authentication and grading services increased marginally to 73.6% in fiscal 1998 from 72.5% in fiscal 1997. Auction segment gross margin increased to 72.5% in fiscal 1998 from 63.7% in the prior fiscal year.

**SUPPLIER COMPENSATION EXPENSE.** In fiscal 1999, we incurred a non-cash expense of \$585,000 that was attributable to grants of stock options to experts for their agreements to supply collectibles or content over multi-year periods.

**SELLING, GENERAL AND ADMINISTRATION.** Selling, general and administration ("SG&A") expenses primarily include wages and payroll related expenses, advertising and promotional expenses, travel and entertainment costs, facility rental expenses and security related charges. SG&A increased 85% to \$13.3 million in fiscal 1999, as compared with \$7.2 million in fiscal 1998. We increased expenditures to enhance the look and the functionality of our Internet website. We also added to our management and upgraded information systems to support the growth of our authentication and grading and auction businesses. However, as a percentage of net revenues, SG&A expenses declined to 58.9% in fiscal 1999 as compared with 65.3% in fiscal 1998. SG&A, as a percentage of net revenues, for authentication and grading services declined to 43.3% in fiscal 1999 from 47.3% in fiscal 1998, as higher volume levels in fiscal 1999 provided operating efficiencies. SG&A attributable to our auction business rose as a percentage of net revenues to 107.0% in fiscal 1999 from 101.6% in fiscal 1998 primarily due to increased personnel and associated wages incurred to further develop our Internet website. Also contributing to lower SG&A as a percentage of net revenues in fiscal 1999 were lower unallocated operating expenses which were 5.1% in fiscal 1999 and 11.0% in fiscal 1998.

SG&A expenses increased to \$7.2 million in fiscal 1998, from \$6.2 million in the prior fiscal year, primarily because of increased expenditures to enhance our Internet website and increases in the number of auctions conducted in fiscal 1998. As a percentage of net revenues, SG&A expenses declined slightly in fiscal 1998 to 65.3% from 66.3% in fiscal 1997. As a percentage of net revenues, SG&A attributable to authentication and grading services declined to 47.3% in 1998 from 64.0% in 1997. Partially offsetting this decline was higher SG&A attributable to our auction business which increased as a percentage of net revenues to 101.6% in fiscal 1998 from 68.1% in fiscal 1997 and unallocated operating expenses which increased to 11.0% in fiscal 1998 from 2.0% in fiscal 1997.

Subsequent to June 30, 1999, we entered into a lease for a new 54,000 sq. ft. facility that will consolidate all California-based operations in April 2000. We anticipate that SG&A expense, following the move, will be higher due to increased rent we will be paying under the new lease as compared with the rent that we are paying under our current leases. We also expect to incur relocation costs. See "Business -- Facilities" and Note 12 to the Consolidated Financial Statements contained elsewhere in this prospectus.

MINORITY INTEREST. During fiscal 1999, we acquired the minority ownership interests in two businesses in which we were the majority owners, making those businesses wholly owned subsidiaries. Under applicable accounting principles, for periods prior to our acquisition of those minority interests, we included the operating results of those businesses, in their entirety, in our consolidated statements of income, and then reduced our consolidated income by the minority owners' share of those earnings. See Note 3 to Consolidated Financial Statements.

INCOME TAXES. The provision for income taxes in fiscal 1997 and 1998 are attributable to a California franchise tax of 1.5% on the earnings of our predecessor S corporation. For periods from February 5, 1999, our income tax liability was determined on the basis of the applicable federal and state corporate rates at which C corporations are taxed. As a result, the provision for fiscal 1999 included both a provision for California franchise tax at 1.5% and federal and state corporation income taxes at applicable C corporation tax rates. The tax benefit of \$348,000 recorded in fiscal 1999 was attributable to deferred tax assets recorded on our conversion to a C corporation and losses from operations incurred subsequent to that conversion.

#### QUARTERLY RESULTS OF OPERATIONS AND SEASONALITY

The following table presents unaudited quarterly financial information for each of the eight quarters beginning September 30, 1997 and ending on June 30, 1999. The information has been prepared by us on a basis consistent with our audited financial statements appearing elsewhere in this prospectus. The information includes all necessary adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of the unaudited quarterly results when read in conjunction with the consolidated financial statements and the notes thereto appearing elsewhere in this prospectus. These operating results are not necessarily indicative of results that may be expected for any subsequent periods. See "Risk Factors -- Our future operating results are subject to fluctuations."

	QUARTER ENDED							
	SEPT. 30, 1997	DEC. 31, 1997	MAR. 31, 1998	JUNE 30, 1998	SEPT. 30, 1998	DEC. 31, 1998	MAR. 31, 1999	JUNE 30, 1999
	(IN THOUSANDS)							
Net revenues.....	\$2,475	\$ 2,575	\$ 2,780	\$ 3,159	\$3,957	\$4,194	\$6,193	\$ 8,219
Cost of revenues.....	646	712	719	838	1,337	1,515	1,869	3,933
Gross profit.....	1,829	1,863	2,061	2,321	2,620	2,679	4,324	4,286
Operating expenses.....	1,545	2,095	1,614	1,914	2,378	2,737	3,543	5,214
Operating income (loss).....	284	(232)	447	407	242	(58)	781	(928)
Interest income (expense), net.....	5	8	4	9	6	7	(13)	30
Minority interest.....	(51)	(35)	(9)	49	(32)	(12)	16	--
Income (loss) before provision (benefit) for income taxes.....	238	(259)	442	465	216	(63)	784	(898)
Provision (benefit) for income taxes.....	--	16	--	(3)	3	(1)	108	(458)
Net income (loss).....	\$ 238	\$ (275)	\$ 442	\$ 468	\$ 213	\$ (62)	\$ 676	\$ (440)

The Company currently expects that net revenues for the first quarter of fiscal 2000 were approximately \$8.5 million compared to \$4.0 million in the first quarter of fiscal 1999, an increase of approximately 110%.

We have experienced and expect to continue to experience quarterly variations in our net revenues as a result of a number of factors, including the number and size of the premium auctions that we conduct, the dates of major coin and sports conventions at which we authenticate and grade coins and sportscards submitted by persons attending those conventions, overall increases in authentication and grading submittals and expansion of our e-commerce website, www.collectors.com. In addition, it has been our experience that authentication and grading submissions also tend to be somewhat lower in the holiday period between Thanksgiving and New Year's Day, than during other periods of the year.

## LIQUIDITY AND CAPITAL RESOURCES

Prior to fiscal 1999, we financed our operations and capital requirements through cash flows generated from operations. In fiscal 1999, we sold approximately 1.3 million common shares in a private placement and raised net proceeds of \$6.4 million. Proceeds from this private placement were used to fund the PCGS cash dividend declared prior to the reorganization, to extinguish debt incurred for the acquisitions completed in fiscal 1999 and to provide additional working capital to fund the growth of our business. Working capital was \$2.3 million at June 30, 1999 and \$975,000 at June 30, 1998.

Cash provided by operating activities was \$823,000 in fiscal 1998 compared with \$811,000 in fiscal 1999. In fiscal 1999, cash was used primarily to fund increases in accounts receivable and purchases of collectibles for purposes of resale at our auctions, whereas cash was provided by increases in accounts payable and in deferred revenue. In fiscal 1999, we used \$1.5 million of cash for investing activities, including funds used for the fiscal 1999 acquisitions and for computer related capital expenditures. We expect capital expenditures to be approximately \$1.0 million in fiscal 2000 and we are obligated to make minimum royalty payments starting at \$125,000 and escalating to \$292,000 per year over the next five years. We will be relocating to a new facility during the fourth fiscal quarter of fiscal 2000 and it may become necessary to fund a portion of the tenant improvements and other relocation costs in connection with that move. See "Business -- Facilities."

Our March 1999 private placement of shares provided cash in the amount of \$6.4 million.

Early in fiscal 1999, PCGS paid an S corporation dividend of \$400,000 to its stockholders. We also used \$2.2 million of the cash from the private placement to pay an S corporation dividend declared by PCGS in January 1999. We currently do not have a credit facility and, therefore, we do not have any borrowing availability.

We estimate that we would have sufficient cash to fund operations for the next twelve months and the foreseeable future without the proceeds from the offering, based upon our historical operating margins and working capital requirements for our authentication and grading segment. However, the amount of our cash requirements beyond twelve months will be affected by several factors, including our growth rate, our expansion into other collectible grading and capital expenditures to enhance the capacity and functionality of our computer systems. Depending on our growth and cash requirements, we may require additional financing in the future through conventional bank financing or sales of debt or equity securities. Such financing may or may not be available or may be dilutive. Our ability to obtain additional financing will depend on our operating results, financial condition, future business prospects and conditions then prevailing in the relevant capital markets.

At June 30, 1999, we had an accumulated deficit of approximately \$1.5 million primarily due to the payment of S corporation dividends, and a \$550,000 adjustment recorded in connection with the acquisition of the rare coin auction business of Kingswood Coin Auctions. The \$550,000 adjustment

was necessary to reduce, to the extent of the common controlling members' interests in Kingswood Coin Auctions, the fair value of the acquired net assets to their historical cost. Such adjustment has been treated as an equity distribution to such controlling stockholders of Collectors Universe.

## YEAR 2000 ISSUE

Many currently installed computer systems and software products are dependent upon internal calendars. However, most of those systems and products were coded to accept only two digit entries in the date code field. As a result, unless those computer software systems and products are upgraded or modified to accept four digit entries in their date code fields (that is, made Y2K compliant), computer errors and failures could occur when processing date sensitive information beginning with the year 2000 (Y2K).

We have developed and use proprietary software, in the grading of rare coins and sportscards that is not yet Y2K compliant. We expect to complete the required modifications to make those products Y2K compliant and to complete verification testing by the end of October 1999. We estimate that the cost to make our proprietary software Y2K compliant will be approximately \$50,000. Nevertheless, in the event that we encounter any disruptions in the operation of that software due to Y2K issues, we believe our coin and sportscard graders have sufficient knowledge, skills and experience to continue providing grading services without the operation of our computerized grading system until those issues are resolved. However, during such a period, the time required to grade coins and sportscards would increase and, as a result, we would experience a reduction of our revenues.

In addition to our internally developed software, we utilize software and hardware developed by third parties for both our network and internal information systems. To date, we have not performed any testing of these third party software products to determine Y2K compliance. We have, however, obtained a "statement of Year 2000 compliance" in writing from all of our critical third party providers for computer hardware, computer software and communication equipment.

We rely on third party network infrastructure providers to gain access to the Internet. In a reasonable worst case scenario, if such providers experienced business interruptions as a result of any Y2K issues, our ability to maintain access to and the functionality of our website could be impaired, which could require us to incur unanticipated expenses and disrupt our auction business and our ability to process customer credit card transactions. Such expenses and disruptions could have a material adverse effect on our business, results of operations and financial condition. We do not presently have a contingency plan in place if one of our third party providers, such as Internet backbone providers, should experience system failure due to failure to comply with year 2000 issues, and we do not intend to establish such a contingency plan.

## RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, Reporting Comprehensive Income (SFAS 130). SFAS 130 requires that all components of comprehensive income, including net income, be reported in the financial statements in the period in which they are recognized. SFAS 130 is effective for fiscal years beginning after December 15, 1997. There was no difference between our net income and total comprehensive net income for the years ended June 30, 1998 and 1999.

In June 1998, the FASB issued SFAS No. 131, "Disclosure About Segments of an Enterprise and Related Information" ("SFAS No. 131"). SFAS No. 131 establishes standards for the way companies report information about operating segments in annual financial statements. It also

establishes standards for related disclosure about products and services, geographic areas and major customers. We adopted SFAS No. 131 on July 1, 1998. We conduct our business activity principally in two service segments: the authentication and grading of collectibles and auctions of collectibles.

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133), which the Company is required

to adopt effective for its fiscal year beginning July 1, 2000. SFAS No. 133 will require the Company to record all derivatives on the balance sheet at fair value. We do not have any derivative instruments nor do we engage in hedging activities. Therefore, the adoption of SFAS No. 133 is not expected to have an impact on our financial position, results of operations or cash flows.

In March 1998, the Accounting Standards Executive Committee issued Statement of Position No. 98-1 or SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which provides guidance on accounting for the cost of computer software developed or obtained for internal use. SOP 98-1 is effective for financial statements for fiscal years beginning after December 15, 1998. We are currently evaluating the impact of SOP 98-1 on our financial statements and related disclosures.

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## BUSINESS

### COLLECTORS UNIVERSE

Collectors Universe is a full-service provider of value-added services to dealers and collectors of coins, sports cards, sports memorabilia, rare currency and rare records.

Our reputation and the breadth of our value-added services provide collectors and dealers with the confidence to buy and sell high-end collectibles sight-unseen over the Internet. Our suite of services, content and commerce also makes the collecting experience more exciting and memorable.

- Service. We authenticate the genuineness of collectible coins, sports cards and autographs and we grade the quality of collectible coins and sports cards in accordance with consistently applied uniform standards, so that buyers can have the assurance that the collectibles they are purchasing are genuine and are of the quality represented by the sellers.
- Content. We compile and publish authoritative information about the rarity, quality and trading history of high end collectibles that make collectors and dealers more informed purchasers and sellers and which adds to the excitement of the collecting experience.
- Commerce. We operate an online marketplace, at [www.collectors.com](http://www.collectors.com), where collectors and dealers buy and sell high end collectibles at our auctions and where they can access the information we publish before making their purchase and sale decisions. We currently have approximately 90,000 users who are approved to participate in our Internet auctions. Visitors to our website spend an average of 14 minutes per visit. In addition, we conduct weekly auctions, and periodic premium auctions at which we sell especially rare or valuable high-end collectibles.

An increasing number of our auctions are conducted in a multi-venue format, simultaneously on the Internet, by telephone and in-person. These auctions enable buyers to choose the manner in which they prefer to participate in our auctions.

We generate revenues from fees paid for authentication and grading services provided to our customers, typically ranging from \$8 to \$40 per item. We also generate revenues from commissions paid by both buyers and sellers when we sell collectibles that have been consigned to us, the total of which generally ranges from 10% to 20% of the sale prices of the collectibles, and from the resale of

purchased collectibles equal to the prices at which they are sold.

## INDUSTRY BACKGROUND

DEVELOPMENT OF COLLECTIBLES MARKETS. The sight-unseen market for high-end coins was practically non-existent prior to the development of consistently applied uniform quality grading standards. Previously, buyers needed to actually see a coin before purchase to determine whether its quality justified the asking price. Even when buyers could view coins before purchase, they often lacked the knowledge to determine, with confidence, the authenticity or quality of a coin. As a result, a system for grading coins developed among dealers by which they used either descriptive terms, such as "uncirculated," "brilliant uncirculated" and "gem brilliant uncirculated," or a numerical scale ranging from 1 to 70, with higher numbers denoting a higher quality. However, whether using a descriptive or numeric system, grading varied significantly from dealer to dealer, depending on a dealer's subjective criteria. Moreover, dealers were hardly disinterested or independent since, as the buyers or sellers of the coins they were grading, they stood to benefit financially from the assignment of a particular grade. As a result, grading standards were often inconsistently applied and many

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collectors were vulnerable to fraudulent practices. These conditions severely limited the growth of the rare coin market and created a barrier to the participation of new collectors who lacked the expertise necessary to buy and sell with confidence.

In response to these conditions, in 1986 we instituted the practice of employing expert graders who were independent of the buyers and sellers of coins, thereby providing impartiality in the grading process. We established consistent standards of quality measured against an actual "benchmark" set of coins kept at our office, and we provided a warranty as to the accuracy of our authentication and grading. We placed each graded coin in a tamper-evident holder, so that any prospective buyer would know that it is a PCGS authenticated and graded coin.

As a result, dealers were able to trade PCGS graded coins sight-unseen and an electronic teletype network called the Certified Coin Exchange developed and was used by dealers to buy and sell rare coins electronically before the Internet became viable. In addition, we began to provide a range of authoritative content on coin collecting to inform and communicate with the collector community including guides that tracked the price and rarity of PCGS graded coins.

In the sportscard market, misrepresentations of authenticity and quality were also a barrier to market growth. Using the skills and credibility we established with PCGS in the coin market, we instituted a similar authentication and grading system for sportscards. Our authentication and grading services improved the marketability of sportscards by removing the barrier created by misrepresentations of authenticity or quality. The sportscard market continuously creates new collectibles as card companies produce new cards and variations. Moreover, athletes create interest or they achieve new records and milestones. Each time an athlete establishes a new record or rises in popularity, demand for authentication and grading for that athlete's cards increases. Although the most valuable cards are the vintage cards from players such as Mantle, DiMaggio and Ruth, modern cards have become very popular as collectors try to obtain the cards of new generations of stars.

We believe that today the markets for autographs, records, stamps and other collectibles are positioned much like coins and sportscards were positioned prior to the establishment of accepted authentication and grading practices. As buying and selling of collectibles over the Internet becomes more common, we believe that there will be increased demand for authentication and grading services and that collectors will be willing to pay a premium for collectibles that have been authenticated and graded.

The number and dollar value of transactions in all the collectibles markets we serve are not easily ascertainable. However, we estimate the annual dollar value of transactions for the collectibles markets indicated below as follows:

MARKET -----	MARKET SIZE -----
Modern commemorative and gold coins.....	\$20.0 billion
Rare coins (U.S. only).....	\$ 1.0 billion
Sportscards and other sports memorabilia.....	\$ 0.5 billion

GROWTH OF INTERNET COMMERCE AND THE ONLINE AUCTION MARKETPLACE. Dealers and collectors have traditionally used classified advertisements, collectibles shows, auction houses, local dealer shops, garage sales and flea markets to purchase and sell collectibles. These markets are highly inefficient because:

- they are fragmented and local in nature, which limits the variety of items available and makes it difficult and expensive for buyers and sellers to meet;
- buyers often lack the information needed to determine the quality or value of the goods being sold; and
- transaction costs for any single transaction are often relatively high due to the number of intermediaries involved.

The Internet offers an opportunity to create a compelling global marketplace that overcomes the inefficiencies associated with these traditional trading forums while offering the benefits of Internet-based commerce. An Internet-based trading market facilitates the listing of items for sale, the exchange of information, the interaction of buyers and sellers and ultimately the consummation of transactions. The Internet also offers significant convenience, allowing trading at all hours and providing continually-updated information. As evidenced by the increasing number of auction transactions conducted over the Internet, we believe that the Internet has been accepted as a valid forum for conducting auctions.

However, particularly with respect to high-end collectibles, Internet commerce raises concerns about the authenticity of items, the credibility of buyers and sellers, the legitimacy of bids and the delays and risks involved in the shipment of collectibles to buyers and in the payment of sales proceeds to sellers.

#### THE HIGH-END COLLECTIBLES MARKET OPPORTUNITY

We believe that the high-end collectibles market will continue to grow as a result of increased nostalgia for memorabilia, an increase in leisure and disposable income, the desirability of owning collectibles and investor confidence that collectibles will appreciate in value. We also believe that the convenience and efficiency of the Internet will stimulate further substantial growth in the high-end collectibles market. It is also our view that this growth is dependent upon the availability of reliable authentication and grading services, authoritative information necessary to value collectibles and a trading forum that enables buyers and sellers of collectibles to maximize the value of their collectibles. As a provider of these services to the collectibles markets, we have the opportunity to benefit directly from such growth in terms of increased demand for our services.

THE AUTHENTICATION REQUIREMENT. Dealers and collectors demand to know that the high-end collectibles they are buying are genuine. The expertise, impartiality, credibility and reputation of an authenticator are critical to the

willingness of buyers to purchase high-end collectibles sight-unseen. This is particularly important for collectibles which are more easily forged and counterfeited, such as autographs.

THE GRADING REQUIREMENT. Quality is a key factor in determining value. In order to determine a collectible's quality collectors need consistently applied uniform grading standards as well as assurances that collectibles have not been tampered with or artificially enhanced. For example, on our PSA scale from 1 to 10, a 1952 Mickey Mantle baseball card graded PSA 8 recently sold for \$31,050, while the same card graded PSA 10 recently sold for \$160,000. The expertise, impartiality, credibility and reputation of the organization grading the collectible is therefore critical to the willingness of buyers to purchase high-end collectibles sight-unseen.

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THE INFORMATION REQUIREMENT. Access to authoritative information, compiled by a credible third party, is critical to enable buyers and sellers to make informed decisions regarding the value of collectibles. Before completing a transaction, collectors use this information to assess the characteristics that affect the value of a collectible, including:

- rarity;
- historical and recent selling prices;
- quality or grades; and
- the identification of sets and series of collectibles, such as sports cards of baseball Hall of Fame pitchers.

Therefore, we believe informed buyers and sellers are crucial to the development and maintenance of a strong and efficient collectibles marketplace. Additionally, information about the origins of a collectible, or about the people and events with which a collectible is associated, enhances its marketability and value and increases the enjoyment of the collecting experience for both buyers and sellers.

THE COMMERCE REQUIREMENT. Dealers and collectors need a readily available and dependable marketplace within which to purchase and sell their collectibles sight-unseen. The Internet has enabled the creation of a much more efficient and less costly marketplace for collectibles. Despite the accessibility and convenience of the Internet, dealers and collectors who buy and sell over the Internet still have concerns with respect to the authenticity of collectibles, the credibility of participants, the legitimacy of bids, the delays and risks involved in the shipment of collectibles to buyers and in the payment of sales proceeds to sellers.

#### THE COLLECTORS UNIVERSE SOLUTION

We believe that we provide a full-service solution for buyers and sellers of high-end collectibles. We also believe that the number of items, participants and transactions in the collectibles markets will increase to the extent that the authentication, grading, information and commerce requirements are addressed. Our services provide collectors and dealers with authentication, grading and authoritative information in addition to multi-venue auctions of an extensive selection of high-end collectibles.

Our authentication and grading services provide a collector with confidence that the collectible is genuine and that its quality is as represented. When combined with the scarcity and pricing information that we compile and publish, our services substantially eliminate the need to personally inspect collectibles and facilitate their sale sight-unseen at prices approximating in-person auction prices. For example, The Coin Dealer Newsletter, a leading independent newspaper reporting on the collectibles coin market, has consistently reported over the past two years that, on average, coin dealers would purchase sight-unseen a coin graded by Collectors Universe for approximately 93% of the price that would be



paid following the physical inspection of a coin of comparable quality, as compared with an average of approximately 80% for a coin authenticated and graded by our closest grading competitor and an average of no more than 67% for a coin authenticated and graded by any other of our major competitors.

Our full-service solution provides answers to the following fundamental questions commonly asked by collectors:

MARKET REQUIREMENT -----	SOLUTION -----
"Is it real?"	We can determine whether your collectible is fake or real.
"What's the quality?"	We assign a grade to your collectible based upon consistently applied uniform quality standards.
"What's the value?"	We compile and publish price guides and rarity reports which contain authoritative information concerning rarity, historic and recent selling prices and historical origins of collectibles.
"How do I buy or sell it?"	We conduct auctions where you can buy or sell collectibles in a multi-venue format with the benefit of our information services.

By providing these solutions to the collectible markets, we facilitate sight-unseen commerce for high-end collectibles.

#### OUR BUSINESS STRATEGY

Our objective is to become the full-service marketplace of choice for high-end collectibles. To achieve this objective we intend to:

**LEVERAGE OUR AUTHENTICATION AND GRADING LEADERSHIP TO INCREASE OUR AUCTION BUSINESS.** Our leadership position in authentication and grading of high-end collectibles as well as our focus on providing a full complement of services allows us to attract serious collectors to our auctions. When we receive a collectible, we leverage this expertise to maximize value for the seller. These services include describing and photographing the item, marketing and creating catalogues, selecting an optimal auction venue, advertising and fulfillment, including our escrow services, to ensure completion of transactions.

**CROSS-SELL OUR SERVICES AND PRODUCTS TO OUR ESTABLISHED CUSTOMER BASE.** Collectors who use our authentication or grading services often have a need for authoritative information or auctions. Additionally, our experience has shown that collectors of one kind of collectible frequently are interested in other types of collectibles. We therefore intend to cross-sell our services and products to our customer base of dealers and collectors.

**PENETRATE OTHER COLLECTIBLES MARKETS.** There are other high-end collectibles markets in which growth has been hampered due to the absence of independent authentication and grading services. We intend to use our reputation and expertise in authentication and grading to penetrate such markets, such as the rare stamp market. Recently, PSA/DNA inaugurated a program to certify the authenticity of autographs to enable dealers and collectors to trade autographs sight unseen. We also believe that authentication, grading and information services can be extended to other collectibles to attract new groups of collectors to use our services. In addition, we may choose to sublicense our DNA technology to help manufacturers authenticate their collectibles products.

**EXPAND RECOGNITION OF THE COLLECTORS UNIVERSE(R) BRAND.** We have established widely recognized brands within select collectibles markets, including PCGS, PSA, Lyn Knight Currency Auctions and Good Rockin' Tonight. We intend to use the reputations of these brands to promote Collectors Universe as the premier brand



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PROFESSIONAL SPORTS AUTHENTICATOR. We typically charge between \$8 and \$40 per card for our authentication and grading service, depending on the customer's requested turnaround time. We employ similar authentication and grading procedures and provide warranties of accuracy that are similar to the procedures employed and warranties given in authentication and grading of coins. In addition to baseball cards, we authenticate and grade football, hockey and basketball sportscards and other collectible cards.

The number of cards submitted to us for authentication and grading in the past two fiscal years is shown below.

[Number of Cards Graded by Fiscal Quarter graphic]

SEPTEMBER 30, 1997	DECEMBER 31, 1997	MARCH 31, 1998	JUNE 30, 1998	SEPTEMBER 30, 1998	DECEMBER 31, 1998	MARCH 31, 1999
28846	31434	47903	59415	96256	171657	291907

SEPTEMBER 30, 1997	JUNE 30, 1999
28846	339000

PSA/DNA AUTHENTICATION SERVICES. The value of many sportscards, autographed items and other memorabilia is significantly dependent on the buyer's confidence as to the authenticity of the collectible. We offer buyers and sellers of these collectibles a service by which collectibles determined by us to be genuine can be permanently marked using a proprietary liquid containing synthetic DNA. The marking is invisible but can be viewed using a laser operating at a specified wavelength. We apply the DNA material to the collectible, along with a non-transferable serial number sticker. In addition, the owner is furnished with a certificate confirming the authentication by PSA/DNA.

In addition, when a collectible is marked in this manner, a computerized record is created identifying the collectible, the date of its authentication and the mark that was applied to it. As a result, a prospective buyer may contact us to verify the authenticity of the collectible before purchasing it. Mark McGwire's 70th home run baseball and Hank Aaron's 715th home run baseball and bat were authenticated by PSA/DNA using this DNA marker. We also plan to apply this DNA marker to each of the collectibles to be auctioned in our One-of-a-Kind auctions, including, for example, the basketball court where Michael Jordan took the last shot of his NBA career to win the 1998 NBA Championship.

The DNA marking process has been developed and patented by DNA Technologies, Inc., an unaffiliated company. In 1998, we obtained from DNA Technologies a six-year exclusive license, subject to limited exceptions and extensions, to use the synthetic DNA marking process for the authentication of items manufactured as collectibles and items which are more than one year old. DNA Technologies retained the rights to all other applications, including anti-counterfeiting measures such as the DNA marking of tickets and security passes at the 2000 Olympic Games in Australia.

Our license also allows us to sublicense this technology to others for authentication of collectibles, subject to the obligation to share any sublicensing revenue with DNA Technologies.

We also use our DNA technology to offer a "signed in the presence of" service as well as vintage autograph certification and vintage memorabilia authentication services, employing experts in handwriting recognition and memorabilia identification to certify authenticity.

## CONTENT

Through our Internet site, [www.collectors.com](http://www.collectors.com), and our other publications, we provide a broad range of authoritative information to the collector community.

**PRICE GUIDES.** We provide a wide variety of authoritative price guides for a number of collectible markets. For example, we track the value of the 3000 most actively traded U.S. coins with information dating back to 1970. We compile and publish this information in a widely recognized collectible coin index, the CU3000.

**MARKET MOVEMENT REPORTS.** Changes in prices are highlighted in market movement reports. This makes it possible for a card collector, for example, to quickly identify that some cards have increased in value while others have dropped.

**RARITY REPORTS.** Three primary characteristics drive the market value of many collectibles: relative rarity, grade and significance to collectors. We compile and publish reports that list the total number of sportscards and coins we have graded since our inception in 1986, categorized by item type and grade determination. We can publish, for example, the exact number of MS67-grade 1881-S Morgan silver dollars we have graded. Collectors can utilize this information to make informed decisions regarding the purchase of particular coins.

**ARTICLES.** Collecting is a passion for many and has nuances and anecdotes that are well suited to a library of articles for each category of collectible. We write informative articles and publish them on our website. A sense of community is also important to collectors. We therefore encourage our users to communicate and to write articles that can be made available to all collectors.

**HISTORICAL CONTENT.** Collecting is often about history, and in many instances, the collectible's history is what makes it valuable. For example, the Beatles "Yesterday . . . And Today" album was originally to be released with an album cover depicting the Fab Four in butchers' smocks with cuts of raw meat and dismembered toy doll parts. After distributing a few copies to the media, Capitol Records deemed the cover too controversial and recalled the album. As a result there are only seven known sealed copies of the stereo version of the album with the "butcher" cover, and we recently auctioned one of them for \$38,500. There are hundreds of such stories that help to make collecting entertaining.

**SETS AND SERIES.** In many instances, collectors try to obtain a full set of related items. For example, a set may be comprised of all of Mickey Mantle's baseball cards, every issue of \$20 gold pieces or all of the vinyl 45's that Elvis recorded. We make such lists available to help collectors maximize their enjoyment.

**NEWS.** We provide the information that collectors and dealers need to track recent events, trends and developments in the collectibles markets we serve. For example, new collectibles are constantly being created, some collectibles increase in popularity and other collectibles sell at record prices.

## COMMERCE

We conduct auctions in a variety of formats that allow collectors to choose the format with which they are most comfortable. At our multi-venue auctions

buyers can place bids over the Internet, by telephone, by computer-assisted telephone and in-person.

We believe our method of operation is superior to other Internet auction companies because we take physical possession of most collectibles and ensure fulfillment of the transaction. Also, unlike most of our competitors, we ensure that upon delivery the auctioned item will meet the description made in our auction materials to the buyer's complete satisfaction. If the buyer is not satisfied, we will refund to the buyer the amount paid for the item. In addition to addressing concerns of buyers, we also arrange for prompt payment to sellers of the proceeds of transactions completed in our auctions. Thus, our method of operation eliminates the concerns of buyers and sellers in completing sight-unseen transactions.

Our auctions are offered in two forms, premium auctions and weekly auctions. The following table shows the average selling price of our auctioned collectibles, including premium auctions for the three-month period ended August 31, 1999.

COLLECTIBLE -----	AVERAGE SELLING PRICE -----
Coins.....	\$ 409
Sportscards.....	115
Currency.....	1,172
Records.....	215
Miscellaneous.....	58
All collectibles.....	249

We generate revenue from our auctions in the form of commissions from both buyers and sellers of consigned inventory that sells at our auctions and from sales of inventory that we purchase for sale at our auctions. Commissions from the sale of consigned inventory generally approximate between 10% to 20% of the sale price of the collectible.

**PREMIUM AUCTIONS.** Premium auctions feature special or unique collectibles that are sold in a multi-venue auction format. In most of our premium auctions, we utilize "callback bidding" where bidders can choose to be called back by a phone operator immediately after the close of the first auction phase to be given the opportunity to participate in the final bidding phase.

We require consignors in our premium auctions to ship their collectibles to us prior to auction. We photograph and prepare descriptions for all items consigned to us for auction and compile and publish a catalog of all items to be auctioned in advance of each of our premium auctions. Collectors can thus view all of the collectibles to be auctioned, along with complete descriptions, either by visiting our website and viewing online, or by ordering a catalog to receive the catalog in hardcopy format. At the conclusion of the auction, we handle shipping and payment transactions.

Our premium auctions include:

PREMIUM AUCTIONS -----	AVERAGE SELLING PRICE DURING THREE-MONTH PERIOD ENDED AUGUST 31, 1999 -----	ITEMS RECENTLY SOLD -----
Kingswood Coins.....	\$1,629	High-end collectible coins, such as the 1886-0 Morgan Dollar sold in August 1994 for \$126,500.
Superior Sports.....	\$1,511	Rare sportscards and sports memorabilia, such as the July 1999 auction of a 1941 Joe DiMaggio baseball card which sold for \$109,250.

Lyn Knight Currency.....	\$1,686	Rare high-end currency, such as an 1890 \$1,000 bill sold in December 1998 for \$792,000.
Good Rockin' Tonight....	\$ 270	Rare records, such as an original Beatles album in a limited edition album cover that was withdrawn from circulation by Capitol Records, which sold for \$38,500.

Beginning in October 1999, we will be auctioning unique, One-of-a-Kind items such as the only Grammy(R) awarded to John Lennon, the 500th home run balls of Mark McGwire and Mickey Mantle and the basketball court where Michael Jordan took the last shot of his NBA career to win the 1998 NBA championship.

We began conducting auctions in a multi-venue format in July 1999. With collectors simultaneously submitting bids over the Internet and telephone, the July 1999 Superior Sports Auction generated \$1.2 million. It was the first sportscard auction in history to sell two sportscards for more than \$100,000 each. The first was a 1941 Joe DiMaggio, which was graded PSA 9 and sold for \$109,250 to an Internet bidder. The second card was a 1933 Babe Ruth, which was graded PSA 9 and sold for \$100,050 to a telephone bidder. Each of these auctions concluded with a spirited "callback bidding" session. Internet bidders accounted for approximately 14% of the participants and 19% of the total amount bid in the July 1999 auction.

WEEKLY AUCTIONS. Our weekly auctions feature collectibles consigned to us by individuals and by dealers of quality collectibles, as well as collectibles from our own inventory. All weekly auctions are conducted over the Internet and enable collectors to sell their high-end collectibles in a more timely manner.

COLLECTIBLES GALLERY. In addition to our auctions, we offer consigned collectibles and collectibles from our inventory for sale at a set price. By offering items at a set price, we offer an alternative to customers who may not feel comfortable buying or selling at an auction.

#### SUPPLIERS AND INVENTORY

Currently approximately 85% of aggregate sales prices of collectibles sold at our auctions are derived from collectibles obtained on consignment from third parties. A large portion of these collectibles are supplied to us by selected dealers who possess the expertise, integrity and the capacity to provide to us with high-end collectibles for auction on a regular basis. In some cases we have contractual arrangements with these suppliers, some of whom are also stockholders of Collectors Universe, which provide them with reduced fees as incentives to supply collectibles to us. During calendar 1999, we granted stock options to some of those suppliers as a further incentive for their consignments of collectibles. However, we do not expect in the future to use option grants to any significant extent as incentives to suppliers. Although we have established relationships with these suppliers, we believe that there are other dealers capable of supplying high-end collectibles for auction.

Currently approximately 15% of aggregate sales prices of collectibles sold at our auctions are derived from collectibles that have been acquired by us for resale. Acquiring inventories of collectibles provides us with greater control over the quality and value of the collectibles we can make available for sale at our auctions and enables us to take advantage of opportunities to purchase highly sought after collectibles at favorable pricing. To avoid conflicts of interest, we only acquire collectibles that have been previously graded or authenticated, and such collectibles are sold without being regraded by us. Maintaining inventories of collectibles, however, presents valuation risks because of potential fluctuations in their market prices. We strive to mitigate the market risk of our inventory through frequent turnover. Our average inventory turnover, excluding rare records, is fewer than 120 days. However, from time to time, we may acquire a large quantity of collectibles when available, often at significant discounts. We believe we have taken adequate reserves against a loss due to our accumulation of inventory.

#### SALES AND MARKETING

MARKETING STRATEGY. To achieve our goal of becoming the full-service

marketplace of choice for high-end collectibles, we intend to aggressively promote our brands to attract more dealers and collectors to utilize our authentication and grading services and our auctions. Currently, our marketing strategy consists of several components described below.

First, we publicize and attract people to our Collectors Universe Internet website through Internet advertising, our color catalogs and print advertisements placed in weekly and monthly trade publications targeted at collectors whose areas of interest are addressed by our products. These advertisements take advantage of the name recognition enjoyed by our preeminent brands, such as PCGS, PSA, Lyn Knight Currency Auctions and Good Rockin' Tonight and promote our Collectors Universe brand by designating each business as a "Collectors Universe" company.

Second, the millions of collectibles we have authenticated and graded are each prominently labeled with our brand names such as PCGS and PSA. This has helped to establish us as a leader in authentication and grading. For example, at both the National Sports Collectors Show in Atlanta in July 1999 and Sportsfest '99 in Chicago, a vast majority of the premium priced sports cards sold by various vendors bore our PSA brand name.

Third, by providing our authentication and grading services to collectors through our relationship with eBay, we increase customer awareness of our services and perpetuate our reputation as the industry leader in authentication and grading.

Fourth, we expect that our One-of-a-Kind auctions will attract significant media coverage and promote awareness of Collectors Universe as well as our premium and weekly auctions.

Finally, we maintain an industry-leading presence at most major collectibles trade shows, with the cornerstone of our presence being our exhibit booth. Our eye-catching booth affords a substantial product display area that is typically the largest at the trade shows in which we participate. Having seen the items on display in our booth, visitors log on to our website at the booth and participate in auctions by bidding on products online. The design of our booth enables us to easily tailor our presence on a show-by-show basis so that we can feature a specific collectible category (e.g., coins, sports cards and sports memorabilia), while cross-marketing our collectibles universes in other categories.

CUSTOMER SUPPORT. We devote significant resources to providing personalized, customer service and support in a timely manner. The first level of support is our electronic and automated communications with customers, consignors and bidders. This keeps buyers and sellers updated on the status of auctions and collectibles submitted for authentication and grading. The next level of support

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is our proprietary computer-assisted telephone and Internet information system, through which we track the status of approximately 200,000 collectibles we receive each month. In addition, customers or prospective buyers can confirm the authenticity of the over 7.1 million collectibles we have graded. Customers can also choose to telephone or email our general support staff. We also make available specialists and experts who are capable of handling virtually any issue our customers may encounter when using our services.

#### KEY INDUSTRY RELATIONSHIPS

CO-BRANDING. eBay entered into an 18-month agreement with us in February 1999 that enables all of its sellers to access our authentication and grading services by simply clicking on one of our logos that are prominently displayed on eBay's home pages for coin, sports cards and sports collectibles. Once selected, eBay's customers gain immediate access to our co-branded website and our database. At this website, buyers can readily determine whether an item was authenticated and graded by Collectors Universe by using our searchable database, and, if graded, the quality of the item. The co-branded website does not promote our own auctions or link to the Collectors Universe website, but it makes our authentication and grading services available to a wider market. In

addition, eBay users may choose to join our Collectors Clubs, which entitle them to receive collectibles authentication, grading and information services from us for a package price. We pay eBay a commission on revenues we derive from the co-branded website.

We also intend to team with other leading Internet collectibles auctioneers to provide our authentication and grading services to their online buyers and sellers.

**EXPERT CONSULTANTS.** We have established relationships with 59 of the leading experts in high-end collectibles markets. Some of these experts provide us with collectibles, while others create content such as price guides and authoritative information in their areas of expertise for our publications and our website. In return, we have granted these experts options to purchase an aggregate of 622,102 shares of our common stock.

**DNA TECHNOLOGIES LICENSE.** In April 1999, we entered into a six-year license agreement with DNA Technologies. Subject to limited exceptions, the license will terminate in April 2005.

#### OPERATIONS AND TECHNOLOGY

We believe our proprietary grading software and systems are the most sophisticated in the collectibles markets in which we compete. Our grading software uses complex algorithms to determine the number of independent gradings required to determine the grade of a coin. We also maintain computerized process control over each step in the grading system which enables us to provide accurate and timely customer support services.

We have built a responsive user interface and transaction processing system which is expandable without degrading service that is based on internally developed proprietary software combined with industry standard system components. Our system currently maintains data records for approximately 90,000 registered users and has the capacity to meet anticipated growth in registered users for the foreseeable future. During July 1999, our system supported 14 auctions per week and provided data with respect to the 50 auctions completed during the previous month. For the six-month period ended August 31, 1999, our website had over 70 million page views. Nearly all of the pages on our website are continuously updated at the time of viewing through interaction with our database servers.

Our system handles all aspects of the auction process and enables users to follow and participate in the bidding during the course of the auction. Our auction system is integrated with additional

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internal software systems to provide full support of our auction processes including: an inventory management system that keeps track of consigned collectibles as they progress through the system from receipt, to photography, to auction creation and all the way to final shipment; a customer information system; and a corporate accounting system. This integrated system creates and sends bidder invoices and consignor sales information immediately after completion of an auction. The system supports credit card transactions for the winning bidders.

Our system has been designed with industry standard architectures and components and has been engineered to reduce downtime in the event of outages or catastrophic occurrences. Our service is designed to provide 24 hours per day, seven days per week availability. Our primary systems utilize wide-band fiber optic cable and have been designed to provide mission critical service with no single point-of-failure locations. For example, we have recently added a back-up fiber optic cable with automatic fall-over to ensure continuous access to the Internet.



## COMPETITION

There are few competitors in the coin and sportscard authentication and grading markets and the costs of entering such markets are substantial. However, other collectibles companies could expand their line of services into coins or sportscards, new entrants into the market could deplete our market share and auction companies could expand their service offerings to include the grading of coins, sportscards and other collectibles. Our competitors in the coin grading and authentication market include Numismatic Guaranty Corporation of America, Inc. and ANACS, a subsidiary of Amos Press, Inc. In the sportscard grading and authentication business, our competitors include Beckett, Certified Sports Authentication, Inc. and Sportscard Guarantee L.L.C.

Our traditional auction business is also highly competitive. We compete directly with other companies that specialize in collectibles and have an industry reputation for hosting premium collectibles auctions. Our competitors in traditional auction markets include Heritage Numismatic Auctions, Auctions by Bowers & Merena, and Mastro Fine Sports Auctions as well as other reputable companies such as Sotheby's, Christie's and Greg Manning Auctions, which do not specialize in, but do conduct coin and sportscard auctions. In addition, other significant auction companies that do not presently engage in auctions for coins or sportscards or other collectibles that are the focus of our business may decide to enter our markets to compete with us. These companies have greater name recognition than us and have access to more financial and marketing resources than we do. We believe that the principal competitive factors in the traditional auction business are the reputation of the company hosting the auction, the hosting party's ability to attract buyers to the auction and the quality of collectibles available for sale at the auction.

The trading of collectibles over the Internet is new, rapidly evolving and intensely competitive. In the Internet auctions business generally, our competitors include eBay, Amazon.com, Yahoo!, Onsale, Auction Universe, a division of Classified Ventures, Inc. and Excite. Our competitors in the Internet collectibles auction business include Collectit.net, Collectors Supermall, Numismatists Online, Philatelists Online, Teletrade, Inc., Wow Auction, Inc., The BoxLot Company and GoMainline.com. Large corporations with recognized capabilities in business-to-consumer commerce, including America Online, Microsoft, Cendant and QVC, have large resources which could also be directed to compete in the Internet auction market. Barriers to entry are relatively low and current and new competitors can launch new sites at a relatively low cost using commercially available software. We believe that the principal competitive factors in our Internet auction business are: expertise in the collectibles offered for sale; quality of collectibles content; population of buyers and sellers that use the service; availability of related services, such as authentication and grading, customer service and

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staff expertise; reliability of delivery and timely payment; brand name recognition; and website convenience and accessibility.

## INTELLECTUAL PROPERTY

We rely on a combination of trademark, copyright and trade secret laws, as well as confidentiality agreements and non-competition agreements to establish and protect our proprietary rights.

The following table sets forth a list of our trademarks, both unregistered and registered, that are currently being used in the conduct of our business:

UNREGISTERED TRADEMARKS

REGISTERED TRADEMARKS

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Coin Universe	Collectors Universe
Collectors.com	PCGS
Lyn Knight Currency Auctions	PSA
Superior Sports Auctions	PSA/DNA
Kingswood Coin Auctions	Good Rockin' Tonight
Record Universe	
Sports Collectors Universe	
Currency Universe	
One-of-a-Kind Auctions	

We have not conducted an exhaustive search of possible prior users of the unregistered trademarks listed above and, therefore, it is possible that our use of some of these trademarks may conflict with others.

Collectors Universe has an exclusive six-year license, subject to limited exceptions, with DNA Technologies, Inc. to use its patented DNA authentication technology for the authentication of collectibles. Our exclusive license will allow us to sublicense this technology, subject to the sharing of such sublicense revenue with DNA Technologies, to other major companies who can benefit from the security afforded by the DNA authentication technique, such as manufacturers or distributors of various limited edition merchandise or collectibles. If the patent for the DNA Technology were challenged successfully, we could lose our exclusive license to use this technology in the collectibles market.

As part of our confidentiality procedures, we generally enter into agreements with our employees and consultants and limit access to and distribution of our software, documentation and other proprietary information. Notwithstanding the precautions we take, it might be possible for a third party to copy or otherwise obtain and use our software or other proprietary information without authorization or to develop similar software independently. Policing unauthorized use of our technology is difficult, particularly because the global nature of the Internet makes it difficult to control the ultimate destination or security of software or other data transmitted. The laws of other countries may afford us little or no effective protection of our intellectual property.

Our proprietary auction software is protected by copyright laws and under applicable trade secret laws. We may in the future receive notices from third parties claiming infringement by our software or other aspects of our business. Any such claim, with or without merit, could result in significant litigation costs and diversion of resources, including the attention of management, and require us to

enter into royalty and licensing agreements. Such royalty and licensing agreements, if required, may not be available on terms acceptable to us or at all. In the future, we may also need to file lawsuits to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such licensing or litigation, whether successful or unsuccessful, could result in substantial costs and diversion of resources, which could harm our business.

#### GOVERNMENT REGULATION

We are not currently subject to direct federal, state or local regulation, and laws or regulations applicable to access to or commerce on the Internet, other than regulations applicable to businesses generally. However, due to the increasing popularity and use of the Internet and other online services, it is possible that a number of laws and regulations may be adopted with respect to the Internet or other online services covering issues such as user privacy, freedom of expression, pricing, content and quality of products and services, taxation, advertising, intellectual property rights and information security. Several states have also proposed legislation that would limit the uses of personal user information gathered online or require online services to establish privacy policies. The FTC has also initiated action against at least one online service regarding the manner in which personal information is collected from users and provided to third parties. Changes to existing laws or the passage of new laws intended to address these issues, including some

recently proposed changes, could create uncertainty in the marketplace that could reduce demand for our services or increase the cost of doing business as a result of litigation costs or increased service delivery costs. Numerous states, including the State of California in which our headquarters are located, have regulations regarding the manner in which "auctions" may be conducted and the liability of "auctioneers" in conducting such auctions. We do not believe that such regulations, which were adopted prior to the advent of the Internet, govern the operations of our business and no state has filed a claim asserting that we are subject to such legislation. Although we have received no communications from the State of California or any other state, no legal determination has been made with respect to the applicability of the California regulations to our business to date and little precedent exists in this area. However, a state could attempt to impose these regulations upon us in the future, which could have a material adverse effect on our business, results of operations and financial condition.

Generally, we do not collect sales tax or other similar taxes on goods sold by users through our online service. However, one or more states may seek to impose sales tax collection obligations on out-of-state companies such as ours, which engage in or facilitate online commerce, and a number of proposals have been made at the state and local level that would impose additional taxes on the sale of goods and services through the Internet. Since the Internet is worldwide, other jurisdictions may seek to tax or otherwise burden our business with regulatory requirements. If adopted, these proposals could substantially impair the growth of electronic commerce, and could adversely affect our ability to profit from Internet commerce.

Applicability to the Internet of existing laws governing issues such as property ownership, copyrights and other intellectual property issues, taxation, libel, obscenity and personal privacy is uncertain. The vast majority of such laws were adopted prior to the advent of the Internet and related technologies and, as a result, do not contemplate or address the unique issues of the Internet and related technologies.

In a consent decree with the FTC dated August 1990, PCGS consented to limited restrictions in the operation of the PCGS business. Under the consent decree, PCGS agreed that it will make no representations that are untrue with respect to the objectivity of its services or the marketability of coins. In addition, PCGS agreed not to improperly adjust its grading standards, nor to permit any

coin graders to knowingly grade coins in which the graders have a financial interest or to discuss grading procedures with persons not authorized by PCGS. We believe the consent decree imposes no unduly burdensome restrictions on our business.

#### EMPLOYEES

As of August 15, 1999, we had 237 employees, including 115 in grading and authentication, 60 in auctions, 15 in product development, 10 in sales and marketing and 37 in other business and administrative services. We have never had a work stoppage, and no employees are represented under collective bargaining agreements. We consider our relations with our employees to be good.

#### FACILITIES

Our existing lease of approximately 35,000 square feet will expire in March 2000 and these facilities are inadequate to accommodate the anticipated growth of our business. Accordingly, we have entered into a lease for a facility of approximately 54,000 square feet that will accommodate our anticipated future growth needs. The lease will commence upon termination of our existing lease, with a term of eight years. The expenditures and other costs of moving to the new facility are expected to range from approximately \$200,000 to \$400,000.

## MANAGEMENT

## DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information regarding our directors, director designee and executive officers:

NAME ----	AGE ---	POSITION -----
David G. Hall.....	52	Chairman of the Board and Director
Louis M. Crain.....	52	President, Chief Executive Officer and Director
Gary N. Patten.....	52	Chief Financial Officer and Secretary
Stephen H. Mayer.....	52	Senior Vice President and Director
David E. Gioia.....	49	Vice President, Marketing
Van D. Simmons(1) (2).....	48	Director
Armen R. Vartian.....	41	Director
Roger W. Johnson(1) (2).....	64	Director Designee

(1) Member of Audit Committee following completion of this offering.

(2) Member of Compensation Committee following completion of this offering.

DAVID G. HALL has served as Chairman of the Board and a director since founding Collectors Universe in February 1986. From 1986 to January 1999, he also served as our President and Chief Executive Officer. Mr. Hall was honored in 1999 by COINage Magazine as Numismatist of the Century along with 14 others. In 1990, Mr. Hall was named an Orange County Entrepreneur of the Year by INC. magazine. In addition, he has written A Mercenary's Guide to the Rare Coin Market, a book dedicated to coin collecting. Mr. Hall is also a member of the Professional Numismatists Guild.

LOUIS M. CRAIN has served as our President and Chief Executive Officer and a director since January 1999. From 1992 to 1998, Mr. Crain served as President, Chief Executive Officer and a director of MARC Analysis Research Corporation, a leading supplier of high-technology engineering software for structural analysis. Mr. Crain founded Symmetric Software, Inc. in 1989 and served as its Chief Executive Officer until 1992. From 1975 to 1989, Mr. Crain served as Vice President and a director of PDA Engineering, where he developed and managed the growth of PATRAN, a popular software product used in the analysis of stress in structural systems. Mr. Crain received a B.S. degree from the Massachusetts Institute of Technology.

GARY N. PATTEN has served as our Vice President, Chief Financial Officer and Secretary since March 1999. From June 1995 to March 1999, Mr. Patten was Vice President, Chief Financial Officer and Secretary of Unit Instruments, Inc., a manufacturer of component products for the semiconductor equipment industry. From 1986 to 1995, Mr. Patten served as Vice President, Chief Financial Officer and Secretary of Optical Radiation Corporation, a diversified manufacturer of consumer products, medical devices and industrial products. Mr. Patten holds an M.B.A. degree from the University of California at Los Angeles.

STEPHEN H. MAYER has served as our Senior Vice President since January 1999 and has been a director since 1987. From 1988 to 1998, Mr. Mayer served as Chief Operations Officer of Collectors Universe. From 1986 to 1988, Mr. Mayer served as Director of Operations. Mr. Mayer holds a B.A. degree from Central Oklahoma State University.

DAVID E. GIOIA joined Collectors Universe in August 1999 as the Vice President of Marketing. From 1988 to August 1999, Mr. Gioia was a freelance director, writer and producer of advertising and corporate and marketing communications materials. From 1983 to 1988, Mr. Gioia was President, Executive Producer and Creative Director of Luna Park Productions, Inc. Mr. Gioia received his B.A. degree from Emerson College in Boston.

VAN D. SIMMONS has served as a director of Collectors Universe since its founding in 1986. Mr. Simmons has been the Chairman of the Board of David Hall's North American Trading, LLC, a retailer of rare coins, since February 1997. From 1981 to 1997 he served as President of David Hall Rare Coins and Collectibles, a retailer of rare coins.

ARMEN R. VARTIAN has served as a director for Collectors Universe since February 1999. Mr. Vartian practices at the Law Offices of Armen Vartian, specializing in matters relating to art and collectibles. He has represented auction houses, dealers and collectors and has also served as Special Counsel at the request of the Federal Trade Commission. Mr. Vartian has also served as General Counsel to the Professional Numismatists Guild and the American Numismatic Association. Mr. Vartian is the author of Legal Guide to Buying and Selling Art and Collectibles. Mr. Vartian holds a B.A. degree from The City University of New York and a J.D. degree from Harvard University.

ROGER W. JOHNSON will become a director of Collectors Universe immediately following completion of this offering. Mr. Johnson has been Chief Executive Officer of the Young Presidents' Organization, International since 1998. Since 1996, Mr. Johnson has been a member of the board of directors of The Needham Funds, Inc., Sypris Solutions, Inc., Insulectro, Carole Little and the Women's Consumer Network, Washington, D.C. He was appointed by President Clinton and served as the Administrator of the General Services Administration of the United States Government from 1993 to 1996. Mr. Johnson was Chairman and Chief Executive Officer of Western Digital Corporation from 1982 to 1993. Mr. Johnson holds an M.B.A. in industrial management from the University of Massachusetts.

#### OTHER KEY EMPLOYEES

The following table sets forth information regarding other key employees:

NAME ----	AGE ---	POSITION -----
Richard S. Montgomery.....	37	President, Professional Coin Grading Service
Stephen Rocchi.....	41	President, Professional Sports Authenticator
Lyn F. Knight.....	49	President, Lyn Knight Currency Auctions
Gregory B. Bussineau.....	34	President, Superior Sportcard Auctions, LLC
Brent L. Gutekunst.....	39	Vice President of e-Commerce
Gordon J. Wrubel.....	56	President, Good Rockin' Tonight
Michael W. Sherman.....	44	President, Kingswood Coin Auctions
Jason E. Meyerson.....	32	President, PSA/DNA
Michael D. Barnes.....	29	President, One-of-a-Kind Auctions

RICHARD S. MONTGOMERY serves as the President of PCGS, a position he has held since 1997. Mr. Montgomery joined PCGS as an authenticator and grader in 1987 and became Director of Grading for PCGS in 1996. Prior to joining PCGS, Mr. Montgomery held several positions at

American Numismatic Association Certification Service between 1980 and 1985, and ultimately served as one of its directors.

STEPHEN ROCCHI serves as the President of PSA, a position he has held since 1996. Mr. Rocchi joined PCGS in 1986 as our first employee and served as Operations Manager from 1988 until 1996. As Operations Manager, Mr. Rocchi participated in the development of on-site coin grading and the Collectors Club at PCGS. Mr. Rocchi received a B.S. degree from California State University, Long Beach.

LYN F. KNIGHT has served as the President of Lyn Knight Currency Auctions since February 1999, when Collectors Universe acquired the currency auction business of Lyn F. Knight Rare Coins, Inc. Mr. Knight was the founder, and from its inception in 1985, served as the President, of Lyn F. Knight Rare Coins, Inc., which was engaged in the marketing and selling rare currency. In addition, Mr. Knight is a founder and past President of the Professional Currency Dealers Association.

GREGORY B. BUSSINEAU is the founder of and has served as the President of Superior Sportcard Auctions, LLC, a subsidiary of Collectors Universe, since its inception in 1995. Mr. Bussineau has been a dealer of sportscards since 1983 and is the owner of Superior Sportscard, Inc., a retail dealer of sportscards and other sports collectibles.

BRENT L. GUTEKUNST has served as our Vice President of e-Commerce since February 1999. He also served as Vice President of Internet Universe, LLC from August 1996 to February 1999 and as a director of Collectors Universe from February 1999 to August 1999. Prior to August 1996, Mr. Gutenkunst was the President of Info Exchange, Inc., an Internet content and auction company, during which time he created the website known as Coin Universe. From 1988 to 1990, Mr. Gutenkunst was the Managing Trustee for Income Properties Equity Trust, a publicly held real estate investment trust. Mr. Gutenkunst holds an M.B.A. degree from Northwestern University and a B.S. degree from the University of Kansas.

GORDON J. WRUBEL has served as President of Good Rockin' Tonight, our rare records division, since 1996. In addition, from 1986 to August 1999, Mr. Wrubel served as a director and Secretary of Collectors Universe. From 1986 to 1995, Mr. Wrubel was the Director of Grading for Collectors Universe.

MICHAEL W. SHERMAN, the President of Kingswood Coin Auctions, joined Collectors Universe in May 1999. From March 1998 to May 1999, Mr. Sherman served as the Vice President of Jefferson Coin and Bullion, Inc., a retail dealer of rare coins. Prior to that time, Mr. Sherman served as the General Manager of Heritage Numismatic Auctions, Inc., an auctioneer of rare coins for 18 years. He has also been a contributor to the Guide Book of United States Coins. Mr. Sherman holds a B.S. degree from the University of Virginia and an M.B.A. degree from Washington University in St. Louis.

JASON E. MEYERSON has served as President of PSA/DNA since April 1999. From 1993 to April 1999, Mr. Meyerson served as Sales and Brand Manager for Veltec Sports, Inc., a sales and distribution company for the bicycle industry.

MICHAEL D. BARNES has served as President of One-of-a-Kind Auctions since March 1999. Mr. Barnes was the managing partner of Creative Properties Management Group, a sports and entertainment agency from April 1996 to March 1999. Prior to 1996, Mr. Barnes attended law school at St. Louis University, where he received a J.D. degree in May 1996. He received a B.A. degree from the University of Missouri.

## BOARD COMMITTEES

The Audit Committee of the Board of Directors will consist of Van Simmons and Roger Johnson immediately following completion of this offering. The Audit Committee recommends to the Board of Directors the independent public accountants to be selected to audit our annual financial statements and approves any special assignments given to such accountants. The Audit Committee also reviews the planned scope of the annual audit and the independent accountants' letter of comments and management's response thereto, any major accounting changes made or contemplated and the effectiveness and efficiency of our internal accounting staff.

The Compensation Committee of the Board of Directors will consist of Van Simmons and Roger Johnson immediately following completion of this offering. The Compensation Committee determines the compensation payable to the executive officers of Collectors Universe. Prior to the formation of our Compensation Committee, our Board of Directors made decisions relating to compensation of executive officers.

## BOARD COMPENSATION

Our directors who are not employees receive cash compensation of \$20,000 per year for service on our Board of Directors. Directors are also reimbursed for out-of-pocket expenses incurred in connection with their service on our Board of Directors. Each of our directors is eligible to receive periodic stock option grants under our 1999 Stock Incentive Plan. Effective upon his appointment as a director, Mr. Johnson will be granted options to purchase 10,000 shares of our common stock at an exercise price equal to the initial public offering price.

## EXECUTIVE COMPENSATION

The following table sets forth summary information concerning compensation earned for all services rendered to us in all capacities during the fiscal year ended June 30, 1999, for our Chief Executive Officer and each of our other most highly compensated executive officers whose salary and bonus exceeded \$100,000 (the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION		LONG TERM COMPENSATION AWARDS
	SALARY	BONUS	SECURITIES UNDERLYING OPTIONS (#)
David G. Hall, Chairman(1).....	\$330,000	\$ --	0
Louis M. Crain, President and Chief Executive Officer(2).....	180,000	--	950,000
Stephen H. Mayer, Senior Vice President.....	134,944	71,944	25,000
Gary N. Patten, Chief Financial Officer and Secretary(3).....	48,000	--	180,000

(1) Prior to January 1999, Mr. Hall was also Chief Executive Officer of

Collectors Universe.

- (2) Mr. Crain began his employment with us in January 1999. His annual salary is \$360,000.
- (3) Mr. Patten began his employment with us in April 1999. His annual salary is \$203,000.

STOCK OPTION GRANTS IN FISCAL YEAR 1999

NAME	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2)	
	NUMBER OF UNDERLYING SECURITIES GRANTED (#) (1)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR (%)	EXERCISE PRICE (\$ PER SHARE)	EXPIRATION DATE	5%	10%
David G. Hall.....	--	--	--	--	--	--
Louis M. Crain.....	950,000	45.1%	\$2.11	01/04/09	\$5,738	\$10,298
Stephen H. Mayer.....	25,000	1.2	5.00	04/01/09	79	199
Gary N. Patten.....	180,000	8.5	5.00	04/01/09	567	1,431

(IN THOUSANDS)

- (1) Mr. Crain's stock options were fully vested on the grant date. Mr. Mayer's stock options were fully vested on the grant date. Mr. Patten's stock options vest with respect to 36,000 shares on the grant date, 8,000 shares per month between April 1999 and December 1999 and 6,000 shares per month thereafter until fully vested.
- (2) Potential realizable value is based on the assumption that our common stock appreciates at the annual rate shown, compounded annually, from the date of grant until the expiration of the ten-year option term as applicable. These numbers are calculated based on Securities and Exchange Commission requirements and do not reflect our projection or estimate of future stock price growth. Potential realizable values are computed by multiplying the number of shares of common stock subject to a given option by the exercise price, as determined by our Board of Directors, assuming that the aggregate stock value derived from that calculation compounds at the annual 5% or 10% rate shown in the table for the entire term of the option and subtracting from that result the aggregate option and exercise price.

EMPLOYMENT AGREEMENTS

Mr. Crain is employed as the Chief Executive Officer of Collectors Universe under a three year employment agreement. The employment agreement provides for the payment to him of a base salary of \$360,000 per year, and annual incentive compensation equal to 2% of the pre-tax profit of Collectors Universe. Mr. Crain also received a one-time \$100,000 payment for relocation expenses, and a loan in the principal amount of \$180,000, bearing interest at a rate of 9% per year. The employment agreement provides that, for each year of his employment with Collectors Universe, \$30,000 of the principal amount of that loan will be forgiven.

Mr. Patten is employed under a three year employment agreement as the Chief Financial Officer of Collectors Universe. The employment agreement provides for the payment of an annual base salary of \$203,000 in the first year of employment, \$234,000 in the second year and \$250,000 in the third year of employment. Collectors Universe also has entered into a severance agreement with Mr. Patten that will entitle him to two and one half years' annual base compensation and bonus in the event his employment is terminated following a



sale or change of control of Collectors Universe.

#### EMPLOYEE BENEFIT PLANS

**STOCK INCENTIVE PLANS.** We adopted the PCGS 1999 Stock Incentive Plan in January 1999. As of October 2, 1999, there were options to purchase 1,076,817 shares outstanding under the PCGS Plan and no shares available for future option grants. In February 1999, we adopted the Collectors Universe 1999 Stock Incentive Plan. The Collectors Universe Plan covers an aggregate of

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1,748,585 shares of common stock. As of October 2, 1999, there were options to purchase 1,007,900 shares outstanding under the Collectors Universe Plan and 740,685 shares available for future option grants.

The PCGS Plan and the Collectors Universe Plan provide for the granting of "incentive stock options," within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, nonstatutory options and restricted stock grants to directors, officers, employees and consultants of Collectors Universe, except that incentive stock options may not be granted to non-employee directors or consultants. The purpose of the Collectors Universe Plan is to provide participants with an opportunity to acquire an equity interest in Collectors Universe that will give them incentive to continue to provide services to Collectors Universe. The PCGS Plan and the Collectors Universe Plan are administered by the Board of Directors, which has sole discretion and authority, consistent with the provisions of the PCGS Plan and the Collectors Universe Plan, to determine which eligible participants will receive options, the time when options will be granted, the terms of options granted and the number of shares which will be subject to options granted under the PCGS Plan and the Collectors Universe Plan.

**EMPLOYEE STOCK PURCHASE PLAN.** In September 1999, our board of directors adopted our Employee Stock Purchase Plan, to be effective upon completion of this offering. A total of 200,000 shares of common stock have been reserved for issuance under our Employee Stock Purchase Plan. Our Employee Stock Purchase Plan, which is intended to qualify under Section 423 of the Internal Revenue Code of 1986, as amended, will be administered by the Board of Directors or by a committee appointed by the Board. Employees are eligible to participate if they are customarily employed for at least 20 hours per week and for more than five months in any calendar year. Employees who own more than 5% of our outstanding stock may not participate. Our Employee Stock Purchase Plan permits eligible employees to purchase common stock through payroll deductions which may not exceed the lesser of 15% of an employee's compensation, or \$25,000. Our Employee Stock Purchase Plan will be implemented through offerings occurring each six-month period with purchases at the end of each six-month period commencing on the effective date of this offering. The purchase price of the common stock under our Employee Stock Purchase Plan will be equal to 85% of the fair market value per share of common stock on either the start date of the offering period or on the purchase date, whichever is less.

**401(K) PLAN.** Collectors Universe established an employee benefit plan, effective July 1992, that features a 401(k) salary reduction provision, covering all employees who meet eligibility requirements. Eligible employees can elect to defer up to 15% of compensation or the statutorily prescribed annual limit. Collectors Universe can, at its discretion, make contributions to the plan.

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During the fiscal year ended June 30, 1999, the Board of Directors established the levels of compensation for our executive officers. David G. Hall, who is also a director of Collectors Universe, participated in the deliberations of the Board regarding executive compensation that occurred during the fiscal year ended June 30, 1999. See "Certain Relationships and Related Transactions" for a description of transactions between Collectors Universe and

various members of the Board of Directors or their affiliates.

#### LIMITATIONS ON DIRECTORS' LIABILITY AND INDEMNIFICATION

The Bylaws of Collectors Universe provide that Collectors Universe will indemnify its directors and officers and may indemnify its employees and other agents to the fullest extent permitted by law. We believe that indemnification under our Bylaws covers at least negligence and gross negligence by

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indemnified parties and permits us to advance litigation expenses in the case of stockholder derivative actions or other actions, against an undertaking by the indemnified party to repay such advances if it is ultimately determined that the indemnified party is not entitled to indemnification. Following this offering of common stock, we expect to have in place liability insurance coverage for our directors and officers.

In addition, the Amended and Restated Certificate of Incorporation of Collectors Universe provides that, pursuant to Delaware law, its directors shall not be liable for monetary damages for breach of the directors' fiduciary duty as a director to Collectors Universe and its stockholders. This provision in our Amended and Restated Certificate of Incorporation does not eliminate the directors' fiduciary duty, and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to Collectors Universe for acts or omissions not in good faith or involving intentional misconduct, for knowing violations of law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law. The provision also does not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws.

Collectors Universe has entered into separate indemnification agreements with its directors and executive officers. These agreements require Collectors Universe, among other things, to indemnify them against specific liabilities that may arise by reason of their status or service as directors or officers other than liabilities arising from actions not taken in good faith or in a manner the indemnitee believed to be opposed to the best interests of Collectors Universe, to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified and to obtain directors' insurance if available on reasonable terms. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, Collectors Universe has been informed that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. We believe that our Amended and Restated Certificate of Incorporation and Bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

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#### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In February 1999, we completed the reorganization in which we issued shares of our common stock. See "The Reorganization." In the reorganization, all of the PCGS stockholders contributed their PCGS shares in exchange for a total of 17,310,585 shares of our common stock, which were allocated among the PCGS stockholders in the same proportions as they had owned the outstanding shares of PCGS. In that transaction: David Hall, a director and Chairman of the Board who owned approximately 48% of PCGS' shares, received 8,252,980 of our shares; Van Simmons, a director who owned approximately 12% of PCGS' shares, received 2,136,956 of our shares; Stephen Mayer, Senior Vice President and a director who

owned approximately 1% of PCGS' shares, received 229,632 of our shares; Gordon Wrubel, President of Good Rockin' Tonight who owned approximately 11% of PCGS' shares, received 1,965,191 of our shares; and Louis Crain, a director and our President and Chief Executive Officer who owned less than 1% of PCGS' shares, received 100,808 of our shares.

In addition, as part of the reorganization, we acquired several companies, including Kingswood Coin Auctions. David Hall, Van Simmons and David Hall's North American Trading, which is a business in which Mr. Hall and Mr. Simmons, in the aggregate, own a majority interest, owned an aggregate of 55% of Kingswood. In that acquisition: Messrs. Hall and Simmons each received 28,500 of our shares and cash payments of \$150,000 each, and David Hall's North American Trading received 47,500 shares and a cash payment of \$250,000.

Before completing the reorganization, while still an S corporation for tax purposes, PCGS declared a dividend payable to its stockholders in the aggregate amount of \$2.2 million, which represented a substantial portion of S corporation accumulated earnings that had been or were taxable to the individual stockholders of PCGS. On February 5, 1999, when the reorganization was completed, PCGS ceased to be an S corporation. The dividend was paid by us in April 1999, and the following persons received the amounts indicated as payment of their proportionate share of the dividend to which they were entitled as former stockholders of PCGS: David Hall received \$1.1 million; Van Simmons received \$272,000; Stephen Mayer received \$29,000; Gordon Wrubel received \$250,000; and Louis Crain received \$13,000.

In March 1999, Collectors Universe sold 1,281,800 shares at \$5.00 per share for an aggregate of \$6,409,000. In the March 1999 private placement, Gary N. Patten purchased 50,000 shares for \$250,000 and Gordon Wrubel purchased 1,600 shares for \$8,000. The proceeds from this offering were used, among other things, to pay the S corporation dividend to the former stockholders of PCGS and the cash payable in the Kingswood and Lyn Knight acquisitions.

David Hall has purchased coins, records and other collectibles with an aggregate purchase price of approximately \$70,000 in fiscal 1999, \$55,000 in fiscal 1998 and \$112,000 in fiscal 1997. Those purchases were made on materially the same terms as those applicable to purchases of collectibles by other customers that are not affiliated with Collectors Universe or any of its officers or directors. We recently adopted a new policy that prohibits employees and their affiliates, including David Hall's North American Trading and David Hall Rare Coins and Collectibles, a business which also is owned by David Hall and Van Simmons, from bidding on collectibles in our auctions. Our employees and their affiliates may from time to time consign collectibles to us to be sold in our auctions or galleries.

David Hall's North American Trading, which is owned by Mr. Hall and Mr. Simmons, is primarily engaged in the retail sale of coins through a direct sales force. Although David Hall's North American Trading does not conduct auctions, it may sell coins to collectors who also buy or sell coins at auctions conducted by Collectors Universe. It also purchases rare coins for resale through a sole source supplier that is also one of Collectors Universe's coin suppliers. Therefore, David Hall's North

American Trading indirectly competes with Collectors Universe in connection with the purchase and sale of rare coins.

David Hall Rare Coins and Collectibles was primarily engaged in the

purchase and sale of rare coins, records and other collectibles. Collectors Universe advanced funds to David Hall Rare Coins and Collectibles in the aggregate amounts of \$416,000 in fiscal 1999 and \$170,000 in fiscal 1998 to help fund its acquisitions of collectibles, some of which were sold at auctions conducted by Collectors Universe. As of June 30, 1999, the balance of such advances was paid-in-full. We have adopted a policy which prohibits any further advances to David Hall Rare Coins and Collectibles in the future. In addition, David Hall Rare Coins and Collectibles has entered into an agreement with Collectors Universe under which David Hall Rare Coins and Collectibles has agreed not to purchase any additional collectibles upon completion of this offering, to sell its existing inventory of collectibles exclusively at auctions conducted by Collectors Universe and to cease its collectibles business as soon as is reasonably practicable following completion of this offering.

David Hall's North American Trading purchased authentication and grading services from us in the aggregate amounts of approximately \$10,000 in the three-month period ended September 30, 1999, \$170,000 in fiscal 1999, \$131,000 in fiscal 1998 and \$64,000 in fiscal 1997. Additionally, we have purchased collectibles for our inventory from David Hall Rare Coins and Collectibles in the aggregate amounts of \$535,000 in fiscal 1999, \$219,000 in fiscal 1998 and \$117,000 in fiscal 1997. In the three-month period ended September 30, 1999, we purchased collectibles for our inventory in the amount of approximately \$37,000 from David Hall's North American Trading. We also sublease a portion of our facilities to David Hall's North American Trading pursuant to which we received rental income of approximately \$60,000 in each of the fiscal years of 1999, 1998 and 1997.

Mr. Hall has entered into a non-compete agreement with Collectors Universe under which he has agreed not to buy or sell collectibles, nor own any equity interest in another business engaged in such activity, except under limited circumstances, including those described above.

John Dannreuther, a beneficial owner of 7.6% of the outstanding shares of common stock, is the sole owner of J.D.R.C., Inc., which has received payments in the amounts of \$295,000 in fiscal 1997, \$173,000 in fiscal 1998 and \$152,000 in fiscal 1999 for research and consulting services related to our coin authentication and grading services.

Pursuant to Mr. Crain's employment agreement as Chief Executive Officer, in January 1999 we extended a loan to Mr. Crain in the principal amount of \$180,000, bearing interest at a rate of 9% per year. The employment agreement provides that, for each year of his employment with Collectors Universe, \$30,000 of the principal amount of the loan will be forgiven. As of June 30, 1999, the unpaid principal and interest under the loan was \$178,000.

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of common stock as of August 31, 1999 by (i) each person or group of affiliated persons who is known to own beneficially 5% or more of our common stock, (ii) each of the directors and director nominees of Collectors Universe, (iii) each of the Named Executive Officers, and (iv) all directors and executive officers of Collectors Universe as a group.

NAME AND ADDRESS OF BENEFICIAL OWNERS	SHARES BENEFICIALLY OWNED(1)	% OF SHARES BENEFICIALLY OWNED	
		BEFORE OFFERING	AFTER OFFERING(2)
-----			

David G. Hall.....	8,332,355 (3)	40.8%	34.1%
Van D. Simmons.....	2,204,456 (4)	10.8%	9.0%
Gordon J. Wrubel.....	1,966,769	9.6%	8.1%
John W. Dannreuther.....	1,618,906	7.9%	6.6%
868 Mount Moriah, Suite 202 Memphis, Tennessee 38117			
Steve Cyrkin.....	1,142,420	5.6%	4.7%
1936 Deere Street Santa Ana, California 92705			
Brent L. Gutekunst.....	1,130,927 (5)	5.5%	4.6%
1936 Deere Street Santa Ana, California 92705			
Louis M. Crain.....	1,050,807 (6)	4.9%	4.2%
Stephen H. Mayer.....	239,632 (7)	1.2%	1.0%
Gary N. Patten.....	142,000 (8)	*	*
David E. Gioia.....	--	*	*
Armen R. Vartian.....	--	*	*
Roger W. Johnson(9).....	--	*	*
All directors and executive officers as a group (8 persons) (6) (7) (8).....	11,969,250	56.1%	47.2%

\* Less than 1%

- (1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable, or exercisable within 60 days of August 31, 1999, are deemed outstanding for computing the percentage of the person holding such options or warrants but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote and subject to community property laws where applicable, to the knowledge of Collectors Universe the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.
- (2) Assumes that the Underwriters' over-allotment option is not exercised.
- (3) Includes 31,875 shares held by David Hall's North American Trading, an entity in which Mr. Hall holds an ownership interest. Mr. Hall disclaims beneficial ownership of the shares owned by David Hall's North American Trading, except to the extent of his pecuniary interest therein.
- (4) Includes 31,875 shares held by David Hall's North American Trading, an entity in which Mr. Simmons holds an ownership interest. Mr. Simmons disclaims beneficial ownership of the shares owned by David Hall's North American Trading, except to the extent of his pecuniary interest therein.
- (5) Includes 269,817 shares subject to options which will become exercisable upon completion of this offering.
- (6) Includes 807,000 shares subject to options currently exercisable.
- (7) Includes 10,000 shares subject to options currently exercisable.
- (8) Includes 92,000 shares subject to option exercisable within 60 days of August 31, 1999.
- (9) Mr. Johnson will become a director upon completion of this offering.

## DESCRIPTION OF CAPITAL STOCK

Upon the completion of the offering, the authorized capital stock of Collectors Universe will consist of 45,000,000 shares of common stock, \$0.001 par value, and 5,000,000 shares of preferred stock, \$0.001 par value.

### COMMON STOCK

As of August 31, 1999, there were 20,425,076 shares of common stock outstanding held of record by 90 stockholders. There will be 24,425,076 shares of common stock outstanding after the sale of the shares of common stock offered by this prospectus.

Holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders, including the election of directors, who are elected annually and serve for one year terms. Subject to preferences that may be applicable to the holders of outstanding shares of preferred stock, if any, the holders of common stock are entitled to receive such lawful dividends as may be declared by the Board of Directors. In the event of liquidation, dissolution or winding up of Collectors Universe, and subject to the rights of the holders of outstanding shares of preferred stock, if any, the holders of shares of common stock shall be entitled to receive all of the remaining assets of Collectors Universe available for distribution to its stockholders after satisfaction of all its liabilities and the payment of any liquidation preference of any outstanding preferred stock. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable, and all shares of common stock to be issued pursuant to this offering shall be fully paid and nonassessable.

### PREFERRED STOCK

As of August 31, 1999, no shares of preferred stock were outstanding. The Board of Directors has the authority, without further action by the stockholders, to issue the authorized shares of preferred stock in one or more series and to fix the rights, preferences and privileges thereof, including voting rights, terms of redemption, redemption prices, liquidation preferences, number of shares constituting any series or the designation of such series, without further vote or action by the stockholders. Although it presently has no intention to do so, the Board of Directors, without stockholder approval, may issue preferred stock with voting and conversion rights which could adversely affect the voting power of the holders of common stock. This provision may be deemed to have a potential anti-takeover effect, and the issuance of preferred stock in accordance with such provision may delay or prevent a change of control of Collectors Universe.

### DELAWARE LAW AND CHARTER PROVISIONS

Delaware law and our Amended and Restated Certificate of Incorporation and Bylaws could make more difficult our acquisition by means of a tender offer, a proxy contest or otherwise and the removal of our incumbent officers and directors. These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of Collectors Universe to first negotiate with us. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging such proposals because, among other things, negotiation of such proposals could result in an improvement of their terms.

We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business

combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless, with specified exceptions, the "business combination" or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status, did own) 15% or more of a corporation's voting stock. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the Board of Directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Our Amended and Restated Certificate of Incorporation eliminates the right of stockholders to act by written consent without a meeting. The Amended and Restated Certificate of Incorporation and Bylaws of Collectors Universe do not provide for cumulative voting in the election of directors. The authorization of undesignated preferred stock makes it possible for the Board of Directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control. These and other provisions may have the effect of deterring hostile takeovers or delaying changes in our control of management.

#### TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is U.S. Stock Transfer Corporation, Glendale, California.

#### SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for the common stock. Future sales of substantial amounts of common stock in the public market could adversely affect prevailing market prices and adversely affect our ability to raise additional capital in the capital markets at a time and price favorable to us.

Upon completion of this offering, we will have 24,425,076 shares of common stock outstanding. Of these shares, the 4,000,000 shares sold in the offering will be freely tradable without restriction or further registration under the Securities Act, unless they are purchased by "affiliates" of Collectors Universe as that term is used under the Securities Act of 1933. The remaining 20,425,076 shares held by existing stockholders will be "restricted securities" as defined in Rule 144 under the Securities Act, or restricted shares. Restricted shares may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 promulgated under the Securities Act, which is summarized below. Sales of restricted shares in the public market, or the availability of such shares for sale, could adversely affect the market price of our common stock.

In general, under Rule 144, beginning 90 days after the effective date of the offering, any person (or persons whose shares are aggregated) who has beneficially owned restricted shares for at least one year is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of 1% of the then outstanding shares of our common stock (approximately 244,250 shares immediately after this offering) or the average weekly trading volume during the four calendar weeks preceding such sale. Sales under Rule 144 are also subject to requirements as to the manner of sale, notice and availability of current public information about Collectors Universe. In addition, restricted shares, which have been beneficially owned for at least two years and which are held by non-affiliates, may be sold free of any restrictions

under Rule 144.

All officers, directors and stockholders and most option holders have agreed that they will not sell any common stock of Collectors Universe owned by them for a period of 180 days after the effective date of this offering without the prior written consent of Needham & Company, Inc. Other than the 4,000,000 shares of common stock sold in this offering, all of the outstanding shares of common stock of Collectors Universe are subject to the 180-day lock-up. Upon the expiration of the 180-day lock-up or earlier upon the consent of Needham & Company, Inc., 20,425,076 restricted shares will become eligible for sale subject to the volume and other restrictions of Rule 144. Of these restricted shares, 13,888,129 shares will be held by affiliates of Collectors Universe.

Pursuant to registration rights agreements by and among Collectors Universe and the holders of 20,425,076 shares of our common stock, such stockholders have the right, beginning one year from the effective date of this offering, to cause us to register their shares under the Securities Act by providing a written demand from the holders of at least 15% of the shares of common stock. The registration rights will terminate five years following the closing of this offering.

We intend to file a registration statement on Form S-8 under the Securities Act to register shares of common stock reserved for issuance under our stock option plans and Employee Stock Purchase Plan, thus permitting the resale by non-affiliates of shares issued under the plans in the public market without restriction under the Securities Act. Such registration statement will become effective immediately upon filing which is expected on or shortly after the closing of this offering. As of the closing of this offering, options or rights to purchase 3,288,417 shares of common stock will be outstanding, of which 2,020,515 shares are subject to lock-up agreements described above.

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the underwriters named below, for whom Needham & Company, Inc. and First Security Van Kasper are acting as representatives, have severally agreed to purchase an aggregate of 4,000,000 shares of common stock from Collectors Universe at the initial public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, in the amounts set forth opposite their respective names below.

UNDERWRITER -----	PARTICIPATION -----
Needham & Company, Inc.....	
First Security Van Kasper.....	
 Total.....	 ----- =====

The Underwriting Agreement provides that the obligations of the underwriters are subject to specified conditions precedent and that the underwriters will purchase all shares of common stock offered hereby if any of those shares are purchased.



Collectors Universe has been advised by the representatives that the underwriters propose to offer the shares of common stock directly to the public at the initial public offering price set forth on the cover page of this prospectus, and to various securities dealers at that price less a concession of not more than \$        per share. The underwriters may allow, and those dealers may reallow, a concession not in excess of \$        per share to various other dealers. After the shares of common stock are released for sale to the public, the offering price and other selling terms may from time to time be varied by the underwriters. No change in those terms shall change the amount of proceeds to be received by Collectors Universe as set forth on the cover page of this prospectus.

Collectors Universe has granted to the underwriters an option, exercisable within 30 days after the date of this prospectus, to purchase up to 600,000 additional shares of common stock at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus. The underwriters may exercise that option solely to cover over-allotments, if any, made in connection with the sale of common stock offered hereby. To the extent that the underwriters exercise the over-allotment option, each underwriter will be committed, subject to specified conditions, to purchase a number of additional shares of common stock which is proportionate to that underwriter's initial commitment as set forth in the table above.

Collectors Universe, its officers and directors and current stockholders have agreed that, during the period beginning from the date of this prospectus and continuing to and including the date 180 days after the date of this prospectus, they will not offer, sell, contract to sell or otherwise dispose of any shares of common stock, any securities of Collectors Universe which are substantially similar to the shares of common stock or which are convertible or exchangeable for securities which are substantially similar to the shares of common stock without the prior written consent of Needham & Company, Inc., except for the shares of common stock offered in connection with this offering.

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The representatives have informed Collectors Universe that they do not expect sales to accounts over which the underwriters exercise discretionary authority to exceed 5% of the total number of shares of common stock offered by them.

Prior to this offering, there has not been a public market for the common stock of Collectors Universe. Consequently, the initial public offering price of the common stock was determined by arms' length negotiation between Collectors Universe and the representatives of the underwriters. Among the factors to be considered by Collectors Universe and the representatives in pricing the common stock are the results of operations, the current financial condition and future prospects of Collectors Universe, the experience of management, the amounts of ownership to be retained by the current stockholders, the general condition of the economy and the securities markets, the demand for similar securities of companies considered comparable to Collectors Universe and other factors deemed relevant.

Collectors Universe has agreed to indemnify the underwriters against specified liabilities, including liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make in respect thereof.

In connection with the offering, various underwriters and selling group members and their respective affiliates may engage in transactions that stabilize, maintain or otherwise affect the market price of the common stock. Those transactions may include stabilization transactions effected in accordance with the Exchange Act pursuant to which such persons may bid for or purchase common stock for the purpose of stabilizing its market price. The underwriters

also may create a short position for the account of the underwriters by selling more common stock in connection with the offering than they are committed to purchase from Collectors Universe, and in such case may purchase common stock in the open market following completion of the offering to cover all or a portion of those shares of common stock or may exercise the underwriters' over-allotment option referred to above. In addition, the representatives, on behalf of the underwriters, may impose "penalty bids" under the contractual arrangements with the underwriters whereby the representatives may reclaim from an underwriter (or dealers participating in the offering), for the account of the other underwriters, the selling concession with respect to common stock that is distributed in the offering but subsequently purchased for the account of the underwriters in stabilization or syndicate covering transactions or otherwise. Any of these activities may stabilize or maintain the price of the common stock at a level above which might otherwise prevail in the open market. None of the transactions described in this paragraph is required, and if they are undertaken they may be discontinued at any time.

The following table summarizes the compensation to be paid to the underwriters by us.

PER SHARE	TOTAL WITHOUT OVERALLOTMENT	TOTAL WITH OVERALLOTMENT
-----	-----	-----

Underwriting discounts and commissions paid by us.....		
--	--	--

Underwriting discounts and commissions are calculated on a percentage basis of the offering price equal to %. Expenses of the offering, exclusive of underwriting discounts and commissions, include the SEC filing fee, the NASD filing fee, the Nasdaq National Market application fee, printing expenses, legal fees and expenses, accounting fees and expenses, blue sky fees and expenses, transfer agent and register fees and other miscellaneous fees. We estimate that the total expenses of this offering, excluding underwriting discounts and commissions, to be approximately \$710,000.

Two investment funds which are managed by and affiliates of Needham & Company, Inc. own a total of 100,000 shares of Collectors Universe common stock, which they purchased in March 1999 for \$500,000 as part of the private placement of 1,281,800 shares at \$5.00 per share.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for Collectors Universe by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. Certain legal matters in connection with this offering will be passed upon for the underwriters by Heller Ehrman White & McAuliffe, Los Angeles, California. Members of Stradling Yocca Carlson & Rauth own a total of 23,000 shares of common stock.

EXPERTS

The consolidated financial statements of Collectors Universe, Inc. and subsidiaries as of June 30, 1998 and 1999 and for each of the three years in the period ended June 30, 1999, included in this prospectus, and the related financial statement schedule included elsewhere in the registration statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports appearing herein and elsewhere in the registration statement, and are included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The financial statements of the auction business of Lyn F. Knight Rare Coins, Inc. for the years ended December 31, 1997 and 1998, included in this prospectus, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in this prospectus, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Kingswood Coin Auctions, LLC for the year ended December 31, 1998, included in this prospectus, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in this prospectus, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to Collectors Universe and the common stock offered by this prospectus, reference is made to the registration statement and to the exhibits and schedules filed with the registration statement. A copy of the registration statement may be inspected without charge at the public reference facilities of the SEC located at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the SEC located at 7 World Trade Center, Suite 1300, New York, New York 10048, and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You may obtain information on the operation of the public reference facilities by calling the SEC at 1-800-SEC-0330. Copies of all or any part of the registration statement may be obtained at the prescribed rates from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 and its public reference facilities in New York, New York and Chicago, Illinois, upon the payment of the fees prescribed by the SEC. The registration statement is also available through the Commission's Website on the World Wide Web at <http://www.sec.gov>.

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UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

The Unaudited Pro Forma Consolidated Statement of Income for the year ended June 30, 1999 gives effect to the Lyn F. Knight Rare Coins, Inc. (Lyn Knight) and Kingswood Coin Auctions, LLC (Kingswood) acquisitions and the acquisitions of minority ownership interests in Superior Sportscard Auctions, LLC (Superior) and Internet Universe, LLC (IU), as if such transactions had occurred on July 1, 1998. The Unaudited Pro Forma Consolidated Statement of Income also includes an adjustment for the income taxes which would have been recorded if Collectors Universe had been a C corporation, based on the tax laws in effect during the year.

The pro forma adjustments reflect Collectors Universe's determination of all adjustments necessary to present fairly Collectors Universe's pro forma results of operations. These adjustments are based on available information and assumptions Collectors Universe considers reasonable under the circumstances. The Unaudited Pro Forma Consolidated Statement of Income is provided for informational purposes only. This information is not necessarily indicative of the results of operations of Collectors Universe had the transactions referred to above occurred on the dates specified. In addition, this information is not necessarily indicative of the results of operations which may occur in the future. You should read the unaudited pro forma consolidated statement of income information together with the historical consolidated financial statements of Collectors Universe, its predecessor, and acquired companies and the related notes included elsewhere in this Prospectus.

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COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED JUNE 30, 1999  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	HISTORICAL (a)	ACQUISITIONS (b)	PRO FORMA ADJUSTMENTS	PRO FORMA CONSOLIDATED
	-----	-----	-----	-----
Net revenues.....	\$22,563	\$988	\$	\$23,551
Cost of revenues.....	8,654	124		8,778
	-----	-----	-----	-----
Gross profit.....	13,909	864		14,773
Supplier compensation cost.....	585	--		585

Selling, general and administrative expenses.....	13,287	289	204 (c)	13,780
	-----	----	-----	-----
Operating income.....	37	575	(204)	408
Interest income, net.....	30	--		30
Minority interest.....	(28)	--	28 (d)	--
	-----	----	-----	-----
Income before (benefit) provision for income taxes.....	39	575	(176)	438
(Benefit) provision for income taxes...	(348)	--	563 (e)	215
	-----	----	-----	-----
Net income.....	\$ 387	\$575	\$ (739)	\$ 223
	=====	=====	=====	=====
Per share information:				
Net income per share, basic and diluted.....	\$ 0.02			\$ 0.01
	=====			=====
Weighted average shares outstanding(f):				
Basic.....	17,644			19,510
Diluted.....	18,765			20,630

- 
- (a) Reflects the historical results of operations of Collectors Universe as derived from Collectors Universe's audited historical statement of income for the year ended June 30, 1999.
- (b) Reflects the historical results of operations of Lyn Knight Auctions and Kingswood as derived from the unaudited statements of income for the period from July 1, 1998 through February 4, 1999. The operations of Superior and Internet Universe, both of which were majority owned subsidiaries of PCGS for the period July 1, 1998 through February 4, 1999, are included in the historical operations of the Company for such period, and were accounted for under minority interest accounting. All operating results of Lyn Knight Auctions, Kingswood, Superior and Internet Universe for the period from February 5, 1999 through June 30, 1999 are included in the Collectors Universe's statement of income for the year ended June 30, 1999.
- (c) Reflects the additional amortization of goodwill that would have been recognized had the acquisitions occurred on July 1, 1999, based on a 15-year amortization period.
- (d) Reflects the elimination of minority interest in operations of Superior and Internet Universe for the period July 1, 1998 through February 4, 1999.
- (e) Reflects adjustment for the income taxes which would have been recorded if Collectors Universe had been a C corporation, based on the tax laws in effect during the year. The adjustment also applies a provision for income taxes for acquired companies, each of which operated as an S corporation or limited liability corporation prior to acquisition by the Collectors Universe.
- (f) Pro forma weighted average shares outstanding represent historical weighted average shares outstanding, adjusted to give effect to (1) the number of shares that would have been outstanding had the acquisitions of the auction businesses of Lyn Knight Rare Coins, Inc. and Kingswood Coin Auctions and the minority interests of Superior Sportscard Auctions and Internet Universe occurred on July 1, 1998 and (2) the number of shares of common stock which would be required to be issued (at an assumed offering price of \$8 per share, the mid-point of the estimated range of the initial public offering price per share) to replace capital withdrawn in excess of current year earnings.

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS OF  
COLLECTORS UNIVERSE, INC.

We have audited the accompanying consolidated balance sheets of Collectors Universe, Inc. and subsidiaries (the Company) as of June 30, 1998 and 1999, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Collectors Universe, Inc. and subsidiaries as of June 30, 1998 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1999, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Costa Mesa, California  
August 27, 1999

(September 1, 1999, as to Note 14)

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COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	JUNE 30,	
	1998	1999
	-----	-----
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents.....	\$ 612	\$ 1,852
Accounts receivable, net.....	782	2,026
Inventories, net.....	762	3,148
Prepaid expenses and other.....	297	514
Deferred taxes.....	--	239
	-----	-----
Total current assets.....	2,453	7,779
Property and equipment, net.....	392	1,201
Notes receivable from related parties.....	101	178
Other assets.....	103	167
Goodwill, net.....	55	5,077
Deferred taxes.....	--	347
	-----	-----
	\$3,104	\$14,749
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable.....	\$ 465	\$ 2,430

Accrued liabilities.....	283	856
Accrued compensation and benefits.....	201	524
Deferred revenue.....	521	1,616
Income taxes payable.....	8	23
	-----	-----
Total current liabilities.....	1,478	5,449
Minority interest.....	64	--
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$.001 par value; 3,000 shares authorized; no shares issued or outstanding.....	--	--
Common stock, \$.001 par value; 30,000 shares authorized; 16,132 and 20,282 issued and outstanding at June 30, 1998 and 1999.....	20	20
Additional paid-in capital.....	70	10,781
Retained earnings (deficit).....	2,077	(1,501)
Less: treasury stock.....	(605)	--
	-----	-----
Total stockholders' equity.....	1,562	9,300
	-----	-----
	\$3,104	\$14,749
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

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COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED JUNE 30,		
	1997	1998	1999
	-----	-----	-----
Net revenues.....	\$ 9,393	\$10,989	\$22,563
Cost of revenues.....	2,651	2,915	8,654
	-----	-----	-----
Gross profit.....	6,742	8,074	13,909
Supplier compensation cost.....	--	--	585
Selling, general and administrative expenses.....	6,228	7,168	13,287
	-----	-----	-----
Operating income.....	514	906	37
Interest income, net.....	34	26	30
Minority interest.....	(7)	(46)	(28)
	-----	-----	-----
Income before provision (benefit) for income taxes.....	541	886	39
Provision (benefit) for income taxes.....	36	13	(348)
	-----	-----	-----
Net income.....	\$ 505	\$ 873	\$ 387
	=====	=====	=====
Net income per share, basic and diluted.....	\$ 0.03	\$ 0.05	\$ 0.02
	=====	=====	=====
Weighted average shares outstanding:			
Basic.....	16,217	16,064	17,644
Diluted.....	16,217	16,064	18,765
PRO FORMA DATA (UNAUDITED) (NOTE 2):			
Historical income before provision for income taxes.....	\$ 541	\$ 886	\$ 39
Pro forma provision for income taxes.....	216	354	16
	-----	-----	-----
Pro forma net income.....	\$ 325	\$ 532	\$ 23
	=====	=====	=====
Pro forma net income per share, basic and diluted.....			\$ --
			=====
Pro forma weighted average shares outstanding:			
Basic.....			17,922
Diluted.....			19,043

The accompanying notes are an integral part of the consolidated financial statements.

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COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	TREASURY STOCK		TOTAL
	SHARES	AMOUNT			SHARES	AMOUNT	
Balance at July 1, 1996.....	20,667	\$ 20	\$ 70	\$ 1,269	4,305	\$(499)	\$ 860
Dividends to stockholders.....				(170)			(170)
Purchase of treasury stock.....					230	(125)	(125)
Net income.....				505			505
Balance at June 30, 1997.....	20,667	20	70	1,604	4,535	(624)	1,070
Dividends to stockholders.....				(400)			(400)
Sale of treasury stock.....					(230)	61	61
Purchase of treasury stock.....					230	(42)	(42)
Net income.....				873			873
Balance at June 30, 1998.....	20,667	20	70	2,077	4,535	(605)	1,562
Dividends to stockholders.....				(2,610)			(2,610)
Undistributed earnings of S corporation.....			316	(316)			
Sale of treasury stock.....					(318)	116	116
Cancellation of treasury stock.....	(3,356)	(3)	3	(489)	(3,356)	489	
Issuance of shares in acquisitions...	1,689	2	3,417	(550)	(861)		2,869
Issuance of common stock in private placement.....	1,282	1	6,390				6,391
Compensation expense related to stock options granted.....			585				585
Net income.....				387			387
Balance at June 30, 1999.....	20,282	\$ 20	\$10,781	\$(1,501)	--	\$ --	\$ 9,300

The accompanying notes are an integral part of the consolidated financial statements.

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COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

	YEAR ENDED JUNE 30,		
	1997	1998	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 505	\$ 873	\$ 387
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	184	169	407
Supplier compensation cost.....	--	--	585
Provision for bad debts.....	29	--	51
Provision for inventory writedown.....	--	2	161
Accrued interest income from related party.....	(9)	(3)	(13)
Write-off and forgiveness of note receivable from related party.....	--	134	15
Loss on disposal of property and equipment.....	3	32	74
Minority interest.....	7	46	28



Deferred income taxes.....	--	--	(586)
Changes in operating assets and liabilities, net of effects of acquisition:			
Accounts receivable.....	(557)	(16)	(1,295)
Inventories.....	(210)	(271)	(2,547)
Prepaid expenses and other.....	(53)	(207)	(217)
Income tax refund receivable.....	19	9	--
Other assets.....	--	--	(64)
Accounts payable.....	168	(184)	1,965
Accrued liabilities.....	95	(31)	427
Accrued compensation and benefits.....	80	(41)	323
Deferred revenue.....	(73)	302	1,095
Income tax payable.....	--	9	15
	-----	-----	-----
Net cash provided by operating activities.....	188	823	811
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property and equipment.....	10	--	84
Advances on notes receivable from related parties.....	(83)	(100)	(180)
Capital expenditures.....	(138)	(109)	(1,211)
Cash paid for acquisitions.....	--	--	(262)
Collections on notes receivable from related parties.....	55	7	101
	-----	-----	-----
Net cash used in investing activities.....	(156)	(202)	(1,468)

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COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
(IN THOUSANDS)

	YEAR ENDED JUNE 30,		
	1997	1998	1999
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends to stockholders.....	(170)	(400)	(2,610)
Purchases of treasury stock.....	(32)	(42)	--
Repayment of acquisition notes payable.....	--	--	(2,000)
Proceeds from sale of common stock.....	--	--	6,391
Proceeds from sale of treasury stock.....	--	61	116
	-----	-----	-----
Net cash (used in) provided by financing activities.....	(202)	(381)	1,897
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents.....	(170)	240	1,240
Cash and cash equivalents at beginning of year.....	542	372	612
	-----	-----	-----
Cash and cash equivalents at end of year.....	\$ 372	\$ 612	\$ 1,852
	=====	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest.....	\$ --	\$ --	\$ 27
Income taxes.....	\$ 18	\$ 5	\$ 223
SUPPLEMENTAL SCHEDULE OF NONCASH TRANSACTIONS:			
During the year ended June 30, 1997, the Company accepted common stock valued at \$93 from a stockholder as payment of a stockholder advance of \$93.			
During the year ended June 30, 1999, the Company acquired certain businesses as follows (Note 3):			
Common stock issued.....			\$ 3,419
Debt issued.....			2,000
Cash paid in acquisitions.....			262
Minority interest.....			(92)
Liabilities assumed.....			146
Predecessor carryover basis adjustment.....			(550)
			-----
Goodwill.....			\$ 5,185
			=====

The accompanying notes are an integral part of the consolidated financial statements.

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COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1997, 1998 AND 1999  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

1. ORGANIZATION AND NATURE OF BUSINESS:

ORGANIZATION

Collectors Universe, Inc. is a Delaware corporation that was organized on February 5, 1999 for the purpose of enabling Professional Coin Grading Service, Inc. (PCGS or the Predecessor) to acquire other businesses that, like PCGS, provide services to the collectibles markets. On February 5, 1999 Collectors Universe issued 17,311 shares of common stock in exchange for all of the outstanding shares of PCGS. As a result of that exchange, the former stockholders of PCGS became stockholders of Collectors Universe, with each of them receiving a number of our shares based on his or her percentage ownership of the shares of PCGS. Prior to this exchange, Collectors Universe had no operating assets or liabilities and had not yet conducted any operations. The assets and liabilities acquired were recorded at the predecessor basis as the transaction represented a transfer of assets and liabilities between entities under common control.

Concurrently with the exchange transaction with PCGS, Collectors Universe acquired the assets of the auction businesses of Lyn F. Knight Rare Coins, Inc. and Kingswood Coin Auctions, LLC (Kingswood) and the minority ownership interests in Superior Sportscard Auctions, LLC (Superior), and Internet Universe, LLC (IU), both of which were majority owned subsidiaries of PCGS at the time these acquisitions were consummated.

NATURE OF THE BUSINESS

Collectors Universe provides grading and authentication services for rare coins, sportscards, sports memorabilia, autographs and other collectible items. We also conduct Internet, telephone and in-person auctions of high-end collectibles. Our main sources of revenue are from grading and authentication, sales of collectibles and auction commissions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements for periods prior to the fiscal year ended June 30, 1999 include the accounts of our predecessor corporation, PCGS, and its majority-owned subsidiaries, Superior and IU, in which PCGS had a 60% and 55% ownership interest, respectively. The consolidated financial statements for the fiscal year ended June 30, 1999 include the accounts of PCGS for the entire fiscal year and the accounts of Lyn Knight Auctions and Kingswood, from the date of their acquisitions. During 1999, we acquired the remaining ownership interests in Superior and IU, which resulted in the full consolidation of these entities from the date of acquisition. All significant intercompany accounts and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

We consider all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

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## COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

## CONCENTRATION OF CREDIT RISK

Our financial instruments that are exposed to concentrations of credit risk consist primarily of accounts receivable and cash deposits and other cash equivalents that are in excess of federally insured limits. Generally, payment for grading services or collectibles sold at auction are received before items are shipped. However, we do extend credit to selected customers but generally retain possession of purchased items until payment is received. We maintain an allowance for doubtful accounts and regularly review the adequacy of this reserve. The allowance for doubtful accounts was \$0 and \$38 at June 30, 1998 and 1999, respectively.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

Our consolidated balance sheets include the following financial instruments: cash and cash equivalents, accounts receivable, notes receivable, accounts payable and accrued liabilities. We consider the carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities in the consolidated financial statements to approximate fair value for these instruments because of the relatively short period of time between origination of the instruments and their expected realization. Based on current market rates, the fair value of the note receivable from a related party at June 30, 1999 approximated its carrying value.

## INVENTORIES

We account for collectible inventories under the specific identification method. Inventories are carried at the lower of cost or market, where market is generally determined by published price guides.

## PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives ranging from three to seven years. Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the term of the related lease. Repair and maintenance costs are expensed as incurred.

## GOODWILL

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and is amortized using the straight-line method over periods ranging from five to fifteen years. We periodically evaluate the recoverability of goodwill by determining whether the amortization of the balance over its remaining useful life can be recovered through projected undiscounted future operating cash flows. Based on our most recent analysis, we believe that no impairment exists at June 30, 1999. Accumulated amortization of goodwill was \$45 and \$208 at June 30, 1998 and 1999, respectively.

## LONG-LIVED ASSETS

We account for the impairment and disposition of long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived

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## COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

Assets and for Long-Lived Assets to Be Disposed Of (SFAS No. 121). In accordance with SFAS No. 121, long-lived assets to be held are reviewed for events or changes in circumstances which indicate that their carrying value may not be recoverable through projected undiscounted future operating cash flows. The Company periodically reviews the carrying value of long-lived assets to determine whether an impairment to such value has occurred. At June 30, 1999,

there was no impairment of long-lived assets.

#### REVENUE RECOGNITION

The Company's revenue is primarily derived from grading and authentication services and sales of collectible items through auctions. Grading and authentication services include coin and sportscard grading along with authentication of collectibles and autographs. Commissions from buyers and sellers are derived from the sale of consigned inventory that is sold or auctioned by the Company. Collectible sales represent sales of inventory purchased by the Company for sale at auction or in galleries.

Grading and authentication revenue is recognized when the grading and authentication services are performed and the collectibles have been returned to the submitting party. Advance payments received for grading and authentication services are recorded as deferred revenue until such time as the services are performed and the graded items are shipped. Costs associated with grading and authentication activities are expensed as incurred. In most instances we offer dealers a discount on coins submitted for grading, which reduces revenue by the amount of the discounts. Discounts aggregated \$1,697, \$1,740 and \$1,528 for fiscal years 1997, 1998 and 1999, respectively. Auction and gallery sales, along with commissions earned, are recognized when the collectible is shipped to the customer.

We generally offer a five-day return privilege on collectibles bought through our auctions. We calculate the necessity for, and the amount of an allowance for estimated future returns based on historical experience. No return allowances have been required for the years ended June 30, 1997, 1998 and 1999.

#### WARRANTY COSTS

Collectors Universe offers a warranty covering the coins and sportscards it authenticates and grades. Under the terms of the warranty, any coin or sportscard originally graded by us, which subsequently receives a lower grade upon resubmittal to us, obligates us to either purchase the coin or sportscard or pay the difference in value of the item at its original grade as compared with its lower grade. We accrue for estimated warranty costs based on historical trends and related experiences.

#### ADVERTISING COSTS

Advertising costs are expensed as incurred and amounted to approximately \$198, \$250 and \$612 for the three years ended June 30, 1997, 1998 and 1999, respectively.

#### INCOME TAXES

We account for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. Deferred taxes on income result from temporary differences between the reporting of income and

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#### COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (IN THOUSANDS, EXCEPT PER SHARE DATA)

expense for financial statements and tax reporting purposes. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized. Prior to February 5, 1999, we elected to be treated as an S corporation under the Internal Revenue Code and California Revenue and Taxation Code. Accordingly, the provision for income taxes for the years ended June 30, 1997 and 1998 is computed by applying the California franchise tax rate for S corporations of 1.5% to our income before tax. Effective February 5, 1999, we converted to a C corporation and became a taxable entity subject to regular federal and state income taxes on an ongoing basis.

#### STOCK-BASED COMPENSATION

We account for stock-based awards to employees, using the intrinsic value method in accordance with Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and complies with the disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation (SFAS No. 123).

We account for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force (EITF) Issue No. 96-18, Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the earlier of the date on which the third-party performance is complete or the date on which it is probable that performance will occur.

NET INCOME PER SHARE

We compute net income per share in accordance with SFAS No. 128, Earnings Per Share (SFAS No. 128). SFAS No. 128 requires the presentation of basic and diluted earnings per share. Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the periods presented. Diluted net income per share is computed by dividing net income available to common stockholders by the weighted average number of common and common equivalent shares outstanding during the periods presented assuming the exercise of all outstanding stock options and other dilutive securities. The following is a reconciliation between the number of shares used in the basic and diluted net income per share calculations for the years ended June 30:

	1997	1998	1999
	-----	-----	-----
Basic net income per share:			
Weighted average number of common shares outstanding.....	16,217	16,040	17,644
Effect of dilutive securities -- stock options.....	--	--	1,121
	-----	-----	-----
Diluted net income per share:			
Weighted average number of common shares outstanding.....	16,217	16,040	18,765
	=====	=====	=====

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COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

PRO FORMA NET INCOME (UNAUDITED)

Pro forma net income represents the results of operations adjusted to reflect a provision for income tax on historical income before provision for income taxes, as if we had been taxed as a C corporation. The difference between the pro forma income tax rates utilized and federal statutory rate of 34% relates primarily to state income taxes (approximately 6%, net of federal tax benefit).

PRO FORMA NET INCOME PER SHARE (UNAUDITED)

Pro forma net income per share has been computed by dividing pro forma net income by the weighted average number of shares of common stock outstanding

during the period.

The Company has adopted the provisions of SFAS No. 128 for the purposes of presenting pro forma basic and diluted net income per common share. The following table reconciles the historical weighted average shares outstanding to the pro forma weighted average shares outstanding:

Historical weighted average shares outstanding.....	17,644	18,765
Effect of diluted shares -- number of shares required to replace capital withdrawn in excess of current year earnings, estimated to be \$2,223 at \$8.00 per share.....	278	278
	-----	-----
Pro forma weighted average shares outstanding.....	17,922	19,043
	=====	=====

#### USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during reporting years. Actual results could differ from those estimates.

#### NEW ACCOUNTING PRONOUNCEMENTS

On January 1, 1998, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 130, Reporting Comprehensive Income ("SFAS No. 130"). SFAS No. 130 requires that all items required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company does not have any items of other comprehensive income requiring separate disclosure.

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 131, Disclosure About Segments of an Enterprise and Related Information (SFAS No. 131). SFAS No. 131 establishes standards for the way companies report information about operating segments in annual financial statements. It also establishes standards for related disclosure about products and services, geographic areas and major customers. We adopted SFAS No. 131 on July 1, 1998. We conduct our business activity in two service segments: authentication and grading of collectibles and auctions of collectibles.

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#### COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (IN THOUSANDS, EXCEPT PER SHARE DATA)

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133), which the Company is required to adopt effective for its fiscal year beginning July 1, 2001. SFAS No. 133 will require the Company to record all derivatives on the balance sheet at fair value. The Company does not have any derivative instruments nor does the Company engage in hedging activities. Therefore, the adoption of SFAS No. 133 is not expected to have a material impact on the Company's financial position and results of operations.

In March 1998, the Accounting Standards Executive Committee (AcSEC) issued Statement of Position No. 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use (SOP No. 98-1), which provides guidance

on accounting for the cost of computer software developed or obtained for internal use. SOP 98-1 is effective for financial statements for fiscal years beginning after December 15, 1998. We currently expense all internal development costs and we are evaluating the impact of SOP 98-1 on our financial statements and related disclosures.

#### RECLASSIFICATIONS

Certain reclassifications have been made to the 1997 and 1998 financial statements to conform to the 1999 presentation.

#### 3. ACQUISITIONS

On January 25, 1999, PCGS acquired an additional 40% membership interest in IU. PCGS exchanged 861 shares of its common stock valued at \$1,199 for the 40% membership interest of IU. The acquisition was accounted for under the purchase method of accounting. The total purchase price of \$1,293, including transaction costs of \$37, was allocated to goodwill to be amortized over 15 years.

On February 5, 1999, we acquired certain assets of Lyn Knight related to Lyn Knight's currency auction business for \$100 in cash, a promissory note of \$1,000, payable within six months of the closing, and 760 shares of the Company's common stock valued at \$1,064. The acquisition was accounted for under the purchase method of accounting and the entire purchase price of \$2,201, including transaction costs of \$37 was allocated to goodwill to be amortized over 15 years. The results of operations of Lyn Knight have been included in our consolidated financial statements from the date of acquisition. During the fourth quarter ended June 30, 1999, we paid in full the outstanding amount due on the promissory note.

On February 5, 1999, we acquired certain assets of Kingswood for a promissory note of \$1,000, payable within six months of closing, issued 86 shares to the Kingswood noncontrolling minority members at \$120 and 104 shares issued to the controlling members of Kingswood and the Company valued at 0. The acquisition was accounted for under the purchase method of accounting and took into account that certain members of Kingswood (affiliated Stockholders) also had a 55% ownership interest in Collectors Universe at the time of the acquisition. Accordingly, the assets acquired and liabilities assumed were recorded at their estimated fair values with the exception of those assets and liabilities attributed to the affiliated Stockholders which were recorded at the carryover basis in accordance with generally accepted accounting principles. The \$550 adjustment necessary to reduce, to the extent of the common controlling stockholder interests, the fair value of the acquired net assets to their historical cost has been treated as an equity distribution to such controlling stockholders. The excess of the purchase price of \$604 including transaction costs of 34 was allocated to goodwill to be

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COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

amortized over 15 years. The results of operations of Kingswood have been included in our consolidated financial statements from the date of acquisition. During the fourth quarter ended June 30, 1999, we paid in full the outstanding amount due on the promissory note.

On February 5, 1999, we acquired the remaining 40% membership interest of Superior not already owned by the Company. We exchanged 631 shares of the Company's common stock valued at \$885 for the remaining 40% membership interest of Superior not already owned by the Company. The acquisition was accounted for under the purchase method of accounting. The total purchase price of \$911, including transaction costs of \$26 and a minority interest liability of \$149 was

allocated to goodwill to be amortized over 15 years.

On February 5, 1999, we acquired the remaining 5% membership interest of IU not already owned by us in exchange for 108 shares of our common stock valued at \$151. The acquisition was accounted for under the purchase method of accounting. The total purchase price of \$179 including transaction costs of \$28, was allocated to goodwill to be amortized over 15 years.

The following unaudited pro forma consolidated results of operations give effect to the above acquisitions as though such acquisitions had occurred on July 1, 1997. The pro forma information is provided for informational purposes only. It is based on historical information and does not necessarily reflect the actual results that would have occurred and is not necessarily indicative of future results of operations of the combined companies.

	YEAR ENDED JUNE 30,	
	1998	1999
	UNAUDITED	
Total revenues.....	\$12,035	\$23,551
	=====	=====
Net income.....	\$ 1,081	\$ 786
	=====	=====
Pro forma net income per share:		
Basic and diluted.....	\$ 0.07	\$ 0.04

#### 4. INVENTORIES

Inventories consist of the following at June 30:

	1998	1999
	----	-----
Coins and currency.....	\$134	\$1,551
Sportscards.....	6	837
Records.....	622	631
Other collectibles.....	--	290
	----	-----
	762	3,309
Less inventory reserve.....	--	(161)
	----	-----
	\$762	\$3,148
	=====	=====

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#### COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

Inventory reserve represents valuation allowance on certain rare coins and records.

#### 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:



	1998	1999
	-----	-----
Coin and sportscard grading reference sets, fair value of \$108 and \$19 at June 30, 1998 and 1999, respectively.....	\$ 199	\$ 40
Computer hardware and equipment.....	518	1,114
Computer software.....	184	298
Equipment.....	561	790
Furniture and office equipment.....	434	615
Leasehold improvements.....	14	106
	-----	-----
	1,910	2,963
Less accumulated depreciation and amortization.....	(1,518)	(1,762)
	-----	-----
Property and equipment, net.....	\$ 392	\$ 1,201
	=====	=====

#### 6. ACCRUED LIABILITIES

Accrued liabilities consist of the following at June 30:

	1998	1999
	----	----
Warranty reserve.....	\$175	\$232
Professional fees.....	--	313
Other.....	108	311
	----	----
	\$283	\$856
	=====	=====

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#### COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

#### 7. INCOME TAXES

The provision (benefit) for income taxes consists of the following for the years ended June 30:

	1997	1998	1999
	----	----	-----
Current:			
Federal.....	\$--	\$--	\$ 179
State.....	36	13	59
	---	---	-----
	36	13	238
	---	---	-----
Deferred:			
Federal.....	--	--	(463)
State.....	--	--	(123)
	--	--	-----
	--	--	(586)
	---	---	-----
Total income tax provision (benefit).....	\$36	\$13	\$(348)
	===	===	=====

The reconciliation of income tax provision (benefit) computed at federal statutory rates to income tax provision (benefit) for the years ended June 30, is as follows:

	1997	1998	1999
	-----	-----	-----
Tax at federal statutory rates.....	\$ 184	\$ 301	\$ 13
State income taxes, net.....	36	13	(42)
Recording of deferred income tax assets in connection with the conversion to a C corporation.....	--	--	(122)
S corporation net income not subject to federal tax.....	(184)	(301)	(271)
Goodwill.....			42
Other, net.....			32
	-----	-----	-----
	\$ 36	\$ 13	\$(348)
	=====	=====	=====

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COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred taxes as of June 30, 1999 are as follows:

	CURRENT	LONG-TERM	TOTAL
	-----	-----	-----
Deferred tax assets:			
Supplier compensation costs.....	\$ --	\$256	\$256
Reserves.....	188	--	188
Property and equipment.....	--	84	84
Other.....	94	19	113
	----	----	----
Total deferred tax assets.....	282	359	641
Deferred tax liabilities:			
State taxes.....	(43)	--	(43)
Other.....	--	(12)	(12)
	----	----	----
Total deferred tax liabilities.....	(43)	(12)	(55)
	----	----	----
Net deferred tax asset.....	\$239	\$347	\$586
	=====	=====	=====

Prior to February 5, 1999, we elected to be treated as an S corporation under the Internal Revenue Code and California Revenue and Taxation Code. Accordingly, the provision for income taxes for the years ended June 30, 1997 and 1998 is computed by applying the California franchise tax rate for S corporations of 1.5% to our pretax earnings. Effective February 5, 1999, we converted to a C corporation and became a taxable entity subject to regular federal and state income taxes on an ongoing basis. As a result, we recorded \$122 of net deferred income tax assets on February 5, 1999 through a benefit recorded in the accompanying consolidated statements of income.

8. EMPLOYEE BENEFIT PLAN

We established an employee benefit plan, effective July 1992, that features a 401(k) salary reduction provision covering all employees who meet eligibility requirements. Eligible employees may elect to defer up to 15% of compensation or the statutorily prescribed annual limit. Collectors Universe, at its discretion, may make contributions to the plan. To date, we have not made contributions to the plan and administrative costs have been nominal.

9. STOCKHOLDERS' EQUITY

On February 5, 1999, the Predecessor's stockholders exchanged 75 shares of Predecessor's common stock for 17,311 shares of Collectors Universe's common

stock. All shares and per share amounts included in the accompanying financial statements and footnotes have been restated to reflect the exchange ratio of 229.629-for-one. In addition, we also issued 1,689 shares of common stock in connection with certain business acquisitions.

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COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

In March 1999, we sold 1,282 shares of common stock in a private placement at a price of \$5.00 per share. Net proceeds from the private placement amounted to approximately \$6,391 after deducting offering expenses of approximately \$19. Net proceeds from the private placement offering were used to pay indebtedness of \$2,000 relating to business acquisitions (Note 3), to fund the distribution of previously taxed income to Predecessor stockholders in the amount of \$2,200, and to provide working capital for general corporate purposes.

CONSULTING AGREEMENT

In July 1997, we granted options to an individual to purchase 532 shares of our common stock at an exercise price of \$0.33 per share as consideration for a five-year consulting agreement commencing on July 1, 1997. The options vest 20% per year commencing December 31, 1997 through December 31, 2001 and are exercisable on or before December 31, 2005. No amount was allocated to the value of the options, as the amount was insignificant.

WARRANT AGREEMENT

In May 1999, we granted a warrant to purchase 50 shares of our common stock at an exercise price of \$5.00 per share in connection with an exclusive license agreement. No amount was allocated to the value of the warrant, as the amount was insignificant.

SUPPLIER COMPENSATION COST

During the fourth quarter ended June 30, 1999, we entered into agreements with collectible experts to provide content for our websites and to supply a specified amount of collectible merchandise over a multi-year period. The agreements provide for the aggregate award of 622 stock options at an exercise price of \$5.00 per share. The agreements provide for immediate vesting and are exercisable over the terms of the agreements. We have determined that the measurement date for the recognition of the fair value of these restricted stock awards is at the time of agreement execution. The fair value of the restricted stock awards was based on a third party valuation using the Black-Scholes option pricing model and the following assumptions:

Stock fair value per share.....	\$4.75
Exercise price.....	5.00
Term.....	5 years
Volatility.....	--
Risk-free interest rate.....	5.5%

As Collectors Universe is not a public company and its stock does not have a trading history, a 0% volatility factor was used as permitted under SFAS No. 123.

During the year ended June 30, 1999, we recognized \$585 of expense based upon the fair value of the stock options granted and such amount is included in supplier compensation costs in the accompanying statements of income.

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COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

10. STOCK OPTION PLANS

In January 1999, we adopted the PCGS 1999 Stock Incentive Plan (the PCGS Plan). The PCGS Plan covers an aggregate of 1,751 shares of our common stock. In February 1999 we adopted the 1999 Stock Incentive Plan (the 1999 Plan), which provides for grants of incentive stock options, nonstatutory stock options, and restricted stock grants to directors, officers, employees and consultants of Collectors Universe who provide valuable services to Collectors Universe, entitling them to purchase up to 1,499 shares of our common stock. Each of these Plans provide that the option price per share may not be less than 100% of the fair market value of a share of common stock on the grant date as determined by the Board of Directors for incentive stock options and 85% of fair market value for nonstatutory stock options. For incentive stock options, the exercise price may not be less than 110% of the fair market value of a share of common stock on the grant date for any individual possessing 10% or more of the voting power of all classes of stock of Collectors Universe. The timing of exercise for individual option grants is at the discretion of the Board of Directors, and the options expire no later than ten years after the grant date (five years in the case of incentive stock options granted to individuals possessing 10% or more of the voting power of all classes of stock of Collectors Universe). In the event of a change in control of Collectors Universe, an option or award under these Plans will become fully exercisable if the option or award is not assumed by the surviving corporation or the surviving corporation does not substitute comparable awards for the awards granted under these Plans.

The following is a summary of stock option activity for fiscal 1999 under the PCGS Plan and the 1999 Plan:

	NUMBER OF SHARES	PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Options outstanding at June 30, 1998.....	--		
Granted.....	2,106	\$2.11 -- \$5.23	\$3.53
Cancelled.....	--	--	--
Exercised.....	--	--	--
Options outstanding at June 30, 1999.....	2,106	\$2.11 -- \$5.23	\$3.53

The following table summarizes information about stock options outstanding at June 30, 1999:

RANGE OF EXERCISE PRICE	OPTIONS OUTSTANDING WEIGHTED AVERAGE			OPTIONS EXERCISABLE	
	NUMBER OF SHARES OUTSTANDING	REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$2.11 -- \$2.61	1,105	9.5	\$2.18	950	\$2.11
\$5.00 -- \$5.23	1,001	9.7	\$5.03	119	\$5.00

At June 30, 1999, there were 1,069 shares exercisable at option prices ranging from \$2.11 to \$5.00. The weighted average remaining contractual life of

outstanding stock options was 9.6 years at June 30, 1999. In addition, 270 shares will become 100% vested upon the consummation of an initial public offering.

SFAS No. 123 encourages but does not require companies to record compensation cost for employee stock option grants. As permitted by SFAS No. 123, we have chosen to account for employee option grants using APB Opinion No. 25 and apply the disclosure-only provisions of SFAS No. 123. Accordingly, no compensation expense has been recognized for employee stock option grants; as such grants have been made at fair market value. Had compensation expense for the employee stock option grants been determined using the provisions of SFAS No. 123, our net income for the year ended June 30, 1999 would have been reduced to the amounts indicated below:

Net income:	
As reported.....	\$ 387
Pro forma.....	\$ 31
Basic and diluted net income (loss) per share:	
As reported.....	\$0.02
	=====
Pro forma.....	\$ --
	=====

Because options vest over several years and additional option grants are expected, the above pro forma effects of applying SFAS No. 123 are not likely to be representative of the effects of reporting net income (loss) for future periods.

For purposes of estimating compensation cost of our option grants in accordance with SFAS No. 123, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted average assumptions used for grants during the year ended June 30, 1999:

Average dividend yield.....	0%
Expected life in years.....	5
Risk free interest rate.....	5.5%
Expected volatility.....	0%

11. RELATED-PARTY TRANSACTIONS

During the ordinary course of business, we provided grading services to certain entities that are owned, controlled or affiliated with our stockholders. Grading revenues received from these related entities amounted to \$98, \$153 and \$216 during the years ended June 30, 1997, 1998 and 1999, respectively. In addition, we purchased inventories from and sold inventories to certain of these related entities. Purchases of inventories from these related entities amounted to \$120, \$220 and \$537 during the years ended June 30, 1997, 1998 and 1999, respectively. Sales of inventories to these

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related entities amounted to \$16, \$46 and \$0 during the years ended June 30, 1997, 1998 and 1999, respectively.

J.D.R.C., Inc., an entity owned by one of our stockholders, provides research-consulting services to us related to our coin grading and authentication services. Amounts paid to J.D.R.C., Inc. related to these consulting services were \$295, \$173 and \$152 during the years ended June 30, 1997, 1998 and 1999, respectively.

At June 30, 1997, we had an unsecured note receivable from an employee of \$134 for amounts advanced to the employee. During the year ended June 30, 1998, such note was written-off as uncollectible.

During the year ended June 30, 1997, we accepted common stock valued at \$93 from a stockholder as payment of a stockholder advance of \$93.

At June 30, 1998, we had an unsecured note receivable from D.H.R.C.C., an entity owned by one of our stockholders, in the amount of \$101. Such note bore interest at 9% per annum and was paid in full during the year ended June 30, 1999.

In October 1998, we loaned \$180 to an officer of Collectors Universe. The loan bears interest at 9% per annum and is collateralized by 101 shares of our common stock. The officer's employment agreement provides for annual principal forgiveness of \$30 on each anniversary date of the loan, provided the officer is then currently employed by us. Unpaid principal and interest is due and payable on September 23, 2001. Unpaid principal and interest at June 30, 1999 was \$178 and is included in notes receivable from related parties in the accompanying consolidated balance sheets. In addition, during 1999, we paid the officer \$100 for relocation expenses which is included in general and administrative expenses in the accompanying consolidated statements of income.

12. COMMITMENTS AND CONTINGENCIES

LEASES

Collectors Universe leases its facilities and certain equipment under operating leases which expire at various dates through 2004. We received sublease rental income of \$60 under terms of a month-to-month lease from related parties for the years ended June 30, 1997 and 1998. We recorded rental expense of \$289, \$329 and \$578, net of sublease rental income, for the years ended June 30, 1997, 1998 and 1999 respectively. The following are the minimum lease obligations under these leases at June 30, 1999:

2000.....	\$358
2001.....	170
2002.....	123
2003.....	80
2004.....	53
	----
	\$784
	=====

COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

Subsequent to June 30, 1999, we entered into an eight year operating lease for a facility that will consolidate all California based operations. Occupancy is anticipated to be April 2000. Minimum lease obligations, assuming an April 2000 occupancy, are: \$907, \$930, \$953, \$972, \$1,001 and \$3,149 for fiscal years 2000, 2001, 2002, 2003, 2004 and thereafter, respectively. Total minimum lease payments under this new lease are \$7,912.

ROYALTY AGREEMENT

On March 31, 1999, we entered into an exclusive royalty agreement with a third party for rights within the collectibles industry to certain patented synthetic DNA technology. Terms of the agreement provide for royalties on each use of the technology and minimum royalties if certain annual usage volumes are not achieved. Minimum royalty obligations under this agreement are: \$125, \$158, \$209, \$258, \$308 and \$292 for fiscal years 2000, 2001, 2002, 2003, 2004 and thereafter, respectively.

EMPLOYMENT AGREEMENT

The Company has entered into employment agreements with certain executive officers and other key employees. The employment agreements provide for minimum salary levels, incentive compensation and severance benefits, among other items.

13. SEGMENT, GEOGRAPHIC AND MAJOR CUSTOMER INFORMATION

We operate principally in two service segments: the authentication and grading of collectibles and auctions of collectibles. Product sales for all periods presented are less than 10% of net revenues. We allocate a substantial portion of operating expenses to each service segment based upon head count. We do not allocate specific assets to these service segments.

	YEAR ENDED JUNE 30, 1999		
	AUCTION	GRADING AND AUTHENTICATION	TOTAL
Net revenues from external customers.....	\$ 4,878	\$17,685	\$22,563
Operating (loss) income.....	\$(3,579)	\$ 4,766	\$ 1,187
Unallocated operating expenses.....			(1,150)
Operating income, consolidated.....			\$ 37
Goodwill amortization.....	\$ 163		\$ 163
Net revenues from external customers.....	\$ 1,390	\$ 9,599	\$10,989
Operating (loss) income.....	\$ (404)	\$ 2,524	\$ 2,120
Unallocated operating expenses.....			(1,214)
Operating income, consolidated.....			\$ 906
Goodwill amortization.....	\$ 20	\$ 13	\$ 33

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COLLECTORS UNIVERSE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED JUNE 30, 1997		
	AUCTION	GRADING AND AUTHENTICATION	TOTAL
Net revenues from external customers.....	\$ 766	\$ 8,627	\$ 9,393
Operating income (loss).....	\$ (34)	\$ 733	\$ 699
Unallocated operating expenses.....			(185)
Operating income, consolidated.....			\$ 514
Goodwill amortization.....	\$ 20	\$ 13	\$ 33

All of our sales and identifiable assets are located in the United States. No individual customer accounted for 10% or more of revenue for the years ended June 30, 1997, 1998 and 1999.

#### 14. SUBSEQUENT EVENTS

On September 1, 1999 the Board of Directors of Collectors Universe approved the filing of a registration statement on Form S-1 with the Securities and Exchange Commission to effect an initial public offering of its common stock (the Offering).

On September 1, 1999, the Board of Directors of Collectors Universe adopted the Employee Stock Purchase Plan (the Stock Purchase Plan), which will become effective upon completion of the Offering. A total of 200 shares of the common stock of Collectors Universe has been reserved for issuance under the Stock Purchase Plan.

On September 1, 1999, the Board of Directors of Collectors Universe approved an increase in the number of shares available for grant under the 1999 Plan by 220, thereby increasing the total amount of shares available under the 1999 Plan to 1,749.

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#### INDEPENDENT AUDITORS' REPORT

To the Shareholder of  
Lyn F. Knight Rare Coins, Inc.:

We have audited the accompanying statements of income and (deficiency) equity and of cash flows of the auction business of Lyn F. Knight Rare Coins, Inc. (the Business) for the years ended December 31, 1998 and 1997. These financial statements are the responsibility of the Business' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements of income and (deficiency) equity and of cash flows are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements of income and (deficiency) equity and of cash flows. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements of income and (deficiency) equity, and of cash flows. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the results of operations and of cash flows of the auction business of Lyn F. Knight Rare Coins, Inc. for the years ended December 31, 1998 and 1997, in conformity with generally accepted accounting principles.

As described in Note 1, the Business was part of Lyn F. Knight Rare Coins, Inc. and not a separate legal entity. The financial statements of the Business have been prepared from the applicable records of Lyn F. Knight Rare Coins, Inc., and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Business had operated as an unaffiliated entity. Portions of certain expenses represent allocations made from Lyn F. Knight Rare Coins, Inc. expense items applicable to the Business as a whole.

Deloitte & Touche LLP

Costa Mesa, California  
June 4, 1999

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THE AUCTION BUSINESS OF LYN F. KNIGHT RARE COINS, INC.

STATEMENTS OF INCOME AND (DEFICIENCY) EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997



	1998	1997
	-----	-----
REVENUES:		
Buyer premiums.....	\$ 914,331	\$ 399,219
Auction commissions.....	159,785	364,203
	-----	-----
Total revenues.....	1,074,116	763,422
COST OF REVENUES.....	157,948	103,307
	-----	-----
GROSS PROFIT.....	916,168	660,115
OPERATING EXPENSES.....	194,572	223,484
	-----	-----
NET INCOME.....	721,596	436,631
EQUITY, beginning of year.....	55,141	852
NET CHANGE IN EQUITY ARISING FROM CASH ADVANCES FROM AND DISTRIBUTIONS TO LYN F. KNIGHT RARE COINS, INC.....	(1,733,077)	(382,342)
	-----	-----
(DEFICIENCY) EQUITY, end of year.....	\$ (956,340)	\$ 55,141
	=====	=====

See accompanying notes to financial statements.

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THE AUCTION BUSINESS OF LYN F. KNIGHT RARE COINS, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	\$ 721,596	\$ 436,631
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Increase in accounts receivable.....	(4,396,446)	(67,439)
Increase (decrease) in accounts payable and accrued expenses.....	9,661	(10,432)
Increase in due to consignors.....	5,398,266	23,582
	-----	-----
Net cash provided by operating activities.....	1,733,077	382,342
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances to corporate division.....	(1,733,077)	(382,342)
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS.....		
CASH AND CASH EQUIVALENTS, beginning of year.....		
	-----	-----
CASH AND CASH EQUIVALENTS, end of year.....	\$ --	\$ --
	=====	=====

See accompanying notes to financial statements.

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THE AUCTION BUSINESS OF LYN F. KNIGHT RARE COINS, INC.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

1. NATURE OF BUSINESS

The accompanying financial statements represent the revenues, expenses, and

cash flows of the auction business of Lyn F. Knight Rare Coins, Inc. (the Business). Lyn F. Knight Rare Coins, Inc. is primarily engaged in the business of marketing and selling rare currencies at coin shows and auctions conducted by the Business. The Business serves as host to four rare coin and note auctions each year.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation -- The accompanying financial statements include the revenues, expenses, and cash flows that are directly related to the Business as conducted by Lyn F. Knight Rare Coins, Inc. Portions of certain expenses represent allocations made from Lyn F. Knight Rare Coins, Inc. expense items applicable to the Business as a whole. These allocations were based on a variety of factors which management believes provide a reasonable basis for the accompanying financial statements and include the following:

- Cash balances are not recorded as part of these financial statements as it was not the practice of Lyn F. Knight Rare Coins, Inc. to maintain separate cash balances for each of its businesses.
- The net change in equity arising from cash advances and distributions to Lyn F. Knight Rare Coins, Inc., as reflected in the statements of income and division (deficiency) equity, includes amounts advanced by the Business to Lyn F. Knight Rare Coins, Inc. and its other businesses.
- The historical financial statements include certain administrative costs allocated to the Business from Lyn F. Knight Rare Coins, Inc. Such costs were based on the percentage of auction business revenues to total revenues of Lyn F. Knight Rare Coins, Inc. Management believes that such methodology results in a reasonable allocation of expenses to the Business.

The accompanying financial statements have been prepared from records maintained by Lyn F. Knight Rare Coins, Inc., and may not necessarily be indicative of the conditions that would have existed if the Business had operated as an unaffiliated entity.

Revenue Recognition -- Revenue is recognized upon the sale of rare currencies consigned to the Business and is represented by an auction commission received from the consignor and a premium paid by the buyer. Auction commissions represent a percentage of the hammer price at auction sales as paid by the buyer and generally range up to 15%. Buyer premiums represent 10% of the hammer price at auction sales.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements. Actual results could differ from those estimates.

Income Taxes -- Lyn F. Knight Rare Coins, Inc. has elected to be taxed as an S corporation under sections of the federal and state of Kansas income tax laws, whereby income and expense items are included in the personal tax returns of the members of Lyn F. Knight Coins, Inc. Accordingly, no

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THE AUCTION BUSINESS OF LYN F. KNIGHT RARE COINS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

provision for federal and state income taxes has been included in the accompanying financial statements for the years ended December 31, 1998 and 1997.

Comprehensive Income -- In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 130, Reporting Comprehensive Income. SFAS No. 130 established standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. The Business does not have any items of other comprehensive income requiring separate disclosure.

## 3. SUBSEQUENT EVENT

On February 5, 1999, Collectors Universe, Inc. (Collectors) acquired Lyn F. Knight Rare Coins, Inc.'s auction business for \$100,000 in cash, a promissory note of \$1,000,000 and 760,000 shares of Collectors' common stock.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Kingswood Coin Auctions, LLC  
Santa Ana, California

We have audited the accompanying statements of income and retained earnings and of cash flows of Kingswood Coin Auctions, LLC (the Company) for the year ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements of income and retained earnings and of cash flows are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements of income and retained earnings and of cash flows. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements of income and retained earnings and of cash flows. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Kingswood Coin Auctions, LLC for the year ended December 31, 1998, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Costa Mesa, California  
May 26, 1999

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KINGSWOOD COIN AUCTIONS, LLC

STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 1998

NET REVENUE.....	\$374,789
COST OF REVENUE.....	207,122
	-----
GROSS INCOME.....	167,667
OPERATING EXPENSES.....	86,276
	-----
INCOME FROM OPERATIONS.....	81,391
OTHER INCOME.....	2,105
	-----
NET INCOME.....	83,496
RETAINED EARNINGS, beginning of year.....	40,079
DISTRIBUTIONS TO MEMBERS.....	(55,000)
	-----
RETAINED EARNINGS, end of year.....	\$ 68,575
	=====

See accompanying notes to financial statements.

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KINGSWOOD COIN AUCTIONS, LLC  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income.....	\$ 83,496
Adjustments to reconcile net income to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable.....	108,007
Prepaid expenses.....	(3,770)
Other assets.....	1,494
Accounts payable and accrued expenses.....	(360,241)
	-----
Net cash used in operating activities.....	(171,014)
CASH FLOWS FROM FINANCING ACTIVITIES --	
Distributions to members.....	(55,000)
	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	(226,014)
CASH AND CASH EQUIVALENTS, beginning of year.....	298,950
	-----
CASH AND CASH EQUIVALENTS, end of year.....	\$ 72,936
	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION --	
Cash paid during the year for income taxes.....	\$ 800
	=====

See accompanying notes to financial statements.

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KINGSWOOD COIN AUCTIONS, LLC  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 1998

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business -- Kingswood Coin Auctions, LLC (the Company) was formed on November 8, 1996, for the purpose of producing, promoting and conducting elite live and telephonic rare coin auctions.

Pursuant to the operating agreement, the profits and losses of the Company are allocated to the members in accordance with each member's percentage ownership interest. Distributions of available cash are made to the members in accordance with each member's respective percentage ownership interest. During the year ended December 31, 1998, the Company distributed \$55,000 to its members.

Revenue Recognition -- Revenue is recognized upon the sale of the coins consigned to the Company. Such revenue represents approximately 10% of the bid price charged to the buyer, and approximately 4% of such price charged to the consignor.

Income Taxes -- The Company is taxed as a limited liability company under the provisions of the federal and state tax codes. Under federal laws, taxes based on income of the limited liability company are payable by the members individually. A provision for California franchise tax of \$800 has been provided in the accompanying financial statements at statutory rates based on gross receipts (revenues) under California laws.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses

during the reporting period. Actual results could differ from those estimates.

Comprehensive Income -- In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 130, Reporting Comprehensive Income. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. The Company does not have any items of other comprehensive income requiring separate disclosure.

2. RELATED-PARTY TRANSACTIONS

During the ordinary course of business, the Company conducts transactions with certain companies owned and controlled by its members and other related entities as described below. The Company reimburses David Hall North American Trading (DHNAT) for certain general and administrative expenses incurred on behalf of the Company. Such reimbursements amounted to \$91,141 for the year ended December 31, 1998.

The Company has entered into an Auction Services Agreement (the Services Agreement) with Professional Coin Grading Service, Inc. (PCGS), whereby PCGS provides the facilities, equipment, personnel, and services necessary for the Company to conduct its auctions. In consideration for the use of its facilities and equipment and the services provided pursuant to the Services Agreement, the Company pays PCGS a service fee in an amount equal to a percentage of the total actual sales price,

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KINGSWOOD COIN AUCTIONS, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 1998

less all returns, of all rare coins sold by the Company at its auctions, as defined in the Services Agreement. During the year ended December 31, 1998, the Company paid a service fee of \$119,821 to PCGS. Such fee is included in cost of revenues in the accompanying statement of income and retained earnings.

DHNAT and PCGS consign coins to the Company for sale in the Company's auctions. Commission revenues received from DHNAT and PCGS during the year ended December 31, 1998, amounted to \$19,582 and \$12,330, respectively, and are included in net revenue in the accompanying statement of income.

3. SUBSEQUENT EVENT

On February 5, 1999, Collectors Universe, Inc. (Collectors) acquired the Company's auction business for \$1,000,000 in cash and 190,000 shares of Collectors' common stock.

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Inside Back Cover

Includes a banner that states, "More Cool Stuff," and pictures of collectibles with the captions indicated below:

Collectible -----	Caption -----
Coin	1907 Extremely High Relief Saint Gaudens \$20 Gold. Graded by Collectors Universe.
Record Album	"Love In Vain" by Robert Johnson. Sold at auction by Collectors Universe.
Baseball Card	1952 Topps Mickey Mantle. Sold at auction by Collectors Universe.
Baseball	Babe Ruth Autographed Ball. Authenticated by Collectors Universe.

Coin 1865 \$20 Liberty. Sold at auction by Collectors Universe.  
 Coin 1913 Liberty Head Nickel. Graded by Collectors Universe.  
 Record album Red vinyl Elvis Christmas Album. Sold at auction  
 and cover by Collectors Universe.  
 Baseball card T-206 Honus Wagner. First card graded by Collectors Universe.

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[LOGO]

COLLECTORS UNIVERSE, INC.

UNTIL , 1999, ALL DEALERS THAT EFFECT TRANSACTIONS IN THESE SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE DEALERS' OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth all costs and expenses, other than underwriting discounts and commissions, payable by Collectors Universe in connection with the sale of the common stock being registered. All of the amounts shown are estimates except for the SEC registration fee and the NASD filing fee.

	TO BE PAID BY COLLECTORS UNIVERSE
	-----
SEC registration fee.....	\$ 12,788
NASD filing fee.....	5,100
Nasdaq National Market application fee.....	95,000
Printing expenses.....	200,000
Legal fees and expenses.....	155,000
Accounting fees and expenses.....	225,000
Blue sky fees and expenses.....	5,000
Transfer agent and registrar fees.....	2,000
Miscellaneous.....	10,112
	-----
Total.....	\$710,000
	=====

\* To be filed by amendment

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

(a) As permitted by the Delaware General Corporation Law, the Amended and Restated Certificate of Incorporation of Collectors Universe (Exhibit 3.1 hereto) eliminates the liability of directors to Collectors Universe or its stockholders for monetary damages for breach of fiduciary duty as a directors, except to the extent otherwise required by the Delaware General Corporation Law.

(b) The Amended and Restated Certificate of Incorporation provides that Collectors Universe will indemnify each person who was or is made a party to any proceeding by reason of the fact that such person is or was a director or officer of Collectors Universe against all expense, liability and loss reasonably incurred or suffered by such person in connection therewith to the fullest extent authorized by the Delaware General Corporation Law. The Amended and Restated Bylaws of Collectors Universe (Exhibit 3.2 hereto) provide for a similar indemnity to directors and officers of Collectors Universe to the fullest extent authorized by the Delaware General Corporation Law.

(c) The Amended and Restated Certificate of Incorporation also gives Collectors Universe the ability to enter into indemnification agreements with each of its directors and officers. Collectors Universe has entered into indemnification agreements with certain of its directors and officers (Exhibit 10.7 hereto), which provide for the indemnification of such persons against any an all expenses, judgments, fines, penalties and amounts paid in settlement, to the fullest extent permitted by law.

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#### ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

The following is a summary of transactions by Collectors Universe during the last three years preceding the date hereof involving sales of securities of Collectors Universe that were not registered under the Securities Act:

(1) In January 1999, we purchased 40% of the membership interest of Internet Universe, LLC, a California limited liability company. The purchase was completed through the issuance of 3,750 shares of Professional Coin Grading Service, Inc. (our predecessor company) to Brent Gutekunst, which shares were later exchanged for 861,120 shares of common stock of Collectors Universe in February 1999. The issuance was exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(2) on the basis that the transaction did not involve a public offering.

(2) In February 1999, we incorporated in Delaware and acquired PCGS, assets of Lyn F. Knight Rare Coins, Inc. and Kingswood Auctions, LLC, and minority interests in two majority owned subsidiaries of PCGS. Pursuant to this reorganization, we issued 19,000,276 shares of our common stock to the owners of the acquired companies. The issuance was exempt from registration under the Securities Act pursuant to Section 4(2) on the basis that the transaction did not involve a public offering. As part of the acquisition of Kingswood Auctions, LLC, David Hall, director and Chairman of the Board, received 28,500 shares of common stock, Van Simmons, director, received 28,500 shares of common stock and David Hall's North American Trading, which is owned by Mr. Hall and Mr. Simmons, received 47,500 shares of common stock, each at a per share value of \$1.40.

(3) In March 1999, we issued 1,281,800 shares of our common stock at \$5.00 per share to accredited investors only, pursuant to Section 4(2) of the Securities Act on the basis that the transactions did not involve a public offering. As part of the private placement in March 1999, Gordon Wrubel, President of Good Rockin' Tonight, purchased 1,600 shares, and Gary N. Patten, Chief Financial Officer, purchased 50,000 shares of common stock, each at a price of \$5.00 per share.

(4) As of August 31, 1999, options to purchase 2,687,565 shares of common stock have been granted in reliance upon the exemptions provided in Rule 701 of the Securities Act on the basis that these options were offered and sold either pursuant to a written compensatory benefit plan or pursuant to written contracts relating to consideration, as provided by Rule 701, or pursuant to Section 4(2) thereof on the basis that the transactions did not

involve a public offering.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

EXHIBIT NO. -----	DESCRIPTION -----
1.1	-- Form of Underwriting Agreement.
3.1	-- Amended and Restated Certificate of Incorporation of Collectors Universe, as in effect.**
3.2	-- Form of Amended and Restated Certificate of Incorporation of Collectors Universe, to be filed prior to the closing of the offering made under this Registration Statement.**
3.3	-- Amended and Restated Bylaws of Collectors Universe, as adopted September 1, 1999.
4.1	-- Registration Rights Agreement.

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EXHIBIT NO. -----	DESCRIPTION -----
4.2	-- Form of Registration Rights Agreement for Stockholders pursuant to private placement.
5.1	-- Opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation.
10.1	-- Collectors Universe 1999 Stock Incentive Plan.**
10.2	-- Form of Stock Option Agreement for the Collectors Universe 1999 Plan.**
10.4	-- PCGS 1999 Stock Incentive Plan.**
10.5	-- Form of Stock Option Agreement for the PCGS 1999 Plan.**
10.6	-- Employee Stock Purchase Plan.**
10.7	-- Form of Indemnification Agreement.
10.8	-- Asset Acquisition Agreement dated January 25, 1999 by and among Professional Coin Grading Service, Inc., Info Exchange, Inc. and Brent Gutekunst.**
10.9	-- Collectors Universe/eBay Mutual Services Term Sheet dated February 10, 1999 by and between Collectors Universe and eBay, Inc.**
10.10	-- Net Lease between Orix Searls Santa Ana Venture and Collectors Universe, dated June, 1999.**
10.11	-- Agreement for the Sale of Goods and Services dated March 31, 1999 by and between Collectors Universe and DNA Technologies, Inc.**
10.12	-- Contribution and Acquisition Agreement dated February 3, 1999 by and between Collectors Universe, Inc. and Hugh Sconyers.**
10.13	-- Contribution and Acquisition Agreement dated February 3, 1999 by and between Collectors Universe and BJ Searls.**
10.14	-- Contribution and Acquisition Agreement dated February 3, 1999 by and between Collectors Universe and Greg Bussineau.**
10.15	-- Contribution and Acquisition Agreement dated February 3, 1999 by and between Collectors Universe and Lyn F. Knight Rare Coins, Inc.**
10.16	-- Contribution and Acquisition Agreement dated February 3, 1999 by and between Collectors Universe, Kingswood Coin Auction, LLC and the Members of Kingswood.**
10.17	-- Contribution and Acquisition Agreement dated February 3,



- 1999 by and between Collectors Universe and Professional Coin Grading Service, Inc.\*\*
- 10.18 -- Employment Agreement dated March 1999, by and between Superior Sportcard Auctions, LLC and Greg Bussineau.\*\*
  - 10.19 -- Employment Agreement dated March 5, 1999, by and between Lyn F. Knight, Lyn Knight Currency Auctions, Inc. and Collectors Universe.\*\*
  - 10.20 -- Employment Agreement dated January 25, 1999 by and between Internet Universe, LLC and Brent Gutekunst.\*\*
  - 10.21 -- Employment Agreement dated , 1999 by and between Collectors Universe, Inc. and Louis M. Crain.\*
  - 10.22 -- Employment Agreement dated by and between Gary N. Patten and Collectors Universe, Inc.\*
  - 10.23 -- Severance Agreement dated by and between Gary N. Patten and Collectors Universe, Inc.\*
  - 11.1 -- Statement regarding computation of pro forma net income per share.\*\*
  - 21.1 -- Subsidiaries.

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EXHIBIT NO. -----	DESCRIPTION -----
23.1	-- Consent of Stradling Yocca Carlson & Rauth, a Professional Corporation (see Exhibit 5.1).
23.2	-- Consent of Deloitte & Touche LLP.
23.3	-- Consent of Deloitte & Touche LLP.
23.4	-- Consent of Deloitte & Touche LLP.
24.1	-- Power of Attorney (see page II-5).**
27.1	-- Financial Data Schedule.**

\* To be filed by amendment.

\*\* Previously filed.

+ Portions of this exhibit are omitted and were filed separately with the SEC pursuant to the Collectors Universe application requesting confidential treatment under Rule 406 of the Securities Act of 1933.

(b) Financial Statement Schedules

Schedule II -- Financial Statement Schedule of Collectors Universe and Subsidiaries

All schedules not listed above are omitted because they are not required under the related instructions, are inapplicable, or the information is included in the financial statements or the notes thereto.

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act

may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Newport Beach, State of California, on the 12th day of October 1999.

COLLECTORS UNIVERSE, INC.

By: /s/ LOUIS M. CRAIN

-----  
Louis M. Crain  
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
/s/ LOUIS M. CRAIN ----- Louis M. Crain	President, Chief Executive Officer and Director (Principal Executive Officer)	October 12, 1999
/s/ GARY N. PATTEN ----- Gary N. Patten	Chief Financial Officer (Principal Financial and Principal Accounting Officer)	October 12, 1999
* ----- David G. Hall	Chairman of the Board and Director	October 12, 1999
* -----	Senior Vice President and Director	October 12, 1999

-----  
Stephen H. Mayer

\* Director October 12, 1999  
-----

Van D. Simmons

\* Director October 12, 1999  
-----

Armen Vartian

\*By: /s/ Louis M. Crain

-----  
Louis M. Crain

Attorney-in-Fact

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COLLECTORS UNIVERSE, INC.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS  
FOR THE YEARS ENDED JUNE 30, 1997, 1998 AND 1999

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO OPERATING EXPENSES	CHARGED TO COST OF REVENUES	DEDUCTIONS	BALANCE AT END OF PERIOD
Allowance for doubtful accounts.....	\$ 6,500	\$28,996	\$ --	\$ (6,500)	\$ 28,996
Inventory reserve.....	12,682	--	1,580	--	14,262
Warranty reserve.....	212,656	--	185,941	(211,654)	186,943
Total at June 30, 1997.....	\$231,838	\$28,996	\$187,521	\$(218,154)	\$230,201
Allowance for doubtful accounts.....	\$ 28,996	\$ --	\$ --	\$ (28,996)	\$ --
Inventory reserve.....	14,262	--	--	(14,262)	--
Warranty reserve.....	186,943	--	282,086	(294,029)	175,000
Total at June 30, 1998.....	\$230,201	\$ --	\$282,086	\$(337,287)	\$175,000
Allowance for doubtful accounts.....	\$ --	\$50,783	\$ --	\$ (13,283)	\$ 37,500
Inventory reserve.....	--	--	160,500	--	160,500
Warranty reserve.....	175,000	--	412,273	(355,674)	231,599
Total at June 30, 1999.....	\$175,000	\$50,783	\$572,773	\$(368,957)	\$429,599

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EXHIBIT INDEX

EXHIBIT

NO.	DESCRIPTION
1.1	-- Form of Underwriting Agreement.
3.1	-- Amended and Restated Certificate of Incorporation of Collectors Universe, as in effect.**
3.2	-- Form of Amended and Restated Certificate of Incorporation of Collectors Universe, to be filed prior to the closing of the offering made under this Registration Statement.**
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4.1	-- Form of Registration Rights Agreement for stockholders pursuant to reorganization.
4.2	-- Form of Registration Rights Agreement for stockholders pursuant to private placement.
5.1	-- Opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation.
10.1	-- Collectors Universe 1999 Stock Incentive Plan.**
10.2	-- Form of Stock Option Agreement for the Collectors Universe 1999 Plan.**
10.4	-- PCGS 1999 Stock Incentive Plan.**
10.5	-- Form of Stock Option Agreement for the PCGS 1999 Plan.**
10.6	-- Employee Stock Purchase Plan.**
10.7	-- Form of Indemnification Agreement.
10.8	-- Asset Acquisition Agreement dated January 25, 1999 by and among Professional Coin Grading Service, Inc., Info Exchange, Inc. and Brent Gutekunst.**
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10.10	-- Net Lease between Orix Searls Santa Ana Venture and Collectors Universe, dated June, 1999.**
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10.15	-- Contribution and Acquisition Agreement dated February 3, 1999 by and between Collectors Universe and Lyn F. Knight Rare Coins, Inc.**
10.16	-- Contribution and Acquisition Agreement dated February 3, 1999 by and between Collectors Universe, Kingswood Coin Auction, LLC and the Members of Kingswood.**
10.17	-- Contribution and Acquisition Agreement dated February 3, 1999 by and between Collectors Universe and Professional Coin Grading Service, Inc.**
10.18	-- Employment Agreement dated March 1999, by and between Superior Sportcard Auctions, LLC and Greg Bussineau.**

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EXHIBIT NO.	DESCRIPTION
10.19	-- Employment Agreement dated March 5, 1999, by and between Lyn F. Knight, Lyn Knight Currency Auctions, Inc. and Collectors Universe.**
10.20	-- Employment Agreement dated January 25, 1999 by and between Internet Universe, LLC and Brent Gutekunst.**
10.21	-- Employment Agreement dated _____, 1999 by and between Collectors Universe, Inc. and Louis M. Crain.*
10.22	-- Employment Agreement dated _____ by and between Gary N. Patten and Collectors Universe, Inc.*

- 10.23 -- Severance Agreement dated by and between Gary N. Patten and Collectors Universe, Inc.\*
- 11.1 -- Statement regarding computation of pro forma net income per share.\*\*
- 21.1 -- Subsidiaries.
- 23.1 -- Consent of Stradling Yocca Carlson & Rauth, a Professional Corporation (see Exhibit 5.1).
- 23.2 -- Consent of Deloitte & Touche LLP.
- 23.3 -- Consent of Deloitte & Touche LLP.
- 23.4 -- Consent of Deloitte & Touche LLP.
- 24.1 -- Power of Attorney (see page II-5).\*\*
- 27.1 -- Financial Data Schedule.\*\*

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\* To be filed by amendment.

\*\* Previously filed.

+ Portions of this exhibit are omitted and were filed separately with the SEC pursuant to the Collectors Universe application requesting confidential treatment under Rule 406 of the Securities Act of 1933.

\_\_\_\_\_ SHARES\*  
 COLLECTORS UNIVERSE, INC.  
 COMMON STOCK  
 UNDERWRITING AGREEMENT  
 \_\_\_\_\_, 1999

NEEDHAM & COMPANY, INC.  
 FIRST SECURITY VAN KASPER  
 As Representatives of the several Underwriters  
 c/o Needham & Company, Inc.  
 445 Park Avenue  
 New York, New York 10022

Ladies and Gentlemen:

Collectors Universe, Inc., a Delaware corporation (the "Company"), proposes to issue and sell \_\_\_\_\_ shares (the "Firm Shares") of the Company's Common Stock, \$0.001 par value per share (the "Common Stock"), to you and to the several other Underwriters named in Schedule I hereto (collectively, the "Underwriters"), for whom you are acting as representatives (the "Representatives"). The Company has also agreed to grant to you and the other Underwriters an option (the "Option") to purchase up to an additional \_\_\_\_\_ shares of Common Stock, on the terms and for the purposes set forth in Section 1(b) (the "Option Shares"). The Firm Shares and the Option Shares are referred to collectively herein as the "Shares."

The Company confirms as follows with the Representatives and the several other Underwriters.

1. Agreement to Sell and Purchase.

- (a) On the basis of the representations, warranties and agreements of the Company herein contained and subject to all the terms and conditions of this Agreement, (i) the Company agrees to issue and sell the Firm Shares to the several Underwriters and (ii) each of the Underwriters, severally and not jointly, agrees to purchase from the Company the respective number of Firm Shares set forth opposite that Underwriter's name in Schedule I hereto, at the purchase price of \$\_\_\_\_\_ for each Firm Share.
- (b) Subject to all the terms and conditions of this Agreement, the Company grants the Option to the several Underwriters to purchase, severally and not jointly, up to \_\_\_\_\_ Option Shares at the same price per share as the Underwriters shall pay for the Firm Shares. The Option may be exercised only to cover over-allotments in the sale of the Firm Shares by the Underwriters and may be exercised in whole or in part at any time (but not more than once) on or before the 30th day after the date of this Agreement upon written or telegraphic notice (the "Option Shares Notice") by the Representatives to the Company no later than 12:00 noon, New York City time, at least two and no more than five business days before the date specified for closing in the Option Shares Notice (the

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 \*Plus an option to purchase up to an additional \_\_\_\_\_ shares to cover over-allotments.

"Option Closing Date"), setting forth the aggregate number of Option Shares to be purchased and the time and date for such purchase. On the Option Closing Date, the Company will issue and sell to the Underwriters the number of Option Shares set forth in the Option Shares Notice, and each Underwriter will purchase such percentage of the Option Shares as is equal to the percentage of Firm Shares that such Underwriter is purchasing, as adjusted by the Representatives in such manner as they deem advisable to avoid fractional shares.

2. Delivery and Payment. Delivery of the Firm Shares shall be made to the Representatives for the accounts of the Underwriters against payment of the purchase price by certified or official bank checks or by wire transfer payable in same-day funds to the order of the Company at the office of Needham & Company, Inc., 445 Park Avenue, New York, New York 10022, at 10:00 a.m., New York City time, on the third (or, if the purchase price set forth in Section 1(b) hereof is determined after 4:30 p.m., Washington D.C. time, the fourth) business day following the commencement of the offering contemplated by this Agreement, or at such time on such other date, not later than seven business days after the date of this Agreement, as may be agreed upon by the Company and the Representatives (such date is hereinafter referred to as the "Closing Date").

To the extent the Option is exercised, delivery of the Option Shares against payment by the Underwriters (in the manner specified above) will take place at the offices specified above for the Closing Date at the time and date (which may be the Closing Date) specified in the Option Shares Notice.

Certificates evidencing the Shares shall be in definitive form and shall be registered in such names and in such denominations as the Representatives shall request at least two business days prior to the Closing Date or the Option Closing Date, as the case may be, by written notice to the Company. For the purpose of expediting the checking and packaging of certificates for the Shares, the Company agrees to make such certificates available for inspection at least 24 hours prior to the Closing Date or the Option Closing Date, as the case may be.

The cost of original issue tax stamps, if any, in connection with the issuance and delivery of the Firm Shares and Option Shares by the Company to the respective Underwriters shall be borne by the Company. The Company will pay and save each Underwriter and any subsequent holder of the Shares harmless from any and all liabilities with respect to or resulting from any failure or delay in paying Federal and state stamp and other transfer taxes, if any, which may be payable or determined to be payable in connection with the original issuance or sale to such Underwriter of the Shares.

3. Representations and Warranties of the Company. The Company represents, warrants and covenants to each Underwriter that:
  - (a) The Company meets the requirements for use of Form S-1 and a registration statement (Registration No. 333-86449) on Form S-1 relating to the Shares, including a preliminary prospectus and such amendments to such registration statement as may have been required to the date of this Agreement, has been prepared by the Company under the provisions of the Securities Act of 1933, as amended (the "Act"), and the rules and regulations (collectively referred to as the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder, and has been filed with the Commission. The term "preliminary prospectus" as used herein means a preliminary prospectus, including the documents incorporated by reference therein, as contemplated by Rule 430 or Rule 430A of the Rules and Regulations included at any time as part of the registration statement. Copies of such registration statement and amendments and of each related preliminary prospectus have been delivered to the Representatives. If such registration statement has not become effective, a further amendment to such registration statement, including a form of final prospectus, necessary to permit such registration statement to become effective will be filed promptly by the Company with the Commission. If such registration

statement has become effective, a final prospectus containing information permitted to be omitted at the time of effectiveness by Rule 430A of the Rules and Regulations will be filed promptly by the Company with the Commission in accordance with Rule 424(b) of the Rules and Regulations. The term "Registration Statement" means the registration statement as amended at the time it becomes or became effective (the "Effective Date"), including all

documents incorporated by reference therein, financial statements and all exhibits and any information deemed to be included by Rule 430A and includes any registration statement relating to the offering contemplated by this Agreement and filed pursuant to Rule 462(b) of the Rules and Regulations. The term "Prospectus" means the prospectus, including the documents incorporated by reference therein, as first filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations or, if no such filing is required, the form of final prospectus, including the documents incorporated by reference therein, included in the Registration Statement at the Effective Date. Any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement, any preliminary prospectus or the Prospectus shall be deemed to refer to and include the filing of any document under the Securities Exchange Act of 1934, as amended (the "Exchange Act") after the Effective Date, the date of any preliminary prospectus or the date of the Prospectus, as the case may be, and deemed to be incorporated therein by reference.

- (b) No order preventing or suspending the use of any preliminary prospectus has been issued by the Commission. On the Effective Date, the date the Prospectus is first filed with the Commission pursuant to Rule 424(b) (if required), at all times subsequent to and including the Closing Date and, if later, the Option Closing Date and when any post-effective amendment to the Registration Statement becomes effective or any amendment or supplement to the Prospectus is filed with the Commission, the Registration Statement and the Prospectus (as amended or as supplemented if the Company shall have filed with the Commission any amendment or supplement thereto), including the financial statements included in the Prospectus, did and will comply with all applicable provisions of the Act, the Exchange Act, the rules and regulations under the Exchange Act (the "Exchange Act Rules and Regulations"), and the Rules and Regulations and will contain all statements required to be stated therein in accordance with the Act, the Exchange Act, the Exchange Act Rules and Regulations, and the Rules and Regulations. On the Effective Date and when any post-effective amendment to the Registration Statement becomes effective, no part of the Registration Statement, the Prospectus or any such amendment or supplement did or will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading. At the Effective Date, the date the Prospectus or any amendment or supplement to the Prospectus is filed with the Commission and at the Closing Date and, if later, the Option Closing Date, the Prospectus did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The foregoing representations and warranties in this Section 3(b) do not apply to any statements or omissions made in reliance on and in conformity with information relating to any Underwriter furnished in writing to the Company by the Representatives specifically for inclusion in the Registration Statement or Prospectus or any amendment or supplement thereto. The Company acknowledges that the statements set forth under the heading "Underwriting" in the Prospectus constitute the only information relating to any Underwriter furnished in writing to the Company by the Representatives specifically for inclusion in the Registration Statement.



- (c) The documents that are incorporated by reference in the preliminary prospectus and the Prospectus or from which information is so incorporated by reference, when they became or become effective or were or are filed with the Commission, as the case may be, complied or will comply in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the Rules and Regulations or the Exchange Act Rules and Regulations, as applicable; and any documents so filed and incorporated by reference subsequent to the Effective Date shall, when they are filed with the Commission, comply in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the Rules and Regulations or the Exchange Act Rules and Regulations, as applicable.
- (d) The Company does not own, and at the Closing Date and, if later, the Option Closing Date, will not own, directly or indirectly, any shares of stock or any other equity or long-term debt securities of any corporation or have any equity interest in any corporation, firm, partnership, joint venture, association or other entity, other than the subsidiaries listed in Exhibit 21.1 to the Registration Statement (the "Subsidiaries"). The Company and each of its Subsidiaries is, and at the Closing Date

and, if later, the Option Closing Date, will be, a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. The Company and each of its Subsidiaries has, and at the Closing Date and, if later, the Option Closing Date, will have, full power and authority to conduct all the activities conducted by it, to own or lease all the assets owned or leased by it and to conduct its business as described in the Registration Statement and the Prospectus. The Company and each of its Subsidiaries is, and at the Closing Date and, if later, the Option Closing Date, will be, duly licensed or qualified to do business and in good standing as a foreign corporation in all jurisdictions in which the nature of the activities conducted by it or the character of the assets owned or leased by it makes such license or qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not materially and adversely affect the Company or its business, properties, business prospects, condition (financial or other) or results of operations. All of the outstanding shares of capital stock of each Subsidiary have been duly authorized and validly issued and are fully paid and nonassessable, and owned by the Company free and clear of all claims, liens, charges and encumbrances; there are no securities outstanding that are convertible into or exercisable or exchangeable for capital stock of any Subsidiary. The Company is not, and at the Closing Date and, if later, the Option Closing Date, will not be, engaged in any discussions or a party to any agreement or understanding, written or oral, regarding the acquisition of an interest in any corporation, firm, partnership, joint venture, association or other entity where such discussions, agreements or understandings would require amendment to the Registration Statement pursuant to applicable securities laws. Complete and correct copies of the certificate of incorporation and of the by-laws of the Company and each of its Subsidiaries and all amendments thereto have been delivered to the Representatives, and no changes therein will be made subsequent to the date hereof and prior to the Closing Date or, if later, the Option Closing Date.

- (e) All of the outstanding shares of capital stock of the Company have been duly authorized, validly issued and are fully paid and nonassessable and were issued in compliance with all applicable state and federal securities laws; the Shares have been duly authorized and when issued and paid for as contemplated herein will be validly issued, fully paid and nonassessable; no preemptive or similar rights exist with respect to any of the

Shares or the issue and sale thereof. The description of the capital stock of the Company in the Registration Statement and the Prospectus is, and at the Closing Date and, if later, the Option Closing Date, will be, complete and accurate in all respects. Except as set forth in the Prospectus, the Company does not have outstanding, and at the Closing Date and, if later, the Option Closing Date, will not have outstanding, any options to purchase, or any rights or warrants to subscribe for, or any securities or obligations convertible into, or any contracts or commitments to issue or sell, any shares of capital stock, or any such warrants, convertible securities or obligations. No further approval or authority of stockholders or the Board of Directors of the Company will be required for the issuance and sale of the Shares as contemplated herein.

- (f) The financial statements and schedules included in the Registration Statement or the Prospectus present fairly the financial condition of the Company and its consolidated Subsidiaries as of the respective dates thereof and the results of operations and cash flows of the Company and its consolidated Subsidiaries for the respective periods covered thereby, all in conformity with generally accepted accounting principles applied on a consistent basis throughout the entire period involved, except as otherwise disclosed in the Prospectus. No other financial statements or schedules of the Company are required by the Act, the Exchange Act, the Exchange Act Rules and Regulations or the Rules and Regulations to be included in the Registration Statement or the Prospectus. Deloitte & Touche (the "Accountants"), who have reported on such financial statements and schedules, are independent accountants with respect to the Company as required by the Act and the Rules and Regulations. The summary consolidated financial and statistical data included in the Registration Statement present fairly the information shown therein and have been compiled on a basis consistent with the financial statements presented therein.
- (g) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus and prior to the Closing Date and, if later, the Option Closing Date, except as set forth in or contemplated by the Registration Statement and the Prospectus, (i) there has not been and will not have been any change in the capitalization of the Company (other than in connection with the

exercise of options to purchase the Company's Common Stock granted pursuant to the Company's stock option plans from the shares reserved therefor as described in the Registration Statement), or any material adverse change in the business, properties, business prospects, condition (financial or otherwise) or results of operations of the Company or any of its Subsidiaries, arising for any reason whatsoever, (ii) neither the Company nor any of its Subsidiaries has incurred nor will any of them incur, except in the ordinary course of business as described in the Prospectus, any material liabilities or obligations, direct or contingent, nor has the Company or any of its Subsidiaries entered into nor will it enter into, except in the ordinary course of business as described in the Prospectus, any material transactions other than pursuant to this Agreement and the transactions referred to herein and (iii) the Company has not and will not have paid or declared any dividends or other distributions of any kind on any class of its capital stock.

- (h) The Company is not, will not become as a result of the transactions contemplated hereby, and does not intend to conduct its business in a manner that would cause it to become, an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

- (i) Except as set forth in the Registration Statement and the Prospectus, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company, and of its Subsidiaries or any of its or their officers in their capacity as such, nor any basis therefor, before or by any Federal or state court, commission, regulatory body, administrative agency or other governmental body, domestic or foreign, wherein an unfavorable ruling, decision or finding might materially and adversely affect the Company, any of its Subsidiaries or the business, properties, business prospects, condition (financial or otherwise) or results of operations of the Company or any of its Subsidiaries.
- (j) The Company and each Subsidiary has, and at the Closing Date and, if later, the Option Closing Date, will have, performed all the obligations required to be performed by it, and is not, and at the Closing Date, and, if later, the Option Closing Date, will not be, in default, under any contract or other instrument to which it is a party or by which its property is bound or affected, which default might materially and adversely affect the Company or the business, properties, business prospects, condition (financial or other) or results of operations of the Company or any of its Subsidiaries. To the best knowledge of the Company, no other party under any contract or other instrument to which it or any of its Subsidiaries is a party is in default in any respect thereunder, which default might reasonably be expected to materially and adversely affect the Company, any of its Subsidiaries or the business, properties, business prospects, condition (financial or other) or results of operations of the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries is, and at the Closing Date and, if later, the Option Closing Date, will be, in violation of any provision of its certificate or articles of organization or by-laws or other organizational documents.
- (k) No consent, approval, authorization or order of, or any filing or declaration with, any court or governmental agency or body is required for the consummation by the Company of the transactions on its part contemplated herein, except such as have been obtained under the Act or the Rules and Regulations and such as may be required under state securities or Blue Sky laws or the by-laws and rules of the National Association of Securities Dealers, Inc. (the "NASD") in connection with the purchase and distribution by the Underwriters of the Shares.
- (l) The Company has full corporate power and authority to enter into this Agreement. This Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with the terms hereof. The performance of this Agreement and the consummation of the transactions contemplated hereby will not result in the creation or imposition of any lien, charge or encumbrance upon any of the assets of the Company pursuant to the terms or provisions of, or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or give any party a right to terminate any of its obligations under, or result in the acceleration of any obligation under, the certificate or articles of incorporation or by-laws of the Company or any of its Subsidiaries, any indenture, mortgage, deed of trust, voting trust agreement, loan agreement, bond, debenture, note agreement or

other evidence of indebtedness, lease, contract or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company, any of its Subsidiaries or any of its or their properties is bound or affected, or violate or conflict with any judgment, ruling, decree, order, statute, rule or regulation of any court or other

governmental agency or body applicable to the business or properties of the Company or any of its Subsidiaries.

- (m) The Company or one of its Subsidiaries has good and marketable title to all properties and assets described in the Prospectus as owned by them, free and clear of all liens, charges, encumbrances or restrictions, except such as are described in the Prospectus or are not material to the business of the Company or its Subsidiaries. The Company or its Subsidiaries has valid, subsisting and enforceable leases for the properties described in the Prospectus as leased by them. The Company or one of its Subsidiaries owns or leases all such properties as are necessary to its operations as now conducted or as proposed to be conducted, except where the failure to so own or lease would not materially and adversely affect the business, properties, business prospects, condition (financial or otherwise) or results of operations of the Company or its Subsidiaries.
- (n) There is no document or contract of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement which is not described or filed as required. All such contracts to which the Company or any of its Subsidiaries is a party have been duly authorized, executed and delivered by the Company or such Subsidiary, constitute valid and binding agreements of the Company or such Subsidiary and are enforceable against and by the Company or such Subsidiary in accordance with the terms thereof.
- (o) No statement, representation, warranty or covenant made by the Company in this Agreement or made in any certificate or document required by Section 4 of this Agreement to be delivered to the Representatives was or will be, when made, inaccurate, untrue or incorrect.
- (p) Neither the Company nor any of its directors, officers or controlling persons has taken, directly or indirectly, any action designed, or which might reasonably be expected, to cause or result, under the Act or otherwise, in, or which has constituted, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.
- (q) No holder of securities of the Company has rights to the registration of any securities of the Company because of the filing of the Registration Statement, which rights have not been waived by the holder thereof as of the date hereof.
- (r) The Company has filed a registration statement pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to register the Common Stock, has filed an application to list the Shares on the Nasdaq National Market ("NNM"), and has received notification that the listing has been approved, subject to notice of issuance of the Shares.
- (s) Except as disclosed in or specifically contemplated by the Prospectus (i) the Company and its Subsidiaries have sufficient trademarks, trade names, patent rights, mask works, copyrights, licenses, approvals and governmental authorizations to conduct their businesses as now conducted, (ii) the Company has no knowledge of any infringement by it or any of its Subsidiaries of trademarks, trade name rights, patent rights, mask work rights, copyrights, licenses, trade secrets or other similar rights of others, where such infringement could have a material and adverse effect on the Company, any of its Subsidiaries or the business, properties, business prospects, condition (financial or otherwise) or results of operations of the Company or any of its Subsidiaries, and (iii) there is no claim being made against the Company or any of its Subsidiaries, or to the best of the Company's knowledge, any employee of the Company or any of its Subsidiaries, regarding trademark, trade name, patent, mask work, copyright, license, trade secret or other infringement which could have a material and adverse effect on the Company, any of its Subsidiaries or the business, properties, business prospects, condition (financial or otherwise) or results of operations of the Company or any of its Subsidiaries.

- (t) The Company and each of its Subsidiaries has filed all federal, state, local and foreign income tax returns which have been required to be filed and has paid all taxes and assessments received by it to

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- the extent that such taxes or assessments have become due. Neither the Company nor any of its Subsidiaries has any tax deficiency which has been or, to the best knowledge of the Company, might be asserted or threatened against it which could have a material and adverse effect on the business, properties, business prospects, condition (financial or otherwise) or results of operations of the Company or its Subsidiaries.
- (u) The pro forma financial information set forth in the Registration Statement reflects, subject to the limitations set forth in the Registration Statement as to such pro forma financial information, the results of operations of the Company and its consolidated Subsidiaries purported to be shown thereby for the periods indicated and conforms to the requirements of Regulation S-X of the Rules and Regulations and management of the Company believes (i) the assumptions underlying the pro forma adjustments are reasonable, (ii) that such adjustments have been properly applied to the historical amounts in the compilation of such statements, and (iii) that such statements present fairly, with respect to the Company and its consolidated Subsidiaries, the pro forma financial position and results of operations and the other information purported to be shown therein at the respective dates or for the respective periods therein specified.
  - (v) The Company or its Subsidiaries owns or possesses all authorizations, approvals, orders, licenses, registrations, other certificates and permits of and from all governmental regulatory officials and bodies, necessary to conduct its business their respective businesses as contemplated in the Prospectus, except where the failure to own or possess all such authorizations, approvals, orders, licenses, registrations, other certificates and permits would not materially and adversely affect the Company, any of its Subsidiaries or the business, properties, business prospects, condition (financial or otherwise) or results of operations of the Company or any of its Subsidiaries. There is no proceeding pending or threatened (or any basis therefor known to the Company) which may cause any such authorization, approval, order, license, registration, certificate or permit to be revoked, withdrawn, cancelled, suspended or not renewed; and the Company and each of its Subsidiaries is conducting its business in compliance with all laws, rules and regulations applicable thereto (including, without limitation, all applicable federal, state and local environmental laws and regulations) except where such noncompliance would not materially and adversely affect the Company, any of its Subsidiaries or the business, properties, business prospects, condition (financial or otherwise) or results of operations of the Company or any of its Subsidiaries.
  - (w) The Company and each of its Subsidiaries maintains insurance of the types and in the amounts generally deemed adequate for its business, including, but not limited to, insurance covering real and personal property owned or leased by the Company and its Subsidiaries against theft, damage, destruction, acts of vandalism and all other risks customarily insured against, all of which insurance is in full force and effect.
  - (x) Neither the Company nor any of its Subsidiaries has nor, to the best of the Company's knowledge, any of its or their respective employees or agents at any time during the last five years (i) made any unlawful contribution to any candidate for foreign office, or failed to disclose fully any contribution in violation of law, or (ii) made any payment to any federal or state governmental officer or official, or other person charged with similar public or quasi-public duties, other than payments

required or permitted by the laws of the United States or any jurisdiction thereof.

4. Agreements of the Company. The Company covenants and agrees with the several Underwriters as follows:

- (a) The Company will not, either prior to the Effective Date or thereafter during such period as the Prospectus is required by law to be delivered in connection with sales of the Shares by an Underwriter or dealer, file any amendment or supplement to the Registration Statement or the Prospectus, unless a copy thereof shall first have been submitted to the Representatives within a reasonable period of time prior to the filing thereof and the Representatives shall not have objected thereto in good faith.

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- (b) The Company will use its best efforts to cause the Registration Statement to become effective, and will notify the Representatives promptly, and will confirm such advice in writing, (i) when the Registration Statement has become effective and when any post-effective amendment thereto becomes effective, (ii) of any request by the Commission for amendments or supplements to the Registration Statement or the Prospectus or for additional information, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose or the threat thereof, (iv) of the happening of any event during the period mentioned in the second sentence of Section 4(e) that in the judgment of the Company makes any statement made in the Registration Statement or the Prospectus untrue or that requires the making of any changes in the Registration Statement or the Prospectus in order to make the statements therein, in the light of the circumstances in which they are made, not misleading and (v) of receipt by the Company or any representative or attorney of the Company of any other communication from the Commission relating to the Company, the Registration Statement, any preliminary prospectus or the Prospectus. If at any time the Commission shall issue any order suspending the effectiveness of the Registration Statement, the Company will make every reasonable effort to obtain the withdrawal of such order at the earliest possible moment. If the Company has omitted any information from the Registration Statement pursuant to Rule 430A of the Rules and Regulations, the Company will comply with the provisions of and make all requisite filings with the Commission pursuant to said Rule 430A and notify the Representatives promptly of all such filings.
- (c) The Company will furnish to each Representative, without charge, one signed copy of each of the Registration Statement and of any post-effective amendment thereto, including financial statements and schedules, and all exhibits thereto and will furnish to the Representatives, without charge, for transmittal to each of the other Underwriters, a copy of the Registration Statement and any post-effective amendment thereto, including financial statements and schedules but without exhibits.
- (d) The Company will comply with all the provisions of any undertakings contained in the Registration Statement.
- (e) On the Effective Date, and thereafter from time to time, the Company will deliver to each of the Underwriters, without charge, as many copies of the Prospectus or any amendment or supplement thereto as the Representatives may reasonably request. The Company consents to the use of the Prospectus or any amendment or supplement thereto by the several Underwriters and by all dealers to whom the Shares may be sold, both in connection with the offering or sale of the Shares and for any period of time thereafter during which the Prospectus is required by law to be delivered in connection therewith. If during such period of time any event shall occur which in the judgment of the Company or

counsel to the Underwriters should be set forth in the Prospectus in order to make any statement therein, in the light of the circumstances under which it was made, not misleading, or if it is necessary to supplement or amend the Prospectus to comply with law, the Company will forthwith prepare and duly file with the Commission an appropriate supplement or amendment thereto, and will deliver to each of the Underwriters, without charge, such number of copies of such supplement or amendment to the Prospectus as the Representatives may reasonably request. The Company will not file any document under the Exchange Act or the Exchange Act Rules and Regulations before the termination of the offering of the Shares by the Underwriters, if such document would be deemed to be incorporated by reference into the Prospectus, that is not approved by the Representatives after reasonable notice thereof.

- (f) Prior to any public offering of the Shares, the Company will cooperate with the Representatives and counsel to the Underwriters in connection with the registration or qualification of the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Representatives may request; provided, that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to general service of process in any jurisdiction where it is not now so subject.
- (g) The Company will, so long as required under the Rules and Regulations, furnish to its stockholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flow of the Company and its consolidated

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Subsidiaries, if any, certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), consolidated summary financial information of the Company and its Subsidiaries, if any, for such quarter in reasonable detail.

- (h) During the period of five years commencing on the Effective Date, the Company will furnish to the Representatives and each other Underwriter who may so request copies of such financial statements and other periodic and special reports as the Company may from time to time distribute generally to the holders of any class of its capital stock, and will furnish to the Representatives and each other Underwriter who may so request a copy of each annual or other report it shall be required to file with the Commission.
- (i) The Company will make generally available to holders of its securities as soon as may be practicable but in no event later than the last day of the fifteenth full calendar month following the calendar quarter in which the Effective Date falls, an earnings statement (which need not be audited but shall be in reasonable detail) for a period of 12 months ended commencing after the Effective Date, and satisfying the provisions of Section 11(a) of the Act (including Rule 158 of the Rules and Regulations).
- (j) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company will pay or reimburse if paid by the Representatives all costs and expenses incident to the performance of the obligations of the Company under this Agreement and in connection with the transactions contemplated hereby, including but not limited to costs and expenses of or relating to (i) the preparation, printing and filing of the Registration Statement and exhibits to

it, each preliminary prospectus, Prospectus and any amendment or supplement to the Registration Statement or Prospectus, (ii) the preparation and delivery of certificates representing the Shares, (iii) the printing of this Agreement, the Agreement Among Underwriters, any Selected Dealer Agreements, any Underwriters' Questionnaires, any Underwriters' Powers of Attorney, and any invitation letters to prospective Underwriters, (iv) furnishing (including costs of shipping and mailing) such copies of the Registration Statement, the Prospectus and any preliminary prospectus, and all amendments and supplements thereto, as may be requested for use in connection with the offering and sale of the Shares by the Underwriters or by dealers to whom Shares may be sold, (v) the listing of the Shares on the NNM, (vi) any filings required to be made by the Underwriters with the NASD, and the fees, disbursements and other charges of counsel for the Underwriters in connection therewith, (vii) the registration or qualification of the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions designated pursuant to Section 4(f), including the fees, disbursements and other charges of counsel to the Underwriters in connection therewith, and the preparation and printing of preliminary, supplemental and final Blue Sky memoranda, (viii) fees, disbursements and other charges of counsel to the Company (but not those of counsel for the Underwriters, except as otherwise provided herein) and (ix) the transfer agent for the Shares.

- (k) The Company will not at any time, directly or indirectly, take any action designed or which might reasonably be expected to cause or result in, or which will constitute, stabilization of the price of the shares of Common Stock to facilitate the sale or resale of any of the Shares.
- (l) The Company will apply the net proceeds from the offering and sale of the Shares to be sold by the Company in the manner set forth in the Prospectus under "Use of Proceeds" and shall file such reports with the Commission with respect to the sale of the Shares and the application of the proceeds therefrom as may be required in accordance with Rule 463 under the Act.
- (m) During the period beginning from the date hereof and continuing to and including the date 180 days after the date of the Prospectus, without the prior written consent of Needham & Company, Inc., the Company will not offer, sell, contract to sell, grant options to purchase or otherwise dispose of any of the Company's equity securities of the Company or any other securities convertible into or exchangeable with its Common Stock or other equity security (other than pursuant to employee stock option plans or the conversion of convertible securities or the exercise of warrants outstanding on the date of this Agreement).

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- (n) During the period of 180 days after the date of the Prospectus, the Company will not, without the prior written consent of Needham & Company, Inc., grant options to purchase shares of Common Stock at a price less than the initial public offering price. During the period of 180 days after the date of the Prospectus, the Company will not file with the Commission or cause to become effective any registration statement relating to any securities of the Company without the prior written consent of Needham & Company, Inc.
- (o) The Company will cause each of its officers, directors and certain stockholders designated by the Representatives to, enter into lock-up agreements with the Representatives to the effect that they will not, without the prior written consent of Needham & Company, Inc., sell, contract to sell or otherwise dispose of any shares of Common Stock or rights to acquire such shares according to the terms set forth in Schedule II hereto.
- (p) The Company will not file with the Commission any registration



statement on Form S-8 relating to shares of its Common Stock prior to 90 days after the effective date of the Registration Statement.

5. Conditions of the Obligations of the Underwriters. The obligations of each Underwriter hereunder are subject to the following conditions:

- (a) Notification that the Registration Statement has become effective shall be received by the Representatives not later than 5:00 p.m., New York City time, on the date of this Agreement or at such later date and time as shall be consented to in writing by the Representatives and all filings required by Rule 424 and Rule 430A of the Rules and Regulations shall have been made.
- (b) (i) No stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall be pending or threatened by the Commission, (ii) no order suspending the effectiveness of the Registration Statement or the qualification or registration of the Shares under the securities or Blue Sky laws of any jurisdiction shall be in effect and no proceeding for such purpose shall be pending before or threatened or contemplated by the Commission or the authorities of any such jurisdiction, (iii) any request for additional information on the part of the staff of the Commission or any such authorities shall have been complied with to the satisfaction of the staff of the Commission or such authorities and (iv) after the date hereof no amendment or supplement to the Registration Statement or the Prospectus shall have been filed unless a copy thereof was first submitted to the Representatives and the Representatives do not object thereto in good faith, and the Representatives shall have received certificates, dated the Closing Date and, if later, the Option Closing Date and signed by the Chief Executive Officer and the Chief Financial Officer of the Company (who may, as to proceedings threatened, rely upon the best of their information and belief), to the effect of clauses (i), (ii) and (iii) of this paragraph.
- (c) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, (i) there shall not have been a material adverse change in the general affairs, business, business prospects, properties, management, condition (financial or otherwise) or results of operations of the Company or any of its Subsidiaries, whether or not arising from transactions in the ordinary course of business, in each case other than as described in or contemplated by the Registration Statement and the Prospectus, and (ii) the Company shall not have sustained any material loss or interference with its business or properties from fire, explosion, flood or other casualty, whether or not covered by insurance, or from any labor dispute or any court or legislative or other governmental action, order or decree, which is not described in the Registration Statement and the Prospectus, if in the judgment of the Representatives any such development makes it impracticable or inadvisable to consummate the sale and delivery of the Shares by the Underwriters at the initial public offering price.
- (d) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, there shall have been no litigation or other proceeding instituted against the Company, any of its Subsidiaries, or any of its or their officers or directors in their capacities as such, before or by any Federal, state or local court, commission, regulatory body, administrative agency or other governmental body, domestic or foreign, in which litigation or proceeding an unfavorable ruling,

decision or finding would, in the judgment of the Representatives, materially and adversely affect the business, properties, business prospects, condition (financial or

otherwise) or results of operations of the Company or any of its Subsidiaries.

- (e) Each of the representations and warranties of the Company contained herein shall be true and correct in all material respects at the Closing Date and, with respect to the Option Shares, at the Option Closing Date, and all covenants and agreements contained herein to be performed on the part of the Company and all conditions contained herein to be fulfilled or complied with by the Company at or prior to the Closing Date and, with respect to the Option Shares, at or prior to the Option Closing Date, shall have been duly performed, fulfilled or complied with.
- (f) The Representatives shall have received an opinion, dated the Closing Date and, with respect to the Option Shares, the Option Closing Date, satisfactory in form and substance to the Representatives and counsel for the Underwriters from Stradling Yocca Carlson & Rauth, counsel to the Company, with respect to the following matters:
  - (i) Each of the Company and its Subsidiaries is a corporation or limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization; has full corporate power and authority to conduct all the activities conducted by it, to own or lease all the assets owned or leased by it and to conduct its business as described in the Registration Statement and Prospectus; and to the knowledge of such counsel is duly licensed or qualified to do business and is in good standing as a foreign corporation in all jurisdictions in which the nature of the activities conducted by it or the character of the assets owned or leased by it makes such license or qualification necessary and where the failure to be licensed or qualified would have a material and adverse effect on the Company.
  - (ii) All of the outstanding shares of capital stock of the Company have been duly authorized, validly issued and are fully paid and nonassessable, to such counsel's knowledge, were issued pursuant to exemptions from the registration and qualification requirements of federal and applicable state securities laws, and were not issued in violation of or subject to any preemptive or, to such counsel's knowledge, similar rights.
  - (iii) The specimen certificate evidencing the Common Stock filed as an exhibit to the Registration Statement is in due and proper form under Delaware law, the Shares have been duly authorized and, when issued and paid for as contemplated by this Agreement, will be validly issued, fully paid and nonassessable; and no preemptive or similar rights exist with respect to any of the Shares or the issue and sale thereof.
  - (iv) All of the outstanding shares of capital stock or membership units of each Subsidiary have been duly authorized and validly issued and are fully paid and nonassessable, and to our knowledge are owned by the Company free of any Adverse Interests (other than transferability restrictions under applicable securities laws); and to such counsel's knowledge, there are no securities outstanding that are convertible into or exercisable or exchangeable for capital stock of any Subsidiary.
  - (v) The authorized capital stock and to such counsel's knowledge the outstanding capital stock of the Company is as set forth in the Registration Statement and the Prospectus in the column entitled "Actual" under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to this Agreement or pursuant to reservations, agreements, employee benefit plans or the exercise of convertible securities, options or warrants

referred to in the Prospectus). To such counsel's knowledge, except as disclosed in or specifically contemplated by the Prospectus, there are no outstanding options, warrants of other rights calling for the issuance of, and no commitments, plans or arrangements to issue, any shares of capital stock of the Company or any security convertible into or exchangeable or exercisable for capital stock of the Company. The

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description of the capital stock of the Company in the Registration Statement and the Prospectus conforms in all material respects to the terms thereof.

- (vi) To such counsel's knowledge, there are no legal or governmental proceedings pending or threatened to which the Company or any of its Subsidiaries is a party or to which any of their respective properties is subject that are required to be described in the Registration Statement or the Prospectus but are not so described.
- (vii) No consent, approval, authorization or order of, or any filing or declaration with, any court or governmental agency or body is required for the consummation by the Company of the transactions on its part contemplated under this Agreement, except such as have been obtained or made under the Act or the Rules and Regulations except that such counsel need not opine as to any such consents, approvals, authorizations, orders, filings or declarations required under state securities or Blue Sky laws or the by-laws and rules of the NASD in connection with the purchase and distribution by the Underwriters of the Shares.
- (viii) The Company has full corporate power and authority to enter into this Agreement. This Agreement has been duly authorized, executed and delivered by the Company.
- (ix) The execution and delivery of this Agreement, the compliance by the Company with all of the terms hereof and the consummation of the transactions contemplated hereby does not contravene any provision of applicable law or the Certificate of Incorporation or By-Laws, or Articles of Organization, as applicable, of the Company or any of its Subsidiaries, and to the best of such counsel's knowledge will not result in the creation or imposition of any lien, charge or encumbrance upon any of the assets of the Company pursuant to the terms and provisions of, result in a breach or violation of any of the terms or provisions of, or constitute a default under, or give any party a right to terminate any of its obligations under, or result in the acceleration of any obligation under, any lease, contract or other agreement or instrument filed as an exhibit to the Registration Statement, or violate or conflict with (i) any judgment, ruling, decree or order known to such counsel or (ii) any California or federal statute, rule or regulation of any court or other California or federal governmental agency or body, applicable to the business or properties of the Company or any of its Subsidiaries.
- (x) To such counsel's knowledge, there is no document or contract of a character required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement which is not described or filed or incorporated by reference as required, and each description of such contracts and documents that is contained in the Registration Statement and Prospectus fairly presents in all material respects the information required under the Act and the Rules and

Regulations.

- (xi) The statements under the captions "Risk Factors -- A significant number of shares are eligible for sale and their sale could depress our stock price," "Risk Factors -- provisions in our charter documents may make an acquisition of us more difficult," "Management -- Employee Benefit Plans," "Management -- Employment Agreements," "Certain Relationships and Related Transactions," "Description of Capital Stock," and "Shares Eligible for Future Sale" in the Prospectus, insofar as the statements constitute a summary of documents referred to therein or matters of law, are accurate summaries and fairly and correctly present, in all material respects, the information called for with respect to such documents and matters (provided, however, that such counsel may rely on representations of the Company with respect to the factual matters contained in such statements, and provided further that such counsel shall state that nothing has come to the attention of such counsel which leads them to believe that such representations are not true and correct in all material respects).

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- (xii) The Company is not an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.
- (xiii) The Shares have been duly authorized for listing on the NNM, subject to notice of issuance.
- (xiv) To such counsel's knowledge, no holder of securities of the Company has rights, which have not been waived or satisfied, to require the register with the Commission shares of Common Stock or other securities, as part of the offering contemplated hereby.
- (xv) The Registration Statement has become effective under the Act, and such counsel's knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been instituted or is pending, threatened or contemplated.
- (xvi) The Registration Statement and the Prospectus comply as to form in all material respects with the requirement of the Act and the Rules and Regulations (other than the financial statements, schedules and other financial or statistical data contained or incorporated by reference in the Registration Statement or the Prospectus, as to which such counsel need express no opinion).

Such counsel shall state, separately and not as a part of its opinion, that such counsel participated in the preparation of the Registration Statement and Prospectus and such counsel has no reason to believe that, as of the Effective Date the Registration Statement, or any amendment or supplement thereto, (other than the financial statements, schedules and other financial and statistical data contained or incorporated by reference therein, as to which such counsel need express no opinion) contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or that the Prospectus, or any amendment or supplement thereto, as of its date and the Closing Date and, if later, the Option Closing Date, contained or contains any untrue statement of a material fact or omitted or omits to

state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (other than the financial statements, schedules and other financial and statistical data contained or incorporated by reference therein, as to which such counsel need express no opinion).

In rendering such opinion, such counsel may rely upon as to matters of local law on opinions of counsel satisfactory in form and substance to the Representatives and counsel for the Underwriters, provided that the opinion of counsel to the Company shall state that they are doing so, that they have no reason to believe that they and the Underwriters are not entitled to rely on such opinions and that copies of such opinions are to be attached to the opinion.

- (g) The Representatives shall have received an opinion, dated the Closing Date and the Option Closing Date, from Heller Ehrman White & McAuliffe, counsel to the Underwriters, with respect to the Registration Statement, the Prospectus and this Agreement, which opinion shall be satisfactory in all respects to the Representatives.
- (h) Concurrently with the execution and delivery of this Agreement, the Accountants shall have furnished to the Representatives a letter, dated the date of its delivery, addressed to the Representatives and in form and substance satisfactory to the Representatives, confirming that they are independent accountants with respect to the Company and its Subsidiaries as required by the Act and the Exchange Act and the Rules and Regulations and with respect to certain financial and other statistical and numerical information contained or incorporated by reference in the Registration Statement. At the Closing Date and, as to the Option Shares, the Option Closing Date, the Accountants shall have furnished to the Representatives a letter, dated the date of its delivery, which

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shall confirm, on the basis of a review in accordance with the procedures set forth in the letter from the Accountants, that nothing has come to their attention during the period from the date of the letter referred to in the prior sentence to a date (specified in the letter) not more than five days prior to the Closing Date and the Option Closing Date, as the case may be, which would require any change in their letter dated the date hereof if it were required to be dated and delivered at the Closing Date and the Option Closing Date.

- (i) Concurrently with the execution and delivery of this Agreement and at the Closing Date and, as to the Option Shares, the Option Closing Date, there shall be furnished to the Representatives a certificate, dated the date of its delivery, signed by each of the Chief Executive Officer and the Chief Financial Officer of the Company, in form and substance satisfactory to the Representatives, to the effect that:
- (ii) Each signer of such certificate has carefully examined the Registration Statement and the Prospectus (including any documents filed under the Exchange Act and deemed to be incorporated by reference into the Prospectus) and (A) as of the date of such certificate, such documents are true and correct in all material respects and do not omit to state a material fact required to be stated therein or necessary in order to make the statements therein not untrue or misleading and (B) in the case of the certificate delivered at the Closing Date and the Option Closing Date, since the Effective Date no event has occurred as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein not untrue or misleading.

- (iii) Each of the representations and warranties of the Company contained in this Agreement were, when originally made, and are, at the time such certificate is delivered, true and correct.
- (iv) Each of the covenants required to be performed by the Company herein on or prior to the date of such certificate has been duly, timely and fully performed and each condition herein required to be satisfied or fulfilled on or prior to the date of such certificate has been duly, timely and fully satisfied or fulfilled.
- (j) On or prior to the Closing Date, the Representatives shall have received the executed agreements referred to in Section 4(o).
- (k) The Shares shall be qualified for sale in such jurisdictions as the Representatives may reasonably request and each such qualification shall be in effect and not subject to any stop order or other proceeding on the Closing Date or the Option Closing Date.
- (l) Prior to the Closing Date, the Shares shall have been duly authorized for listing on the NNM upon official notice of issuance.
- (m) The Company shall have furnished to the Representatives such certificates, in addition to those specifically mentioned herein, as the Representatives may have reasonably requested as to the accuracy and completeness at the Closing Date and the Option Closing Date of any statement in the Registration Statement or the Prospectus, as to the accuracy at the Closing Date and the Option Closing Date of the representations and warranties of the Company herein, as to the performance by the Company of its obligations hereunder, or as to the fulfillment of the conditions concurrent and precedent to the obligations hereunder of the Representatives.

6. Indemnification.

- (a) The Company will indemnify and hold harmless each Underwriter, the directors, officers, employees and agents of each Underwriter and each person, if any, who controls each Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, from and against any and all losses, claims, liabilities, expenses and damages (including any and all investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action,

suit or proceeding or any claim asserted), to which they, or any of them, may become subject under the Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, liabilities, expenses or damages arise out of or are based on any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Registration Statement or the Prospectus or any amendment or supplement to the Registration Statement or the Prospectus, or the omission or alleged omission to state in such document a material fact required to be stated in it or necessary to make the statements in it not misleading in the light of the circumstances in which they were made, or arise out of or are based in whole or in part on any inaccuracy in the representations and warranties of the Company contained herein or any failure of the Company to perform its obligations hereunder or under law in connection with the transactions contemplated hereby; provided, however, that (i) the Company will not be liable to the extent that such loss, claim, liability, expense or damage arises from the sale of the Shares in the public offering to any person by an Underwriter and is

based on an untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information relating to any Underwriter furnished in writing to the Company by the Representatives, on behalf of any Underwriter, expressly for inclusion in the Registration Statement, the preliminary prospectus or the Prospectus and (ii) the Company will not be liable to any Underwriter, the directors, officers, employees or agents of such Underwriter or any person controlling such Underwriter with respect to any loss, claim, liability, expense, or damage arising out of or based on any untrue statement or omission or alleged untrue statement or omission or alleged omission to state a material fact in the preliminary prospectus which is corrected in the Prospectus if the person asserting any such loss, claim, liability, charge or damage purchased Shares from such Underwriter but was not sent or given a copy of the Prospectus at or prior to the written confirmation of the sale of such Shares to such person. The Company acknowledges that the statements set forth under the heading "Underwriting" in the preliminary prospectus and the Prospectus constitute the only information relating to any Underwriter furnished in writing to the Company by the Representatives on behalf of the Underwriters expressly for inclusion in the Registration Statement, the preliminary prospectus or the Prospectus. This indemnity agreement will be in addition to any liability that the Company might otherwise have.

- (b) Each Underwriter will indemnify and hold harmless the Company, each director of the Company, each officer of the Company who signs the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, to the same extent as the foregoing indemnity from the Company to each Underwriter, as set forth in Section 6(a), but only insofar as losses, claims, liabilities, expenses or damages arise out of or are based on any untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information relating to any Underwriter furnished in writing to the Company by the Representatives, on behalf of such Underwriter, expressly for use in the Registration Statement, the preliminary prospectus or the Prospectus. The Company acknowledges that the statements set forth under the heading "Underwriting" in the preliminary prospectus and the Prospectus constitute the only information relating to any Underwriter furnished in writing to the Company by the Representatives on behalf of the Underwriters expressly for inclusion in the Registration Statement, the preliminary prospectus or the Prospectus. This indemnity will be in addition to any liability that each Underwriter might otherwise have.
- (c) Any party that proposes to assert the right to be indemnified under this Section 6 shall, promptly after receipt of notice of commencement of any action against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section 6, notify each such indemnifying party in writing of the commencement of such action, enclosing with such notice a copy of all papers served, but the omission so to notify such indemnifying party will not relieve it from any liability that it may have to any indemnified party under the foregoing provisions of this Section 6 unless, and only to the extent that, such omission results in the loss of substantive rights or defenses by the indemnifying party. If any such action is brought against any indemnified party and it notifies the indemnifying party of its commencement, the indemnifying party will be entitled to participate in and, to the extent that it elects by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified party, jointly with any

other indemnifying party similarly notified, to assume the defense of the action, with counsel reasonably satisfactory to

the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense, the indemnifying party will not be liable to the indemnified party for any legal or other expenses except as provided below and except for the reasonable costs of investigation subsequently incurred by the indemnified party in connection with the defense. The indemnified party will have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of such indemnified party unless (i) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (ii) the indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, (iii) a conflict or potential conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and the indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party) or (iv) the indemnifying party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the indemnifying party or parties. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm admitted to practice in such jurisdiction at any one time for all such indemnified party or parties. All such fees, disbursements and other charges will be reimbursed by the indemnifying party promptly as they are incurred. Any indemnifying party will not be liable for any settlement of any action or claim effected without its written consent (which consent will not be unreasonably withheld).

- (d) If the indemnification provided for in this Section 6 is applicable in accordance with its terms but for any reason is held to be unavailable to or insufficient to hold harmless an indemnified party under paragraphs (a), (b) and (c) of this Section 6 in respect of any losses, claims, liabilities, expenses and damages referred to therein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable (including any investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted, but after deducting any contribution received by the Company from persons other than the Underwriters, such as persons who control the Company within the meaning of the Act, officers of the Company who signed the Registration Statement and directors of the Company, who also may be liable for contribution) by such indemnified party as a result of such losses, claims, liabilities, expenses and damages in such proportion as shall be appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. If, but only if, the allocation provided by the foregoing sentence is not permitted by applicable law, the allocation of contribution shall be made in such proportion as is appropriate to reflect not only the relative benefits referred to in the foregoing sentence but also the relative fault of the Company, on the one hand, and the Underwriters, on the other hand, with respect to the statements or omissions which resulted in such loss, claim, liability, expense or damage, or action in respect thereof, as well as any other relevant equitable considerations with respect to such offering. Such relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact



or omission or alleged omission to state a material fact relates to information supplied by the Company or the Representatives on behalf of the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 6(d) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of

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the loss claim, liability, expense or damage, or action in respect thereof, referred to above in this Section 6(d) shall be deemed to include, for purposes of this Section 6(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6(d), no Underwriter shall be required to contribute any amount in excess of the underwriting discounts received by it and no person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section 6(d) are several in proportion to their respective underwriting obligations and not joint. For purposes of this Section 6(d), any person who controls a party to this Agreement within the meaning of the Act will have the same rights to contribution as that party, and each officer of the Company who signed the Registration Statement will have the same rights to contribution as the Company, subject in each case to the provisions hereof. Any party entitled to contribution, promptly after receipt of notice of commencement of any action against any such party in respect of which a claim for contribution may be made under this Section 6(d), will notify any such party or parties from whom contribution may be sought, but the omission so to notify will not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have under this Section 6(d). No party will be liable for contribution with respect to any action or claim settled without its written consent (which consent will not be unreasonably withheld).

- (e) The indemnity and contribution agreements contained in this Section 6 and the representations and warranties of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the Underwriters, (ii) acceptance of any of the Shares and payment therefor or (iii) any termination of this Agreement.

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7. Reimbursement of Certain Expenses. In addition to its other obligations under Section 6(a) of this Agreement, the Company hereby agrees to reimburse on a quarterly basis the Underwriters for all reasonable legal and other expenses incurred in connection with investigating or defending any claim, action, investigation, inquiry or other proceeding arising out of or based upon, in whole or in part, any statement or omission or alleged statement or omission, or any inaccuracy in the representations and warranties of the Company contained herein or failure of the Company to perform its or their respective obligations hereunder or under law, all as described in Section 6(a), notwithstanding the absence of a judicial determination

as to the propriety and enforceability of the obligations under this Section 7 and the possibility that such payment might later be held to be improper; provided, however, that, to the extent any such payment is ultimately held to be improper, the persons receiving such payments shall promptly refund them.

8. Termination. The obligations of the several Underwriters under this Agreement may be terminated at any time on or prior to the Closing Date (or, with respect to the Option Shares, on or prior to the Option Closing Date), by notice to the Company from the Representatives, without liability on the part of any Underwriter to the Company if, prior to delivery and payment for the Firm Shares or Option Shares, as the case may be, in the sole judgment of the Representatives, (i) trading in any of the equity securities of the Company shall have been suspended by the Commission or by The Nasdaq Stock Market, (ii) trading in securities generally on the The Nasdaq Stock Market shall have been suspended or limited or minimum or maximum prices shall have been generally established on such exchange, or additional material governmental restrictions, not in force on the date of this Agreement, shall have been imposed upon trading in securities generally by such exchange, by order of the Commission or any court or other governmental authority, or by The Nasdaq Stock Market, (iii) a general banking moratorium shall have been declared by either Federal or New York State authorities or (iv) any material adverse change in the financial or securities markets in the United States or in political, financial or economic conditions in the United States or any outbreak or material escalation of hostilities or other calamity or crisis shall have occurred, the effect of which is such as to make it, in the sole judgment of the Representatives, impracticable or inadvisable to proceed with completion of the public offering or the delivery of and payment for the Shares.

If this Agreement is terminated pursuant to Section 9 hereof, neither the Company nor any Selling Stockholder shall be under any liability to any Underwriter except as provided in Sections 7 and 8 hereof; but, if for any other reason the purchase of the Shares by the Underwriters is not consummated or if for any reason the Company shall be unable to perform its obligations hereunder, the Company will reimburse the several Underwriters for all out-of-pocket expenses (including the fees, disbursements and other charges of counsel to the Underwriters) incurred by them in connection with the offering of the Shares.

9. Substitution of Underwriters. If any one or more of the Underwriters shall fail or refuse to purchase any of the Firm Shares which it or they have agreed to purchase hereunder, and the aggregate number of Firm Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of Firm Shares, the other Underwriters shall be obligated, severally, to purchase the Firm Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase, in the proportions which the number of Firm Shares which they have respectively agreed to purchase pursuant to Section 1 bears to the aggregate number of Firm Shares which all such non-defaulting Underwriters have so agreed to purchase, or in such other proportions as the Representatives may specify; provided that in no event shall the maximum number of Firm Shares which any Underwriter has become obligated to purchase pursuant to Section 1 be increased pursuant to this Section 10 by more than one-tenth of such number of Firm Shares without the prior written consent of such Underwriter. If any Underwriter or Underwriters shall fail or refuse to purchase any Firm Shares and the aggregate number of Firm Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase exceeds one-tenth of the aggregate number of the Firm Shares and arrangements satisfactory to the Representatives and the Company for the purchase of such Firm Shares are not made within 48 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter and the Company for the purchase or sale of any Shares under this Agreement. In any such case either the Representatives or the Company shall have the right to postpone

the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and the Prospectus or in any other documents or arrangements may be effected. Any action taken pursuant to this Section 10 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

10. Miscellaneous. Notice given pursuant to any of the provisions of this Agreement shall be in writing and, unless otherwise specified, shall be mailed or delivered (a) if to the Company, at the office of the Company, 1936 Deere Street, Suite 102, Santa Ana, California 92705, Attention: Chief Executive Officer, with a copy to Ben A. Frydman, Esq., Stradling Yocca Carlson & Rauth, 660 Newport Center Drive, Suite 1600, Newport Beach, California 92660, or (b) if to the Underwriters, to the Representatives at the offices of Needham & Company, Inc., 445 Park Avenue, New York, New York 10022, Attention: Corporate Finance Department, with a copy to Victor A. Hebert, Esq., Heller Ehrman White & McAuliffe, 601 South Figueroa Street, Los Angeles, California 90017-5758. Any such notice shall be effective only upon receipt. Any notice under such Section 9 or 10 may be made by telex or telephone, but if so made shall be subsequently confirmed in writing.

This Agreement has been and is made solely for the benefit of the several Underwriters, the Company, and the controlling persons, directors and officers referred to in Section 6, and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" as used in this Agreement shall not include a purchaser, as such purchaser, of Shares from any of the several Underwriters.

Any action required or permitted to be made by the Representatives under this Agreement may be taken by them jointly or by Needham & Company, Inc.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State.

This Agreement may be signed in two or more counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

The Company and the Underwriters each hereby waive any right they may have to a trial by jury in respect of any claim based upon or arising out of this Agreement or the transactions contemplated hereby.

Please confirm that the foregoing correctly sets forth the agreement among the Company and the several Underwriters.

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Very truly yours,

COLLECTORS UNIVERSE, INC.

By:

-----  
Title: Chief Executive Officer

Confirmed as of the date first  
above mentioned:

NEEDHAM & COMPANY, INC.  
FIRST SECURITY VAN KASPER

Acting on behalf of themselves  
and as the Representatives of  
the other several Underwriters  
named in Schedule I hereto.

NEEDHAM & COMPANY, INC.

By: \_\_\_\_\_  
Title:

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\_\_\_\_\_, 1999  
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SCHEDULE I  
UNDERWRITERS

Underwriters -----	Number of Firm Shares to be Purchased -----
Needham & Company, Inc.	
First Security Van Kasper	
Total	----- -----

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\_\_\_\_\_, 1999  
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SCHEDULE II  
FORM OF LOCK-UP AGREEMENT  
[AND DIRECTORS, OFFICERS AND STOCKHOLDERS  
OF THE COMPANY WHO SHALL SIGN SUCH AGREEMENT]

The undersigned is a holder of securities of Collectors Universe, Inc., a Delaware corporation (the "Company"), and wishes to facilitate the public offering of shares of the Common Stock (the "Common Stock") of the Company (the "Offering"). The undersigned recognizes that such Offering will be of benefit to the undersigned.

In consideration of the foregoing and in order to induce you to act as underwriters in connection with the Offering, the undersigned hereby agrees that he, she or it will not, without the prior written approval of Needham & Company, Inc., acting on its own behalf and/or on behalf of other representatives of the underwriters, directly or indirectly, sell, contract to sell, make any short sale, pledge, or otherwise dispose of, or enter into any hedging transaction that is likely to result in a transfer of, any shares of Common Stock, options to acquire shares of Common Stock or securities exchangeable for or convertible into shares of Common Stock of the Company which he, she or it may own, exclusive of any shares of Common Stock purchased in connection with the Company's public offering or purchased in the public trading market, for a period commencing as of the date hereof and ending on the date which is one

hundred eighty (180) days after the date of the final Prospectus relating to the Offering; provided, however, that the foregoing shall not prohibit any distribution by a partnership to its partners so long as such partners agree to be bound by the terms of this Agreement. The undersigned confirms that he, she or it understands that the underwriters and the Company will rely upon the representations set forth in this Agreement in proceeding with the Offering. The undersigned further confirms that the agreements of the undersigned are irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns. The undersigned agrees and consents to the entry of stop transfer instructions with the Company's transfer agent against the transfer of securities held by the undersigned except in compliance with this Agreement.

This Agreement shall be binding on the undersigned and his, her or its respective successors, heirs, personal representatives and assigns.

AMENDED AND RESTATED  
 BYLAWS  
 OF  
 COLLECTORS UNIVERSE, INC.  
 A DELAWARE CORPORATION  
 AS EFFECTIVE ON SEPTEMBER 1, 1999

AMENDED AND RESTATED  
 BYLAWS  
 OF  
 COLLECTORS UNIVERSE, INC.  
 A DELAWARE CORPORATION

ARTICLE I  
 OFFICES

SECTION 1. REGISTERED OFFICE. The address of the registered office of the Corporation in the State of Delaware is 1013 Centre Road, Wilmington, Delaware 19805, County of New Castle. The name of the Corporation's registered agent at that address is Corporation Service Company.

SECTION 2. OTHER OFFICES. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the Corporation may require.

SECTION 3. BOOKS. The books of the Corporation may be kept within or without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II  
 MEETINGS OF STOCKHOLDERS

SECTION 1. PLACE OF MEETINGS. All meetings of stockholders for the election of directors shall be held at such place either within or without the State of Delaware as may be fixed from time to time by the Board of Directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

SECTION 2. ANNUAL MEETINGS. Annual meetings of stockholders shall be held at a time and date designated by the Board of Directors for the purpose of electing directors and transacting such other business as may properly be brought before the meeting.

SECTION 3. SPECIAL MEETINGS. A special meeting of stockholders may be called at any time by the Board of Directors, or by a majority of the Board of Directors or by a committee of the Board of Directors which has been duly designated by the Board of Directors and whose powers and authority, as provided in a resolution of the Board of Directors, include the power to call such meetings, but such special meetings may not be called by any other person or

persons.

SECTION 4. NOTIFICATION OF BUSINESS TO BE TRANSACTED AT MEETING. To be properly brought before a meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the

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meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder entitled to vote at the meeting.

SECTION 5. NOTICE; WAIVER OF NOTICE. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise required by law, such notice shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. A written waiver of any such notice signed by the person entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 6. QUORUM; ADJOURNMENT. Except as otherwise required by law, or provided by the Certificate of Incorporation or these Bylaws, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of enough votes to leave less than a quorum, if any action taken is approved by at least a majority of the required quorum to conduct that meeting. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the chairman of the meeting shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

SECTION 7. VOTING. Except as otherwise required by law, or provided by the Certificate of Incorporation or these Bylaws, any question brought before any meeting of stockholders at which a quorum is present shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat. Unless otherwise provided in the Certificate of Incorporation, each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy, but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. Elections of directors need not be by ballot unless the Chairman of the meeting so directs or unless a stockholder demands election by ballot at the meeting and before the voting begins.

SECTION 8. STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING. The stockholders may not take action by written consent.

SECTION 9. RECORD DATE FOR STOCKHOLDER NOTICE AND VOTING. For purposes of determining the holders entitled to notice of any meeting or to vote, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 days nor less than 10 days prior to the date of any such meeting, and in such case only stockholders of record on the date so fixed are entitled to

notice and to vote, notwithstanding any transfer of any shares on the books of the Corporation after the record date fixed as aforesaid, except as otherwise provided in the Delaware General Corporation Law. If the Board of Directors does not so fix a record date, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

SECTION 10. STOCK LEDGER. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 9 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

SECTION 11. INSPECTORS OF ELECTION. In advance of any meeting of stockholders, the Board of Directors may appoint one or more persons (who shall not be candidates for office) as inspectors of election to act at the meeting or any adjournment thereof. If an inspector or inspectors are not so appointed, or if an appointed inspector fails to appear or fails or refuses to act at a meeting, the Chairman of any meeting of stockholders may, and on the request of any stockholder or his proxy shall, appoint an inspector or inspectors of election at the meeting. The duties of such inspector(s) shall include: determining the number of shares outstanding and the voting power of each; the shares represented at the meeting; the existence of a quorum; the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; determining the result; and such acts as may be proper to conduct the election or vote with fairness to all stockholders. In the event of any dispute between or among the inspectors, the determination of the majority of the inspectors shall be binding.

SECTION 12. ORGANIZATION. At each meeting of stockholders the Chairman of the Board of Directors, if one shall have been elected, (or in his absence or if one shall not have been elected, the President) shall act as Chairman of the meeting. The Secretary (or in his absence or inability to act, the person whom the Chairman of the meeting shall appoint Secretary of the meeting) shall act as Secretary of the meeting and keep the minutes thereof.

SECTION 13. ORDER OF BUSINESS.

(A) ANNUAL MEETINGS OF STOCKHOLDERS.

(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors or (c) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Bylaw, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A)(1) of this Bylaw, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than the close of business on the 120th calendar day in advance of the first anniversary of the date the Corporation's proxy statement was released to stockholders in connection with the preceding year's annual meeting; provided, however, that if no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than 30 calendar days from the date contemplated at the time of the previous year's proxy statement, a proposal shall be received by the



Corporation no later than the close of business on the tenth day following the day on which notice of the date of the meeting was mailed or public announcement of the date of the meeting was made, whichever comes first. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to applicable federal securities laws, including, without limitation, Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A) (2) of this Bylaw to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 70 days prior to the first anniversary of the date of the preceding years annual meeting, a stockholders notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive

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offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(B) SPECIAL MEETINGS OF STOCKHOLDERS.

Only such business shall be conducted at a special meeting of stockholders as shall be brought before the meeting pursuant to the Corporation's notice of meeting.

A stockholder's nomination of one or more persons for election to the Board of Directors shall only be permitted to be made at a special meeting of stockholders if: (i) the Corporation's notice of such meeting specified that directors are to be elected at such special meeting; (ii) such stockholder was a stockholder of record entitled to vote at the meeting at the time of giving of notice provided for in this Bylaw; and (iii) if such stockholder complies with the notice procedures set forth in this Bylaw. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (A) (2) of this Bylaw shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(C) GENERAL.

(1) Only such persons who are nominated in accordance with the

procedures set forth in this Bylaw shall be eligible to serve as directors. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the chairman of the meeting shall have the power and authority to determine the procedures of a meeting of stockholders, including, without limitation, the authority to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Bylaw and, if any proposed nomination or business is not in compliance with this Bylaw, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Bylaw, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of preferred stock, if any, to elect directors under certain circumstances.

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ARTICLE III  
DIRECTORS

SECTION 1. POWERS. Except as otherwise required by law or provided by the Certificate of Incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

SECTION 2. NUMBER AND ELECTION OF DIRECTORS. The exact number of directors shall be fixed from time to time by a resolution adopted by a majority of the directors, or by resolution of the stockholders, by the vote of the holders of 66 2/3% of the outstanding voting stock of the Corporation, at any annual or special meeting of stockholders, provided that notice of such proposed amendment, modification, repeal or adoption is given in the notice of the annual or special meeting; provided, however, that such resolution would not conflict with the Certificate of Incorporation. Directors shall be elected at each annual meeting of the stockholders to replace the directors whose terms then expire, and each director elected shall hold office until his successor is duly elected and qualified, or until his earlier death, resignation or removal. The Board of Directors shall be classified as set forth in the Certificate of Incorporation.

SECTION 3. VACANCIES. Subject to the limitations in the Certificate of Incorporation, vacancies in the Board of Directors resulting from death, resignation, removal or otherwise and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Each director so selected shall hold office for the remainder of the full term of office of the former director which such director replaces and until his successor is duly elected and qualified, or until his earlier death, resignation or removal. No decrease in the authorized number of directors constituting the Board of Directors shall shorten the term of any incumbent directors.

SECTION 4. TIME AND PLACE OF MEETINGS. The Board of Director's shall hold its meetings at such place, either within or without the State of Delaware, and at such time as may be determined from time to time by the Board of Directors.

SECTION 5. ANNUAL MEETING. The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable after each annual meeting of stockholders, on the same day and at the same place where such annual meeting shall be held. Notice of such meeting need not be given. In the event such annual meeting is not so held, the annual meeting of the Board of Directors may be held at such place, either within or without the State of Delaware, on such date and at such time as shall be specified in a notice thereof given as hereinafter provided in

Section 7 of this Article III or in a waiver of notice thereof.

SECTION 6. REGULAR MEETINGS. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware at such date and time as the Board of Directors may from time to time determine and, if so determined by the Board of Directors, notices thereof need not be given.

SECTION 7. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the Chairman of the Board, the President, the Secretary or by any director. Notice of the date, time and place of special meetings shall be delivered personally or by telephone to each director or sent by

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first-class mail or telegram, charges prepaid, addressed to each director at the director's address as it is shown on the records of the Corporation. In case the notice is mailed, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. In case the notice is delivered personally or by telephone or telegram, it shall be delivered personally or by telephone or to the telegraph company at least 24 hours before the time of the holding of the meeting. The notice need not specify the purpose of the meeting. A written waiver of any such notice signed by the person entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 8. QUORUM; VOTE REQUIRED FOR ACTION; ADJOURNMENT. Except as otherwise required by law, or provided in the Certificate of Incorporation or these Bylaws, a majority of the directors shall constitute a quorum for the transaction of business at all meetings of the Board of Directors and the affirmative vote of not less than a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting, from time to time, without notice other than announcement at the meeting, until a quorum shall be present. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum to conduct that meeting. When a meeting is adjourned to another time or place (whether or not a quorum is present), notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Board of Directors may transact any business which might have been transacted at the original meeting.

SECTION 9. ACTION BY WRITTEN CONSENT. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

SECTION 10. TELEPHONE MEETINGS. Unless otherwise restricted by the Certificate of Incorporation, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee, as the case may be, by conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section 10 shall constitute presence in person at such meeting.

SECTION 11. COMMITTEES. The Board of Directors may, by resolution passed unanimously by the entire Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any such committee, who may replace any absent or disqualified member at any meeting of the committee. In the event of absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the committee member or members present at any meeting and not disqualified from

voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member. Any committee, to the extent allowed by law and as provided in the resolution establishing such committee,

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shall have and may exercise all the power and authority of the Board of Directors in the management of the business and affairs of the Corporation, but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending the Bylaws of the Corporation; and, unless the resolution or the Certificate of Incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Each committee shall keep regular minutes of its meetings and report to the Board of Directors when required.

SECTION 12. COMPENSATION. The directors may be paid such compensation for their services as the Board of Directors shall from time to time determine.

SECTION 13. INTERESTED DIRECTORS. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other Corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or the committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if: (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

SECTION 14. REMOVAL OF DIRECTORS. Any director or the entire Board of Directors may be removed with cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

#### ARTICLE IV OFFICERS

SECTION 1. OFFICERS. The officers of the Corporation shall be a President, a Secretary and a Chief Financial Officer. The Corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board, a Vice Chairman of the Board, a Chief Executive Officer, one or more Vice Presidents, one or more Assistant Financial Officers and Treasurers, one or more Assistant Secretaries and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article IV.

SECTION 2. APPOINTMENT OF OFFICERS. The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this

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Article IV, shall be appointed by the Board of Directors, and each shall serve

at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment.

SECTION 3. SUBORDINATE OFFICERS. The Board of Directors may appoint, and may empower the Chief Executive Officer or President to appoint, such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

SECTION 4. REMOVAL AND RESIGNATION OF OFFICERS. Subject to the rights of an officer under any contract, any officer may be removed at any time, with or without cause, by the Board of Directors or, except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors. Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights of the Corporation under any contract to which the officer is a party.

SECTION 5. VACANCIES IN OFFICES. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

SECTION 6. CHAIRMAN OF THE BOARD. The Chairman of the Board, if such an officer is elected, shall, if present, preside at meetings of the stockholders and of the Board of Directors, unless otherwise determined by the Board of Directors. He shall, in addition, perform such other functions (if any) as may be prescribed by the Bylaws or the Board of Directors.

SECTION 7. VICE CHAIRMAN OF THE BOARD. The Vice Chairman of the Board, if such an officer is elected, shall, in the absence or disability of the Chairman of the Board, perform all duties of the Chairman of the Board and when so acting shall have all the powers of and be subject to all of the restrictions upon the Chairman of the Board. The Vice Chairman of the Board shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

SECTION 8. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer of the Corporation shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and the officers of the Corporation. He shall exercise the duties usually vested in the chief executive officer of a Corporation and perform such other powers and duties as may be assigned to him from time to time by the Board of Directors or prescribed by the Bylaws. In the absence of the Chairman of the Board and any Vice Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the stockholders and of the Board of Directors.

SECTION 9. PRESIDENT. The President of the Corporation shall, subject to the control of the Board of Directors and the Chief Executive Officer of the Corporation, if there be such an officer, have general powers and duties of management usually vested in the office of president of a Corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws or the Chief Executive Officer of the Corporation. In the absence of the Chairman of the Board, Vice

Chairman of the Board and Chief Executive Officer, the President shall preside at all meetings of the Board of Directors and stockholders.

SECTION 10. VICE PRESIDENT. In the absence or disability of the President, the Vice Presidents, if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a Vice President designated by the Board of Directors, shall perform all the duties of the President, and when so acting shall have all the powers of, and subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or the Bylaws, and the President, or the Chairman of the

Board.

SECTION 11. SECRETARY. The Secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and a summary of the proceedings.

The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the Corporation's transfer agent or registrar, as determined by resolution of the Board of Directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required by the Bylaws or by law to be given, and he shall keep or cause to be kept the seal of the Corporation if one be adopted, in safe custody, and shall have such powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

SECTION 12. CHIEF FINANCIAL OFFICER. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation. The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all of his transactions as Chief Financial Officer and of the financial condition of the Corporation. The Chief Financial Officer shall also have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

#### ARTICLE V STOCK

SECTION 1. FORM OF CERTIFICATES. Every holder of stock in the Corporation shall be entitled to have a certificate signed by, or in the name of the Corporation (i) by the Chairman or Vice Chairman of the Board of Directors, or the President or a Vice President and (ii) by the Chief Financial Officer or the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by such stockholder in the Corporation.

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SECTION 2. SIGNATURES. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

SECTION 3. LOST CERTIFICATES. The Corporation may issue a new certificate to be issued in place of any certificate theretofore issued by the Corporation, alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. The Corporation may, in the discretion of the Board of Directors and as a condition precedent to the issuance of such new certificate, require the owner of such lost, stolen, or destroyed certificate, or his legal representative, to give the Corporation a bond (or other security) sufficient to indemnify it against any claim that may be made against the Corporation (including any expense or liability) on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 4. TRANSFERS. Stock of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws or in any agreement with the

stockholder making the transfer. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be cancelled before a new certificate shall be issued.

SECTION 5. RECORD HOLDERS. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the record holder of shares to receive dividends, and to vote as such record holder, and to hold liable for calls and assessments a person registered on its books as the record holder of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

#### ARTICLE VI INDEMNIFICATION

SECTION 1. RIGHT TO INDEMNIFICATION. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another Corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such

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indemnification shall continue as to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Section 2 of this Article VI with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined that such indemnitee is not entitled to be indemnified for such expenses under this Article VI or otherwise (hereinafter an "undertaking").

SECTION 2. RIGHT OF INDEMNITEE TO BRING SUIT. If a claim under Section 1 of this Article VI is not paid in full by the Corporation within 45 days after a written claim has been received by the Corporation, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or part in any such suit or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit by the Corporation to recover an

advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified or to such advancement of expenses under this Article VI or otherwise shall be on the Corporation.

SECTION 3. NON-EXCLUSIVITY OF RIGHTS. The rights of indemnification and to the advancement of expenses conferred in this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

SECTION 4. INSURANCE. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another Corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not

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the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

SECTION 5. INDEMNIFICATION OF EMPLOYEES OR AGENTS OF THE CORPORATION. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VI with respect to the indemnification and advancement of expenses of directors or officers of the Corporation.

SECTION 6. INDEMNIFICATION CONTRACTS. The Board of Directors is authorized to enter into a contract with any director, officer, employee or agent of the Corporation, or any person serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, providing for indemnification rights equivalent to or, if the Board of Directors so determinates, greater than, those provided for in this Article VI.

SECTION 7. EFFECT OF AMENDMENT. Any amendment, repeal or modification of any provision of this Article VI by the stockholders or the directors of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such amendment, repeal or modification.

#### ARTICLE VII GENERAL PROVISIONS

SECTION 1. DIVIDENDS. Subject to limitations contained in the General Corporation Law of the State of Delaware and the Certificate of Incorporation, the Board of Directors may declare and pay dividends upon the shares of capital stock of the Corporation, which dividends may be paid either in cash, securities of the Corporation or other property.

SECTION 2. DISBURSEMENTS. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

SECTION 3. FISCAL YEAR. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.



SECTION 4. CORPORATE SEAL. The Corporation shall have a corporate seal in such form as shall be prescribed by the Board of Directors.

SECTION 5. RECORD DATE. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 days nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting. Stockholders on the record date are

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entitled to notice and to vote or to receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date, except as otherwise provided by agreement or by applicable law.

SECTION 6. VOTING OF STOCK OWNED BY THE CORPORATION. The Chairman of the Board, the Chief Executive Officer, the President and any other officer of the Corporation authorized by the Board of Directors shall have power, on behalf of the Corporation, to attend, vote and grant proxies to be used at any meeting of stockholders of any corporation (except this Corporation) in which the Corporation may hold stock.

SECTION 7. CONSTRUCTION AND DEFINITIONS. Unless the context requires otherwise, the general provisions, rules of construction and definitions in the General Corporation Law of the State of Delaware shall govern the construction of these Bylaws.

SECTION 8. AMENDMENTS. The Bylaws, or any of them, may be rescinded, altered, amended or repealed, and new Bylaws may be made (i) by the Board of Directors, by vote of a majority of the number of directors then in office as directors, acting at any meeting of the Board of Directors, or (ii) by the stockholders, by the vote of the holders of 66 2/3% of the outstanding voting stock of the Corporation, at any annual or special meeting of stockholders, provided that notice of such proposed amendment, modification, repeal or adoption is given in the notice of the annual or special meeting; provided, however, that the Bylaws can only be amended if such amendment would not conflict with the Certificate of Incorporation. Any Bylaw made or altered by the requisite number of stockholders may be altered or repealed by the Board of Directors or may be altered or repealed by the requisite number of stockholders.

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## REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (the "Agreement") is dated as of February 5, 1999, by and among COLLECTORS UNIVERSE, INC., a Delaware corporation (the "Company") and the stockholder of the Company identified on the signature page of this Agreement (the "Stockholder"), with reference to the following facts and circumstances:

A. On this date the Company is issuing, as its initial issuance of shares, a total of 19,000,000 shares of Common Stock, par value \$.001 per share (the "Shares"), concurrently, to a total of twenty-one Persons (the "Founding Stockholders"), pursuant to Contribution and Acquisition Agreements, each dated as of February 3, 1999 (collectively, the "Contribution Agreements" and, individually, a "Contribution Agreement"), between the Company and the Founding Stockholders. The Stockholder is one of the Founding Stockholders.

B. The issuance of the Shares to the Founding Stockholders have not been registered under the 1933 Act (as defined below) and the transferability of the Shares are subject to restrictions under that Act and also pursuant to a Stockholders Agreement (the "Stockholders Agreement") to be entered into on the date hereof by each of the Founding Stockholders, including the Stockholder, with the Company.

C. In order to induce the Stockholder and other Founding Stockholders to acquire the Shares and enter into the Stockholders Agreements, the Company has agreed to grant to each Founding Stockholder registration rights with respect to the Shares on the terms and subject to the conditions contained in this Agreement.

## AGREEMENT

In consideration of the mutual covenants and agreements set forth herein, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. For purposes of this Agreement, the following terms shall have the meanings specified with respect thereto below:

"1933 Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Commission" shall mean the Securities and Exchange Commission or any other Federal agency at the time administering the 1933 Act.

"Common Stock" shall mean the common stock, par value \$.001 per share, of the Company.

"Company" shall have the meaning set forth in the preamble of this Agreement.

"Contribution Agreement" shall have the meaning specified in the Recitals to this Agreement.

"Founding Stockholder" shall have the meaning specified in the Recitals to this Agreement, but shall also include any Permitted Assignee (as defined in Section 7.1 below) of any Founding Stockholder.

"Indemnified Party" shall have the meaning specified in Section 5.3.

"Indemnifying Party" shall have the meaning specified in Section 5.3.

"Inspectors" shall have the meaning specified in Section 4.1(h).

"IPO" shall mean the first public offering of Common Stock by the Company that is registered under the 1933 Act and generates gross proceeds to the Company of at least \$10,000,000.

"Lock-Up Period" means a period of time, that follows the effectiveness of a registration statement filed under the 1933 Act by the Company for an offering of shares of its Common Stock or other securities (whether or not any Stockholders are selling Shares in that offering), including the registration statement for the Company's IPO (as defined in Section 2 hereof), during which the Company or any Stockholders, including any Founding Stockholders, have agreed with any Underwriters for such offering, to refrain from selling any of their shares of Common Stock without the consent of such Underwriter.

"Maximum Numbers of Shares" shall have the meaning specified in Section 3.2.

"Piggy-Back Registration" shall have the meaning specified in Section 3.

"Records" shall have the meaning specified in Section 4.1(h).

"Registrable Securities" shall mean, collectively, the Shares and any securities issued or issuable upon any stock dividend, stock split, recapitalization, merger, consolidation or similar event with respect to the Shares. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (i) a registration statement covering such securities shall have become effective under the 1933 Act and such securities shall have been disposed of in accordance with such registration statement, (ii) such securities shall have been distributed to the public pursuant to Rule 144 or Rule 144A (or any successor provisions) under the 1933 Act, (iii) such securities have become eligible to be sold pursuant to Section (k) of Rule 144, or (iv) such securities shall have ceased to be outstanding.

"Registration Rights Period" shall mean the period commencing on the 180th day following the consummation of the Company's IPO (as defined above) and continuing until the earlier of (i) the 5th anniversary of such consummation or (ii) the date that the Registrable Securities cease to be such.

"Requested Registration" shall have the meaning specified in Section 2.

"Selling Holder" shall mean a Founding Stockholder who is selling Registrable Securities pursuant to a registration statement under the 1933 Act.

"Shares" shall have the meaning set forth in the recitals of this Agreement.

"Stockholders Agreement" shall have the meaning set forth in the recitals to this Agreement.

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"Underwriter" shall mean a securities dealer who purchases any Registrable Securities as principal in an underwritten offering and not as part of such dealer's market-making activities.

Capitalized terms not otherwise defined herein shall have the meaning given to them in the Contribution Agreement.

2. Shelf Registration Rights.

2.1 Request for Registration. One or more of the Founding

Stockholders of the Company owning, individually or in the aggregate, not less than fifteen percent (15%) of the outstanding Common Stock of the Company, at any time on or after the 90th day following the date that the Company consummates its IPO and continuing until the end of the Registration Rights Period, may make a written request for registration under the 1933 Act of all or part of their Registrable Securities (a "Requested Registration"). Any such request shall specify the number of shares of Registrable Securities proposed to be sold by such Founding Stockholders (the "Requesting Stockholders") pursuant to such Requested Registration. The Company shall give written notice of such registration request within 15 days after the receipt thereof to all of the other Founding Stockholders who were not parties to the registration request (the "Other Founding Stockholders"). Within ten days after receipt of such notice by the Other Founding Stockholders, such Stockholders may request in writing that all or any of their Registrable Securities be included in such registration. Each such request by such Other Founding Stockholders shall specify the number of Registrable Securities they propose to sell pursuant to the Requested Registration. The Company shall include in the Requested Registration at least the total number of Registrable Securities requested to be included therein by the Founding Stockholders, including the Stockholder, within the applicable time period specified above in this Section 2.1. Notwithstanding the foregoing, the Company shall not be obligated to effect more than one Requested Registration with respect to the Shares under this Section 2 during the first twelve (12) months following the registration of its shares under either Section 12(b) or Section 12(g) of the 1934 Act and more than two (2) additional Requested Registrations during the period thereafter that any of the Shares continue to be Registrable Securities (as defined herein). In addition, the Company shall not be obligated to effect a Requested Registration if the total number of Registrable Securities requested to be included therein totals less than at least 5% of the outstanding shares of Common Stock of the Company.

2.2 Nature of Requested Registration. The Requested Registrations required under this Section 2 shall take the form of non-underwritten "shelf" registrations that will permit the Founding Stockholders who have elected to include some or all of their Registrable Securities in the Requested Registration to sell such Securities in open market transactions free of any holding period and manner of sale restrictions under Rule 144 under the 1933 Act.

2.3 Reduction of Offering. If the Board of Directors of the Company determines that the number of Registrable Securities requested to be included in any Requested Registration could adversely affect the trading market for the Company's shares or a planned financing by the Company, the Company shall promptly notify the Founding Stockholders requesting the inclusion of their Registrable Securities in the Requested Registration, in writing, thereof. Such written notice shall specify that the aggregate dollar amount or number of shares of Registrable Securities that the Board of Directors believes can be registered without causing such adverse effect and the number thereof that each Founding Stockholder shall be able to include in the Requested Registration after giving effect to such reduction (which shall be determined by allocating that aggregate number pro rata among such Founding Stockholders, as nearly as practicable, on the basis of the number (or dollar amount, as the case may be) of Registrable Securities they have requested to have included in such Requested Registration).

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2.4 Withdrawal. Stockholder may elect to withdraw his or its request for inclusion of its Registrable Securities in any Requested Registration by giving written notice to the Company of its request to withdraw prior to the effectiveness of the registration statement.

2.5 Effective Registration. A registration under this Section 2 will not count as a Requested Registration until it has become effective and has remained effective for a period of not less than nine (9) months or until all the securities covered by such registration statement have been sold, whichever period is shorter.

### 3. Piggy-Back Registrations.

3.1 Piggy-Back Rights. If at any time during the Registration Rights Period, the Company proposes to file a registration statement under the 1933 Act with respect to an offering of equity securities, or securities

convertible or exchangeable into equity securities, by the Company for its own account other than a registration statement (i) on Form S-4 or S-8 (or any substitute or successor form that may be adopted by the Commission), (ii) filed in connection with any employee stock option or other benefit plan, (iii) for an exchange offer or offering of securities solely to the Company's existing securityholders, (iv) for a dividend reinvestment plan, then the Company shall:

(a) give written notice of such proposed filing to the Founding Stockholders, including the Stockholder, as soon as practicable but in no event less than 30 days before the anticipated filing date, which notice shall describe the amount and type of securities to be included in such offering, the intended method(s) of distribution, and the name of the proposed managing Underwriter or Underwriters, if any, of the offering; and

(b) offer in such notice to the Founding Stockholders, including the Stockholder, the opportunity to register such number of shares of Registrable Securities as each such Founding Stockholder may request in writing within 10 days following receipt of such notice (a "Piggy-Back Registration"). Subject to the provisions of Sections 3.2 and 3.3, the Company shall cause such Registrable Securities to be included in such registration and shall use its best efforts to cause the managing Underwriter or Underwriters of a proposed underwritten offering to permit the Registrable Securities requested to be included in such registration on the same terms and conditions as any similar securities of the Company are to be offered for sale in such registration and to permit the sale or other disposition of such Registrable Securities in accordance with the intended method of distribution thereof.

3.2 Reduction of Offering. If the managing Underwriter or Underwriters for a Piggy-Back Registration that is to be an underwritten offering advises the Company and the Founding Stockholders requesting inclusion in the Piggy-Back Registration, in writing, that the dollar amount or number of shares of Registrable Securities and other shares of Common Stock or other securities to be included in the offering exceeds the maximum dollar amount or number that can be sold in such offering without adversely affecting the proposed offering price, the timing, the distribution method or the probability of success of such offering (the "Maximum Number of Shares"), then, the Company shall include in such registration: (i) first, the shares of Common Stock or other securities that the Company proposes to sell which can be sold without exceeding the Maximum Number of Shares; and (ii) second, to the extent the Maximum Number of Shares has not been reached under the foregoing clause (i), the Registrable Securities requested to be included in such registration by the Founding Stockholders which can be sold without exceeding the Maximum Number of Shares (allocated pro rata among such Founding Stockholders, as nearly as practicable, on the basis of the number (or dollar amount, as the case may be)

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of Registrable Securities requested to be included in such offering by each of such Founding Stockholders).

3.3 Withdrawal. Stockholder may elect to withdraw his or its request for inclusion of its Registrable Securities in any Piggy-Back Registration by giving written notice to the Company of its request to withdraw prior to the effectiveness of the registration statement. The Company may also elect to withdraw a registration statement including shares being registered pursuant to a Founding Stockholder's Piggy-Back Registration rights at any time prior to the effectiveness of the registration statement, and such withdrawal shall not require the consent of any such Founding Stockholders; provided, however, that the Company shall reimburse promptly, but in no more than twenty (20) business days, all Founding Stockholders for all reasonable out-of-pocket expenses (other than the fees or disbursements of counsel or accountants retained by any of the Founding Stockholders) incurred by them in connection with such Piggy-Back Registration prior to such withdrawal by the Company.

#### 4. Registration Procedures.

4.1 Filings; Information. If and whenever the Company is required to effect the registration of any Registrable Securities under the 1933 Act pursuant to Section 2 or Section 3, the Company shall use its best efforts to effect the registration as expeditiously as practicable, and in connection or in furtherance therewith:

(a) Filing Registration Statement. The Company shall, as expeditiously as possible, prepare and, in the case of a Requested Registration pursuant to Section 2, within 60 days after receipt of the initial request for such registration, to file with the Commission a registration statement on any form for which the Company then qualifies or which counsel for the Company shall deem appropriate and which form shall be available for the sale of the Registrable Securities to be registered thereunder in accordance with the intended method of distribution thereof, and use its best efforts to cause such filed registration statement to become and remain effective; provided, however, that in the case of the registration statement for a Requested Registration requested during the Lock-Up period following the effectiveness of the IPO, such registration statement shall not become effective until the end of that Lock-Up Period.

(b) Copies. The Company shall, prior to filing a registration statement or prospectus or any amendment or supplement thereto, furnish without charge to Stockholder and legal counsel for Stockholder, copies of such registration statement as proposed to be filed, each amendment and supplement to such registration statement (in each case including all exhibits thereto and documents incorporated by reference therein), the prospectus included in such registration statement (including each preliminary prospectus), and such other documents as Stockholder may request in order to facilitate the disposition of the Registrable Securities owned by Stockholder.

(c) Amendments and Supplements. The Company shall prepare and file with the Commission such amendments, including post-effective amendments, and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and in compliance with the provisions of the 1933 Act until all Registrable Securities and other securities covered by such registration statement have been disposed of in accordance with the intended methods of disposition set forth in such registration statement (which period shall not exceed nine months) or such securities have been withdrawn.

(d) Notification. After the filing of the registration statement, the Company shall promptly, and in no event more than three Business Days, notify Stockholder, and confirm such

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advice in writing, (i) when such registration statement becomes effective, (ii) when any post-effective amendment to such registration statement becomes effective, (iii) of any stop order issued or threatened by the Commission (and the Company shall take all actions required to prevent the entry of such stop order or to remove it if entered) and (iv) of any request by the Commission for any amendment or supplement to such registration statement or of any prospectus relating thereto or for additional information or of the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities covered by such Registration Statement, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and promptly make available to Stockholder any such supplement or amendment; except that before filing with the Commission a registration statement or prospectus or any amendment or supplement thereto, including documents incorporated by reference, the Company shall furnish to Stockholder and to legal counsel representing Stockholder, copies of all such documents proposed to be filed sufficiently in advance of filing to provide Stockholder, Underwriters and legal counsel with a reasonable opportunity to review such documents and comment thereon, and the Company shall not file any registration statement or prospectus or amendment or supplement thereto, including documents incorporated by reference to which Stockholder or legal counsel representing Stockholder, shall reasonably object on a timely basis in light of the requirements of the 1933 Act or any other applicable laws and regulations.

(e) State Securities Laws Compliance. The Company shall use its best efforts to register or qualify the Registrable Securities covered by a registration statement for a Requested Registration or a Piggy-Back Registration under such securities or blue sky laws of such jurisdictions in the United States as Stockholder (in light of the intended plan of distribution) requests; provided, however, that the Company shall not be required to qualify generally to do business in any jurisdiction where it would not otherwise be

required to qualify but for this paragraph (e), or subject itself to taxation in any such jurisdiction.

(f) Agreements for Disposition. The Company shall enter into customary agreements (including, if applicable, an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Registrable Securities in connection with a underwritten Piggy-Back Registration. Stockholder may, at its option, require that any or all of the representations, warranties and covenants of the Company in any underwriting agreement for a Piggy-Back Registration to or for the benefit of any Underwriters also be made to and for the benefit of Founding Stockholders whose Registrable Securities have been included in such Registration.

(g) Cooperation. The Executive Officers and other members of the management of the Company shall cooperate fully in any offering of Registrable Securities hereunder, which cooperation shall include, without limitation, the preparation of the Registration Statement and all other offering materials and related documents, and participation in meetings with Underwriters, attorneys, accountants.

(h) Records. The Company shall make available, for inspection by any Underwriter for any Underwritten Piggy Back Registration and any attorney, accountant or other professional retained by any Underwriter, all financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records"), as shall be necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information requested by such Underwriter or its counsel or accountants or other professional advisors in connection with such Registration.

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(i) Earnings Statement. The Company shall comply with all applicable rules and regulations of the Commission and the 1933 Act, and make available to its Stockholders, as soon as practicable, an earnings statement covering a period of 12 months, beginning within three months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder.

(j) Listing. The Company shall use its best efforts to cause all such Registrable Securities registered pursuant to this Agreement to be listed on such exchanges or otherwise designated for trading in the same manner as similar securities issued by the Company are then listed or designated.

4.2 Obligation to Suspend Distribution. Stockholder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 4.1(d), Stockholder will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until Stockholder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 4.1(d), and, if so directed by the Company, Stockholder will deliver to the Company all copies, other than permanent file copies then in Stockholder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice. In the event the Company shall give such notice, the Company shall extend the period during which such registration statement shall be maintained effective by the number of days during the period from and including the date of the giving of notice pursuant to Section 4.1(d) to the date when the Company shall make available to Stockholder a prospectus supplemented or amended to conform with the requirements of Section 4.1(d).

4.3 Registration Expenses. The Company shall pay all expenses incurred in connection with any Requested Registration pursuant to Section 2 and any Piggy-Back Registration pursuant to Section 3, and all expenses incurred in performing or complying with the Company's obligations under this Section 4, whether or not the registration statement becomes effective, in each case including, but not limited to: (i) all registration and filing fees, (ii) fees and expenses of compliance with securities or blue sky laws (including fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), printing expenses, (iii) the Company's internal expenses (including, without limitation, all salaries and expenses of its

officers and employees performing legal or accounting duties), (iv) the fees and expenses incurred in connection with the listing of the Registrable Securities as required by Section 4.1(j), (iv) National Association of Securities Dealers, Inc. fees, (v) fees and disbursements of counsel for the Company and fees and expenses for independent certified public accountants retained by the Company, (vi) the fees and expenses of any special experts retained by the Company in connection with such registration. The Company shall have no obligation to pay any underwriting fees, discounts or selling commissions attributable to the Registrable Securities being sold by Stockholder or any of the other Founding Stockholders, or any expenses incurred by the Stockholder or any of the other Founding Stockholders incurred in connection with such registration, such as but not limited to the fees and disbursement of counsel, accountants or experts retained by Stockholder or any other of the Founding Stockholders to represent or assist them in connection with such registration.

## 5. Indemnification and Contribution.

5.1 Indemnification by the Company. The Company agrees to indemnify and hold harmless Stockholder and, if Stockholder is a corporation or other business entity, its officers, employees, affiliates, directors, partners, members and agents, and each person, if any, who controls the Stockholder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act

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(collectively, the Stockholder's Related Parties"), from and against any loss, claim, damage or liability and any action in respect thereof to which the Stockholder or any of his or its Related Parties become subject under the 1933 Act or the 1934 Act, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement of a material fact contained or incorporated by reference in any registration statement or prospectus (including any preliminary prospectus) relating to the Registrable Securities (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or any omission or alleged omission to state a material fact required to be stated in any such registration statement or prospectus in order to make the statements therein not misleading. The Company also shall promptly, but in no event more than twenty (20) business days after request for payment, pay directly or reimburse the Stockholder and its Related Parties for any reasonable legal and other expenses incurred by Stockholder or such Related Parties in investigating or defending or preparing to defend against any such loss, claim, damage, liability or action provided that the Stockholder or such Related Party is entitled to be indemnified therefor under the provisions of this Section 5; provided, however, that notwithstanding anything to the contrary set forth in this Section 5 (i) the indemnity agreement contained in this Section 5.1 shall not apply to amounts paid in settlement of any such loss, claim, damage or liability or any action in respect thereof if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), (ii) the Company shall not be liable to Stockholder or any of its Related Parties in any such case for any loss, claim, damage, liability or any action in respect thereof to the extent that it arises solely from or is based solely upon and is in conformity with information related to Stockholder furnished in writing by Stockholder expressly for use in connection with such registration, (iii) the Company shall not be liable to Stockholder for any such loss, claim, damage or liability or any action in respect thereof to the extent it arises solely from or is based solely upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus relating to the Registrable Securities delivered by Stockholder after the Company had provided written notice to Stockholder that such registration statement or prospectus contained such untrue statement or alleged untrue statement of a material fact, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading after the Company had provided written notice to Stockholder that such registration statement or prospectus contained such omission or alleged omission; and (iv) the obligation of the Company to pay or reimburse expenses of the Stockholder set forth above in this Section 5.1 shall be subject to the provisions of Section 5.3 hereof. The Company also shall indemnify any Underwriter of Registrable Securities, their officers, affiliates, directors, partners, members and agents and each person who controls such Underwriter on substantially the same basis as that of the indemnification of Stockholder provided in this Section 5.1;



5.2 Indemnification by Stockholder. Stockholder shall indemnify and hold harmless the Company, its officers, directors, employees and agents and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act to the same extent as the foregoing indemnity from the Company to Stockholder, but solely with reference to information in conformity with and related to Stockholder furnished in writing by Stockholder expressly for use in any registration statement or prospectus relating to the Registrable Securities, or any amendment or supplement thereto, or any preliminary prospectus. Stockholder shall also indemnify and hold harmless any Underwriter of the Registrable Securities, their officers, directors, partners, members and agents and each person who controls such Underwriters on substantially the same basis as that of the indemnification of the Company provided in this Section 5.2; provided, however, that in no event shall any indemnity obligation under this Section 5.2 exceed the dollar amount of the net proceeds actually received by Stockholder from the sale of Registrable Securities, which gave rise to such indemnification obligation under such registration statement or prospectus.

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5.3 Conduct of Indemnification Proceedings. Promptly after receipt by any person of any notice of any loss, claim, damage or liability or any action in respect of which indemnity may be sought pursuant to Section 5, such person (the "Indemnified Party") shall, if a claim in respect thereof is to be made against any other person for indemnification hereunder, notify such other person (the "Indemnifying Party") in writing of the loss, claim damage, liability or action; provided, however, that the failure by the Indemnified Party to notify the Indemnifying Party shall not relieve the Indemnifying Party from any liability which the Indemnifying Party may otherwise have to such Indemnified Party. If the Indemnified Party is seeking Indemnification with respect to any claim or action brought against the Indemnified Party, then the Indemnifying Party shall be entitled to participate in such claim or action, and, to the extent that it wishes, jointly with all other Indemnifying Parties, to assume the defense thereof with counsel reasonably satisfactory to the Indemnified Party. After notice from the Indemnifying Party to the Indemnified Party of its election to assume the defense of such claim or action, the Indemnifying Party shall not be liable to the Indemnified Party for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that in any action in which both the Indemnified Party and the Indemnifying Party are named as defendants, the Indemnified Party shall have the right to employ separate counsel (but no more than one such separate counsel) to represent the Indemnified Party and its controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Indemnified Party against the Indemnifying Party, with the fees and expenses of such counsel to be paid by such Indemnifying Party if, based upon the written opinion of counsel of such Indemnified Party, representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, consent to entry of judgment or effect any settlement of any claim or pending or threatened proceeding in respect of which the Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such judgment or settlement includes an unconditional release of such Indemnified Party from all liability arising out of such claim or proceeding.

5.4 Contribution. If the indemnification provided for in the foregoing provisions of this Sections 5, is unavailable to any Indemnified Party in respect of any loss, claim, damage, liability or action referred to herein, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage, liability or action in such proportion as is appropriate to reflect the relative fault of the Indemnified Parties and the Indemnifying Parties in connection with the actions or omissions which resulted in such loss, claim, damage, liability or action, as well as any other relevant equitable considerations. The relative fault of any Indemnified Party and any Indemnifying Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such Indemnified Party or such Indemnifying Party and the parties' relative intent, knowledge, access to information and opportunity to correct or

prevent such statement or omission. The parties hereto further agree that it would not be just and equitable if contribution pursuant to this Section 5.4 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding provisions of this Section 5.4. The amount paid or payable by an Indemnified Party as a result of any loss, claim, damage, liability or action referred to in the immediately preceding provisions shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 5.4, Stockholder shall not be required to contribute any amount in excess of the dollar amount of the net proceeds actually received by Stockholder from the sale of Registrable Securities, which gave rise to

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such contribution obligation. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

#### 6. Certain Obligations of the Company and Stockholder.

6.1 Rule 144. The Company covenants that it shall use its best efforts to file any reports required to be filed by it under the 1933 Act and the 1934 Act to enable Stockholder to sell Registrable Securities without registration under the 1933 Act within the limitation of the exemptions provided by Rule 144 or Rule 144A under the 1933 Act, as such Rules may be amended from time to time, or any similar Rule or regulation hereafter adopted by the Commission.

6.2 "Lock-up" Agreement by Stockholder. Stockholder, by its acceptance hereof, agrees that, upon request, in connection with any underwritten public offering by the Company, Stockholder will enter "lock-up" agreements, in customary form, pursuant to which it or he or she will agree not to effect any sale or distribution of any securities similar to those being registered by the Company, or any securities convertible into or exchangeable or exercisable for such securities, including a sale pursuant to Rule 144 or 144A under the 1933 Act, during the 30 days prior to, and during the 180-day period beginning on, the effective date of the registration statement relating to such offering (except as part of such registration statement); provided, however, that the obligation of Stockholder to execute such lock-up agreements is subject to the execution of similar agreements by all of the executive officers and the directors of the Company.

#### 7. Miscellaneous

7.1 Successors and Assigns. The rights and obligations of Stockholder under this Agreement shall be assignable to any person or entity to whom the Stockholder sells or transfers any of his or its Registrable Securities in conformity with the Stockholders Agreement while that Agreement is in effect (a "Permitted Assignee"); provided, however that any assignee or transferee of such Securities that acquires them in a transaction pursuant to Rule 144 or Rule 144A shall not be deemed to be a Permitted Assignee that is entitled to any rights under this Agreement. Any Permitted Assignee of such rights, upon agreeing, in writing, to assume the obligations of Stockholder hereunder, shall be entitled to such benefits of this Agreement as is set forth in an agreement between Stockholder and such Permitted Assignee. Stockholder shall promptly notify the Company in writing of such assignment and any limitations binding on the Permitted Assignee.

7.2 Entire Agreement. This Agreement, the Contribution Agreement and the Stockholders Agreement, and the other agreements and instruments furnished pursuant thereto or in connection therewith, constitute the full and entire agreement and understanding between Stockholder and the Company, and supersede all prior agreements and understandings relating to the subject matter of this Agreement.

7.3 Notices. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given if transmitted by telecopier with receipt acknowledged, or upon delivery, if delivered personally

or by recognized commercial courier with receipt acknowledged, or upon the expiration of 72 hours after mailing, if mailed by registered or certified mail, return receipt requested, postage prepaid, addressed to the Company and to Stockholder at their respective addresses set forth in Exhibit C to the Stockholders

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Agreement, or at such other address or addresses as Stockholder or the Company, as the case may be, may specify by written notice given in accordance with this Section 7.3.

7.4 Severability. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

7.5 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

7.6 Headings. The headings of the Sections and paragraphs of this Agreement are for convenience of reference only and do not constitute a part of this Agreement and are not to be considered in construing or interpreting this Agreement.

7.7 Waivers and Amendments. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally or by course of dealing, except by a statement in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

7.8 Remedies. In the event that the Company fails to observe or perform any covenant or agreement to be observed or performed under this Agreement, Stockholder may proceed to protect and enforce its rights by suit in equity or action at law, whether for specific performance of any term contained in this Agreement or for an injunction against the breach of any such term or in aid of the exercise of any power granted in this Agreement or to enforce any other legal or equitable right of Stockholder, or to take any one or more of such actions. The non-prevailing party in any such proceeding agrees to pay all fees, costs, and expenses incurred by the prevailing party in connection with any such proceeding, including without limitation, the reasonable attorneys fees and disbursements incurred by the prevailing party. None of the rights, powers or remedies conferred under this Agreement shall be mutually exclusive, and each such right, power or remedy shall be cumulative and in addition to any other right, power or remedy whether conferred by this Agreement or now or hereafter available at law, in equity, by statute or otherwise.

7.9 Governing Law. In all respects, including all matters of construction, validity and performance, this Agreement and the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of California applicable to contracts made and performed in such state, without regard to principles thereof regarding conflicts of laws.

7.10 WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, AND UNDERSTANDING THEY ARE WAIVING A CONSTITUTIONAL RIGHT, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO, THIS AGREEMENT OR THE TRANSACTIONS COMPLETED HEREBY.

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IN WITNESS WHEREOF, the parties have caused this Registration Rights

Agreement to be executed and delivered by their duly authorized representatives  
as of the date first above written.

COMPANY: COLLECTORS UNIVERSE, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
David Hall, Chairman

STOCKHOLDER: \_\_\_\_\_

## REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (the "Agreement") is dated as of \_\_\_\_\_, 1999, by and among COLLECTORS UNIVERSE, INC., a Delaware corporation (the "Company") and the stockholder of the Company identified on the signature page of this Agreement (the "Stockholder"), with reference to the following facts and circumstances:

A. On this date the Company is issuing shares of its Common Stock, par value \$.001 per share (the "Shares"), to the Stockholder that were sold to him or her in a Private Placement by the Company of its shares to a select number of accredited investors.

B. The sale and issuance of the Shares to Stockholder have not been registered under the 1933 Act (as defined below) and the transferability of the Shares are subject to restrictions under that Act and also pursuant to a Stockholders Agreement (the "Stockholders Agreement") to be entered into by the Stockholder with the Company.

C. In order to induce the Stockholder to acquire the Shares and enter into the Stockholders Agreements, the Company has agreed to grant to the Stockholder, and has granted to each of its other stockholders, registration rights with respect to the shares of Common Stock of the Company owned by each of them, subject to the conditions contained in this Agreement.

## AGREEMENT

In consideration of the mutual covenants and agreements set forth herein, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. For purposes of this Agreement, the following terms shall have the meanings specified with respect thereto below:

"1933 Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Commission" shall mean the Securities and Exchange Commission or any other Federal agency at the time administering the 1933 Act.

"Common Stock" shall mean the common stock, par value \$.001 per share, of the Company.

"Company" shall have the meaning set forth in the preamble of this Agreement.

"Indemnified Party" shall have the meaning specified in Section 5.3.

"Indemnifying Party" shall have the meaning specified in Section 5.3.

"IPO" shall mean the first public offering of Common Stock by the Company that is registered under the 1933 Act and generates gross proceeds to the Company of at least \$10,000,000.

"Lock-Up Period" means a period of time, that follows the effectiveness of a registration statement filed under the 1933 Act by the Company for an offering of shares of its Common Stock or other securities (whether or not any Stockholders are selling Shares in that offering), including the registration statement for the Company's IPO

(as defined in Section 2 hereof), during which the Company or any Stockholders, including the Stockholder, have agreed with any Underwriters for such offering, to refrain from selling any of their shares of Common Stock without the consent of such Underwriter.

"Maximum Numbers of Shares" shall have the meaning specified in Section 3.2.

"Piggy-Back Registration" shall have the meaning specified in Section 3.

"Records" shall have the meaning specified in Section 4.1(h).

"Registrable Securities" shall mean, collectively, the Shares and any securities issued or issuable upon any stock dividend, stock split, recapitalization, merger, consolidation or similar event with respect to the Shares. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (i) a registration statement covering such securities shall have become effective under the 1933 Act and such securities shall have been disposed of in accordance with such registration statement, (ii) such securities shall have been distributed to the public pursuant to Rule 144 or Rule 144A (or any successor provisions) under the 1933 Act, (iii) such securities have become eligible to be sold pursuant to Section (k) of Rule 144, or (iv) such securities shall have ceased to be outstanding.

"Registration Rights Period" shall mean the period commencing on the 180th day following the consummation of the Company's IPO (as defined above) and continuing until the earlier of (i) the 5th anniversary of such consummation or (ii) the date that the Registrable Securities cease to be such.

"Requested Registration" shall have the meaning specified in Section 2.

"Selling Holder" shall mean a Stockholder who is selling Registrable Securities pursuant to a registration statement under the 1933 Act.

"Shares" shall have the meaning set forth in the recitals of this Agreement.

"Stockholders" shall mean all of the stockholders of the Company that are parties to registration rights agreements with the Company that are substantially similar to this Agreement and includes the Stockholder unless the context indicates otherwise.

"Stockholders Agreement" shall have the meaning set forth in the recitals to this Agreement.

"Underwriter" shall mean a securities dealer who purchases any Registrable Securities as principal in an underwritten offering and not as part of such dealer's market-making activities.

Capitalized terms not otherwise defined herein shall have the meaning given to them in the Contribution Agreement.

## 2. Shelf Registration Rights.

2.1 Request for Registration. One or more of the stockholders of the Company owning, individually or in the aggregate, not less than fifteen percent (15%) of the outstanding Common

Stock of the Company, at any time on or after the 90th day following the date that the Company consummates its IPO and continuing until the end of the Registration Rights Period, may make a written request for registration under the 1933 Act of all or part of their Registrable Securities (a "Requested Registration"). Any such request shall specify the number of shares of Registrable Securities proposed to be sold by such stockholders (the "Requesting Stockholders") pursuant to such Requested Registration. The Company shall give

written notice of such registration request within 15 days after the receipt thereof to all of the other stockholders who were not parties to the registration request (the "Other Stockholders"). Within ten days after receipt of such notice by the Other Stockholders, such Stockholders may request in writing that all or any of their Registrable Securities be included in such registration. Each such request by such Other Stockholders shall specify the number of Registrable Securities they propose to sell pursuant to the Requested Registration. The Company shall include in the Requested Registration at least the total number of Registrable Securities requested to be included therein by the stockholders, including the Stockholder, within the applicable time period specified above in this Section 2.1. Notwithstanding the foregoing, the Company shall not be obligated to effect more than one Requested Registration with respect to shares of common stock owned by the Stockholder and the Other Stockholders under this Section 2 during the first twelve (12) months following the registration of its shares under either Section 12(b) or Section 12(g) of the 1934 Act and more than two (2) additional Requested Registrations during the period thereafter that any of the Shares continue to be Registrable Securities (as defined herein). In addition, the Company shall not be obligated to effect a Requested Registration if the total number of Registrable Securities requested to be included therein totals less than at least 5% of the outstanding shares of Common Stock of the Company.

2.2 Nature of Requested Registration. The Requested Registrations required under this Section 2 shall take the form of non-underwritten "shelf" registrations that will permit the stockholders who have elected to include some or all of their Registrable Securities in the Requested Registration to sell such Securities in open market transactions free of any holding period and manner of sale restrictions under Rule 144 under the 1933 Act.

2.3 Reduction of Offering. If the Board of Directors of the Company determines that the number of Registrable Securities requested to be included in any Requested Registration could adversely affect the trading market for the Company's shares or a planned financing by the Company, the Company shall promptly notify the Stockholder and the other Stockholders requesting the inclusion of their Registrable Securities in the Requested Registration, in writing, thereof. Such written notice shall specify that the aggregate dollar amount or number of shares of Registrable Securities that the Board of Directors believes can be registered without causing such adverse effect and the number thereof that Stockholder and each of such other Stockholders shall be able to include in the Requested Registration after giving effect to such reduction (which shall be determined by allocating that aggregate number pro rata among such Stockholders, as nearly as practicable, on the basis of the number (or dollar amount, as the case may be) of Registrable Securities they have requested to have included in such Requested Registration).

2.4 Withdrawal. Stockholder may elect to withdraw his or its request for inclusion of its Registrable Securities in any Requested Registration by giving written notice to the Company of its request to withdraw prior to the effectiveness of the registration statement.

2.5 Effective Registration. A registration under this Section 2 will not count as a Requested Registration until it has become effective and has remained effective for a period of not less than nine (9) months or until all the securities covered by such registration statement have been sold, whichever period is shorter.

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### 3. Piggy-Back Registrations.

3.1 Piggy-Back Rights. If at any time during the Registration Rights Period, the Company proposes to file a registration statement under the 1933 Act with respect to an offering of equity securities, or securities convertible or exchangeable into equity securities, by the Company for its own account other than a registration statement (i) on Form S-4 or S-8 (or any substitute or successor form that may be adopted by the Commission), (ii) filed in connection with any employee stock option or other benefit plan, (iii) for an exchange offer or offering of securities solely to the Company's existing securityholders, (iv) for a dividend reinvestment plan, then the Company shall:

(a) give written notice of such proposed filing to the Stockholders, including the Stockholder, as soon as practicable but in no event

less than 30 days before the anticipated filing date, which notice shall describe the amount and type of securities to be included in such offering, the intended method(s) of distribution, and the name of the proposed managing Underwriter or Underwriters, if any, of the offering; and

(b) offer in such notice to the Stockholders, including the Stockholder, the opportunity to register such number of shares of Registrable Securities as each such Stockholder may request in writing within 10 days following receipt of such notice (a "Piggy-Back Registration"). Subject to the provisions of Sections 3.2 and 3.3, the Company shall cause such Registrable Securities to be included in such registration and shall use its best efforts to cause the managing Underwriter or Underwriters of a proposed underwritten offering to permit the Registrable Securities requested to be included in such registration on the same terms and conditions as any similar securities of the Company are to be offered for sale in such registration and to permit the sale or other disposition of such Registrable Securities in accordance with the intended method of distribution thereof.

3.2 Reduction of Offering. If the managing Underwriter or Underwriters for a Piggy-Back Registration that is to be an underwritten offering advises the Company and the Stockholders requesting inclusion in the Piggy-Back Registration, in writing, that the dollar amount or number of shares of Registrable Securities and other shares of Common Stock or other securities to be included in the offering exceeds the maximum dollar amount or number that can be sold in such offering without adversely affecting the proposed offering price, the timing, the distribution method or the probability of success of such offering (the "Maximum Number of Shares"), then, the Company shall include in such registration: (i) first, the shares of Common Stock or other securities that the Company proposes to sell which can be sold without exceeding the Maximum Number of Shares; and (ii) second, to the extent the Maximum Number of Shares has not been reached under the foregoing clause (i), the Registrable Securities requested to be included in such registration by the Stockholders which can be sold without exceeding the Maximum Number of Shares (allocated pro rata among such Stockholders, as nearly as practicable, on the basis of the number (or dollar amount, as the case may be) of Registrable Securities requested to be included in such offering by each of such Stockholders).

3.3 Withdrawal. Stockholder may elect to withdraw his or her request for inclusion of its Registrable Securities in any Piggy-Back Registration by giving written notice to the Company of its request to withdraw prior to the effectiveness of the registration statement. The Company may also elect to withdraw a registration statement including shares being registered pursuant to a Stockholder's Piggy-Back Registration rights at any time prior to the effectiveness of the registration statement, and such withdrawal shall not require the consent of any Stockholders; provided, however, that the Company shall reimburse promptly, but in no more than twenty (20) business days, all Stockholders for all reasonable out-of-pocket expenses (other than the fees or disbursements of counsel or accountants

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retained by any of the Stockholders) incurred by them in connection with such Piggy-Back Registration prior to such withdrawal by the Company.

#### 4. Registration Procedures.

4.1 Filings; Information. If and whenever the Company is required to effect the registration of any Registrable Securities under the 1933 Act pursuant to Section 2 or Section 3, the Company shall use its best efforts to effect the registration as expeditiously as practicable, and in connection or in furtherance therewith:

(a) Filing Registration Statement. The Company shall, as expeditiously as possible, prepare and, in the case of a Requested Registration pursuant to Section 2, within 60 days after receipt of the initial request for such registration, to file with the Commission a registration statement on any form for which the Company then qualifies or which counsel for the Company shall deem appropriate and which form shall be available for the sale of the Registrable Securities to be registered thereunder in accordance with the intended method of distribution thereof, and use its best efforts to cause such filed registration statement to become and remain effective; provided, however, that in the case of the registration statement for a Requested Registration



requested during the Lock-Up period following the effectiveness of the IPO, such registration statement shall not become effective until the end of that Lock-Up Period.

(b) Copies. The Company shall, prior to filing a registration statement or prospectus or any amendment or supplement thereto, furnish without charge to Stockholder and legal counsel for Stockholder, copies of such registration statement as proposed to be filed, each amendment and supplement to such registration statement (in each case including all exhibits thereto and documents incorporated by reference therein), the prospectus included in such registration statement (including each preliminary prospectus), and such other documents as Stockholder may request in order to facilitate the disposition of the Registrable Securities owned by Stockholder.

(c) Amendments and Supplements. The Company shall prepare and file with the Commission such amendments, including post-effective amendments, and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and in compliance with the provisions of the 1933 Act until all Registrable Securities and other securities covered by such registration statement have been disposed of in accordance with the intended methods of disposition set forth in such registration statement (which period shall not exceed nine months) or such securities have been withdrawn.

(d) Notification. After the filing of the registration statement, the Company shall promptly, and in no event more than three Business Days, notify Stockholder, and confirm such advice in writing, (i) when such registration statement becomes effective, (ii) when any post-effective amendment to such registration statement becomes effective, (iii) of any stop order issued or threatened by the Commission (and the Company shall take all actions required to prevent the entry of such stop order or to remove it if entered) and (iv) of any request by the Commission for any amendment or supplement to such registration statement of any prospectus relating thereto or for additional information or of the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities covered by such Registration Statement, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and promptly make available to Stockholder any such supplement or amendment; except that before filing with the Commission a registration statement or prospectus or any amendment or

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supplement thereto, including documents incorporated by reference, the Company shall furnish to Stockholder and to legal counsel representing Stockholder, copies of all such documents proposed to be filed sufficiently in advance of filing to provide Stockholder, Underwriters and legal counsel with a reasonable opportunity to review such documents and comment thereon, and the Company shall not file any registration statement or prospectus or amendment or supplement thereto, including documents incorporated by reference to which Stockholder or legal counsel representing Stockholder, shall reasonably object on a timely basis in light of the requirements of the 1933 Act or any other applicable laws and regulations.

(e) State Securities Laws Compliance. The Company shall use its best efforts to register or qualify the Registrable Securities covered by a registration statement for a Requested Registration or a Piggy-Back Registration under such securities or blue sky laws of such jurisdictions in the United States as Stockholder (in light of the intended plan of distribution) requests; provided, however, that the Company shall not be required to qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (e), or subject itself to taxation in any such jurisdiction.

(f) Agreements for Disposition. The Company shall enter into customary agreements (including, if applicable, an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Registrable Securities in connection with a underwritten Piggy-Back Registration. Stockholder may, at its option, require that any or all of the representations, warranties and

covenants of the Company in any underwriting agreement for a Piggy-Back Registration to or for the benefit of any Underwriters also be made to and for the benefit of the Stockholders whose Registrable Securities have been included in such Registration.

(g) Cooperation. The Executive Officers and other members of the management of the Company shall cooperate fully in any offering of Registrable Securities hereunder, which cooperation shall include, without limitation, the preparation of the Registration Statement and all other offering materials and related documents, and participation in meetings with Underwriters, attorneys, accountants.

(h) Records. The Company shall make available, for inspection by any Underwriter for any Underwritten Piggy Back Registration and any attorney, accountant or other professional retained by any Underwriter, all financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records"), as shall be necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information requested by such Underwriter or its counsel or accountants or other professional advisors in connection with such Registration.

(i) Earnings Statement. The Company shall comply with all applicable rules and regulations of the Commission and the 1933 Act, and make available to its Stockholders, as soon as practicable, an earnings statement covering a period of 12 months, beginning within three months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder.

(j) Listing. The Company shall use its best efforts to cause all such Registrable Securities registered pursuant to this Agreement to be listed on such exchanges or otherwise designated for trading in the same manner as similar securities issued by the Company are then listed or designated.

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4.2 Obligation to Suspend Distribution. Stockholder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 4.1(d), Stockholder will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until Stockholder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 4.1(d), and, if so directed by the Company, Stockholder will deliver to the Company all copies, other than permanent file copies then in Stockholder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice. In the event the Company shall give such notice, the Company shall extend the period during which such registration statement shall be maintained effective by the number of days during the period from and including the date of the giving of notice pursuant to Section 4.1(d) to the date when the Company shall make available to Stockholder a prospectus supplemented or amended to conform with the requirements of Section 4.1(d).

4.3 Registration Expenses. The Company shall pay all expenses incurred in connection with any Requested Registration pursuant to Section 2 and any Piggy-Back Registration pursuant to Section 3, and all expenses incurred in performing or complying with the Company's obligations under this Section 4, whether or not the registration statement becomes effective, in each case including, but not limited to: (i) all registration and filing fees, (ii) fees and expenses of compliance with securities or blue sky laws (including fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), printing expenses, (iii) the Company's internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), (iv) the fees and expenses incurred in connection with the listing of the Registrable Securities as required by Section 4.1(j), (iv) National Association of Securities Dealers, Inc. fees, (v) fees and disbursements of counsel for the Company and fees and expenses for independent certified public accountants retained by the Company, (vi) the fees and expenses of any special experts retained by the Company in connection with such registration. The Company shall have no obligation to pay any underwriting fees, discounts or selling commissions attributable to the Registrable Securities being sold by Stockholder or any of the Other

Stockholders, or any expenses incurred by the Stockholder or any of the Other Stockholders incurred in connection with such registration, such as but not limited to the fees and disbursement of counsel, accountants or experts retained by Stockholder or any other of the Stockholders to represent or assist them in connection with such registration.

#### 5. Indemnification and Contribution.

5.1 Indemnification by the Company. The Company agrees to indemnify and hold harmless Stockholder and, if Stockholder is a corporation or other business entity, its officers, employees, affiliates, directors, partners, members and agents, and each person, if any, who controls the Stockholder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act (collectively, the Stockholder's Related Parties"), from and against any loss, claim, damage or liability and any action in respect thereof to which the Stockholder or any of his or its Related Parties become subject under the 1933 Act or the 1934 Act, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement of a material fact contained or incorporated by reference in any registration statement or prospectus (including any preliminary prospectus) relating to the Registrable Securities (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or any omission or alleged omission to state a material fact required to be stated in any such registration statement or prospectus in order to make the statements therein not misleading. The Company also shall promptly, but in no event more than twenty (20) business days after request for payment, pay directly or reimburse the Stockholder and its Related Parties for any reasonable legal and other expenses incurred by Stockholder or such Related Parties in

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investigating or defending or preparing to defend against any such loss, claim, damage, liability or action provided that the Stockholder or such Related Party is entitled to be indemnified therefor under the provisions of this Section 5; provided, however, that notwithstanding anything to the contrary set forth in this Section 5 (i) the indemnity agreement contained in this Section 5.1 shall not apply to amounts paid in settlement of any such loss, claim, damage or liability or any action in respect thereof if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), (ii) the Company shall not be liable to Stockholder or any of its Related Parties in any such case for any loss, claim, damage, liability or any action in respect thereof to the extent that it arises solely from or is based solely upon and is in conformity with information related to Stockholder furnished in writing by Stockholder expressly for use in connection with such registration, (iii) the Company shall not be liable to Stockholder for any such loss, claim, damage or liability or any action in respect thereof to the extent it arises solely from or is based solely upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus relating to the Registrable Securities delivered by Stockholder after the Company had provided written notice to Stockholder that such registration statement or prospectus contained such untrue statement or alleged untrue statement of a material fact, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading after the Company had provided written notice to Stockholder that such registration statement or prospectus contained such omission or alleged omission; and (iv) the obligation of the Company to pay or reimburse expenses of the Stockholder set forth above in this Section 5.1 shall be subject to the provisions of Section 5.3 hereof. The Company also shall indemnify any Underwriter of Registrable Securities, their officers, affiliates, directors, partners, members and agents and each person who controls such Underwriter on substantially the same basis as that of the indemnification of Stockholder provided in this Section 5.1;

5.2 Indemnification by Stockholder. Stockholder shall indemnify and hold harmless the Company, its officers, directors, employees and agents and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act to the same extent as the foregoing indemnity from the Company to Stockholder, but solely with reference to information in conformity with and related to Stockholder furnished in writing by Stockholder expressly for use in any registration statement or prospectus relating to the Registrable Securities, or any amendment or supplement thereto, or any preliminary prospectus. Stockholder shall also

indemnify and hold harmless any Underwriter of the Registrable Securities, their officers, directors, partners, members and agents and each person who controls such Underwriters on substantially the same basis as that of the indemnification of the Company provided in this Section 5.2; provided, however, that in no event shall any indemnity obligation under this Section 5.2 exceed the dollar amount of the net proceeds actually received by Stockholder from the sale of Registrable Securities, which gave rise to such indemnification obligation under such registration statement or prospectus.

5.3 Conduct of Indemnification Proceedings. Promptly after receipt by any person of any notice of any loss, claim, damage or liability or any action in respect of which indemnity may be sought pursuant to Section 5, such person (the "Indemnified Party") shall, if a claim in respect thereof is to be made against any other person for indemnification hereunder, notify such other person (the "Indemnifying Party") in writing of the loss, claim damage, liability or action; provided, however, that the failure by the Indemnified Party to notify the Indemnifying Party shall not relieve the Indemnifying Party from any liability which the Indemnifying Party may otherwise have to such Indemnified Party. If the Indemnified Party is seeking Indemnification with respect to any claim or action brought against the Indemnified Party, then the Indemnifying Party shall be entitled to participate in such claim or action, and, to the extent that it wishes, jointly with all other Indemnifying Parties, to assume the defense thereof with counsel reasonably satisfactory to the Indemnified Party. After notice from the Indemnifying Party

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to the Indemnified Party of its election to assume the defense of such claim or action, the Indemnifying Party shall not be liable to the Indemnified Party for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that in any action in which both the Indemnified Party and the Indemnifying Party are named as defendants, the Indemnified Party shall have the right to employ separate counsel (but no more than one such separate counsel) to represent the Indemnified Party and its controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Indemnified Party against the Indemnifying Party, with the fees and expenses of such counsel to be paid by such Indemnifying Party if, based upon the written opinion of counsel of such Indemnified Party, representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, consent to entry of judgment or effect any settlement of any claim or pending or threatened proceeding in respect of which the Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such judgment or settlement includes an unconditional release of such Indemnified Party from all liability arising out of such claim or proceeding.

5.4 Contribution. If the indemnification provided for in the foregoing provisions of this Sections 5, is unavailable to any Indemnified Party in respect of any loss, claim, damage, liability or action referred to herein, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage, liability or action in such proportion as is appropriate to reflect the relative fault of the Indemnified Parties and the Indemnifying Parties in connection with the actions or omissions which resulted in such loss, claim, damage, liability or action, as well as any other relevant equitable considerations. The relative fault of any Indemnified Party and any Indemnifying Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such Indemnified Party or such Indemnifying Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto further agree that it would not be just and equitable if contribution pursuant to this Section 5.4 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding provisions of this Section 5.4. The amount paid or payable by an Indemnified Party as a result of any loss, claim, damage, liability or action referred to in the immediately preceding provisions shall be deemed to include, subject to the limitations set forth above, any legal or other expenses

incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 5.4, Stockholder shall not be required to contribute any amount in excess of the dollar amount of the net proceeds actually received by Stockholder from the sale of Registrable Securities, which gave rise to such contribution obligation. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

#### 6. Certain Obligations of the Company and Stockholder.

6.1 Rule 144. The Company covenants that it shall use its best efforts to file any reports required to be filed by it under the 1933 Act and the 1934 Act to enable Stockholder to sell Registrable Securities without registration under the 1933 Act within the limitation of the exemptions provided by Rule 144 or Rule 144A under the 1933 Act, as such Rules may be amended from time to time, or any similar Rule or regulation hereafter adopted by the Commission.

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6.2 "Lock-up" Agreement by Stockholder. Stockholder, by its acceptance hereof, agrees that, upon request, in connection with any underwritten public offering by the Company, Stockholder will enter "lock-up" agreements, in customary form, pursuant to which it or he or she will agree not to effect any sale or distribution of any securities similar to those being registered by the Company, or any securities convertible into or exchangeable or exercisable for such securities, including a sale pursuant to Rule 144 or 144A under the 1933 Act, during the 30 days prior to, and during the 180-day period beginning on, the effective date of the registration statement relating to such offering (except as part of such registration statement); provided, however, that the obligation of Stockholder to execute such lock-up agreements is subject to the execution of similar agreements by all of the executive officers and the directors of the Company.

#### 7. Miscellaneous

7.1 Successors and Assigns. The rights and obligations of Stockholder under this Agreement shall be assignable to any person or entity to whom the Stockholder sells or transfers any of his or its Registrable Securities in conformity with the Stockholders Agreement while that Agreement is in effect (a "Permitted Assignee"); provided, however that any assignee or transferee of such Securities that acquires them in a transaction pursuant to Rule 144 or Rule 144A shall not be deemed to be a Permitted Assignee that is entitled to any rights under this Agreement. Any Permitted Assignee of such rights, upon agreeing, in writing, to assume the obligations of Stockholder hereunder, shall be entitled to such benefits of this Agreement as is set forth in an agreement between Stockholder and such Permitted Assignee. Stockholder shall promptly notify the Company in writing of such assignment and any limitations binding on the Permitted Assignee.

7.2 Entire Agreement. This Agreement, the Contribution Agreement and the Stockholders Agreement, and the other agreements and instruments furnished pursuant thereto or in connection therewith, constitute the full and entire agreement and understanding between Stockholder and the Company, and supersede all prior agreements and understandings relating to the subject matter of this Agreement.

7.3 Notices. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given if transmitted by telecopier with receipt acknowledged, or upon delivery, if delivered personally or by recognized commercial courier with receipt acknowledged, or upon the expiration of 72 hours after mailing, if mailed by registered or certified mail, return receipt requested, postage prepaid, addressed to the Company and to Stockholder at their respective addresses set forth in Exhibit C to the Stockholders Agreement, or at such other address or addresses as Stockholder or the Company, as the case may be, may specify by written notice given in accordance with this Section 7.3.

7.4 Severability. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability

of the remaining provisions shall not in any way be affected or impaired thereby.

7.5 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

7.6 Headings. The headings of the Sections and paragraphs of this Agreement are for convenience of reference only and do not constitute a part of this Agreement and are not to be considered in construing or interpreting this Agreement.

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7.7 Waivers and Amendments. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally or by course of dealing, except by a statement in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

7.8 Remedies. In the event that the Company fails to observe or perform any covenant or agreement to be observed or performed under this Agreement, Stockholder may proceed to protect and enforce its rights by suit in equity or action at law, whether for specific performance of any term contained in this Agreement or for an injunction against the breach of any such term or in aid of the exercise of any power granted in this Agreement or to enforce any other legal or equitable right of Stockholder, or to take any one or more of such actions. The non-prevailing party in any such proceeding agrees to pay all fees, costs, and expenses incurred by the prevailing party in connection with any such proceeding, including without limitation, the reasonable attorneys fees and disbursements incurred by the prevailing party. None of the rights, powers or remedies conferred under this Agreement shall be mutually exclusive, and each such right, power or remedy shall be cumulative and in addition to any other right, power or remedy whether conferred by this Agreement or now or hereafter available at law, in equity, by statute or otherwise.

7.9 Governing Law. In all respects, including all matters of construction, validity and performance, this Agreement and the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of California applicable to contracts made and performed in such state, without regard to principles thereof regarding conflicts of laws.

7.10 WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, AND UNDERSTANDING THEY ARE WAIVING A CONSTITUTIONAL RIGHT, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO, THIS AGREEMENT OR THE TRANSACTIONS COMPLETED HEREBY.

(Signatures of the Parties follow on next page)

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IN WITNESS WHEREOF, the parties have caused this Registration Rights Agreement to be executed and delivered by their duly authorized representatives as of the date first above written.

COMPANY:

COLLECTORS UNIVERSE, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
David Hall, Chairman

STOCKHOLDER:

By: \_\_\_\_\_  
Its: Authorized Representative

By: \_\_\_\_\_  
Its: Authorized Representative

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IN WITNESS WHEREOF, the parties have caused this Registration Rights Agreement to be executed and delivered by their duly authorized representatives as of the date first above written.

COMPANY:

COLLECTORS UNIVERSE, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
David Hall, Chairman

STOCKHOLDER:

\_\_\_\_\_

By: \_\_\_\_\_  
\_\_\_\_\_

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STRADLING YOCCA CARLSON & RAUTH  
 A PROFESSIONAL CORPORATION  
 ATTORNEYS AT LAW  
 660 NEWPORT CENTER DRIVE, SUITE 1600  
 NEWPORT BEACH, CALIFORNIA 92660-6441  
 TELEPHONE (949) 725-4000  
 FACSIMILE (949) 725-4100

October 12, 1999

Collectors Universe, Inc.  
 1936 Deere Street  
 Santa Ana, California 92705

Re: Registration Statement on Form S-1; Registration No. 333-86449

Ladies and Gentlemen::

We have examined the Registration Statement on Form S-1, Registration No. 333-86449, filed by you with the Securities and Exchange Commission (the "Commission") on September 2, 1999 (as amended by Amendment No. 1 thereto and as may be further amended or supplemented, the "Registration Statement"), in connection with the registration under the Securities Act of 1933, as amended, of 4,600,000 shares of your common stock (the "Shares"). The Shares, which include up to 600,000 shares of common stock issuable pursuant to an over-allotment option granted to the underwriters (the "Underwriters"), are to be sold to the Underwriters as described in such Registration Statement for sale to the public. As your counsel in connection with this transaction, we have examined the proceedings taken and are familiar with the proceedings proposed to be taken by you in connection with the sale and issuance of the Shares.

Based on the foregoing, it is our opinion that, upon conclusion of the proceedings being taken or contemplated by us, as your counsel, to be taken prior to the issuance of the Shares and upon completion of the proceedings taken in order to permit such transactions to be carried out in accordance with the securities laws of various states where required, the Shares, when issued and sold in the manner described in the Registration Statement, will be legally and validly issued, fully paid and nonassessable.

We consent to the use of this opinion as an exhibit to the Registration Statement and to the use of our name under the caption "Legal Matters" in the Registration Statement, including the Prospectus constituting a part thereof and any amendment thereto.

Very truly yours,

/s/ STRADLING YOCCA CARLSON & RAUTH

-----  
 Stradling Yocca Carlson & Rauth



## COLLECTORS UNIVERSE, INC.

## INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT is made as of \_\_\_\_\_, 1999, between COLLECTORS UNIVERSE, INC., a Delaware corporation (the "Company"), and \_\_\_\_\_ ("Indemnatee"), an officer and/or member of the Board of Directors of the Company.

WHEREAS, the Company desires the benefits of having Indemnatee serve as an officer and/or director secure in the knowledge that expenses, liability and losses incurred by him in his good faith service to the Company will be borne by the Company or its successors and assigns in accordance with applicable law; and

WHEREAS, the Company desires that Indemnatee resist and defend against what Indemnatee may consider to be unjustified investigations, claims, actions, suits and proceedings which have arisen or may arise in the future as a result of Indemnatee's service to the Company notwithstanding that conditions in the insurance markets may make directors' and officers' liability insurance coverage unavailable or available only at premium levels which the Company may deem inappropriate to pay; and

WHEREAS, the parties believe it appropriate to memorialize and reaffirm the Company's indemnification obligations to Indemnatee and, in addition, set forth the indemnification agreements contained herein;

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the parties agree as follows:

1. Indemnification. Indemnatee shall be indemnified and held harmless by the Company to the fullest extent permitted by its Certificate of Incorporation, Bylaws and applicable law, as the same exists or may hereafter be amended, against all expenses, liability and loss (including attorneys' fees, judgments, fines, and amounts paid or to be paid in any settlement approved in advance by the Company, such approval not to be unreasonably withheld) (collectively, "Indemnifiable Expenses") actually reasonably incurred or suffered by Indemnatee in connection with any present or future threatened, pending or contemplated investigation, claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (collectively, "Indemnifiable Litigation"), (i) to which Indemnatee is or was a party or is threatened to be made a party by reason of any action or inaction in Indemnatee's capacity as a director or officer of the Company, or (ii) with respect to which Indemnatee is otherwise involved by reason of the fact that Indemnatee is or was serving as a director, officer, employee or agent of the Company, or of any subsidiary or division, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Notwithstanding the foregoing, Indemnatee shall have no right to indemnification for expenses and the payment of profits arising from the purchase and sale by Indemnatee of securities in violation of Section 16(b) of the Securities and Exchange Act of 1934, as amended.

2. Interim Expenses. The Company agrees to pay Indemnifiable Expenses incurred by Indemnatee in connection with any Indemnifiable Litigation in advance of the final disposition thereof, provided that the Company has received an undertaking by or on behalf of Indemnatee, substantially in the form attached hereto as Exhibit A, to repay the amount so advanced to the extent that it is ultimately determined that Indemnatee is not entitled to be indemnified by the Company under this Agreement or otherwise.

## 3. Trust Fund.

(a) The Company may, but is not obligated to, establish a trust (the "Trust") to fund certain of its obligations under this Agreement and

similar agreements with other directors and/or officers (collectively, including Indemnitee, the "Beneficiaries"). Therefore, in such event, in addition to Indemnitee's rights under this Indemnification Agreement and any applicable insurance policy, Indemnitee shall also have the right to seek indemnification payments from the trustee (the "Trustee") of any such trust that may be established hereafter in accordance with the terms of this Agreement and of the trust agreement.

(b) All communications or demands made by and among the Trustee and the Beneficiaries of any such Trust are to be made through the individual designated as the Beneficiaries' Representative. As of the date of this Agreement, a Trust has not been established, nor has a Beneficiaries' Representative been designated. The Beneficiaries' Representative shall be designated and may be changed from time to time and at any time upon agreement of two-thirds of the Beneficiaries at such time.

4. Procedure for Making Demand. In order to receive his rights to be indemnified under this Agreement, including rights to receive advance payments as set forth in Paragraph 2, Indemnitee shall make demand upon the Company to honor its indemnity obligations and pay the Indemnifiable Expenses. If the Company fails to do so within fifteen (15) days, the Indemnitee shall then have the right and obligation to make demand under any applicable policy of directors' and officers' liability insurance then in effect upon the insurance company (the "Insurance Company") issuing such policy. If Insurance Company fails to pay the demand within fifteen (15) days, then, if a Trust shall have been established, the Indemnitee, through the Beneficiaries' Representative, shall then be entitled and obligated to make demand upon the Trustee of the Trust for such payment. Indemnitee shall not be required to institute a lawsuit or take other actions against the Company, Insurance Company or any insurer to recover the unpaid amount prior to the Beneficiaries' Representative making a demand and receiving payment from the Trustee on his behalf, but the Beneficiaries' Representative shall deliver a certificate to the Trustee at the time of payment of each distribution from the Trust certifying that no part of such payment has been previously received from the Company or any insurer.

#### 5. Failure to Indemnify.

(a) If a claim under this Agreement, or any statute, or under any provision of the Company's Certificate of Incorporation or Bylaws providing for indemnification, is not paid in full by the Company, Insurance Company or, if the Trust Fund shall have been established, by the Trustee, within forty-five (45) days after a written request for payment thereof has been received by the Company, Indemnitee may, but need not, at any time thereafter bring an action against the Company to recover the unpaid amount of the claim and, if successful in whole or in part, Indemnitee shall also be entitled to be paid for the expense (including attorneys' fees) of bringing such action.

(b) It shall be a defense to such action (other than an action brought to enforce a claim pursuant to Section 2 hereof for expenses incurred in connection with any action, suit or proceeding in advance of its final disposition) that Indemnitee has not met the standard of conduct which makes it permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed, but the burden of proving such defense shall be on the Company and Indemnitee shall be entitled to receive interim payments of interim expenses pursuant to Section 2 hereof unless and until such defense may be finally adjudicated by court order or judgment from which no further right of

appeal exists. It is the parties' intention that if the Company contests Indemnitee's right to indemnification, the question of Indemnitee's right to indemnification shall be for the court to decide, and neither the failure of the Company (including its board of directors, independent legal counsel, or its stockholders) to have made a determination that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including its board of directors, any committee or subgroup of the board of directors, independent legal counsel, or its stockholders) that Indemnitee has not met such applicable standard of conduct, shall create a presumption that Indemnitee has or has not met the applicable standard of conduct.

6. Notice to Insurers. If, at the time of the receipt of a notice of a claim pursuant to Section 4 thereof, the Company has director and/or officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

7. Retention of Counsel.

(a) Whether Indemnitee is seeking payment of Indemnifiable Expenses directly from the Company or from the Trustee of a Trust, the Indemnitee or, if the Trust Fund shall have been established, then the Beneficiaries' Representative, shall have the right and obligation on behalf of Indemnitee and other Beneficiaries, in the case of the Beneficiaries' Representative, to (i) seek counsel to represent Indemnitee with respect to any matter subject to indemnification and payment hereunder; (ii) coordinate the defense of any such matter; and (iii) approve the fees and other expenses of such counsel.

(b) Notwithstanding the foregoing, Indemnitee may retain different counsel than the other Indemnitees or Beneficiaries, or may incur expenses not shared in common with the other Indemnitees or Beneficiaries, in connection with any Indemnifiable Litigation if in the reasonable judgment of Indemnitee there may be legal defenses available to him which are different from or additional to those available to the other Indemnitees or Beneficiaries and, as a consequence, an actual or potential conflict of interest with the other Indemnitees or Beneficiaries exists. If the Trust Fund shall have been established, Indemnitee must obtain the prior written approval of the Beneficiaries' Representative to retain such counsel, which consent shall not be unreasonably withheld. In the event that the Beneficiaries' Representative withholds such consent, Indemnitee shall then have the right to seek approval for such separate counsel from the Trustee, which approval shall not be unreasonably withheld. Nothing contained herein shall prohibit Indemnitee from retaining other counsel at Indemnitee's own expense.

8. Successors. This Agreement establishes contract rights which shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs and legal representatives of the parties hereto.

9. Mutual Acknowledgment. Both the Company and Indemnitee acknowledge that in certain instances, Federal law or applicable public policy may prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company may be required in the future to undertake to the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee, and, in that event, the Indemnitee's rights and the Company's obligations hereunder shall be subject to that determination.

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10. Contract Rights Not Exclusive. The contract rights conferred by this Agreement shall be in addition to, but not exclusive of, any other right which Indemnitee may have or may hereafter acquire under any statute, provision of the Company's Certificate of Incorporation or Bylaws, agreement, vote of shareholders or disinterested directors, or otherwise.

11. Indemnitee's Obligations. The Indemnitee shall promptly advise the Company in writing of the institution of any investigation, claim, action, suit or proceeding which is or may be subject to this Agreement and keep the Company generally informed of, and consult with the Company with respect to, the status of any such investigation, claim, action, suit or proceeding. Notices to the Company shall be directed to Collectors Universe, Inc., 1936 E. Deere Street, Suite 100 Santa Ana, CA 92705, Attn: President (or other such address as the Company shall designate in writing to Indemnitee). Notice shall be deemed received three days after the date postmarked if sent by certified or registered mail, properly addressed. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

12. Attorneys' Fees. In the event that any action is instituted by Indemnatee under this Agreement to enforce or interpret any of the terms hereof, Indemnatee shall be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnatee with respect to such action, unless as a part of such action, a court of competent jurisdiction determines that each of the material assertions made by Indemnatee as a basis for such action were not made in good faith or were frivolous. In the event of an action instituted by or in the name of the Company under this Agreement, or to enforce or interpret any other terms of this Agreement, Indemnatee shall be entitled to be paid all court costs and expenses, including attorneys' fees, incurred by Indemnatee in defense of such action (including with respect to Indemnatee's counterclaims and cross-claims made in such action), unless as a part of such action the court determines that each of Indemnatee's material defenses to such action were made in bad faith or were frivolous.

13. Severability. Should any provision of this Agreement, or any clause thereof, be held to be invalid, illegal or unenforceable, in whole or in part, the remaining provisions and clauses of this Agreement shall remain fully enforceable and binding on the parties.

14. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether of not similar) nor shall such waiver constitute a continuing waiver.

15. Choice of Law. The validity, interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Delaware.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

INDEMNITEE

COLLECTORS UNIVERSE, INC.

By: \_\_\_\_\_

Its: \_\_\_\_\_

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EXHIBIT A

UNDERTAKING AGREEMENT

This AGREEMENT is made as of \_\_\_\_\_, 1999, between COLLECTORS UNIVERSE, INC., a Delaware corporation (the "Company") and \_\_\_\_\_, a member of the board of directors and/or an officer of the Company ("Indemnatee").

WHEREAS, Indemnatee may become involved in investigations, claims, actions, suits or proceedings which have arisen or may arise in the future as a result of Indemnatee's service to the Company; and

WHEREAS, Indemnatee desires that the Company pay any and all expenses (including, but not limited to, attorneys' fees and court costs) actually and reasonably incurred by Indemnatee or on Indemnatee's behalf in defending or investigating any such suits or claims and that such payment be made in advance of the final disposition of such investigations, claims, actions, suits or proceedings to the extent that Indemnatee has not been previously reimbursed by insurance; and

WHEREAS, the Company is willing to make such payments but, in accordance with the Bylaws of the Company and Section 145 of the General Corporation Law of the State of Delaware, the Company may make such payments only if it receives an undertaking to repay from Indemnatee; and

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties agree as follows:

1. In regard to any payments made by the Company to Indemnatee pursuant to the terms of the Indemnification Agreement dated as of September \_\_, 1999,

between the Company and Indemnitee, Indemnitee hereby undertakes and agrees to repay to the Company any and all amounts so paid promptly and in any event within thirty (30) days after the disposition, including any appeals, of any litigation or threatened litigation on account of which payments were made, but only to the extent that Indemnitee is ultimately found not to be entitled to be indemnified by the Company under the Bylaws of the Company and Section 145 of the General Corporation Law of the State of Delaware, or other applicable law.

2. This Agreement shall not affect in any manner rights which Indemnitee may have against the Company, any insurer or any other person to seek indemnification for or reimbursement of any expenses referred to herein or any judgment which may be rendered in any litigation or proceeding.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first above written.

INDEMNITEE

COLLECTORS UNIVERSE, INC.

\_\_\_\_\_

By: \_\_\_\_\_  
Its:

## SUBSIDIARIES

Professional Coin Grading Service, Inc., a Delaware Corporation

Lyn Knight Currency Auctions, Inc., a Delaware Corporation

Internet Universe, LLC, a California limited liability company

Superior Sportcard Auctions, LLC, a Delaware limited liability company

INDEPENDENT AUDITORS' CONSENT  
AND REPORT ON SCHEDULE

To the Board of Directors and Stockholders of  
Collectors Universe, Inc.

We consent to the use in this Amendment No. 1 to Registration Statement No. 333-86449 of Collectors Universe, Inc. on Form S-1 of our report dated August 27, 1999 (September 1, 1999 as to Note 14), appearing in the Prospectus, which is a part of this Registration Statement, and to the references to us under the headings "Selected Consolidated Financial Data" and "Experts" in such Prospectus.

Our audits of the financial statements referred to in our aforementioned report also included the financial statement schedule, "Valuation and Qualifying Accounts," of Collectors Universe, Inc. and subsidiaries listed in Item 16(b). This financial statement schedule is the responsibility of the management of Collectors Universe, Inc. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP  
Costa Mesa, California

October 11, 1999

## INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Amendment No. 1 to Registration Statement No. 333-86449 of Collectors Universe, Inc. on Form S-1 of our report dated May 26, 1999, related to the statements of income and retained earnings and of cash flows of Kingswood Coin Auctions, LLC, for the year ended December 31, 1998, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

DELOITTE & TOUCHE LLP  
Costa Mesa, California

October 11, 1999



## INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Amendment No. 1 to Registration Statement No. 333-86449 of Collectors Universe, Inc. on Form S-1 of our report dated June 4, 1999, related to the statements of income and (deficiency) equity and of cash flows of the auction business of Lyn F. Knight Rare Coins, Inc. for the years ended December 31, 1997 and 1998, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

DELOITTE & TOUCHE LLP  
Costa Mesa, California

October 11, 1999