

AEROSCRIPPHILIACS

WHO WOULD BUY AVIATION STOCK THAT'S NOT WORTH THE PAPER IT'S PRINTED ON?

BY ROGER A. MOLA



Aero clubs sold membership shares to raise prize money for the 1912 Gordon Bennett Race, held in Chicago. Jules Vedrines won in a Deperdussin.

It's 7:00 a.m. on a chill Sunday in November, and the stalls at the Montgomery County fairgrounds in Gaithersburg, Maryland, are closed. Yet a group of visitors in flannel shirts and railroad engineers' hats are heading to the cattle judging hall. Collectors and dealers—most are both—have come to find blue-ribbon specimens, but not in livestock. The stock they seek is paper, and though it is no longer traded on Wall Street, plenty will be bought, sold, and swapped at today's 'air and Transportation Collectibles Show.

Amid the timetables, train station clocks, and other memorabilia filling the hall is a single aisle devoted to air transportation. Two tables laden with milk crates, the kind that once held collections of vinyl records, sag with stock certificates from every kind of aerospace enterprise.

Virginia dealers Tom Lareau and Bob Schell man the tables and fill time in the absence of customers with their own swaps. Each offers hundreds of aeronautical certificates, shares, warrants, and bonds—more than a century of financial flotsam.

Prices start as low as 25 cents for the most common certificates, but Schell has two stocks on display for \$75: a 1981 certificate from Lear Jet Corporation and one from the Martin Company from 1957. In searching through the boxes his rival brought, he comes upon certificates from the Custer Channel Wing Corporation. The Corporation's unusual product (see "Wrong Turns," Feb./Mar. 2003) is in the collection of the National Air and Space Museum, but because so many of its certificates have entered the collectors' market, their value

has dropped, according to Lareau, from \$25 or \$30 to about \$10.

A customer presents a Pan American Airways stock warrant, worth \$2. (A warrant is a form of security that allows the



Collectors prize a stock certificate for its vignette, or central illustration, as well as for the historic significance of the issuing enterprise.

owner to buy stock at a pre-determined price.) In the fall of 2003, New York's Museum of American Financial History handed out Pan Ams for free. But this one has a special appeal for Schell. Schell's wife Judy glances over.

"You know how long I looked for that?" she exclaims, snatching the warrant for a closer look. Its issue date, July 18, 1946, is Bob's birthday. The customer surrenders the Pan Am in exchange for advice about collecting.

Tom Lareau lures the customer to his table. Behind Lareau, hanging at eye level by clothespin and string, is his prize. The \$150 certificate represents shares in the 1912

International Gordon Bennett Race, the world's oldest aeronautical competition. "There are maybe 10 aviation stocks that are easy to find and the rest can get expensive," says Lareau. "On eBay, the good ones go for \$200, \$500, \$1,000 each." He dusts off the Bennett and explains what motivates most of his customers. "People are oriented to companies in a certain region, or from their childhood, and some are attracted to the signatures," he says. Early Eastern Airlines certificates, for example, bore the signature of the airline president, World War I ace Eddie Rickenbacker. "Others collect certificates because they look good," says Lareau. "I used to have a big aviation collection

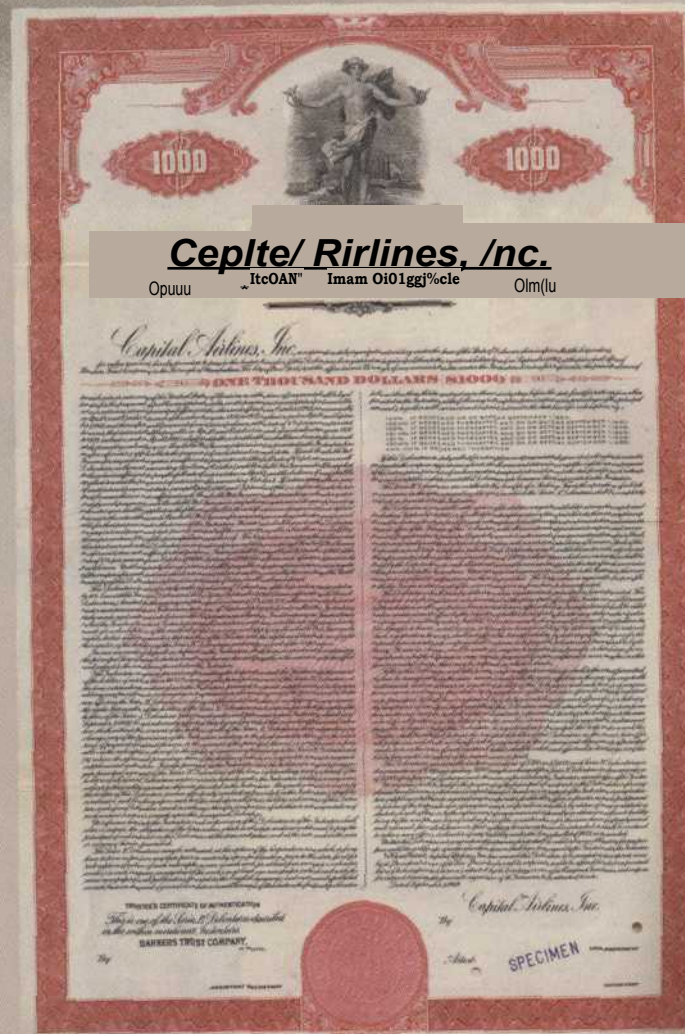
until a German client bought nearly everything," says Schell. He estimates that more than a third of the 10,000 aviation stock collectors worldwide are German. Americans, he believes, are relatively new to collecting, and most started with railroad stocks. "It's the love of machines, with the romance of the Old West" that drew them in that direction, he supposes. Another major group of aviation stock collectors resides in the United Kingdom, headquarters for the International Bond & Share Society. The IBSS publishes a quarterly magazine, Scripophily, the term for financial paper collecting. The society hosts auctions from South Africa to Tennessee and issues to its members a bibliography listing 80 books on scripophily.

Stock certificates enter circulation as collectibles when the companies that issue them fail and the stock can no longer be redeemed for cash, or when a cancelled stock—one that has gone through its whole life cycle, from issuance through redemption—is released by company officers, usually through transfer agents. Some stock certificates become available to collectors because the holders did not trade them in when the shares were superseded by later issuances. For example, the Lear Jet Corporation first offered stock under that name in 1964. When the company changed to Lear Jet Industries, Inc. in 1966, Lear Jet Corporation shareholders should have returned the older certificates for the new paper. In 1969, another name change, to Gates Learjet Corporation, necessitated the same kind of swap, and in 1988, the name changed to Learjet Corporation. In 1990, Bombardier Aerospace acquired the assets and operations of Learjet Corporation. Today, any stockholders who did not trade in their earlier certificates for shares of Bombardier can sell those certificates only to collectors. Bob Kerstein, a dealer in collectible stocks, sold early Lear Jet certificates to Lear family members.

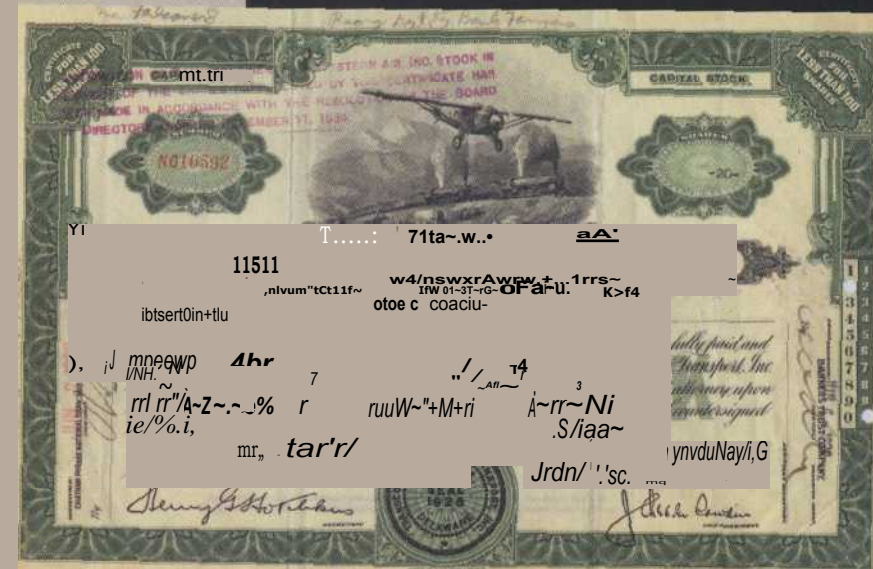
There is another category of collectible stocks: uncirculated "specimens," versions of a certificate that were held by the printer, retained by a company, or included only in a sample book by the engraving artist. Specimens are rare and costly. Each is stamped with the word "SPECIMEN" and the serial number 00000. A company's Registration Statement for the Securities and Exchange Commission—known as an S-1 or A-1—would have included specimens.

In his home office in suburban Virginia, Bob Kerstein presents his original 1936 A-1 for Bell Aircraft, with its pristine specimens and signatures of President Lawrence Bell and all officers. Kerstein's Web site, *scripophily.com*, currently lists 9,000 items. "Here's another cool one!" he says, flipping through a milk crate to find documents from Bonanza Airlines, a 1960s-era commuter line connecting Los Angeles with Las Vegas that Kerstein flew on regularly as a youngster. Another of Kerstein's treasures is a framed certificate issued in 1915 to Orville Wright, a stake of 440 shares signed by Wright's sister, Katharine, as secretary and by brother Lorin Wright as vice president. "It's a copy, or else it would sell for at least \$30,000." He pauses, then lowers his voice. "At least, I think it's a copy

Lacking the signature of a celebrity or obvious historical value, a certificate can sometimes attract an investor by the sheer quirkiness of the concept, product, or scheme it represents. Kerstein even relishes the artifacts of a scam. His Gray Goose Airways prospectus, written by inventor and pitclunan Jonathan E. Caldwell, brags: "Ours is one of the greatest opportunities yet offered." The Gray Goose was to take off with flapping wings and cruise with gas mileage of 100 miles per gallon. Today's poor investment may be tomorrow's collectible. But with more and more stocks being registered and transferred electronically, paper certificates are on their way out altogether. And the disappearance will only increase the value of paper now in circulation.



Specimens, like this Capital Airlines bond, command higher prices because, not having circulated, they are in pristine condition. Capital was absorbed by United in 1960.



U.S. companies favored more complex vignettes (top) than those found on European certificates. The Europeans customarily used more intricate borders. The primary purpose of both was to prevent forgery.