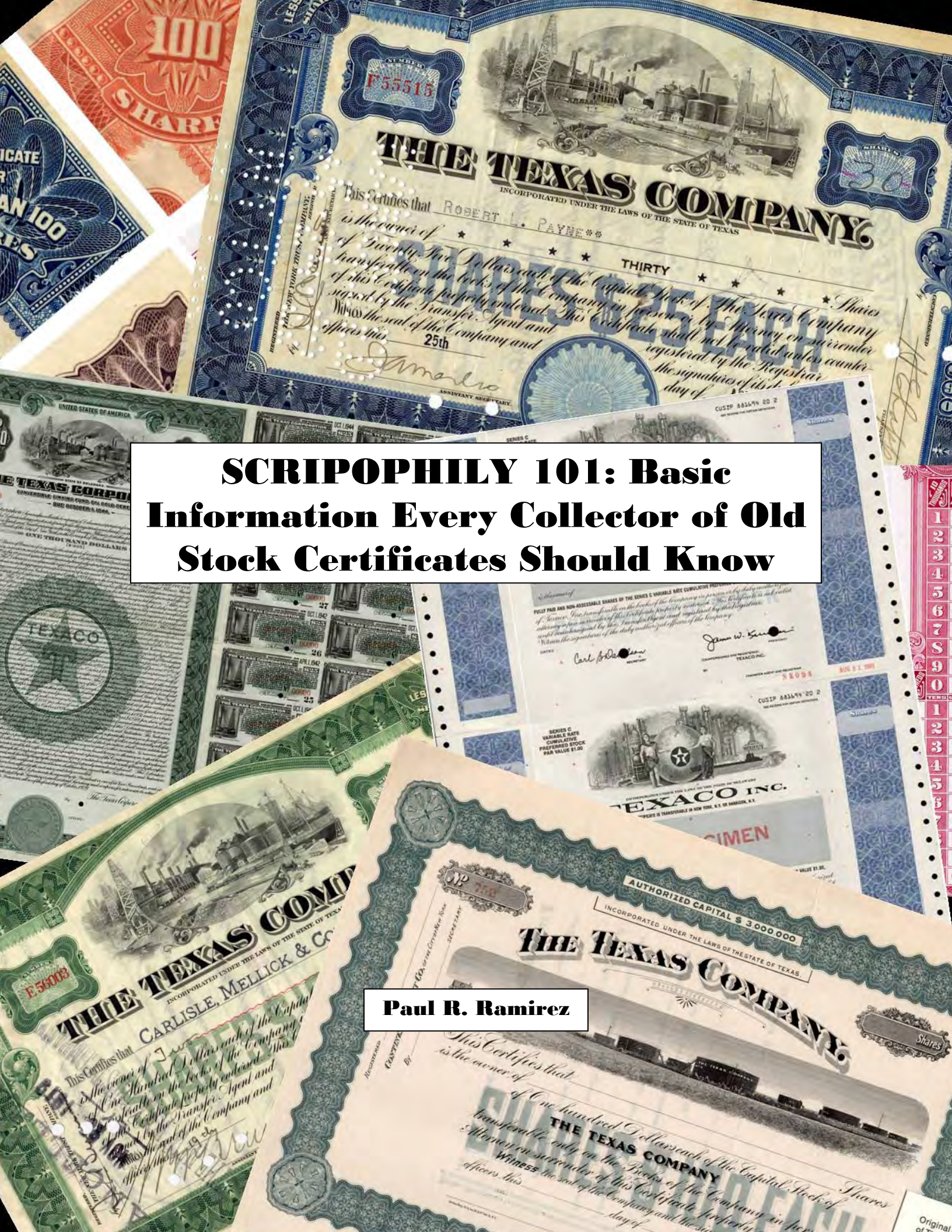


SCRIPOPHILY 101: Basic Information Every Collector of Old Stock Certificates Should Know

Paul R. Ramirez

SCRIPOPHILY 101: Basic Information Every Collector of Old Stock Certificates Should Know

By Paul R. Ramirez

For Suzanne, Tracy, Jean, Miss Elizabeth,
Miss Brooklyn and Miss Raelyn – All my girls

Introduction

I began my career with Texaco on Tuesday, August 13, 1968. I was 19 years old. I got a job with the Stock Transfer Division, the Company's in-house stock transfer agency. As Texaco's in-house transfer agent, our division provided the wide-range of services that commercial transfer agents perform for companies, the difference being that our activities were carried out solely for the benefit of Texaco stockholders.

My first boss was the office boy, Frank. I was assigned to help him carry two large, steel-reinforced leather bags packed with stock certificates from our offices in the Chrysler Building on 42nd Street in New York City down to Wall Street to The Chase Manhattan Bank to have the certificates registered. On the return trip, we picked up the Texaco stock certificates that had been messengered by brokers to our NYSE-required drop facility south of Chambers Street and carried them back to our offices to be transferred. We made two round trips each day: one in the morning and one in the afternoon. We usually took the subway – which in 1968 made each trip an adventure. Occasionally, in inclement weather, the company would spring the cash for a taxi which I always enjoyed because the five-mile journey in New York City traffic could take a long as an hour. Despite the constant blaring of horns, sitting in a taxi was much more tolerable than attempting to maintain my balance in a rocking, shrieking, crowded subway car while straddling an over-sized suitcase and averting the hostile glares of the individuals I was tightly pressed against and inconveniencing by my presence.

That was my introduction to stock certificates. For the next thirty-three years my professional life would revolve around stock certificates and the activities associated with stock ownership. My grandfather was born in 1893 when the horse and buggy was the common mode of transportation. He lived long enough to see a man walk on the moon. During my 33-year career with Texaco, I witnessed a similar revolution take place on Wall Street. In 1968, the stock certificate was king and processing a stock transaction could take several

weeks. When I retired as Texaco's Director of Shareholder Services in 2001, a trade could be completed electronically in seconds and the stock certificate was undergoing banishment as an impediment to trading.

The stock transfer business is a little-known, little-understood, heavily regulated, arcane activity. Most people aren't even aware that transfer agents exist, let alone what they do or how they function. Yet they are at the very center of all stock certificate activity. In the near future, all securities trading will be done electronically. As that becomes a reality, the knowledge possessed by the transfer agents who worked with stock certificates instead of computer bytes will also rapidly diminish and soon be forgotten. In the past two decades, much already has been. I am not an expert on scripophily; however, having spent a career that revolved around stock certificates and the activities associated with stock ownership, I do know something about them. So, for what it's worth, *Scripophily101: Basic Information Every Collector of Old Stock Certificates Should Know* is my effort to provide some information for individuals who collect stock certificates as a hobby from an individual who handled them for a living.

Rockwall, Texas
February, 2009

The Death of the Stock Certificate

The geneses of the movement to do away with the stock certificate can be traced back to the 1960s with the introduction of mainframe computers into the securities industry. While in the process of migrating their ledger-based records to electronic data processing systems, Wall Street professionals recognized early on that it would never be possible to maximize the benefits of electronic data processing unless the entire trading system that was in place for the purchase and sale of corporate securities was re-engineered to eliminate the system's dependence on paper. To many it seemed a pipe dream because the market system in place represented the product of almost two centuries of evolution and was heavily regulated by federal, state, and other bureaucracies. At its center was the preeminent symbol of American capitalism - the stock certificate.

There were three types of obstacles that would have to be overcome if the market system was going to be changed: regulatory, technical, and psychological. As it played out, events would occur in each of these areas that would ultimately converge and play important roles in the death of the stock certificate.

The first, and arguably the most significant, was the Wall Street "Paper Crisis" of the late 1960s and early 1970s. It dramatically highlighted the flaws of the paper-based trading system. During that period, the backrooms of many brokers were simply unable to keep pace with, and track of, the morass of paper created by the increase in trading volume to around 15 million shares per day (today, it's over three billion shares). Buy orders could not be matched to sell orders. At the time, the market operated on a T+5 (trade date plus five days) settlement cycle. However, instead of five days, it was taking weeks - sometimes longer – to complete the settlement process. Delayed settlements resulted in huge amounts of money being held in suspense waiting for certificates to be delivered so the trades could be cleared. In December 1968 there were over $4 billion in unsettled trades. To help alleviate the problem, the

Exchange closed on Wednesdays and shortened its trading hours on other days but that was simply a clumsy attempt to cure the symptoms, it did not address the real problem - paper certificates. Because of the unsettled trades, it was virtually impossible to buy and sell shares quickly to capture a swing in market prices because it took so long to take possession of the stock certificates needed to consummate a trade. As a result, substantial sums of money were lost. Between 1968 and 1970 almost 100 NYSE member firms went out of business, including long-established firms, like Hayden, Stone & Company, Bache & Company, and Goodbody & Company[1]. In the first six months of 1971, alone, $500 million in securities was lost or stolen[2]. The crisis got everyone's attention. Congress and the SEC held hearings which ultimately led to significant regulation across the industry in 1975. If someone had wanted to draw attention to the need for change, they could not have conjured up a better scenario. In a speech before the American Bankers Association in 1971, Richard B. Smith, Commissioner of the SEC remarked that, "...the only final solution to this constant threat, this Damocles sword hanging over the growth of our markets, is the rapid, systematic elimination of the stock certificate for publicly traded securities." That was a pretty clear message.

The paper crisis created a sense of urgency that had not existed previously. The securities market had been on the verge of collapse. It had been a close call. The need for immediate change spurred innovation such as the establishment of the Central Certificate Service that permitted participants to deposit their physical shares and then move them electronically within the depository between brokers, a process previously performed by hundreds of messengers on the street. The CCS was succeeded by the Depository Trust Company in 1973. It did not cure the problem but it did demonstrate that stock certificates could be immobilized[3] and moved electronically. If one

---

[1] A Financial History of the United States, By Jerry W. Markham, Published by M.E. Sharpe, 2002, p.364

[2] A Financial History of the United States, By Jerry W. Markham, Published by M.E. Sharpe, 2002, p.362

[3] The industry term to "immobilize" means to deposit physical shares into a depository as a basis for moving them electronically between depository participants.

listened closely, somewhere in the distance the death knell for the stock certificate was sounding.

Another milestone was the establishment of the National Association of Securities Dealers Automated Quotations stock exchange in 1971. The NASDAQ was the world's first electronic exchange and presented a high-tech trading alternative to the traditional NYSE paper-dependent, auction-based, specialist model. The NASDAQ was the antithesis of the NYSE. It promoted electronic quotes, electronic trading, and the electronic movement of shares. Unlike the NYSE which, until recently, had numerous stringent requirements for the printing of steel-engraved stock certificates, the NASDAQ had no such constraints. For the professional brokers, traders and dealers, the NASDAQ presented an innovative approach to an old business. It would ultimately grow into the largest screen-based stock exchange in the world.

On the corporate front, a quiet revolution was beginning. A few major dividend-paying companies began introducing dividend reinvestment plans in the late-1960s and 1970s. Instead of receiving their dividends in cash, participants in DRIPs elected to have their dividends automatically reinvested to purchase additional shares of a company's stock. The stock purchases and sales were recorded electronically and stockholders received computer-generated statements instead of stock certificates as proof of ownership. The introduction of DRIPs was significant because investors began getting their first taste of book-entry accounting. It wasn't a headline event — but it was a first step in the process of chipping away at the psychological barrier to holding shares without stock certificates. For individuals who had lived through the Crash of 1929 and the Great Depression and nurtured an innate skepticism of financial institutions, the acceptance of book-entry shares would be a difficult transition to make.

By the mid-1980s, the efforts of joint committees representing virtually every segment of the securities industry had designed and mapped out

recommendations for further immobilizing and eventually dematerializing[4] the stock certificate. The securities industry is composed of many diverse groups, brokers, dealers, banks, transfer agents, each with its own agenda and turf to protect. Obtaining a consensus on any issue presented a formidable task. However, the work of these joint committees during the decade established the groundwork for a full book-entry environment. It was no longer a question of whether stock certificates could be eliminated, but when they would be eliminated. By the mid-1990s, DTC had grown into one of the largest and most influential security clearing agencies in the world. It took the lead in developing programs and implementing electronic networks like Fast Automated Securities Transfer (FAST) and the Direct Registration System (DRS) to immobilize certificates and bring transfer agents and individuals into the sphere of electronic trading.

Corporate direct-purchase stock plans exploded in the 1990s. The plans, initially extensions of DRIPs, permitted individuals to purchase shares directly from a company's transfer agent without a broker. After an initial investment of $250, individuals could submit optional cash payments in amounts as low as $5 to purchase additional shares (including fractions of a share) of a company. The stock market was booming and hundreds of thousands of individuals used the plans to open stockholder accounts for themselves, their children and grandchildren. The shares were held in book-entry form. As a result, direct-purchase programs served to acclimate an entire generation of individual investors and their offspring to book-entry ownership. It was the introduction of these plans that broke the psychological barrier to book-entry ownership. Hundreds of thousands of individuals became stockholders but didn't know what a stock certificate looked like. The widespread acceptance and popularity of direct-purchase plans accelerated the movement within the industry to dematerialize the stock certificate.

---

[4] "Dematerialize" is the industry term meaning to eliminate the stock certificate all together, i.e., making it disappear.

As noted above, from the very beginning, the SEC was a strong advocate of electronic trading. The Commission not only actively participated in industry conferences but sponsored them as well. On the other hand, the NYSE was an institution steeped in, and guided by, tradition. More importantly, it was a cash machine for its members who wielded much political influence. Change meant increased competition and lower profits, so they dragged their feet at every opportunity. It wasn't until the turn of the millennium that competition from other domestic and global exchanges forced them to seriously re-think their basic business model.

But, however slow, progress was made. In 2001, the NYSE eliminated the requirement that certificates be printed with an engraved vignette (which for many individuals is the primary attraction for collecting old stock certificates). At the same time, they eliminated the requirements that certificates contain unique borders and a statement of shareholder rights. In addition, the Exchange approved the use of generic certificates. Generic certificates are blank certificates with engraved borders. The company name, logo, stockholder registration and other information are laser printed on the certificates in a one-step process. The major transfer agents quickly adopted their use (although not all companies use them). Generic certificates-on-demand represent the state-of-the-art technology in certificate issuance. The only way to improve upon it is to eliminate the stock certificate altogether. Some corporations, like Chevron (which discontinued issuing certificates in 2005), already have. The downside is that the stock certificates of many companies now look very similar. I doubt they will hold much appeal for collectors. In 2002, the NYSE amended its rules to permit companies to issue only book-entry shares. The event represented a milestone in the movement to streamline the trading system - a quantum leap forty years in the making. In 2009, the NYSE received approval from the SEC to permit the transfer agents of its listed companies to charge a fee for issuing stock certificates[5]. It had always been an unwritten, but inviolate, rule that stockholders could receive stock certificates without charge. The change is

[5] Federal Register, Vol. 73, No. 249, 12/29/2008/Notices/Page 79531

aimed at discouraging investors from requesting stock certificates and, instead, elect to hold their shares in book-entry form. A recent DTC newsletter estimated the cost of issuing a stock certificate to be around $32 more than a paper statement. You do the math. Today, there are no longer any technical or physical barriers to book-entry ownership. The only impediment that remains is in the mind of investors.

So, the age of the stock certificate has ended. They are relics of a bygone era - unsuited for today's fast-paced financial market environment where trade executions are measured in nanoseconds and billion-share trading days are routine. It has taken 40 years but the final nails have been hammered into the coffin.

___

Processing an Item Presented for Transfer (Texaco, Circa 1985)

In the securities industry, the paperwork representing a matched buy and sell transaction is generally referred to as an "item." In SEC regulations, NYSE rules, and broker and transfer agent manuals, the term an "item presented for transfer" simply refers to a stock transaction presented to a transfer agent for processing. Typically, an item consists of a stock certificate (representing the shares sold), a stock assignment form (indicating the new owner), and any legal documents required to substantiate the transaction.

A transfer agent is the only entity that can legally change the ownership records of a company. Stock is tangible property and the transfer agent transfers title of the property from the seller to the buyer, hence the term "transfer agent." It is a heavily regulated business. Transfer agent activities are governed by SEC regulations, IRS regulations, stock exchange rules and the laws of the 50 states.

On any trading day, a single broker may process thousands of stock transactions and present them to dozens of transfer agents for processing. Obviously, it is vital to keep track of every transaction. For this purpose, brokers attach unique identification to every item in the form of a broker ticket. These tickets provide the broker with the means to keep tabs on an item during its various stages of processing. All tickets are serially numbered, dated and show the name, address and telephone number of the broker that issued the ticket.

Processing stock transactions was a paper-intensive business. Items presented for transfer did not arrive from brokers in individual envelopes – they arrived in bundles and satchels. Items were received by mail and FedEx, but the bulk of items received were delivered by messenger to our transfer agent window (just like a bank-teller window). Every delivery was acknowledged by a signed, dated, and time-stamped receipt. The stamped receipt was important because transfer agents were subject to the SEC three-day turnaround requirement and

the receipt was proof of the day and time the items were delivered which started the clock ticking. As soon as an item was received, we attached our own tracking ticket to it (all agents did). Every evening before closing the office, every open item had to be accounted for. An "open" item was any item delivered for transfer that was still in the office. For this purpose, we maintained a large, multi-colored checkout board that showed the status of every open ticket number. The employee responsible for conducting the checkout would have to physically account for each open item. If an item could not be located, then all work stopped and no one was permitted to leave the office until the missing item was located. That didn't happen often, but when it did it was disconcerting. More often than not, the missing item was found to have been inadvertently attached to another item, or was located in a trashcan or behind someone's desk where it had accidentally fallen. No matter how much trash might accumulate during the course of a day (and it was a lot), no waste was ever permitted to be removed from the transfer area (which was locked) until the daily checkout was completed and all open items had been accounted for. In the stock transfer business, security was always a concern.

The certificate examination procedure was as much a physical process as a mental one: Did the texture of the certificate feel right? Were there any unusual marks or holes? Did the panel punch or any other aspect of the certificate appear to have been altered? Was the color correct? Did the Medallion Guarantee and broker stamps appear genuine? To experienced clerks the procedure became second nature. The actual document examination was conducted by experienced employees well versed in the laws governing the transfer of property. It took years of training and hands-on experience for an employee to earn the title "transfer agent."

After an item was approved for transfer, the old certificate was cancelled. Before mechanical perforators became available, a common practice was to simply write the word "cancelled" in script across the face of certificates. In the early 1900s, mechanical perforators were introduced. These hand-operated machines punched holes into the certificates to invalidate them. At Texaco, the

company's first mechanical perforator punched the holes "TTCo" (an acronym for The Texas Company) and the date. I'm not exactly sure when, but sometime in the 1930s or 1940s, electrically-operated perforators came into use that significantly increased the rate at which certificates could be cancelled. Today, the SEC requires that the word "CANCELLED" be clearly imprinted onto or perforated with holes into each certificate surrendered for sale. Just as it was 100 years earlier, the most important aspect of cancelling a stock certificate was to deface it in such a manner that made it obvious to any subsequent handler that the certificate was no longer a valid financial instrument.

During processing, another obligation of the transfer agent was to collect any state or federal transfer taxes that may have been due as the result of the sale. For example, from 1907 to 1981, New York State levied a stock transfer tax. The transfer agent was responsible for collecting the tax and for affixing the documentary tax stamps to the reverse of the certificate to corroborate payment of the tax. The amount of the tax was based on the selling price of the shares. Beginning in 1979, the tax was phased out over a three-year period. The tax wasn't actually repealed – but it became subject to a 100% rebate. Even today, the tax remains in effect and must still be collected – but it's 100% refundable. For transfer agents, like Texaco, going through the process of collecting a tax only to give it back didn't make a lot of sense. It was viewed as an exercise in stupid that would generate a significant amount of unnecessary paperwork. So, when the change took effect, we began the practice of periodically purchasing a supply of tax stamps in their various denominations and then immediately applying to the State for a rebate. Thereafter, while processing stock transactions, we simply affixed the documentary tax stamps to the appropriate cancelled stock certificates. The entire tax collection and rebate process was totally transparent to the sellers. I suspect the reason that New York State made the tax subject to rebate instead of repealing it was to keep the collection mechanism in place in the event the State ever needs additional revenue and decides to eliminate the rebate.

After cancelling the old certificate, a certificate was issued in the new owner's name. The process of issuing a stock certificate entailed printing the name of the owner, the shares and the date of issuance on the face of the certificate. An NYSE requirement was (and still is) that all information applied by the transfer agent (whether by hand, typewriter, or computer printer) be done in such a manner so as to achieve ink penetration into the fabric of the certificate. That was important because ink penetration makes any attempt to alter the information printed on the certificate through erasure highly visible. A typical ink-jet printer was not suitable for printing data on stock certificates. The ink did not break the fabric of the certificate and, as a result, could be easily lifted off using an ordinary piece of Scotch tape. That's why impact printers were used.

Prior to the invention of the typewriter, information was hand written on each certificate. With the invention of the typewriter, except for the number of shares (which continued to be hand written because the typeface of a typewriter was too small) the information was typed onto the certificates. Within a short time, however, specialized, all upper-case, multi-tasking typewriters were introduced into the securities industry that enabled transfer agents to type the information on the certificates while simultaneously typing a multi-part transfer journal. Erasures, strike-overs, or the use of white-out ink on certificates was prohibited. Spoiled certificates could not simply be discarded. They had to be officially cancelled and their serial numbers recorded in the company's transfer journal as CNIs (CNI is an industry acronym meaning "Cancelled-Not Issued").

With the advent of computers and automated processing, by 1980, most companies had adopted use of the single-denominational form of stock certificate that could be issued in any share amount. The NYSE required that single-denominational certificates without an engraved punch panel utilize a computer generated print matrix (see example) indicating the number of shares in five different positions.

Matrix Example

*100,000*****
100,000**
100,000
****100,000**
*****100,000*

Even with the advent of the single-denominational stock certificate, commercial agents that worked on behalf of hundreds, and, in some cases, thousands, of companies faced a difficult challenge when issuing certificates. Commercial agents always received blank certificates from the various banknote companies in cut form, meaning as individual certificates (instead of continuous form which is one long strip of certificates). A commercial agent may have had to issue stock certificates for several hundred companies on any given day. Some companies may have needed only one certificate printed; others may have needed hundreds. So, instead of mounting and printing the certificates required for each company individually – which literally would have required several printers, several operators, and all day – they ran a computer program that indicated the exact number of certificates and their serial numbers to be printed for each company. Then an employee would "pick" the indicated certificates from the transfer agent's vault, keeping the individual certificates in the order in which they would be printed. The certificates were then placed into a machine that mounted (glued) them onto a "carrier strip," which was a continuous paper strip with pin feeds. Next, the carrier strip containing the certificates was mechanically fed into an impact printer which printed the information onto the certificates. After printing, the carrier strip with the mounted certificates was fed into a "bursting" machine, where the certificates were separated from the carrier strip and returned to their original cut form. Great care had to be taken while picking the certificates because a single error in the count could result in all subsequent certificates being printed out of sequence and rendered useless (CNIs). A nasty, expensive, and time-consuming mistake to fix.

At Texaco, printing certificates was a much simpler process because we issued stock certificates for only a single company. We ordered certificates in continuous form with pin-feeds. To issue new certificates, all we had to do was verify that the serial number of the first certificate pulled from the vault was correct and then mount the certificates onto the printer. We had to burst the certificates following printing, but it was no where near the meticulous, time-

consuming ordeal that commercial agents faced in their daily certificate printing operations.

After printing, the transfer agent authenticated the certificate by signing it. At Texaco, at any given time, anywhere from three to five individuals were authorized by the board of directors to sign the certificates as "transfer agent." The signed certificates were then forwarded to the registrar for additional review.

The function of the registrar is to ensure that a company is not over issuing its shares. Except under special circumstances like an initial public offering (IPO) or the use of authorized original-issue shares (OI shares), for every share purchased – a share must be sold. It is the responsibility of the registrar to make sure the debits equal the credits. By performing the registration process, the registrar was certifying that they had examined and verified the serial numbers and the number of shares of each certificate, that the certificates being issued were authentic, and that no over issuance had occurred as a result of the transfer. The registrar also authenticated the transaction by signing the certificate.

I believe it was in 1986 or 1987 that the NYSE amended its rules to permit transfer agents to perform the dual functions of both transfer agent and registrar. Texaco became the first NYSE-listed company to take advantage of the amended rule. That's why on some companies' stock certificates issued after that time there is only a single authenticating signature representing both the transfer agent and registrar.

After the registrar signed the certificate, the transfer was complete. All that remained was to forward the new certificates to the brokers, banks, and individuals who had presented the items for transfer.

At Texaco, we never folded stock certificates. Our attitude was that every certificate was a company showpiece. We did not want to diminish a

certificate's appeal by folding it. We spent the extra bucks for special over-sized envelopes and paid the extra postage so that they would be received in excellent condition. Few agents followed this practice. Most employed mechanical folding machines to fold the 8" x 12" certificates to fit inside a standard #10 envelope. That required folding it into a typical three-crease letter fold and then re-folding the same piece again over itself to fit inside the envelope. As a result, the certificates arrived permanently creased. Economical, but ugly.

The cancelled certificates and their attachments were put in ticket number order by date and placed on open-metal shelves to permit easy access for a period of six months (an SEC requirement). At the end of six months they were placed into heavy-duty cardboard cartons and shipped to Iron Mountain's storage facility in upstate New York for six years (the SEC's required retention period). After six years the boxes were shipped back to our offices where the contents were microfilmed and then the stock certificates were destroyed by shredding. The practices regarding the handling of cancelled certificates varied among transfer agents. Some microfilmed the certificates immediately after cancellation and then sent them to storage. Six years was a long time to have to store cancelled certificates. A lot could happen in the interim. Oftentimes, it did.

Certificate Perforator Used by the Texas Company to Cancel Securities in the Early 1900s

This is a Cummins' Perforating Machine (Serial No. 92). It was used by The Texas Company (Texas) to cancel stock certificates and other securities submitted to the company for transfer (The Texas Company was its own in-house transfer agent) in the early 1900s.

The machine was manually operated by pushing down on the handle which perforated the certificates with "TTCo" which is an acronym for The Texas Company on top of the current date (see inset). The date was set by pulling out a locking pin in each of the 6 brass number wheels and rotating them to form the desired date then reinserting the pins – however, the date mechanism on this machine is broken and inoperable. A cast iron pull-out drawer in front of the machine collects the chads. The base is 4" x 8½" and approximately 11" in height. The unit weighs a hefty 15 pounds.

New York State Tax Stamps. While processing a stock transaction, the transfer agent was obligated to collect any state or federal transfer taxes that may have been due as the result of a change in ownership. From 1907 to 1981, New York State levied a stock transfer tax. The transfer agent was responsible for collecting the tax and for affixing the documentary tax stamps to the reverse of the certificate to corroborate payment of the tax. Shown above: 1¢, 5¢, 10¢, 20¢, $1 & $4 tax stamps.

Where Did All Those Cancelled Certificates Come From?

In the real estate business the same property may pass through the hands of several owners but, at any given time, only one owner can actually possess the deed to the property. Corporate stocks work the same way. The same shares may pass through the hands of several owners, but only one individual can actually own the shares at any given time. That's where stock certificates came in. They represented the owner's deed to the shares. When sold, the individual selling the shares had to surrender ("surrender" is the industry term) the certificate (deed) for those shares. Surrendering the certificate was not optional – it was, and always has been, a no-exception requirement of sale. No certificate – no sale. If lost, the certificate had to be replaced. The individual selling the shares would surrender the certificate to the broker, bank, or other intermediary that was handling the sale transaction on his behalf. Ultimately, however, the certificate and associated paperwork would be delivered to the issuing company's transfer agent for transferring the title of the shares to the new owner.

A transfer agent is the only entity that can legally change the ownership records of a company. As such, the transfer agent is the key-player in any stock transaction because that's where the buck stops. The transfer agent either "accepts" or "rejects" an item presented for transfer. If accepted, the transfer agent will cancel the certificate representing the shares that were sold and will issue a certificate in the new owner's name. Within the securities industry, the invalidated certificates representing shares that have been sold are referred to as *cancelled certificates*.

I don't know what percent of the total certificates available to collectors are cancelled certificates but, undoubtedly they're a significant, if not the largest, resource. Without the availability of cancelled certificates, the hobby of scripophily would probably not enjoy the wide-spread popularity that it does today. However, few individuals outside of the transfer agent business actually

understand that if the system worked the way it was intended -- there would be no cancelled certificates available to anyone.

The SEC never intended for cancelled certificates to find their way into the hands of anyone other than the transfer agent that cancelled them. However, until a rule change in 2004, there were not any explicit SEC regulations that governed the absolute safekeeping and tracking of stock certificates from the time they were printed until the time they were destroyed. There was an implicit understanding, but not an explicit set of rules. Under the SEC's prior record retention rules, cancelled securities were required to be stored by the transfer agent for not less than six years. Following that statutory holding period, companies were free to direct their transfer agents to continue to maintain the cancelled securities in storage or to arrange for their destruction. Regardless of the option selected, transfer agents understood that the SEC expected them to exercise caution to prevent dispersal of the cancelled certificates to the public.

During the normal course of business, the SEC audited Texaco's in-house stock-transfer agency several times during the thirty-plus years I was employed there. In each instance, the SEC representatives asked to review our procedures for the retention and destruction of the cancelled securities in our possession. That was not unusual. Within the securities industry, the retention and destruction of cancelled certificates were common topics of conversation among transfer agents. Cancelled certificates were costly to store, image and destroy. Because of the associated expense, most agents believed the SEC's six-year holding period was too long. Over a six-year period, an in-house agent like Texaco could amass over 100,000 cancelled certificates. For commercial transfer agents the number could easily exceed a million or more -- a lot of documents to store and keep track of. Among agents, our preference would have been to image the documents immediately after cancellation and then to destroy them right away.

Cancelled certificates possess no value as marketable securities. So, it's only reasonable for an individual to question why the SEC concerns itself with their disposition at all. Why not simply permit companies to dispose of their cancelled certificates in any manner they desire, including simply giving them away? The answer is simple: Fraud.

In explaining the rationale behind its comprehensive rule changes concerning cancelled securities, the SEC observed that while a cancelled certificate has no intrinsic value, it can, like a counterfeit certificate, be used to defraud the public. The release states that cancelled certificates "issued by many well-known public companies" representing a face value of $117 billion were stolen in 1992 and 1994 and were used to defraud banks, brokers and individuals of millions of dollars. The release further states that "the bulk of these cancelled certificates remains unaccounted for and continues to resurface in the marketplace."

Note: SEC Release No 34-48931 Processing Requirements for Cancelled Security Certificates contains the new and revised rules governing the handling of cancelled certificates that became effective January 22, 2004. All serious collectors should read it. It will certainly enhance a collector's knowledge and understanding of cancelled securities and the complexities associated with their records retention and the reporting requirements of transfer agents.

The point to keep in mind is that -- even as a seemingly harmless hobby -- a market for cancelled securities is not supposed to exist. But it does. Which raises the question: *Where did all those cancelled certificates come from?*

Unintended Circulation

Transfer agents are the only entities that can legally cancel certificates, so, logically; all roads lead back to them. Transfer agents are not appointed by a governmental agency or by a stock exchange; they are contracted by publicly-traded companies to manage their stockholder records. There are two types of transfer agents: in-house agents and commercial agents. Companies that perform their own transfer-agent activities are called "in-house" agents.

Transfer agents that perform stockholder services for companies on a contract basis are referred to as "commercial" agents. Texaco was an in-house agent. At one time there were almost as many in-house agents as there were commercial agents. Texaco, IBM, General Electric, General Motors, Ashland Oil, Chevron, American Standard, just to name a few, were all, at one time, in-house agents. In-house agents are more expensive to operate. For that reason, they have been a dying breed for several decades. Today, commercial agents dominate the transfer agent business.

Historically, commercial transfer-agent services were provided by banks as an accommodation to their corporate clients. Over time, they evolved into major operations and then into an extremely competitive industry. Consequently, corporations were the objects of frequent solicitations. Transfer agent contracts were usually awarded to the lowest bidder. Changing transfer agents was an expensive, complicated undertaking, but some companies switched their agents with alarmingly frequency. In the 1980s and 1990s, a wave of mergers and acquisitions swept through the banking industry. Banks acquired other banks for their commercial and private banking businesses – seldom, if ever, for their stock transfer operations. Many banks who found they had inherited transfer agencies through M&A activity decided to get out of the transfer business. During the seven-year period 1993 to 2000, the number of registered transfer agents plummeted 50% from 1,575 to 789[6]. By year-end 2005, there were only 286 stock transfer agents registered with the SEC that collectively maintained the records of approximately 68 million stockholder accounts. Of those, however, only ten (or less) could be considered major players -- with the top-3 managing the records of almost 60 million stockholders or 73% of the total. An unforeseen consequence of the merger and acquisition activity within the banking industry was a major shakeout of the transfer agent business. In the end, only the most aggressive and innovative commercial agents survived; some as stand-alone businesses.

[6] David Pitou, Chairman, Stockholder Consulting Services, Nutley, NJ, in 2006 e-mail communication.

The shakeout of the commercial agent industry created reverberations that were felt through much of the corporate community (the "butterfly effect"). The stockholder records of companies were passed from one commercial agent to their successor agent, and then, sometimes, to yet another. In the confusion there was a lot of finger pointing going on between prior agents and successor agents over who was responsible for what. Eventually, the SEC intervened with some rules. Many of the transfer agents that went out of business had managed the records of hundreds of companies. What happened to the cancelled certificates of those companies when an agent ceased operation? It's anybody's guess, really. I suspect that most were probably destroyed (as they should have been) but as evidenced by the proliferation of cancelled securities available for sale – obviously, some were not.

The consolidation within the banking industry was indicative of the general takeover mania that was sweeping Wall Street. In the 1980s, corporate takeovers using the technique of the leveraged buy-out were in vogue. Corporations (including Texaco) long considered too big to ever be taken over, suddenly found themselves in the sights of a corporate raider. Major, widely-held corporations like American Motors, Getty Oil, Gulf Oil, Nabisco, Hammermill Paper, Squibb, and many more disappeared. The stockholders of the acquired companies had to surrender their certificates for redemption or exchange. The result was a flood of millions of cancelled certificates into the warehouses of transfer agents at a time when that industry was experiencing its own share of problems. Agents were here today and gone tomorrow. It would have been easy for something, like cancelled certificates, to fall through the cracks.

Texaco's experience with the acquisition of Getty Oil Company provides a good example of how information, knowledge and records can be lost during a period of transition or change. Texaco purchased Getty Oil Company in 1984. Getty stockholders had to surrender their stock certificates to obtain payment of $128 per share. At the time, it represented the largest corporate acquisition in the history of the world. During its 55-year history, Getty Oil Company, itself, had

acquired numerous companies. When Texaco purchased Getty Oil, it became the successor company to all those companies as well. As such, Texaco became responsible for all of their outstanding assets, liabilities and legal obligations including those, for example, of Tidewater Oil Company (acquired by Getty in 1967) and Skelly Oil Company (acquired by Getty in 1977) both of which had also been major, widely-held oil companies with large stockholder bases and both of which had also acquired companies.

A bank was hired to act as the exchange agent for the Getty transaction. As Texaco's in-house agent, our department was ultimately responsible for overseeing and coordinating the mechanics of the Getty transaction with the exchange agent, however, we never saw the actual terms of the contract. After the corporate gunslingers set up the deal and the attorneys signed the closing papers, the bank's role was presented to us as a fait accompli.

After a year or so, our department assumed direct responsibility for processing the transactions of the remaining unexchanged holders of Getty. During the interim, we also acquired from various other commercial transfer agents the outstanding stock records and dividend bank account balances of a dozen or so other companies that had been acquired by Getty, including Tidewater Oil and Skelly Oil. Surprisingly, there was still a lot of money in their coffers. Apparently, J. Paul Getty had not been a strong advocate of escheat laws. As a result, for the years immediately following the Getty acquisition, our primary Getty-related activity was the preparation of abandoned property reports. We eventually turned over millions of dollars representing unexchanged shares and unclaimed dividends to the states as abandoned property. Frankly, we didn't concern ourselves with the cancelled certificates of those companies – just the unclaimed money because there were (and still are) significant penalties for not reporting abandoned property to the states on a timely basis.

There was much celebration when Texaco purchased Getty Oil. The merriment was short lived, however, because in rapid succession, a series of crippling events struck the company that seemed to have been conjured by the devil

himself: Pennzoil sued Texaco for interfering with its purchase of Getty; the Bass Brothers coerced a $150 million greenmail payment from Texaco's management; a jury awarded Pennzoil $10.5 billion; an Australian financier purchased a 15% stake in Texaco and then sold it to corporate raider Carl Icahn who attempted to takeover the company; Texaco filed for bankruptcy; Texaco emerged from bankruptcy and had to sell off a major portion of its assets (which marked the beginning of the end of the company). Our stockholder services department was smack in the middle of those events. We pretty much worked nights and weekends nonstop for years.

By 1990, the six-year statutory holding period for the retention of the cancelled stock certificates of Getty Oil had expired. The event passed unnoticed. No one thought to contact the exchange agent to confirm that the cancelled stock certificates of Getty Oil had been destroyed. Getty Oil was history and we were glad of it. So were the remnants of Skelly Oil, Tidewater Oil, and all of the other companies acquired by Getty. All of their unclaimed assets had been duly escheated. Frankly, if the cancelled certificates from any one of those companies had started surfacing by the thousands, I doubt any one at Texaco would have even noticed.

There are several things from the Getty experience worth noting. First, when Texaco purchased Getty, we were not provided with a chronicle of their corporate genealogy. At the time, it would have been worth its weight in gold. Shortly after taking over Getty's records from the exchange agent, we began receiving inquiries from individuals concerning companies that had been acquired by Getty – usually when an individual passed away and a surviving family member unearthed a stock certificate and wanted to know if it had any value. (Such inquiries would continue until Texaco was acquired by Chevron seventeen years later.) Getty's genealogy was vital information for us to possess because there were still outstanding shares and dividends from many of the companies Getty had acquired that had never been exchanged or claimed and was subject to escheat. In several instances, it was only through researching our responses to such correspondence that we discovered the existence of

companies in Getty's lineage. In those cases, we contacted the company's transfer agent and requested they turn over the records and the associated outstanding assets. If we hadn't, the money would still be sitting unclaimed in the agent's bank account collecting interest for them.

Believe it or not, uncovering Getty's history was not easy. I know that sounds ridiculous, but it's true. We contacted Getty's last transfer agent and they said they had been responsible for only the records of Getty Oil. We contacted our legal and comptrollers departments (assuming that someone ought to know) but neither department could provide us with the information. We asked our corporate secretary's office. Again, no luck -- they suggested we ask the folks at Getty, themselves. We had already tried that but, unfortunately, this transpired more than a year after the acquisition and their managerial infrastructure had been dismantled. So no one from Getty remained for us to ask or to point us in the direction of any files that may have contained the information. In fact, it took several years for one of our managers to compile (in his spare time) a reliable reference guide of companies for whom Texaco had become the successor company as the result of the Getty acquisition.

Texaco's difficulty in piecing together Getty's genealogy highlights a problem common to many successor companies (and transfer agents). Few companies actually maintain the details of their genealogical history (although everyone assumes that someone is). Getty Oil had a rich and colorful history and had become the successor company to more than two dozen companies before it was acquired by Texaco. J. Paul Getty was a world famous personality. Yet, at the time we purchased Getty, little organized or structured information regarding Getty's history existed. We had to piece it together for ourselves. Today, there are probably several books available to researchers containing the details of the evolution of the Pacific Western Oil Corporation into Getty Oil Company. But, when Texaco purchased Getty, if it existed, we couldn't find it. That experience strongly suggests that when one company takes over another company, much of the history of the acquired company (and the companies acquired by that company) will get lost in the shuffle. The older the company, the more information lost. Most companies do not employ historians to keep

track of their genealogy. Corporations, like many people, assume they will live forever.

What actually happened to the cancelled certificates of Tidewater Oil, Skelly Oil, and of all the other companies acquired either directly or indirectly by Getty? I believe they were probably destroyed. For no other reason than because after almost 25 years they still have not risen from the dead to appear for sale en masse on eBay®.

Some publications have suggested that several major companies and transfer agents have made their cancelled securities available for sale to the highest bidder. That may be the case if the certificates were issued by companies that went out of business seventy-five or a hundred years ago. I can buy that. But having spent a career in the securities industry and as a member of several security-industry organizations, like the Corporate Transfer Agents Association (now the Stockholder Services Association) and the Securities Transfer Association, that met regularly to discuss industry issues, it is difficult for me to believe that any widely-held company or transfer agent of a widely-held company that is still in operation would either sell or simply give away their cancelled certificates. Such behavior would have been careless and reckless and the associated liability would have been simply too great. Especially after the mid-1990s when the word spread through the industry regarding the fraudulent acts that had taken place using cancelled certificates. Though little publicized, those events sent shockwaves through the transfer agent industry. As a direct result, in 1994, the STA felt compelled to issue guidelines to transfer agents for processing and maintaining cancelled securities.

There is no question that at one time transfer agents were a major source of the cancelled certificates that are now in circulation. How the cancelled certificates slipped through their fingers is the issue. I certainly don't think it was intentional. I don't even think it was necessarily carelessness. I think three major factors contributed to their unintentional circulation: the rapid consolidation of the commercial transfer agent industry; corporate merger and

acquisition activity; and employee turnover among both companies and transfer agents. Either individually or collectively, these events created situations where a loss of information (ultimately leading to the loss of the certificates) was not only possible but probable. Companies changed, agents changed and people changed, sometimes simultaneously. The inevitable result was that more than a few cancelled certificates gathering dust in warehouses were eventually forgotten and abandoned. When those hoards were uncovered, I suspect that somewhere between the warehouses and the recycling bins or the incinerators, someone discovered there was a market for cancelled certificates. But how that process actually played out is unknown to me.

Theft

The SEC 2004 release stated that the source of many of the cancelled certificates in circulation was outright theft. Ironically, the very vendors hired to destroy the cancelled certificates placed them back into circulation. Texaco's cancelled certificates were among those that were stolen and used in fraudulent schemes that the SEC release alluded to as having been "issued by many well-known public companies."

As Texaco's in-house transfer agent, for many years it had been our practice to destroy our cancelled securities and other stockholder-related documents ourselves. However, in the mid-1980s, we outsourced the job to a vendor that specialized in destroying documents by incineration. The material to be destroyed included canceled certificates that had been microfilmed and held in storage for the statutory six-year period. The selected vendor possessed a good reputation and had been recommended to us by several other transfer agents. The vendor would pick up the material to be destroyed and haul it to their incineration site. Following its destruction, they provided a signed affidavit attesting that the listed material had been destroyed.

The process appeared to work well. Then, in the early 1990s, we received a telephone call from the Federal Bureau of Investigation. They said that some of Texaco's cancelled bond certificates were being used to perpetrate fraud in

Europe. Our initial reaction was skepticism. At Texaco, we were anal retentive when it came to recordkeeping. The FBI revealed that the cancelled certificates that were surfacing pointed back to some of the vendors that had been hired to destroy them. They provided us with the serial numbers of the cancelled certificates involved. Much to our shock and dismay, their assertions proved correct. The numbers matched those on a signed affidavit that we had received from a vendor attesting to their destruction.

The FBI did not disclose the details of the scheme. I suspect the cancelled certificates were probably used as collateral for loans (the most common illegal use of stolen securities). But that's a guess. To my knowledge, no allegations of wrongdoing were brought against any of the companies whose securities were involved in the fraudulent transactions. Like Texaco, they were able to demonstrate that they had acted in good faith.

The SEC's new rules provide for the oversight of securities certificates from the time they are printed until the time they are destroyed. As a consequence, transfer agents will no doubt increase their efforts to prevent the theft of any cancelled certificates in their possession. However, the extent to which the new rules actually prove effective remains to be seen. I speak from experience.

During the summer of 2001, the employees of Texaco's in-house transfer agency knew their days were numbered. From the outset of the merger talks with the folks at Chevron (which had begun almost a year earlier), they had been very frank about letting us know that our department would be shut down and the business transferred to a commercial agent as soon as possible after the acquisition was completed. In preparation for closing, we spent much time going through our vault and storerooms sorting through our archived files to determine which records needed to be maintained for statutory purposes and those which we had been holding simply for convenience and needed to be destroyed. There was a lot to destroy. Because of numerous lawsuits filed against Texaco in the 1980s, our legal department had routinely distributed memoranda reminding employees not to destroy any documents that may be

subject to subpoena. Rather than destroy something we shouldn't, we didn't destroy anything. As a result, we accumulated a lot of paper that contained stockholder information that needed to be shredded. Among the material set aside to be destroyed were tens of thousands of cancelled Texaco 8-1/2% debenture certificates that had been called during the company's financial restructuring.

At that time, the SEC had not yet issued its new rules regarding the destruction of cancelled securities. The fraud of the 1990s had sent shock waves through the transfer agent industry but, surprisingly, the event received very little publicity. Memories of that event still lingered uncomfortably somewhere in my psyche. I was reluctant to have that experience repeated by shipping the cancelled bond certificates off the company's premises for shredding by an outside vendor. As an alternative, I located a vendor that possessed portable equipment capable of shredding the cancelled securities on site, at our corporate headquarters building in White Plains, New York.

Shutting down a department that's been in operation for almost a hundred years was no easy task. In the overall scheme of things, document destruction was only a minor piece of business compared to the dozens of other more important jobs that required attention. Nevertheless, I took the time to conduct a face-to-face interview with the owner of the company to make sure there was no misunderstanding about what was required. They were to bring their equipment on site and shred the cancelled certificates. Not a single scrap of paper was to be removed from our premises. A Texaco employee would be assigned to provide eyes-on oversight.

The vendor sent two men to do the job. They arrived in a seatless bus that contained a huge, industrial shredder bolted to the floor. I had made arrangements with a supervisor from our corporate services department to have one of their employees manage the operation. That individual accompanied the certificates from the time they were moved from our storeroom to Texaco's massive, security-monitored, enclosed garage where the bus containing the

shredder was parked. I had also arranged for cafeteria passes for the three of them so they could lunch together and to prevent the vendor's employees from having any time alone. The job took the best part of a day. When it was completed, the Texaco employee assigned to manage the job reported that he had witnessed the destruction of all of the certificates. He handed me a certificate of destruction signed by the vendor's two employees attesting that all the certificates had been destroyed by shredding. The job cost almost $2,000. I was satisfied that I had exercised a reasonable degree of diligence to ensure that all of the certificates had been destroyed and would never be seen again. I was wrong.

More than a year later, I was killing time sipping coffee and surfing the net using the keyword "Texaco." By chance, I happened across a Texaco 8-1/2% cancelled debenture certificate for sale as a collector's item. My reaction was amusement. Out of curiosity, I began browsing scripophily websites. My amusement quickly turned to shock -- the cancelled bond certificates were for sale by numerous vendors on the Internet, including eBay® – some in lots of a hundred! Frankly, I was dumbfounded. In retrospect, I can only speculate about what happened. I assume the Texaco employee assigned to oversee the job must have taken a coffee break or visited the restroom leaving the vendor's employees alone for a short period. Apparently, that's all it took. While alone, those bad boys must have concealed several thousand certificates somewhere in the bus. By the time I discovered the theft there was nothing I could do about it. Texaco had ceased to exist. To this day, it still irritates me to see those certificates floating around for sale. You can purchase one on eBay® for less than $15.

So, although the SEC's new rules require a transfer agent to actually witness the destruction of the cancelled certificates in their possession, my experience indicates that a great deal of pro-active oversight will be required to ensure that some of the material slated for destruction does not fall through the proverbial crack in the floor. Soon, it won't matter.

The last several decades have witnessed the evolution of the hobby of scripophily from an obscure, local-club-based activity into a world-wide community of collectors and professional dealers. The availability of cancelled certificates helped fuel the growth. Collectors enjoyed the benefit of a seemingly uninterrupted supply of cancelled certificates as hundreds of thousands of cancelled certificates made their way into the marketplace.

Because of the SEC six-year retention period, cancelled certificates have always filled the shelves of warehouses. Newly cancelled certificates were constantly being introduced into the system. However, in May 2001, the SEC amended its rules to permit transfer agents to satisfy their record retention requirements using stored images instead of with the physical certificates (SEC Releases 34-44227 and 34-48036). With the change, transfer agents were no longer required to warehouse cancelled certificates. The SEC rules still required transfer agents to maintain the images of the cancelled certificates for six-years, but not the actual certificates. After cancellation, certificates could be imaged and then immediately destroyed.

The amended rules didn't compel transfer agents to adopt imaging systems; they simply provided an alternative to the traditional method of storing documents. As previously stated, because of the expense associated with storing huge quantities of paper (many types of documents are subject to SEC retention), the major transfer agents had been lobbying the SEC for years to make the change. Using digital-storage media, records that previously required an entire warehouse for retention could be stored in a single filing cabinet. I assume the major transfer agents quickly adapted their record-retention systems to take advantage of the amended rules. I also assume the transfer agents that made the switch ran their systems non-stop to image and then destroy all of the cancelled certificates in their possession. The faster they could image and destroy the certificates, the faster they could recoup their investment costs.

I believe the combination of book-entry shares and digital imaging will prove to be a lethal mix for cancelled certificates. Over the next decade or so (maybe sooner) cancelled stock certificates will simply cease to exist. When that occurs, whatever cancelled certificates are circulating within the scripophily community will, for all practical purposes, represent the universe of cancelled certificates available to collectors for all time.

Modest caches of cancelled certificates will inevitably continue to surface from time to time in the future; and, with luck, some may trickle into the hands of collectors. But the availability of cancelled certificates in the numbers that the scripophily community has enjoyed during the last several decades will soon rapidly diminish. The reservoirs are drying up.

A sample of the infamous 8-1/2% debenture certificates stolen from Texaco. A company that specialized in the on-site destruction of material by shredding was hired by Texaco to destroy its inventory of cancelled 8-1/2% debentures certificates. A Texaco employee provided oversight, however, despite his diligence, the workers apparently managed to steal several thousand of the cancelled certificates which are now for sale on many Internet websites for around $15 each (see text). The above picture was copied from one of those websites because the author refuses to purchase one.

The Origins of Uncancelled Stock Certificates

Tens of thousands of stock and bond certificates are auctioned, sold and traded by collectors each year. A recent European auction boasted a million certificates for sale. Many of the certificates placed for auction were issued but never cancelled. That means the underlying shares were purchased but never sold, exchanged or redeemed by their owners. Certificates representing such shares are referred to as *uncancelled certificates*.

There are three sources of uncancelled stock certificates that should be of interest to collectors:

(1) bankrupt companies that have gone out of business;
(2) abandoned property -- certificates that were not tendered when the issuing company was acquired by, or merged into, another company; and,
(3) certificates reported lost and replaced.

Bankrupt Companies That Have Gone Out Of Business

Frankly, this is one source that I have no first-hand knowledge of and don't know much about. What knowledge I do possess, I gained from reading scripophily publications and studying the information contained on scripophily websites. So, this will be a brief overview. Once upon a time there were tens of thousands of companies that went public and then failed. Railroads seem to be the example most often referred to as an industry that spawned hundreds of companies that went belly-up and spewed tens of thousands of uncancelled certificates into the attics, basements and warehouses of unlucky investors and failed companies.

In the mid-to-late 1800s and early 1900s railroad stocks were apparently the equivalent of the dot-com stocks that fueled the stock market boom of the late 1990s. Beckoned by the promise of opportunity and riches, America was expanding westward. Wagon trains were history. The locomotive was crowned as the king of modern transportation. There was an endless supply of people

and goods to be moved. The demand for new steel-tracked avenues connecting east and west was high. It was a no-brainer: if you wanted to get rich quick, buy railroad stocks. The bubble eventually burst. Automobiles and airplanes. Who would've thunk?

In their genesis, virtually every industry -- airline, automobile, communications, electrical, mining, oil, pharmaceutical, steel, you-name-it, spawned thousands of entrepreneurs, investors, and villains that started companies. Hundreds of thousands of stock certificates were issued. But for every successful company hundreds failed. The stock market operates on a strange mixture of greed, optimism, pessimism, intelligence, ignorance, monopolies, politics, regulation, malfeasance, competition, corruption, visionaries and bottom feeders. But the market always shakes itself out. Eventually only the strong survive.

Some companies simply went broke and out of business. Others went into bankruptcy, receivership, or underwent financial restructurings in an effort to save themselves. The outstanding stock certificates of some may have been called but never reissued because the patient died on the operating table. The paper remnants of those companies filled boxes that filled warehouses that were forgotten. Decades later the hoards were "discovered" and revived as collectibles.

What do you do with a stock certificate of a company that has gone out of business? You save it, of course. Because you always keep that lingering hope in the back of your mind that somehow the company that went out of business will be magically resurrected and the stock certificate you saved will someday be worth a million bucks. So, just in case, you hang on to that piece of paper. You stick it in the trunk in the attic or the box in the basement. Because you never know – Santa Claus may be real. Pass the brownies, please.

At the turn of the millennium a phenomena occurred which was made possible only by the advent of the Internet. Instead of selling their shares, individuals who owned shares of bankrupt companies began selling their stock certificates

as collectibles using Internet auction websites like eBay®. When the popular and widely-held company *Planet Hollywood* declared bankruptcy (10/12/99), some savvy holders of the multi-colored and celebrity-signed stock certificates were quick to realize that the value of their certificates as souvenirs exceeded the value of the underlying shares. So they took to the Internet to sell them to the highest bidder.

After Planet Hollywood came the highly-publicized, infamous bankruptcy of *Enron* (12/2/01). Nightly news broadcasts often made a point of humorously emphasizing that while Enron stock was trading for less than $10 per share, Enron stock certificates were selling on eBay® for $100 a piece. Enron's collapse was followed by *Global Crossing* (1/28/02), *Adelphia* (6/25/02), and *Worldcom* (7/21/02). The more news coverage, the higher the bidding. Scripophily dealers were interviewed on television. Thousands of stock certificates were auctioned without being cancelled. A new market had emerged. Some scripophily dealers advertised "Bankruptcy Specials!" Keep in mind that Global Crossing, Adelphia and Worldcom eventually emerged from bankruptcy. Until the value of the shares became subject to escheatment, the stockholders who sold their certificates as souvenirs had the option of contacting the company's transfer agent and reporting the certificates they had sold as "lost" and obtain replacement certificates.

Unexchanged and Untendered Certificates

The second source of uncancelled certificates is the owners of unexchanged shares or untendered shares of companies that were either purchased by, or merged into, other companies. In mergers and acquisitions, it is not unusual for 4% to 7% of the owners of the companies being acquired to fail to surrender their certificates for redemption. At Texaco, we experienced this phenomenon when we purchased Getty Oil in 1984. Thousands of Getty stockholders failed to tender their shares for redemption. As a result, we turned over millions of dollars representing the value of the untendered shares to the various states under their abandoned property laws.

Why do so many stockholders fail to tender their shares? Much of the blame lies with the companies themselves. The informational packages (prospectuses) they provide to their stockholders are confusing beyond belief. They are usually a hundred pages or more set in 8-point type and are written in legal Greek. More confusing documents would be hard to find. Virtually every sentence is populated with legalese. They may as well be written in hieroglyphics. That's a shame. My experience is that rather than risk doing something incorrectly, many individuals will simply opt to do nothing at all.

There is an entire industry built around "lost stockholders." The lost-stockholder industry thrives on locating the owners (or their heirs) of unexchanged or unredeemed shares. Commercial transfer agents love the M&A business. Not only do they make big bucks on the front-end by mailing the prospectuses and processing the returns, but they also make big bucks on the back-end locating the individuals who failed to exchange or redeem their shares. The standard industry "finder's fee" is 30% of the value of the shares. The stockholder pays the fee. Ouch!

A lost stockholder is an investor with whom the company has lost contact. The most common reason that stockholders become lost is that they change their place of residence and simply fail to notify the company of their new address. After two consecutive mailings are returned as undeliverable, a company can assume the stockholder is lost. That means the company can stop making further mailings to them. However, at that point, the SEC requires companies to make some reasonable effort to find the lost stockholder. There are numerous informational sources available, like telephone directories, but that's another subject. If the company is unsuccessful in finding the lost stockholder then abandoned property laws eventually come into play.

Abandoned (Unclaimed) Property and Escheatment Laws

Every state has abandoned property laws. Abandoned property is property a company is holding that has not been claimed by its owner. Once the statutory holding period expires, escheatment laws compel companies to turn over

abandoned property to the lost stockholder's state of last residence. When I started in the stock transfer business in 1968 the statutory period for property to be considered abandoned averaged around 15 years. Some states had longer holding periods, some less. When I left the business in 2001, abandoned property had become a major source of income for many states and the statutory period for abandonment had dropped to about three years.

When the underlying shares are turned over to a state as abandoned property, the associated stock certificate number is cancelled on the books of the company. That means that even though the original, uncancelled stock certificate is still floating around somewhere, it cannot be transferred (legally sold) because it has been nullified on the books of the company. Many such stock certificates are eventually found tucked away in the equivalent of a shoe box after the owner's death; and, many decedents' relatives contact the companies to ascertain if the certificates have value. More often than not (way more often) they are surprised (many people aren't aware that abandoned property laws exist) and disappointed to learn that the underlying shares have been escheated as abandoned property.

Abandoned property laws are all encompassing. They include not only stocks, but also payroll, bank accounts, savings accounts and even, in some states, items like unused gift certificates. Foreigners don't get a break either – their abandoned property is escheated to the company's state of incorporation. An employee of the New York State Comptroller's Office once told me that ninety-nine percent of the property abandoned to the State is never claimed. Escheat laws are like black holes – money gets sucked in but never comes out.

Here's the bottom line: *If you possess an uncancelled stock certificate of a company that was acquired by, or merged into, another company then the certificate probably has a history as an abandoned property piece or a lost certificate item.*

Lost Certificates

The third source of uncancelled stock certificates is stockholders who report their certificates as "lost" and go through the process of having them replaced -- only to find the certificates later. Transfer agents do not issue replacement stock certificates free of charge. Not only can it be a time-consuming process but posting a surety bond is required which cost the owner between 2% to 4% of the market value of the shares being replaced. For example, replacing a stock certificate for 100 shares of s $50 stock could cost between $100 and $200. During the replacement process, the certificate number of the lost security is invalidated on the transfer agent's records so that it can no longer be used as a negotiable security. Transfer agents are required to report lost certificates to the Securities Information Center which is a national fraud-prevention database that financial institutions access to verify that certificates they accept for transactions have not been reported stolen or lost. At Texaco, when we replaced lost certificates, we always asked the owners to return the original stock certificates to us if they were ever found. However, they were under no obligation to do so and seldom did.

In December 2008, in a continuation of the securities industry effort to eliminate stock certificates, the NYSE submitted a proposed rule change to the SEC that would permit transfer agents of NYSE-listed companies to charge stockholders a fee for issuing stock certificates. In its supporting argument, the NYSE referenced a securities industry survey that "concluded that more than 1.2 million certificates need to be replaced because of loss, destruction, or theft each year at an approximate cost to the transfer agents of $65 million.[7]" Once a lost certificate that has been replaced is found, the owner is free to do whatever he wants with the certificate including selling it as a collectible.

Abandoned and lost stock certificates may seem an obscure source of certificates for collectors, however, with over a million stock certificates reported lost or abandoned each year (ten million certificates in the last decade), these "well-dispersed hoards" have probably represented (and will probably continue

[7] Federal Register/Vol.73 No. 249/12/29/2008

to represent) a greater resource for collectors than most individuals realize. Thanks to the Internet there is a growing awareness of the value of stock certificates as collectibles. So, the likelyhood is that these certificates will, in bits and pieces, continue to find their way into the hands of collectors for many years to come.

Here's the bottom line: *If you possess an uncancelled stock certificate of an operating company then the certificate probably has a history as a lost certificate item.*

Other Sources

The SEC recognizes that individuals may want stock certificates for reasons other than as investments, such as for gifts, souvenirs, and collectibles. Consequently, they permit companies like *oneshare.com*™ to sell uncancelled certificates as gifts and souvenirs but place restrictions on their sale. Such merchandisers are required to sell the certificates for at least twice the current market value of the underlying share plus the cost of a frame and a handling fee. While the certificates make terrific gifts, they are not considered a mainstream source for obtaining certificates by collectors.

The direct-purchase stock plans of many companies can be manipulated to obtain souvenir certificates cheaply but, again, such plans are not a mainstream source of obtaining certificates and, therefore, hold little interest for collectors.

Given two certificates issued by the same company – one cancelled and the other uncancelled -- the uncancelled certificate is generally perceived to be of greater value than its cancelled counterpart. That's because the overall physical condition and appearance of an uncancelled certificate is typically better. It would not have been subjected to the wear and tear of handling and the defacing by staples, broker stamps and punch holes of a perforation machine that occurs during the cancellation process.

Unissued (Blank) Stock Certificates

There is no legal source of obtaining unissued (blank) stock certificates of an operating company. The only source is theft. Under no circumstances are blank stock certificates permitted to be in the possession of anyone other than the company's transfer agent. Blank stock certificates are not exactly negotiable currency, but they might as well be. In the hands of the wrong person, they can easily be used to perpetuate fraud on unsuspecting individuals or banks and other financial institutions. If a company is merged into, or acquired by, another company, the transfer agent of the acquired company is required to destroy the existing inventory of any unused blank certificates.

Vignettes

Vignettes are those miniature pictures printed on stock certificates. Many are such fine art pieces that they deserve to be on display in galleries. Stock certificate vignettes were created to help prevent the counterfeiting of stock certificates. Just like the presidential portraits on our currency, their finely-etched detail was virtually impossible to duplicate by forgers. The vignettes were created by artists who painted in steel instead of on canvas. Ironically, it's only now, on the death of the stock certificate, that these miniature masterpieces have been set free from their vaults to be admired by collectors. I suspect that if stock certificates had been printed without vignettes few individuals would collect them.

The New York Stock Exchange required the security certificates of listed companies to be printed with unique engraved vignettes. No two companies could share a vignette and the use of generic certificates was prohibited. The vignettes often depicted the industries that spawned them, like trains, planes and automobiles. Others included portraits of people, places and animals. The NYSE recommended the use of "a human figure with plainly discernible features" to afford maximum protection against counterfeiting. Consequently, allegorical figures were popular subjects. So, too, was the American eagle. But the variety of industry icons was unlimited.

A finished vignette was the result of collaboration between the company that issued the certificates and the banknote company that printed them. A corporate vignette began as a concept. Most companies already had a general idea of the image they wanted their certificates to project. The banknote company would convey the company's concept to an artist familiar with the working requirements of the banknote company. The artist would provide one or more pen and ink sketches of the proposed vignette. When a design was approved, the banknote company commissioned an artist (and the artist commissioned models if the vignette included human figures) to render a black and white oil painting (approximately 24" x 36") of the central object of the

vignette. The ABN representative that worked with Texaco in designing vignettes said the painting was not optional because it would serve as the engraver's model. Without the painting, the vignette could not be engraved. I don't know if that was the case with all vignettes but I do know that the engravers required a large black and white depiction of the vignette's central object. Texaco changed its vignette in 1978 and the cost of the oil painting which depicted two allegorical figures against the backdrop of a globe was approximately $4,000. When the black and white oil rendering was approved, the banknote company commenced the engraving process.

The banknote company that created the vignette owned it – not the company that paid to have it made. The steel engraved plates with the vignette and borders were property of the banknote company. As a result, a listed-company's vignette was not transportable from one banknote company to another banknote company. If a listed company elected to switch banknote companies, it had to bear the cost of having a new vignette designed and new steel plates engraved -- an expensive undertaking which probably served to discourage issuers from changing printers. When Texaco re-designed its stock certificates in 1978, which included a new vignette, the all-in cost was about $20,000. And that was without changing banknote companies. During its 99-year history, Texaco changed the vignette printed on its stock certificates six times.

In 2001, the NYSE eliminated the requirement that securities certificates of listed companies contain an engraved vignette. The pressure to eliminate the vignette emanated from several sources. The cost of certificates with engraved vignettes was viewed as a detriment to attracting foreign companies to co-list on the NYSE (foreign companies had their own countries' certificate printing requirements to meet). Technology had also made significant inroads in the industry, particularly in the area of certificate printing. Transfer agents had developed a practical "certificate-on-demand" process using generic certificates which greatly reduced the time, effort and cost of issuing stock certificates for hundreds of companies simultaneously. To permit their use, the NYSE

eliminated the requirement of an engraved vignette, but retained the requirement that the certificates contain engraved borders. By that time, it was also apparent that the dematerialization of stock certificates would soon be a reality. There was no stopping it – the entire securities industry had been moving towards eliminating the stock certificate for three decades with the strong support of the SEC. So, eliminating the vignette was simply another step in the process. Finally, with the advent of electronic databases and the ability to instantly verify certificate numbers, forgery, as a practical matter, was not the concern it was in the 19th and 20th centuries. Counterfeit certificates have little chance of making it past a transfer agent. As witnessed by recent events on Wall Street, white-collar criminals have spawned more creative methods of perpetrating fraud.

Unfortunately, the true beauty of vignettes and the remarkable talent of the artists that created them can only be appreciated by using a powerful magnifying glass or by using software imaging programs that can enlarge a scanned certificate image. Using a scanner is the preferred method because after a certificate is scanned, it can be placed in storage. The scanned images can be used to view the certificates and manipulate the images. Both scanners and imaging software are relatively inexpensive. Scanning the certificates at the highest resolution possible is also recommended. It may take several minutes for each scan and the resulting files are very large (in the neighborhood of 65-100 megabytes each) but it's well worth the time and effort. Copies of the large TIFF image files can be saved in the JPEG format for normal use.

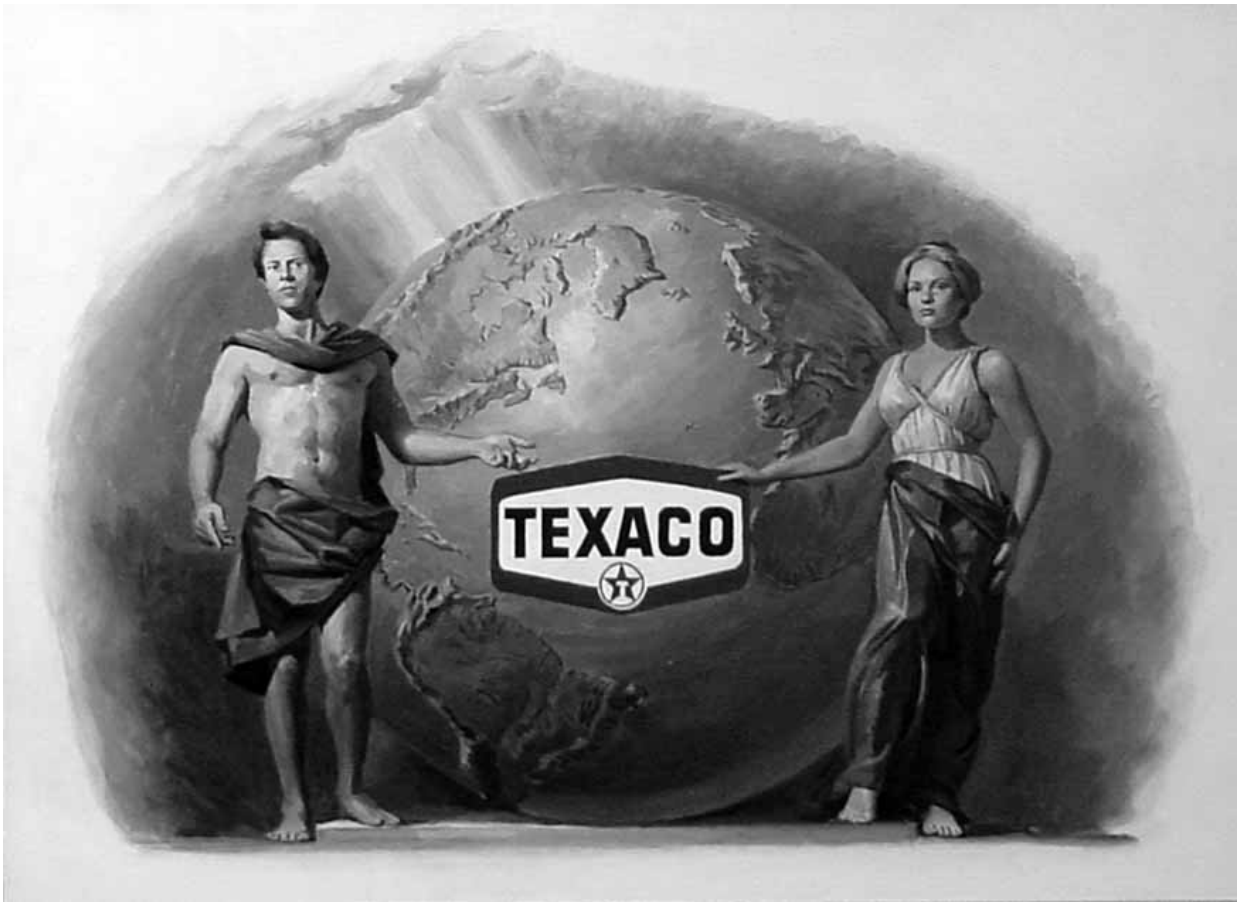
The hidden detail contained in engraved vignettes is amazing. It's like playing the "find the hidden picture" puzzles when you were a kid.

1965 Mock-Up of Proposed Skelly Oil Stock Certificate Submitted By Security-Columbian Banknote Company

Skelly Oil Company solicited a design from the Security-Columbian Banknote Company for the printing of its stock certificates in 1965. This is the original 8-1/2" x 12-1/2" mock-up of the design submitted. All of the text, borders and vignette are separate pieces that are glued to white poster board. It is contained in a green cardboard jacket (inset) and contains one of three pen and ink designs submitted for a vignette (see page 48). A mock-up is a model of a proposed certificate -- it is ***not*** a specimen certificate and it is ***not*** a proof of a certificate and should not be confused with or referred to as such.

Pen and Ink Artwork for a Proposed Vignette

In 1965, Skelly Oil Company solicited bids from the Security-Columbian Banknote Company for the printing of its stock certificates. These are two 3-3/4" x 6" pen and ink designs for the proposed vignette that were submitted along with a mock-up of the proposed certificate (see page 47) which contains another pen and ink design. The individual art pieces are enclosed in green cardboard jackets.



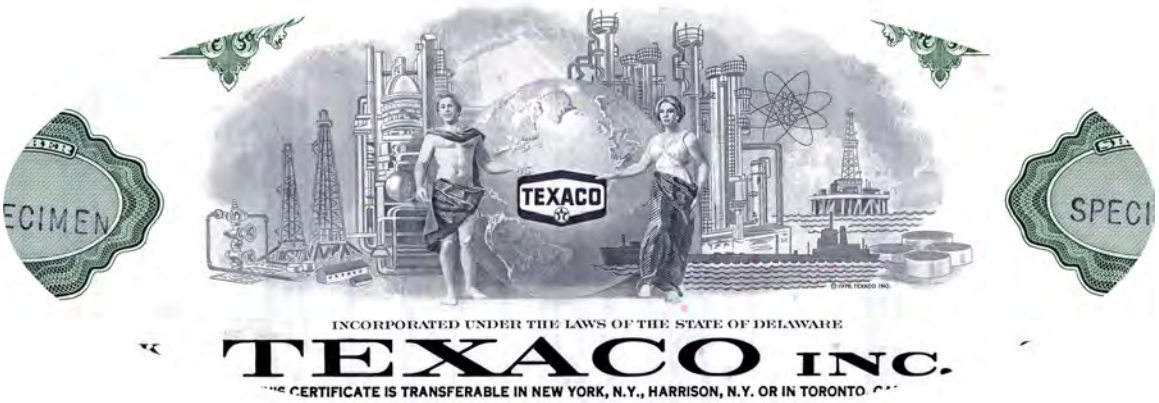
Original Oil Painting Commissioned by American Bank Note Company to Prepare Texaco Stock Certificate Vignette in 1978

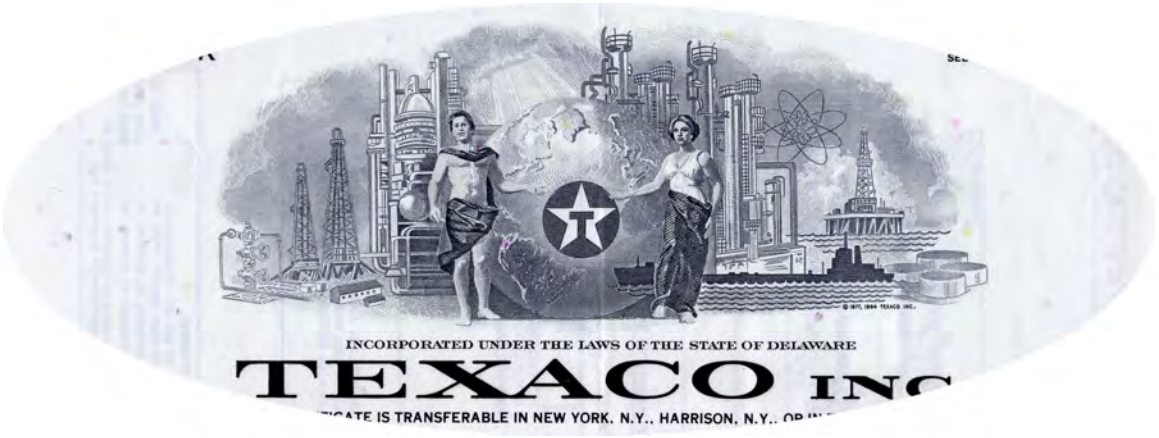
Texaco contracted with American Bank Note Company to design a new vignette for its stock certificates in 1978. To provide their engraver with an illustration to replicate, ABN commissioned an artist (and two models) to create an original black and white oil painting. The painting cost $4,000. This is the original (25" x 32") oil painting commissioned by ABN that was used by their engravers to etch the steel plates required to intaglio print the new certificates. The oil painting was an integral requirement of the engraving process.

The motivation behind the change in vignettes was a letter received from an elderly female stockholder who was also an environmentalist. She said she loved the stock but hated the vignette that depicted black smoke pouring from numerous smokestacks polluting the atmosphere. Recognizing the letter reflected the growing sensitivity among the population regarding environmental issues, the company decided the lady was correct and commissioned the design of a new vignette.

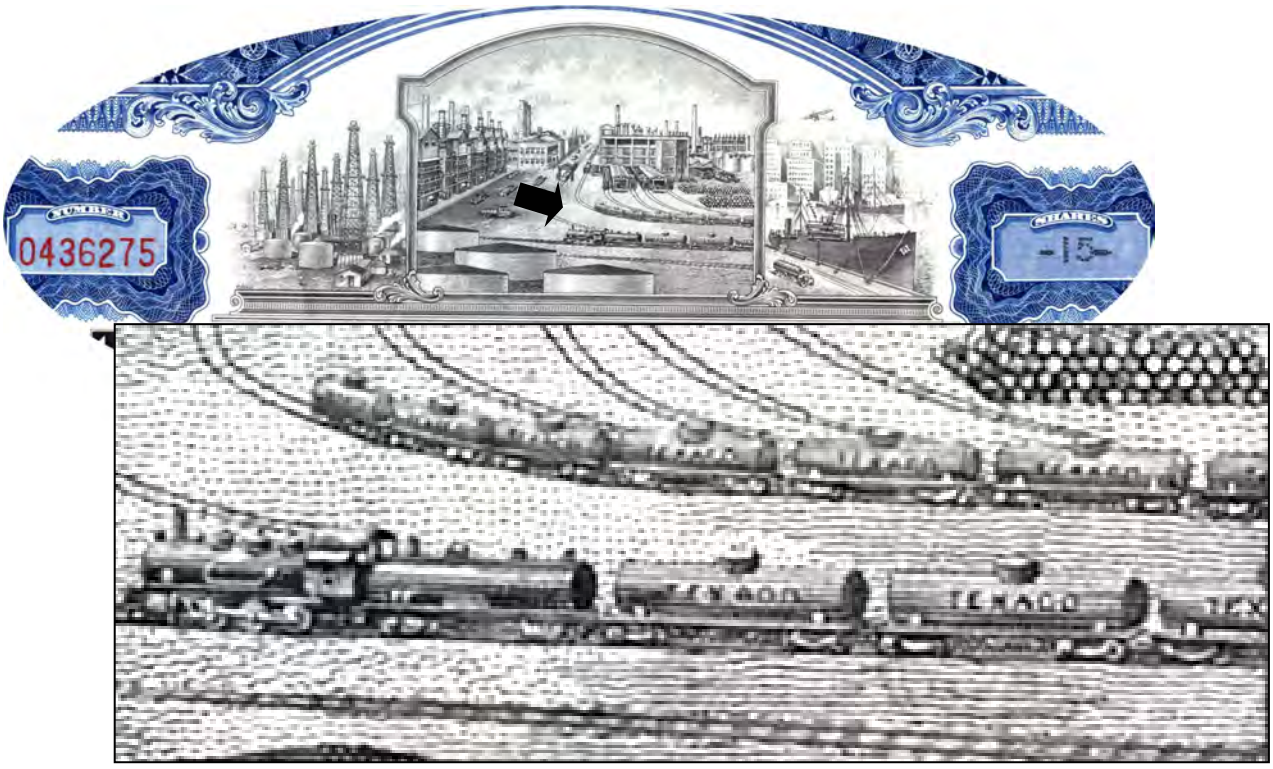
Note that only the female figure is actually holding the logo. This odd aspect of the painting is the result of a change requested by the company's treasurer. In the artist's original rendering, both the male and female figures were holding the logo. However, Texaco's treasurer said that the male's down-turned hand made him appear too feminine and decreed that it be changed. The not-very-pleased artist altered the painting by turning the male's left hand upwards as seen in the final painting. After the change, the treasurer presented the proposed vignette to the Board of Directors for approval. It was approved, but the change resulted in an awkward, unbalanced symmetry that has always left me wondering – how is that pretty lady holding up that heavy logo all by herself?

TEXACO VIGNETTES -- **Top:** The Texas Company (Texas) 1902-1905. Corlies Macy & Co., Inc., NY. The company's first tank farm.
Middle: The Texas Company (Texas) 1905-1907. American Banknote Company, NY. American eagle lithograph.
Bottom: The Texas Company (Texas) 1907-1926. The Texas Corporation (Delaware) 1926-1931 & 1935-1941. The Texas Company (Delaware) 1941-1959. Texaco Inc. (Delaware) 1959-1978. American Banknote Company, NY. Multi-faceted operations: exploration, production, refining and transportation.





TEXACO VIGNETTES -- Top: The Texas Corporation (Delaware) 1931-35. Quayle & Son, NY. Multi-faceted operations including aviation and marketing.
Middle: Texaco Inc. (Delaware) 1978-87. American Banknote Company, NY. World-wide operations.
Bottom: Texaco Inc. (Delaware) 1987-2001. American Banknote Company, NY. World-wide operations with new logo.



Advantages of using a scanner to view the details of a stock certificate. When viewed with the naked eye, the train in the vignette appears a small, indistinct object – but when magnified using imaging software, the scanned image clearly shows a locomotive and oil tanker cars with "TEXACO" painted on the side of each. The detail hidden in engraved vignettes is amazing. Scanning images at the highest possible resolution takes time and patience but is well worth the effort. After scanning certificates, collectors can place them in storage and not handle them again.

How Stock Certificates Were Printed

The 1953 NYSE Listed Company Manual stated:

> *"The face of a listed security in definitive form must be printed, in its entirety, from at least two engraved steel plates—i.e., a border and tint plate, from which a printing in color is made of the border and portions underlying the face of the security; and a hand-engraved face plate containing the vignette and the descriptive or promissory portion of the security, printed in black. The combined impression of these plates must provide as effectual security as possible against counterfeiting. The printing of different classes and denominations of securities must be in distinctive colors, to make them readily distinguishable from each other.*
>
> *The face text of all engraved listed securities should be in script lettering. If it is desired to use any other form of lettering, it is recommended that samples thereof be submitted in advance of engraving."*

Translated into English what that means is: (1) stock certificates had to be printed in at least two colors – any color and black; (2) at least two steel-engraved plates had to be used (no lithography allowed); (3) the steel plate containing the vignette and description of the security had to be hand engraved (more difficult to counterfeit); (4) different denominations of certificates had to be printed in distinctly different colors; and (5) the text printed on the certificates had to be in a script-style font (again, more difficult to counterfeit).

Manufacturing intaglio-printed stock certificates was not a simple, turn-key operation. I know this because early on in my career, I made the mistake of impatiently and somewhat brusquely asking our ABN representative why it took so long to receive an order of stock certificates (eight to ten weeks – assuming only a minor change). In response, I received a flushed-faced, raised-eyebrow, finger-shaking lecture reminiscent of the verbal flogging I was subjected to when I asked the nun who was teaching my kindergarten catechism class if %$#@&*%! was a bad word.

For starters, I learned that Texaco was not ABN's only customer. All orders for certificates had to be placed into their production queue. When a company made its way to the front of the line and dedicated machinery became available, the press had to be cleaned and prepared which, in itself, was apparently a time-consuming undertaking. A skilled pressman was a mechanical genius who viewed his work with the eye of an artist. (At least that's what a friend who was a professional printer told me.) The production of a two-color certificate required either three or four steel engraved plates: one for the background color; one or two (at the issuing company's option) black plates for the vignette and text on the face; and a black plate for the text on the reverse of the certificates. Multi-colored certificates, like those of Disney and Ringling Brothers, were more expensive to manufacture and took more time to produce because each additional color required a separate engraved plate and an additional pass through the press.

The stock assignment form on the reverse of the certificate was printed first. Then the sheets were flipped and the colored background of the certificate was printed which included the engraved borders, denominative corner pieces, the share and serial number medallions, and the class of the security. Next, the information that was *least likely to change* was printed using the first black face plate which included the vignette, the company name, state of incorporation and a description of the stockholder's rights. Then the information *most likely to change* was printed using the second black face plate which included the names of the transfer agent, registrar, the names and titles of the company officers authorized to sign the certificates, par value, etc.

The advantage of using two black face plates was that companies could capture the price benefits associated with the economy of scale by ordering a large number of certificates, say, a three-year supply, without having them all finished. For example, at Texaco, more often than not, we would place an order for 150,000 stock certificates but specify that only about one-third, or 50,000, be completely finished. The 100,000 unfinished certificates would remain locked in the vaults of the banknote company. That way, if a change to the

certificates was required, we would only have to over-print (silver) the finished certificates in our working inventory with the new information. Because only a single pass through the press would be required to add the new text to the unfinished inventory of certificates in the banknote company's vault, the time required to replenish our working inventory with updated certificates was closer to three weeks than three months.

Certificates were actually printed on oversized sheets. The extra margins provided space for registration marks and for the use of mechanical sheet grabbers. After each pass, the engraved plates had to be switched out, the rollers cleaned, and the ink on the freshly printed sheets permitted to dry – all of which took time. After printing, the sheets were cut down to the NYSE-required size of 8" x 12". The certificates were serially numbered in a separate process.

The production of certificates was not an exact science. Every production run regurgitated spoilage. Even the smoothest. When scheduling a production run, ABN always built in an allowance of about 5% for spoilage. As compensation, they required that every purchase order contain an over-run clause. An "over-run" clause stated that the company that placed the order would agree to pay for any reasonable excess production – usually with a cap of around 2% to 3% of the total order. For example, if an order specified production of 100,000 certificates, the company would agree to pay for 102,000 to 103,000 certificates. The destruction of all spoilage, either by incineration (pre-EPA) or by shredding, was a boilerplate provision of every order. A basic security precaution.

The finished certificates were transported directly from the vault of the banknote company to the vault of the issuing company's transfer agent. The consignments were both heavily guarded and heavily insured. Blank stock certificates are not cash, but in the hands of the wrong individuals they might as well be.

The point to keep in mind is that the production of stock certificates was not like pressing a button on a Xerox machine at Kinkos. It was a time-consuming, multi-stepped, expensive exercise. I don't know if ABN had a floor for a minimum order. I suspect they did. And, I bet that an order for only a hundred certificates (as inconceivable as that would have been) would have cost the same as an order for 1,000 certificates (as inconceivable as that would have been) which was probably the spoilage from most production runs.

By the early 1970s, computer technology had made some inroads in the area of stock certificate issuance. ABN upgraded their equipment to provide companies with the option of ordering certificates in either cut form (as described above) or in continuous form with sheet perforations and pin feed strips which permitted the use of high-speed computer printers when issuing the certificates. Texaco began using the continuous-form certificates in 1974. I know the production of continuous form certificates required a different type of printing press and other specialized equipment but, despite my long, professional association with ABN, I was never permitted to visit their manufacturing facilities to actually witness the process. For reasons of security, ABN enforced a "No Visitors Allowed" policy. %$#@&*%!

Example of certificates manufactured in continuous form with pen-feed strips. Certificates printed in continuous form with pen-feed strips enabled transfer agents to print the stockholder registration, shares, certificate number and date on the certificates using high-speed computer printers which significantly reduced the time and labor required to prepare the certificates.

Specimen Certificates and Proofs

Specimen certificates are actual stock certificates used for purposes other than issuing shares to stockholders. Some collectors are under the impression that specimen certificates are not actual stock certificates. They are wrong. There is no difference between specimen certificates and the certificates issued to stockholders. None. Their DNA is identical. There are two types of specimen certificates: *banknote specimens* and *company specimens* also referred to as *transfer agent specimens*.

Banknote Specimens

Banknote specimens are stock certificates invalidated (rendered non-negotiable) by the banknote company that printed them. The final step in the production of stock certificates was the application of serial numbers. (See "How Stock Certificates Were Printed.") A specialized auto-incrementing press was used to imprint the serial numbers on the certificates in the sequence specified by the company that placed the order. To obtain specimens from a production run, the serial-number press was set and locked to "000000" and the serial-number medallions of the certificates extracted from the run for use as specimens were zero-filled. In a separate process, they were hole-punched and over-printed with specimen stamps to render them non-negotiable financial instruments.

Banknote companies had two very practical reasons for zero-filling the serial-number medallions on specimen certificates. The first was simply to fill in the space making the insertion of fake serial numbers unfeasible. The second was that a company's transfer agent was required to account for every single serial number in the company's transfer journal once serial numbers were applied to certificates. No exceptions were permitted. Every single serially-numbered certificate, from the time it was manufactured to the time it was cancelled, had to be accounted for in the company's transfer journal. There could be no missing numbers. Every delivery of certificates by the banknote company to the issuing company's transfer agent was accompanied by an affidavit attesting to

the exact number of certificates manufactured with their associated serial numbers.

While on the subject of serial numbers, here is something of a fine point: the terms “serial number” and “certificate number” are used interchangeably and do mean the same thing. However, technically, a certificate number usually contains an alpha prefix placed before the numeric serial number. The alpha prefixes were used to differentiate the denominational forms of certificates for the same class of security.

The requirement that the banknote company provide specimen certificates was a boilerplate (but really unnecessary) provision included in every purchase order for certificates. Banknote companies provided them automatically. They accompanied every order of finished certificates. Specimen certificates provided the documentary evidence of the results of a production run of certificates. That was their purpose. An order of stock certificates represented a major investment. The price of each intaglio-printed certificate could range from $1 to as much as $3 or more, depending on the quantity ordered. Place an order for 100,000 certificates and you were talking big money. If a mistake was made during production, such as the wrong engraved plate being used, someone would have had to eat the cost. There was no such thing as a minor error on a stock certificate. The output of a production run was shipped directly to the vault of the issuing company’s transfer agent. For companies that used the services of an outside, commercial transfer agent, except for the specimen certificates provided, the issuing company never saw the finished product.

Besides documenting a production run, banknote specimens served a variety of other purposes. The first, and most common, was use as reference pieces. If a production run incorporated any change to the certificate, the NYSE required a specimen of the new certificate for reference in the event a question arose regarding a company’s certificates. (A specimen of a company’s original certificate accompanied their listing application.) As the gatekeeper of a company’s official records, the corporate secretary maintained specimens of a

company's security certificates on file. The corporate treasurer and other financial managers also required specimens for reference. As did corporate counsel and outside firms conducting business on a company's behalf, such as ventures financed by capital stock and stock buy-back programs. I believe the internal distribution requirements of most companies were similar.

Any certificate with a zero-filled serial number medallion is a banknote specimen. However, every banknote specimen does not contain a zero-filled serial number medallion. Over the years, American Banknote Company used a variety of methods of marking certificates as specimens. Until the mid-1960s, ABN did not significantly disfigure specimen certificates to render them non-negotiable. Typically (but not always), they would punch quarter-inch holes in several judicious locations and innocuously over-stamp the word "specimen" in one or two locations on the face of the certificates. Around the mid-1960s, however, ABN seems to have discontinued the practice of zero-filling the certificate number medallion and, instead, simply greatly defaced them. The word "specimen" was over-stamped in bold red type across the face of the certificates and in smaller (but still highly visible) red type in seven locations diagonally across the bottom of the certificates. No one looking at the certificates could ever mistake them for anything but specimens. I assume this practice reflected some concern on their part that the specimens could be used for other than legitimate purposes. By the 1980s and 1990s electronic record keeping of stockholder records had become firmly established within the securities industry. Electronic records virtually eradicated the possibility of fraud using an altered certificate because the validity of a certificate's serial number could be checked (and was) in a matter of seconds. So it was around the 1990s that ABN started invalidating most specimen certificates by simply machine-perforating them in several locations with the word "specimen" and the date and the abbreviations of the ABN plant facility where the certificates were manufactured. Cancellation by machine perforation did not especially mar the appearance of the certificates.

Company Specimens

Company specimens also referred to as *transfer agent specimens* (the terms are interchangeable) are certificates extracted from a transfer agent's actual working inventory of stock certificates and used for purposes other than issuing shares to stockholders. Company specimens are certificates invalidated by the issuing company's transfer agent. Company specimens are always identifiable by an *actual serial number* printed in the serial number medallion of the certificates. Any specimen certificate with an actual serial number is a company specimen. Like their banknote counterparts, company specimens had their uses. Any required change to the text of a certificate was usually communicated to the banknote company using a marked-up company specimen. Company specimens were typically used in corporate displays because they could be inconspicuously cancelled. Company specimens were used to set up the machinery (addressograph machines and, later, impact printers) for special distributions that required the mass issuance of certificates, such as stock dividends and stock splits. For example, in 1997 Texaco declared a 2:1 stock split and required the assistance of a commercial agent to print the stockholder registration on more than 100,000 stock certificates in a timely fashion. The commercial agent needed some of our certificates in continuous form to set up the job. So we removed fifty blank certificates from our working inventory and rendered them non-negotiable by marking them with a rubber "specimen" stamp. We repeated the process later that same year when we purchased Monterey Resources in a share exchange and, again, needed the assistance of an outside, commercial agent to print the certificates.

In every instance when we extracted certificates from our working inventory for use as specimens, we recorded the serial numbers of the certificates in the company's transfer journal as CNIs. CNI is a security-industry acronym for the term "Cancelled - Not Issued." As noted above, the disposition of every serially-numbered stock certificate had to be accounted for in the company's transfer journal. If a mistake was made when issuing a certificate, like a simple typo in the stockholder's name, the certificate had to be cancelled and entered in the

transfer journal as a CNI and a new certificate prepared (no erasures, white-outs or type-overs of any kind were permitted because stock certificates are legal documents). The same was true of certificates used as specimens; the serial numbers had to be recorded as CNIs in the company's transfer journal. At Texaco, for security purposes, extracting certificates from our working inventory of certificates for use as specimens required the participation of three employees.

Some Common Misconceptions Regarding Specimen Certificates

Some collectors question the authenticity of specimen certificates. That's not surprising. There's a lot of misinformation going around. Visit ten scripophily websites and you'll probably find ten different definitions of a specimen certificate. Many are simply wrong. Guesses, I suspect, from the well-intentioned but uninformed. That's too bad. Such misinformation simply nurtures the uncertainty that veils their authenticity. It has also given rise to several common misconceptions. Here are a few pieces of misinformation that I believe require correction or clarification:

Specimen certificates are not actual stock certificates. False. Specimen certificates are actual stock certificates. Specimen certificates are certificates that were used for purposes other than issuing shares to stockholders. (If you doubt this, re-read the above but, this time, pay attention.)

Specimen certificates are mock-ups or prototypes of proposed certificates. False. A *mock-up* was a one-of-a-kind, hand-crafted model of a proposed design for a certificate. The borders, corner pieces, medallions, etc., were cut from other certificates and pasted to poster board along with a unique pen and ink vignette to illustrate a proposed design (see page 47). True mock-ups are extremely rare and are terrific scripophily pieces but, for purposes of classification, they should not be confused with specimen certificates.

Specimen certificates were certificates produced for but never used by a company. False. *Unissued* certificates are certificates produced for but never

used by a company. An *unissued certificate* is a blank, unmarked certificate. Most of the unissued certificates in circulation are lithographed, generic certificates prepared for closely-held companies or subsidiary companies that have gone out of business. Unissued intaglio-printed certificates produced for widely-held companies (even if they have gone out of business) are virtually nonexistent.

Specimen certificates are proofs of a certificate submitted for a company's approval prior to printing. False. A proof shows what *will be* printed. A specimen shows what *was* printed. (See "Proofs" below.)

Specimen certificates were by produced by banknote companies for use as salesman samples. False. Specimen certificates were *used by* banknote companies as salesman samples – but they were not *produced for* the purpose of creating salesman samples. At Texaco, when we were re-designing our stock certificate in 1980, our ABN representative had a presentation folio full of specimen stock certificates to show us. He wouldn't let us keep any, but he did have the certificates to display. I assume it was not uncommon for a banknote company to extract specimen certificates from a company's production run and pass them along to their sales personnel for use as presentation samples. That makes sense. I sincerely doubt, however, that a banknote company would have invested the time, labor and cost involved in setting up a production run for the sole purpose of producing a few sample certificates – especially when it would have been a effortless exercise to simply extract specimens from any company's production run at zero cost.

Specimen certificates are not real certificates and were produced to avoid counterfeiting. False. I suspect the genesis of this myth was the ABN publication entitled *Detection and Recognition of Fraudulent Securities.* The eight-page guide was distributed by ABN to its clients during the 1990s. The title succinctly stated its purpose. The folder contained three certificates: an intaglio-printed certificate of a fictitious company and lithographic and

xerographic counterfeits of the intaglio-printed certificate. The text included the following statement:

> *A genuine specimen of a fictitious company is exhibited in the following pages to illustrate the look and feel of a genuine document. Also exhibited are actual lithographic and xerographic reproductions of the genuine specimen. These reproductions are representative of the types of fraudulent documents one may encounter."*

Viewed soley in that context, it's not difficult to imagine that an individual could misconstrue the purpose of a specimen certificate. But – like the blind man who described an elephant by feeling its tail – it's a generally inaccurate assessment. Although ABN referred to the intaglio-printed certificate as a specimen, interestingly, they did not mark the actual certificate as such. Instead, they over-stamped the certificate with the text "NON NEGOTIABLE" and "THIS IS NOT A VALID CERTIFICATE." This is the only instance (that I'm aware of) that ABN produced an intaglio-printed certificate of a non-existent corporation. It is is also the only instance (again, that I'm aware of) that ABN used that unique text to void a certificate.

How Many Specimens Were Produced?

Many collectors desire to populate their collections with one-of-a-kind, unique certificates. So they are naturally curious about the number of specimen certificates a banknote company typically extracted from a production run for their own use, such as for salesman samples. Our ABN sales rep routinely attached a specimen certificate to his file copy of a purchase order but, what he or the company may have kept beyond that, I really don't know.

Our department was Texaco's in-house transfer agent, so if we required specimen certificates, we knew we could always extract certificates from our working inventory of unissued certificates and render them non-negotiable for use as specimens. Over time, that probably influenced our thinking. Corporations, like people, develop habits. As a result, except when a certificate incorporated a change, we seldom asked for more than just a couple to place with our purchase order files. I suspect that companies that used the services

of a commercial transfer agent may have requested more, probably around a half-dozen, but that's an assumption.

Prior to the introduction of the single-denominational form of certificate in 1973, the NYSE required listed companies to issue certificates in conformed sets. A conformed set consisted of three denominational forms of certificates: less than 100 shares; 100 shares; and more than 100 shares. (In 1961, the NYSE replaced the undenominated form of certificate with the "for more than 100 shares" certificate.) When a company placed an order for certificates, they would have received specimen certificates for each denominational form. So, if they requested a half-dozen specimens, they would have received eighteen certificates – six specimens for each denominational form.

Another consideration is the co-agent factor. For the convenience of its stockholders, many companies employed co-transfer agents. For example, for a number of years, besides its in-house agent, Texaco also employed two outside, commercial co-transfer agents: one in Chicago (1945-74), to provide stockholders with the option of avoiding the New York State stock transfer tax; and one in Montreal (1956-2001) for the convenience of our Canadian neighbors. Each co-agent was provided with their own inventory of stock certificates with their name printed on the face of the certificates as the transfer agent. Therefore, on any trading day, nine different forms of certificates could have been used for the issuance of Texaco common stock – the three different NYSE denominational forms of certificates issued by three different transfer agents. Although issued by the same company for the same security and almost identical in appearance, each of the nine certificates was actually unique in its composition – just ask the guy who had to approve the proofs.

In terms of numbers, I think the real question is not how many certificates (specimens or otherwise) a company issued but how many have survived. Again, take Texaco for example. With all the many different forms of certificates issued in very large numbers over a hundred-year period, an individual could easily assume there is an abundance of Texaco certificates available to

scripophilsts. Actually, there are very few. Besides my collection, in almost ten years of dilligent web browsing, I have come across only seven: three stock certificates (one from the early 1930s and two from the late 1990s); three bond certificates (two from the 1940s and one from the 1960s); and a warrant certificate from the 1940s. They were a mix of issued, cancelled and specimen certificates. Seven out of several million. That's not a lot. Maybe, 500,000:1. One notable exception does exist: a couple of thousand of cancelled 8-1/2% blue debenture certificates that are floating around and available for sale (just visit any scripophily vendor website). But those don't count. They were stolen from a company office in 2001. Besides, they're ugly.

Other than pointing to the chaos theory or to the flying fickle finger of fate, I can't explain why the certificates of some companies are available in large numbers and virtually non-existant for others. There seems to be neither rhyme nor reason. Chalk it up to the goddess of scripophily having a weird sense of humor.

Irrespective of the number that may (or may not) exist, the value of specimen certificates is, in my opinion, too often underrated by collectors. Personally, I would rather own a specimen certificate than a cancelled certificate for 100,000 shares issued to a stock depository, like CEDE or Kray & Co., which was actually a very common, almost every-day occurrence. For every 10,000 stock certificates a company issued and cancelled, probably only one banknote specimen existed. For widely-held companies, the ratio was probably much higher -- more like 20,000-30,000:1. In terms of their production, banknote specimens are a scarce commodity. For some companies, they are the only certificates known to exist. A typical benefit is that specimen certificates are often in better physical condition than their issued and cancelled counterparts since they were not subject to the wear and tear of handling by brokers and transfer agents. When Planet Hollywood went public in 1996, a friend that worked for a banknote company gave me three banknote specimens, one for each of my daughters. They remain pristine.

The bottom line is that specimen certificates are not look-a-likes, copies, replicas or reproductions of any kind -- they are actual stock certificates extracted directly from either a company's production run and rendered non-negotiable by the banknote company that printed them or from a transfer agent's working inventory of blank certificates and used for purposes other than issuing shares to stockholders.

Proofs

A certificate *proof* is a trial impression of an engraved plate submitted to a company for approval prior to printing the definitive certificates. There is no such thing as a "specimen proof" or "proof specimen." If those terms are used, they are misnomers. Specimens and proofs are two very different animals. The purpose of a proof is to show what *will be* printed. The purpose of a specimen is to show what *was* printed.

Depending on how much money a company was willing to spend, the two-color certificate manufacturing process required either three or four engraved plates. When a company submitted a change to the banknote company, the banknote company would make the required change to the engraved plate (or plates) and return either a two- or three-part proof (a four-part proof if the back plate was included) to the company for approval. The proofs were printed in the colors on the paper stock that would be used for the definitive certificates and consisted of a separate impression of each engraved plate. The proofs of each plate were aligned on top of one another and taped to white poster board. In that manner, the content of each plate could be checked independently while viewed in context to the whole certificate. The proof of each plate had to be approved separately. After printing, the banknote company provided the issuing company with specimen certificates extracted from the production run.

Approving proofs for a production run of certificates was not a job particularly well-suited to anxiety-prone individuals. In 1969 Texaco declared a 2:1 stock split. At the time we had 250,000 registered stockholders and half again as many street-name holders. To complete the distribution, we required upwards

of 350,000 stock certificates. Because the stock split reduced the par value of the shares, we also needed another 100,000 new certificates in nine different forms (3 NYSE denominational forms x 3 transfer agents) to replenish our regular working inventories. Even in those quantities, the certificates cost almost a buck a pop. The nine forms of certificate required eight different steel-engraved plates used in different combinations of four. Prior to production, ABN submitted thirty-six individual proofs (in groups of four) for approval -- the type of work that can quickly addict one to aspirin. Ordering stock certificates and approving proofs was one of those jobs that no one noticed if done correctly but was a definite knock-out punch to a career if screwed up.

Typical banknote specimen certificate from the 1930s. Note the *zero-filled* certificate number medallion and the minimal cancellation punches and over-stamping employed to render the certificate non-negotiable. Banknote specimens were certificates extracted from a company's print run of certificates and invalidated by the banknote company.

Typical banknote specimen certificate from the 1970s. Note the certificate number medallion was not zero-filled but the highly visible over-stamping sufficiently defaced the certificate to prevent its use for nefarious purposes. No one could mistake the certificate for anything but a specimen.

Typical banknote specimen certificate from the 1990s. A perforation machine was used to invalidate the certificate. The three-line punched text reads:

SPECIMEN
11*6*97
ABN SECOL

"SECOL" identified the American Banknote Company plant where the certificates were manufactured. This cancellation technique did not significantly mar the appearance of the certificate. Good for collectors.

Company specimen from 1952. *A company specimen always contains an actual serial number printed in the certificate number medallion*. (As opposed to a banknote specimen that contains either a zero-filled certificate number or no number at all.) Company specimens were certificates extracted from a transfer agent's actual working inventory of stock certificates and used for purposes other than issuing shares to stockholders. Specimen certificates served a variety of purposes (see text).

Proof of color plate (or "tint" plate) from 1980 certificate. Whenever a company changed the text or appearance of their securities, the banknote company would provide the company with a two- or three-part *proof* of the new certificates for approval prior to printing. The proofs consisted of a color impression of each plate printed on the paper stock to be used. The prints were aligned on top of one another and taped to white poster board. In that manner, the content of each plate could be independently checked and viewed in context to the whole certificate. The proof of each plate had to be approved separately (note the bottom right-hand corner). Proofs are not specimen certificates and should not be confused as such. Also see pages 74 & 75.

Proof of engraved first black face plate from 1980 certificate. This is a proof of the first black face plate which typically contained the content of the certificate least likely to change. The text most likely to change, like the transfer agent, registrar and the names and titles of the company officers were engraved into a second black plate (see text). Note, again, the company's approval of the content of this plate in the bottom right-hand corner. Each plate had to be approved separately. Also see pages 73 & 75.

Banknote specimen of the finished certificate from 1980. This is a banknote specimen taken from the print run of the certificates that used the plates shown on pages 73 & 74. Note the text most likely to change added by the second black face plate (see text).

Intaglio-printed certificate of a fictitious company produced by American Bank Note Company. During the 1990s, ABN printed and distributed a publication entitled "*Detection and Recognition of Fraudulent Securities*" to its clients. The publication contained three stock certificates: an intaglio-printed certificate of a fictitious company (shown above) and lithographic and xerographic counterfeits of the intaglio-printed certificate. To my knowledge, this is the only instance that ABN actually produced an intaglio-printed certificate of a non-existent corporation. I believe the production of this certificate gave birth to the myth that specimen certificates are not real certificates and were produced to avoid counterfeiting.

Certificate Over-Printing, Over-Stamping and Silvering

Stock certificates are not cheap. At Texaco, even at a time when almost half of its 250,000 registered stockholders were represented by book-entry accounts, the company still budgeted approximately $150,000 for a 3-year supply (and that's when we were using only a single-denominated stock certificate). The NYSE recognized that certificates were costly. For that reason, when a listed company needed to add to or change the text of a certificate, the NYSE provided a means for companies to use their current inventory rather than destroy it. That means was "overprinting."

The following is taken directly from the NYSE Listed Company Manual:

> *Over-printed certificates indicating a change in the name of the company, a change in the designation of the security, a change in state of incorporation, a change in par value, or similar change may be used pending preparation of new definitive certificates. The over-stamp shall appear diagonally across the face text, imprinted in red. In the case of a change in agents, the new agents shall be added by silvering over the old and imprinting the new. If so desired, the existing supply of unissued certificates may be so over-printed and exhausted before issuance of the new certificates…as in the case of any alteration or modification of a security, the over-printing of certificates shall be done by a banknote company.*

"Over-printing" is a general term which encompasses both "over-stamping" and "silvering" which are technically different processes. Their visual appearances are also different.

Over-Stamping

Over-stamping is just what the term implies. Think about using a rubber stamp to imprint text on a document – that's what over-stamping a certificate looks like – except on certificates, the banknote company uses a machine-stamped impression. It is a single-step process where the imprint is applied directly to the document without an intermediate layer of blocking color. For example, in 1941, The Texas Corporation changed its name to The Texas Company. Until the American Banknote Company could manufacture a new

supply of stock certificates, ABN over-stamped a three-month supply of certificates from the existing inventory with the name of the new company over-stamped diagonally across the face of the certificates. The over-stamp stated: "THE NAME OF THIS CORPORATION HAS BEEN CHANGED TO THE TEXAS COMPANY."

Silvering

Silvering is the over-printing technique employed by companies to make a change to their certificates in such a manner as to permit them to completely use their existing inventory of certificates before ordering new ones. Silvering is most commonly used to make minor changes to existing text, such as a change in the company's transfer agent, registrar, transferable location, etc. Silvering is a two-step process. The first step is to block out the old text. A solid silver rectangle is printed over the text which completely obstructs it from view. Obviously, the silver ink used in the process is where the technique derived its name. Step two of the process is to print the new text within the silver rectangle in black ink.

The final series of stock certificates issued by Texaco represent an excellent example of silvering. In May, 1998, Texaco's corporate secretary changed. With that change, we ordered a new three-year supply of certificates with her facsimile signature. We requested that all the certificates be completely finished which proved to be a mistake because eight months later she resigned. Rather than destroy the more-than-two-year unused inventory, we had the certificates silvered -- over-printed with the new secretary's name. Fourteen months later the chairman also resigned. By that time, we knew that Texaco was going to be taken over by Chevron and would shortly cease to exist, so we had the same unused inventory of previously silvered certificates silvered for a second time to show the new chairman's name. Consequently, the final series of certificates issued by Texaco were dual-silvered certificates with both the names of the chairman and corporate secretary appearing against the background of silver rectangles.

An example of over-printing by "Over-Stamping." In 1941, The Texas Corporation changed its name to The Texas Company. Until the banknote company could deliver certificates with the new name, ABN over-stamped some of the existing certificates with the caption "THE NAME OF THIS CORPORATION HAS BEEN CHANGED TO THE TEXAS COMPANY." *Over-stamping*, as the name implies, looks much the same as would a rubber-stamped impression. The NYSE required that any change to the text of a certificate be made by a banknote company. Over-stamping is one form of "over-printing" but significantly different from "silvering."

An example of over-printing by "Silvering." Silvering is a two-step over-printing process used to change the text of a stock certificate. The first step is to block out the old text with a silver-plated rectangle. Step two is to print the new text in black ink in the silvered location over the old text. The final series of certificates issued by Texaco in 2001 were dual-silvered certificates with both the names of the chairman and corporate secretary (which changed on separate occasions after the certificates were produced) appearing against the background of silver rectangles.

Collecting Stock and Bond Certificates in Sets

Collectibles are often thought of in terms of sets: coins, stamps, sports memorabilia, figurines, china, toys, etc. The list seems endless. In scripophily the collectible commodity is stock certificates. Every company listed on the New York Stock Exchange from the early 1900s to the 1980s issued stock certificates in sets. Therefore, it seems only natural to assume that collecting stock certificates in sets would be among the core pursuits of collectors. But that's not the case. Although thousands of individual certificates are placed for auction each day, one seldom sees a "set of certificates" for sale.

The definition of any "set" is a collection of items designed for use together where each piece is adapted for a special use. Among the most prized possessions of collectors of any collectibles are complete sets. That makes sense. Complete sets are often scarce and more difficult to acquire. Their composite value is greater than the sum of the value of their individual parts. The most valuable piece in any set is the entire set.

I own several scripophily books and publications but none contain more than a passing reference to collecting certificates in sets. Even the most informative websites fail to provide any definitive insight into their composition. Of course, it's possible that I own the wrong books or visit the wrong websites but it does appear the merits of collecting stock certificates in sets has failed to garner the attention it deserves. That's a shame. Without a good understanding of how sets are constructed, collectors lack the proficiency to evaluate the historical authenticity of their collections. Without an appreciation for their scarcity, collectors may miss an opportunity to increase the value of their collections.

The absence of published material regarding certificate sets contrasted with the abundance of collectors suggests that the underlying cause is not a lack of interest but, rather, a lack of information and awareness. While preparing to assemble The Texaco Collection (a work in progress), I searched what I believed were the available resources for reference material relating to certificate sets. I

simply wanted some basic information: What constitutes a set? Is their an industry definition? Are there different classifications of sets? Why were certificates issued in sets, anyway? Given the plethora of information available online, I assumed the answers could be quickly located. I was wrong. What I actually found was nothing.

I was greatly disappointed. I hate to do my own research when I can use someone else's. But, to make a long story short, I bit the bullet and did my own homework. In the process, I gained a good working knowledge of certificate sets. I developed my own definitions and coined my own classifications. I know what constitutes a true set, a partial set and a mixed set. I know what characteristics distinguish one set from another. I know how to build a set.

The following is a summary of my observations and conclusions. My intent is to: (1) highlight the merits of collecting certificates in sets; (2) provide some guidelines to assist other collectors in identifying the elements needed to assemble certificate sets; and (3) provide some examples of the variety of certificates that companies issued in sets. As hobbies go, the hobby of scripophily is relatively young. Some current conventions and standards have yet to pass the test of time. Others may yet have to be established. I hope my efforts will help create a framework of standards for certificate sets.

The Texaco Collection is highly specialized. It consists solely of certificates issued by Texaco Inc., its predecessor companies and companies acquired by Texaco and their predecessor companies. In other words, all the companies that made up Texaco's extended family tree. The collection consists of stock and bond certificates, as well as the certificates of other types of securities, issued by Texaco and the many companies that came to reside its corporate umbrella. A major portion of the collection consists of certificate sets.

Although a specialized collection may appear to have limitations for purposes of extrapolating its characteristics to the general population of collections, The Texaco Collection offers a good model for corporations that were spawned

during the early 20th century and conducted business into the new millennium – the hundred-year period during which security certificates experienced their most evolutionary changes. Texaco was founded in 1902 and operated as an independent company until taken over by Chevron in 2001. It evolved from a small Texas fuel company into a corporate giant operating in more than 130 countries. During its 99-year history, the company issued a wide variety of securities to finance its capital requirements. The many forms of certificates issued by Texaco were dictated by the Exchange requirements (the company listed on the New York Stock Exchange in 1910) while their overall design (appearance and style) was influenced by the common business practices of the day and the banknote companies that printed them. The basic characteristics of the Texaco certificates are shared by (and in some cases identical to) the millions of security certificates issued by the thousands of other companies that were listed on the NYSE in the hundred years between 1900 and 2000. For consistency within in the investment community, the rules governing the printing of NYSE listed-company certificates were, for the most part, emulated by other stock exchanges (the NASDAQ Exchange being one notable exception).

Whatever its central theme, a good deal of forethought is required to organize a collection into its most logical sequence and appealing presentation. Since The Texaco Collection consists of certificates issued over a hundred-year period, I decided to arrange its contents in chronological order. I'm not going to bore you with the history of the development of the stock certificate; however, I am going to bore you with snapshots of selected Texaco security certificates because they offer a good representation of the forms and styles of certificates that evolved during the 20th century.

The Texas Company, Texaco's original predecessor company, was incorporated under the laws of the State of Texas in 1902. Upon its organization, it commenced issuing stock certificates in the single-denominational form to its stockholders. That is, whether an individual owned one share or 10,000 shares, except for the number of shares written on the certificate, all

stockholders received identical certificates. The form of certificate conformed to Texas state law. The shares were not listed on any stock exchange.

The Texas Company listed on the NYSE in 1910. Upon listing, it became subject to the Exchange rules governing the printing of stock certificates. The rules required that certificates be printed in two denominations: less than 100 shares; and 100 shares. As a consequence, Texaco began issuing its certificates in sets.

The two-denominational certificate requirement was established because, at the time, all NYSE trading was executed only in 100 share lots (amounts evenly divisible by 100) termed "round lots." The logic was that small trades would clog the system. Trades of less than 100 shares were prohibited. That prohibition gave rise to "odd-lot brokers" who specialized in handling stock transactions of less than 100 shares (and whose activities ultimately led to the formation of the American Stock Exchange).

The separate forms of certificates had to be different colors. Companies could choose whatever colors they desired but the colors had to be distinctly different, i.e., not shades of the same color. There was a very practical reason behind the requirement: different colors greatly facilitated processing by brokers and transfer agents. A company's round-lot certificates could, at a glance, be readily distinguished from their odd-lot counterparts. On the surface, this may seem insignificant but to the thousands of clerks working in the back rooms of brokers and transfer agents who had to process hundreds of transactions each day, the distinct colors certainly made their job easier.

For easy identification, "denominational corner pieces" containing the designation "100 shares" and "less than 100 shares" were required to be engraved at the upper right- and left-hand corners in the border of the certificates.

On the 100 share certificates, the share medallion was engraved with the number "100" and the words "ONE HUNDRED" were engraved on the face of the certificates by the banknote company. These printing requirements effectively precluded any undetectable alteration to the share amount.

On the less than 100 share certificates, the share amount had to be hand written in two places by the transfer agent: numerically in the share medallion and in script on the face of the certificate. (The ownership registration was also filled in by hand, often in fancy script, which was not only time consuming but also required excellent penmanship.) The certificates also contained an engraved panel punch. A panel punch is a security device used to prevent the alteration of the share value of a certificate after its issuance. The panel punch consists of two side-by-side columns headed "tens" and "units." Each column contains the numbers one through nine and zero. When a certificate was issued, the numbers corresponding to the share value of the certificate were physically punched out (using a simple hand-held hole puncher). For example, on a certificate issued for two shares, the zero in the ten's column and the number two in the unit's column would be punched out.

The color, denominated corner pieces, share medallion and panel punch were the only attributes that distinguished one denominative form of certificate from the other. Otherwise, their composition was identical. This is an important fact to bear in mind when assembling certificate sets.

The characteristics common to both forms of certificate included: company name; vignette; border; certificate-number medallion (not the certificate number); state of incorporation; par value; statement of rights; class of stock; company officers (and titles) signing the certificates; registrar; transfer agent; banknote company; form of assignment (printed on the reverse of the certificates); physical size; and paper composition. *These elements are "set delimiters" because a change to any of them marks the end of one set and the start of another.*

Collectors should be aware of the following regarding several of the set delimiters (these are comments -- not definitions):

Company name. ABC Company is different from ABC Corporation; and ABC Inc. is different from ABC Incorporated. The company name appearing on a true set of certificates must be identical in all respects. Even the placement of a period is significant.

Vignettes. The banknote company that printed a listed-company's certificates actually owned the steel-engraved plates, including the vignette, used to manufacture them. As a result, a listed-company's certificate plates were not transportable from one banknote company to another banknote company.

Borders. The NYSE required the borders of each listed-company's certificates to be unique. No two companies could use the same border on their security certificates. Some may appear to be the same but a close examination will show they are not.

Certificate Number Medallion. The certificate number medallion is printed on the upper left face of a certificate and is identical in size and design to the share medallion printed in the upper right face of a certificate. A certificate number is the unique identification assigned to each certificate (just like the serial numbers printed on paper currency). The numbers are printed on the certificates by the banknote company during the final step in their manufacture. When issuing certificates in different denominations, the serial number was preceded by one or more alphabetical prefixes assigned to a denomination so that no two certificates were issued with the same identification. For example, certificates for 100 shares could be assigned the serial number prefix "A" and certificates for less than 100 shares the serial number prefix "B." This alpha-prefix system permitted both denominational forms of certificates to use the same number sequences and still bear unique identification. Obviously, certificate numbers are not set delimiters but a change in the design of the certificate number medallion, of course, would be.

State of Incorporation. A change in a company's state of incorporation is usually accompanied by a change in the company's name.

Par Value. The par value printed on a certificate (which has no relation to the market value of shares) represented the original investment behind each share. It changed when the number of shares of a company's stock increased or decreased, usually as the result of a stock split. For example, the impact of a 2:1 stock split on a company's stock with a par value of $100 would be to double the number of shares outstanding and to reduce the par value to $50. A change in a company's par value is always a set delimiter.

Class of Stock. Capital stock is different from common stock and common stock is different from preferred stock. The class of stock is always printed on the face of a certificate. Different classes of stock should not be confused or mixed.

Titles and company officers whose facsimile signatures are printed on the certificates. A change in the titles or the names of the company officers whose *facsimile signatures* appear on the certificates is a set delimiter. I am not aware of any rule that specifically dictated which two company officer's signatures were required on the certificates. In the early 1900s, the titles of the officers printed on certificates varied from company to company. However, sometime around the 1930s it appears to have become almost a standard convention for the president and corporate secretary to sign the certificates. In the 1970s and beyond, many companies replaced the president's signature with that of the chairman and chief executive officer. I assume corporate egos and prestige were the drivers.

Registrar. The registrar is always a company and should not be confused with the individuals appointed by the registrar to sign certificates on its behalf. As long as the name of the registrar company printed on the certificates remains the same a set change has not occurred.

Transfer Agent. Like the registrar, the transfer agent is always a company and never an individual. Many transfer agents assigned the title "transfer agent" to employees authorized to sign certificates on their behalf. But again, a company should not be confused with its employees. The jobs of the registrar and the transfer agent were very different and were required to be performed by separate companies. However, sometime around 1986 or 1987, the Exchange amended its rules to permit both functions to be performed by a single company. As a result, certificates issued after that time may be countersigned by a single entity acting as both the transfer agent and registrar.

Transferable Locations. Until mid-2005, NYSE Rule 496 required the transfer agents of listed companies to maintain a drop south of Chambers Street in the Borough of Manhattan. Therefore, for NYSE-listed companies, the transferable location shown on a certificate is always New York City and any other city (or cities) where the company's transfer agent (and co-agents, if any) was located.

Paper. The medium on which certificates were printed was usually a durable, heavy-duty, premium bond stock strong enough to withstand frequent handling. Advances in paper technology would later permit banknote companies to introduce almost indestructible woven blends that incorporated anti-counterfeit devices, such as planchettes (small paper discs randomly embedded in the surface of the paper). Identical certificates printed on pre-planchette paper and post-planchette paper would be separate sets.

Size. Sometime around 1944-45 the NYSE standardized the size of stock certificates to 8 inches by 12 inches. The purpose of the standardization was to facilitate the back-room processing by brokers and transfer agents. Prior to that time the dimensions of certificates varied from company to company which made handling cumbersome. (Prior to the change, Texaco's certificates were 7-1/2 inches by 11-5/8 inches.) A change in the size of certificates is a set delimiter.

As the securities industry evolved during the 20th century, so, too, did the forms of security certificates and the information required to be printed on them, such as the transferable legend and CUSIP numbers (a unique identification number assigned to each corporate security). The point to keep in mind is that, except for the denominational characteristics and color, the information printed on a true certificate set is always identical.

The NYSE round-lot requirement may have facilitated trading but the upper limit of 100 shares placed on the issuance of stock certificates deposited a heavy burden of labor on the backs of transfer agents. If an individual purchased 10,000 shares of a company's stock, the transfer agent was required to issue a hundred "100 share" stock certificates. Think about that for a minute. One hundred certificates. By hand. If it took three minutes to issue a single certificate (which would have been very fast because, keep in mind, corresponding entries had to be simultaneously made in the company's transfer journal and stockholder ledger) then it would have taken five man-hours to issue a hundred 100-share certificates – and that's with the share amounts already preprinted on the certificates (and which could have represented only one transaction among the hundred or so that transfer agents processed daily). It took even more time to issue certificates in share amounts less than 100 shares. Besides the stockholder registration, the share amounts had to be written in the share medallion and then scripted on the face of the certificate and then the panel punch had to be perforated. Until the process was substantially automated in the late 1980s and 1990s, issuing stock certificates remained a very labor-intensive activity.

I can't state with certainty when the NYSE began permitting companies to also use a third form of certificate -- an "undenominated" certificate -- for issuing certificates in amounts greater than 100 shares, but Texaco began issuing the certificates in 1920. As a result, a set of Texaco certificates consisted of three certificates instead of two: less than 100 shares; 100 shares; and undenominated (for share amounts greater than 100 shares).

I assume the NYSE permitted use of undenominated certificates on an exceptional basis because thirty-three years later, the 1953 NYSE Listed Company Manual (its first publication) still defined the conventional form of certificates as only "less than 100 shares" and "100 shares." No mention is made of an undenominated certificate for issuing certificates in amounts greater than 100 shares. Furthermore, I don't know what restrictions, if any, the Exchange may have placed on their use. I assume the certificates were required to be issued in round lots only -- but, again, that's an assumption. The undenominated certificates did not contain a panel punch as was required on the less than 100 share denominated certificates. That's interesting because there was obviously more liability attached to the larger share amounts and panel punches were a safeguard device to prevent alteration. So one would naturally assume that a panel punch would have been required -- but it wasn't. Neither were engraved denominated corner pieces. Curious. But the undenominated certificates were a different, third color.

Texaco was not the only listed company to issue undenominated certificates, many companies did. I assume the NYSE began permitting their use sometime around 1920 because that's when Texaco started using them. I'm fairly confident in making this assumption because pinching pennies was an ingrained doctrine at Texaco. Employees were trained to squeeze a buffalo nickel until it defecated. (In the 1970s, Texaco's chairman actually distributed a memorandum to all employees asking them to be mindful of wasting paperclips.) That's why I'm confident the company started using undenominated certificates as soon as the NYSE permitted their use. It was literally a hundred times cheaper to issue a single certificate for 10,000 shares than it was to issue one hundred 100-share certificates – and Texaco liked cheap.

It wasn't until 1961 (forty-one years later) that Texaco began issuing certificates that contained engraved denominated corner pieces and a share medallion with the legend "for more than 100 shares." The certificates also contained a panel punch which limited their issuance to 99,999 shares. I don't have a copy of the

1961 NYSE Listed Company Manual; nevertheless, I assume the Exchange officially incorporated the "for more than 100 shares" certificate into their conventional form (to replace the undenominated certificate) sometime around 1961, give or take several months, because that's when Texaco started using them.

During 1931, The Texas Corporation changed banknote companies for the printing of its stock certificates. Quayle & Son replaced the American Bank Note Company. With the change, the company ceased the practice of issuing stock certificates in amounts greater than 100 shares and discontinued use of the undenominated certificate. (This occurred 17 years before I was born, so I'm at a loss to provide a rational explanation.) As a result, from 1931-35, a NYSE conformed set consisted of two, rather than three, certificates. The certificates showcased an updated vignette (vignettes are not portable) and the colors of the certificates changed.

After four years, in 1935, The Texas Corporation stopped using Quayle & Son to print their certificates and switched back to using American Banknote Company. Without skipping a beat, they reverted to using the original ABN-designed certificates issued from 1926-31 including the same older-style ABN-engraved vignette and in the same colors and denominations – which included the undenominated certificate for the issuance of more than 100 shares. As a result, an NYSE-conformed set once again consisted of three certificates instead of two.

I mention those events to illustrate a point: the composition of a company's certificate set was not necessarily constant. At Texaco, between 1910 and 1920 a certificate set consisted of two certificates; from 1920-31 a certificate set consisted of three certificates; from 1931-35 a certificate set consisted of two certificates; and from 1935-74 a certificate set consisted of three certificates. Simply because a company's certificate set at one time consisted of two certificates, don't assume that it always consisted of two. Ditto for a three certificate set.

In April, 1973 the NYSE amended its rules to include use of a single-denominated form of stock certificate for the issuance of not more than 10,000 shares. Texaco adopted its use in 1974. Use of the certificate negated the need to issue certificates in the three separate denominational forms. The new, single-denominated form of certificate replaced them all. The banknote company manufactured the certificates uncut, in continuous form, with pin-feed strips which, for the first time, permitted the use of high-speed computer printers in preparing the certificates (but they still contained a panel punch which had to be manually perforated).

R.I.P. The Texaco stock certificate set died in 1974 -- killed by automation. But, while the sets lasted, they had a good run. During the 64-year period from 1910-74, Texaco issued a series of 24 distinct sets of equity certificates to its stockholders including five sets of warrant certificates. Each set is a unique time capsule.

Texaco was not the first company to incorporate the use of the single-denominational form of certificate which permitted semi-automated processing. Many companies did. Its benefits were simply too good to ignore. Commercial agents pressed their clients to adopt the new form of certificate. It significantly reduced the processing time and costs associated with issuing multiple forms of certificates for the same company. As a result, many companies ceased issuing certificates in sets around the same time as Texaco. By 1980 most major companies had discontinued their use. So, I guess it should really come as no surprise that so few certificate sets seem to be available to collectors because, for the most part, they haven't been used for almost 30 years.

Today, I'm not aware of a single company that issues stock certificates in sets. As was the case at Texaco, issuing certificates in sets became obsolete long before stock certificates, themselves, became outdated. The NYSE Listed Company Manual still permits their use, but no company does. It's simply too impractical and cost prohibitive. Today, technological efficiency is the name of the game. It takes maybe three seconds to execute a trade with book-entry

shares as opposed to three days with a physical stock certificate. (Google™ "T+3" for more information.) It has taken forty years but there are no longer any regulatory or technological impediments to a total book-entry trading environment. The securities industry continues to press very hard for book-entry only stock transactions. Very soon it will be a reality. As a result, stock certificates will, except for those in the binders of collectors, pass into memory.

Bond Sets

The NYSE rules governing the preparation of stock certificates also applied to the preparation of bond certificates. They had to be steel engraved, contain a vignette, border, denominational counters (the equivalent of engraved share medallions on stock certificates), a description of the provisions of the security and the signatures of two company officers. The NYSE recommended that bonds be prepared in denominations of $1,000, $5,000 and $10,000. But that was a recommendation not a rule. Denominations did, however, have to be in multiples of $1,000. I applied the same criteria that I established for assembling sets of stock certificates to assembling sets of bond certificates. Except for the denominational counters and colors, the bonds had to be otherwise identical to form a set.

Besides their obvious financial distinctions, a major difference between stocks and bonds is their frequency of trading. In their glory days, tens of thousands of stock certificates were issued every day, whereas corporate bond certificates were issued much less frequently. Once a debt issue was sold and the certificates issued, corporate bond certificates seldom exchanged hands. So, unlike stock certificates, the form of certificates printed for a particular debt issue rarely, if ever, changed after their original production. I cannot recall a single instance at Texaco where a bond certificate was changed after its issuance.

Bonds were issued in two forms: registered form and bearer form. Like registered stockholders, the names of the owners of the registered bonds were maintained in the ledgers of the corporation. Bearer bonds were owned by (and

payable to) whoever had possession of them. Bearer bonds were notorious mechanisms for hiding money and evading tax. *The Tax Equity and Fiscal Responsibility Act of 1982* outlawed the issuance of bearer bonds in the United States. However, until that time, corporations were free to issue bonds in either registered form or bearer form or a combination of both.

The first set of bond certificates in The Texaco Collection is a set of convertible sinking fund 5% gold debentures issued by The Texas Corporation on October 1, 1929. The set consists of five pieces: (1) a temporary certificate exchangeable for a definitive bond certificate when they were ready for delivery; (2) a $5,000 bond in the registered-owner format; (3) a $10,000 bond in the registered-owner format; (4) a $50,000 bond in the registered-owner format; and (5) a $1,000 bond in the bearer format with 30 semi-annual interest coupons attached. Like their equity-certificate set counterparts, the $5,000, $10,000 and $50,000 bonds are identical except for their denominational counters and colors. Like stock certificates, to facilitate backroom processing, each denomination of bond certificate was a separate color. The set is typical of the forms of bond certificates issued in temporary, registered and bearer formats.

Other Security Certificate Sets

Stock and bonds were the most common forms of securities issued by companies but they issued other types of securities as well. Often companies wanted to increase the return to its investors but were strapped for cash so, instead, they gave them more stock. For example, in 1910 The Texas Company declared a 50% stock dividend which increased the shares outstanding to 270,000 (there were only 1,037 shareholders at the time). It paid the dividend in script which could be aggregated and redeemed for full shares of stock.

Another popular method was to issue stock warrants. Warrants provided stockholders with the right to buy additional shares based on the number of shares they currently owned at a specified price. For example, Texaco issued capital stock warrants on November 23, 1928. For each share of stock owned, stockholders received the right to purchase an additional 1/6 share of capital

stock. Seven distinct certificates were used to complete the distribution: (1-5) fractional-share certificates denominated 1/6, 2/6, 3/6, 4/6 and 5/6 of a share; (6) a full-share denominated certificate; and (7) a stock subscription certificate issued on the warrant expiration date (January 15, 1929) acknowledging receipt of the stockholders' subscriptions. This multi-certificated distribution took place 80 years ago. Every certificate issued and every ledger entry was done by hand.

Even though securities like script and warrants were temporary issues, the certificates were, nevertheless, subject to the same NYSE printing requirements as stock certificates with the exceptions that no vignette was required and the denominations could be surface printed (rather than engraved) on the certificates by the banknote company.

Categories of Certificate Sets

While assembling The Texaco Collection and sorting out what was what, after much deliberation, I finally settled on classifying its sets into three categories: *true sets*; *partial sets*; and *mixed sets*. Regardless of the type of security I was dealing with (stock, bond, or other) the same rules would apply. In terms of definitions, I developed the following:

True Set. A true set of certificates consists of all the forms of certificates (at least two) that were issued concurrently for a specific security that contain characteristics that make the set unique. (Simple definition: Complete set of identical certificates except for the share denominations and colors.)

Partial Set. A partial set of certificates consists of two or more of the forms of certificates that were issued concurrently for a specific security that contain characteristics that make the set unique but that is missing one or more of the forms of certificate required to complete the set. (Simple definition: a set that lacks one or more of the pieces required to make it complete.)

Mixed Set. A mixed set of certificates consists of all the denominational forms of certificates issued by a company for a specific security which are generally representative of the forms of certificates issued for the security but were issued non-concurrently and lack the common characteristics required to constitute a true set. (Simple definition: a set made up of non-identical pieces.)

Set Delimiters. As far as the NYSE was concerned, the information printed on security certificates was sacrosanct. No one -- except the banknote company that printed them – could change or alter the information shown on the certificates in any way. (No rubber stamps allowed!) Anytime a company needed to change the information printed on a certificate (even a seemingly insignificant one), it had to order new certificates from the banknote company. Each time a company ordered new certificates, a new set was created. *The information that was changed (or added) was the set delimiter, i.e., the particular item (or items -- see above list) that changed which differentiates the new set from its predecessor set.*

Rating the Value of Certificate Sets

When it comes to rating the value of certificate sets, true sets are the kings of sets. No other composition of certificates trumps a true set. They are rare, they are unique, they are powerful, and they are valuable.

I recently came across a $50,000-denominated bond issued by The Texas Corporation in 1940 for sale on a scripophily website. The certificate was selling for $295. That particular issue of bonds was sold in denominations of $5,000; $10,000; and $50,000. If that single certificate is worth $295, what is the value of a true set of all three certificates? Simply three times as much? Probably not. My guess would be somewhere around at least four times or more of the value of the single piece. Knowledgeable collectors understand that complete sets of any collectable will always command a premium. A true set of highly-sought-after certificates would be an extraordinary item indeed.

Which is more valuable: a partial set of certificates or a mixed set of certificates? There is no definitive answer. But there are two primary factors that should be considered: (1) how many pieces constitute a true set; and (2) how scarce are the pieces required to make up a set. For example, say a true set of ABC Company common stock warrant certificates issued in 1937 consists of seven pieces, and you have five of the seven pieces. That's a partial set. Also, say, you own a set of XYZ Company common stock certificates (less than 100 shares; 100 shares; and, for more than 100 shares) but that the certificates were issued at different times between 1930 and 1950 (the set delimiters of each certificate are different). That's a mixed set. Which is more valuable? Hard to say. The ABC Company warrant certificates are probably more scarce (making the missing pieces harder to find) but contain no vignette (the NYSE did not require them on temporary securities) rendering them less visually appealing. On the other hand, while the XYZ Company mixed set of certificates are generally representative of the denominational forms of certificates the company issued over a period of twenty years, the set lacks the focal authenticity of the partial warrant set. Collectors could debate the merits of each case endlessly. *However, the point to keep in mind is that any set – whatever it's composition -- has more value than a single certificate that was issued as a part of a set.*

How to Determine if a Company Issued Certificates in Sets

The first step in assembling a certificate set is to confirm that the certificates were, in fact, issued in a set. Frankly, I don't know when the NYSE first directed that listed companies issue certificates in sets. I know it was sometime prior to 1910 because that's when Texaco listed on the Exchange and had to begin issuing certificates in sets to comply with the NYSE requirement. I also know that Texaco stopped issuing certificates in sets in 1974 when the NYSE began permitting the use of the single-denomination form of certificate. By 1980 the use of sets by companies had virtually ceased. That's a 70-year bracket, but it's a start. If a company operated during that timeframe and was listed on the NYSE then it issued stock certificates in sets (start-up companies in the mid-to-late 1970s could be an exception). I confess ignorance when it

comes to non-NYSE listed companies. I do know that the NASDAQ Exchange was founded in 1971 and had no requirements for the printing of stock certificates (as opposed to the stringent NYSE rules) because it promoted electronic trading. That's the primary reason that, until the NYSE began relaxing its rules in the late 1990s, the stock certificates of NYSE-listed companies differed so greatly in appearance from the certificates of NASDAQ-listed companies.

Here are four basic pointers: (1) if a certificate contains a "100 share" denominated corner piece then it has a "less than 100 shares" counterpart; (2) if a certificate contains a "less than 100 shares" denominated corner piece then it has a "100 shares" counterpart; (3) if a certificate contains a "more than 100 shares" denominated corner piece then it has both "100 share" and "less than 100 share" counterparts; and (4) if a certificate has an undenominated corner piece (and you know it was an NYSE-listed company) then it also has both "100 share" and "less than 100 share" counterparts.

If a company issued certificates in both 100 share and less than 100 share denominations, it is somewhat more problematic to determine whether the company also used an undenominated certificate (for more than 100 shares). Remember, the NYSE permitted use of an undenominated certificate in 1920 – but its use was optional. Certificates denominated "for more than 100 shares" did not make their official appearance until 1961, but I don't know when its use actually became mandatory rather than optional (but it did). Until that time there was no set rule. Keep in mind Texaco's experience: from 1910-20 a certificate set consisted of two certificates; from 1920-31 a set was three; from 1931-35 a set was two; and, from 1935-74 a set was three. The only way to ascertain the existence of a third, for more than 100 shares, piece is diligent research. Diligent research translates into lots of time in front of a computer screen, scanning on-line catalogs, auctions, and websites. The more time a NYSE-listed company has been (or was) in operation the greater the likelihood that it issued securities in multiple sets.

There are so many certificates for sale that sometimes it's hard to believe that, for all practical purposes, the stock certificate is dead. Numerous vendors (who should not be confused with collectors and professional dealers) have emerged with large inventories of cancelled securities that they are literally dumping on the market at ridiculously low prices. For collectors, this is a good thing. Buried among all of those pieces there are probably thousands of certificate sets waiting to be mined. A window of opportunity exists today that will slowly, but inexorably, close over the next few decades. We have probably entered the apex of certificate availability and savvy collectors will take advantage of it. It's a great time to amass a collection. With each passing year, the universe of sought-after pieces will contract.

Serious collectors will always view partial and mixed sets as works in progress. Finding the missing piece required to complete a true set may require diligence and patience, but one of the exciting aspects of the hobby is that collectors never know when or where the certificates on their *must-have list* will appear.

One night, simply out of boredom, I logged onto eBay® and searched on "stock certificate." I got 1,283 matches. Then I searched on "stock certificate sets." I got twelve matches. Of those, five were lots of twenty or fifty certificates for auction that had been loosely described as sets. Another five appeared to be partial or mixed sets. Two had possibilities, but the screen resolution was too poor to determine if they were true sets. A single, superficial analysis is statistically meaningless but it does demonstrate the propensity of the marketplace to generally overlook the merits of collecting certificates in sets and how the term "set" is often misused to vaguely describe a group of unrelated certificates.

There are practical reasons to collect certificates in sets. Assembling sets can provide a collector with clarity of purpose. They add substance to a collection. True certificate sets are scarce which make them more valuable than their single-piece counterparts. Partial sets and mixed sets are gems, but true certificate sets are the diamonds of scripophily.

THE TEXAS COMPANY.

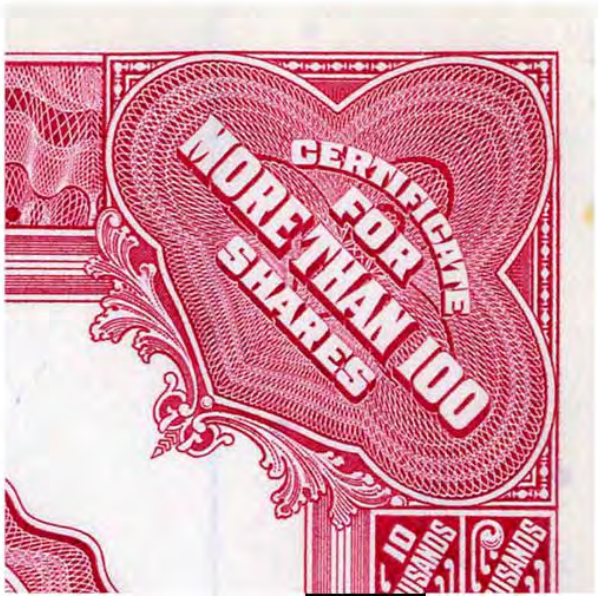
INCORPORATED UNDER THE LAWS OF THE STATE OF TEXAS

Original certificate of The Texas Company (Texas) issued in **1902.** Authorized capital $3,000,000. 108 stockholders participated in the first dividend paid by Texaco on May 15, 1903.

Stock Certificate Issued 1902 - 1905

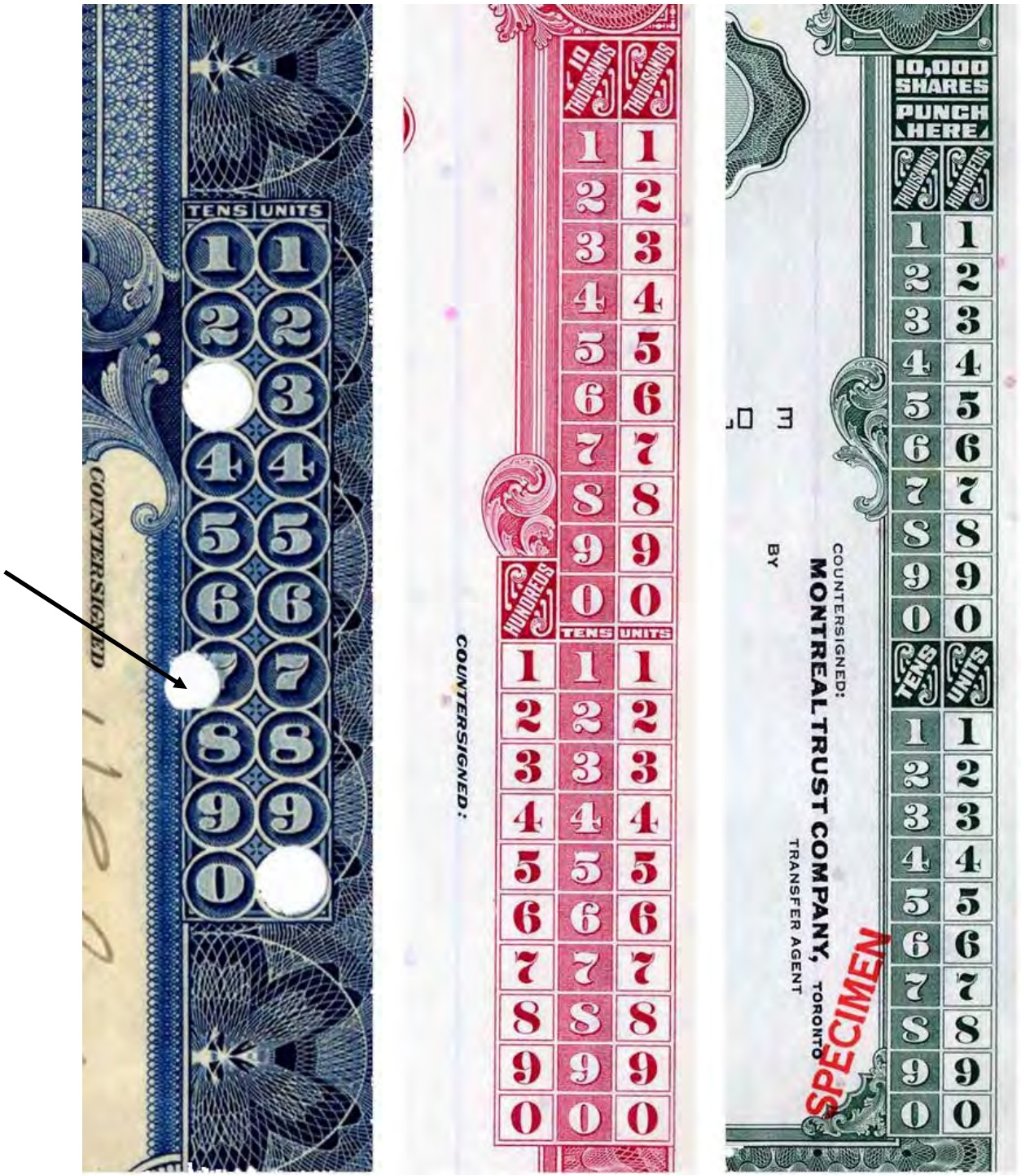
Certificate Type:	Company Specimen
Security Type:	Capital Stock Par Value $100
Denomination:	Undenominated
Registrar:	Continental Trust Co. of the City of New York
Color:	Green
Printer:	Corlies, Macy & Co., Inc.
Grade:	Excellent

This is a company specimen of the first series of stock certificates issued by The Texas Company (Texas). The single-denominated certificate is typical of the certificates issued in the early 1900s by companies not listed on a stock exchange.



Denominative Corner Pieces. The NYSE Listed Company Manual stated "*Denominative corner pieces containing the designation "100 Shares" or "Less than 100 Shares" shall be engraved at the upper right and left-hand corners in the border as part of the border plate engraving.*" The undenominated certificate used to issue shares in amounts for more than 100 shares made its appearance in 1920. It is assumed the NYSE permitted its use on an exceptional basis. The border of the certificate did not contain a denominative corner piece (bottom left). The Exchange officially incorporated the certificate denominated "For More Than 100 Shares" in 1961.

Certificate Share Medallions. Until the 1930s, the share value of certificates was usually hand-written in large, bold numbers in the share medallions although the stockholder registration was often typewritten on the certificates. I assume the reason was that typewritten imprints were too small. The exception was the 100 share certificates where the amount was engraved within the medallion by the banknote company. At that time, the NYSE permitted trading in only 100-share lots. Bottom right: The share medallion of the "For More Than 100 Shares" certificate that appeared in 1961. By then, specialized typewriters with large typefaces were available (but I don't have a printed example to illustrate).



Panel Punches. The panel punch was a security device used to prevent alteration of the share amount after a certificate was issued. The share value of the certificate was punched into the panel. The less than 100 share panel punch (left) limited certificate issuance to 99 shares (the hole with the arrow is a cancellation punch). The more than 100 shares panel punch (center) which made its debut on Texaco certificates in 1961 limited issuance to 99,999 shares. The for not more than 10,000 shares panel punch (right) made its appearance in 1974 and but its use was discontinued by Texaco in 1976. After the introduction of computers, panel punches were viewed as an encumbrance to automating the certificate issuance process.

Set Delimiters. The elements that must be common to all denominational forms of certificates to make up a true set include: company name; vignette; border; certificate-number medallion (not the certificate number); state of incorporation; par value; statement of rights; class of stock; company officers (and titles) signing the certificates; registrar; transfer agent; banknote company; CUSIP number, transferable location; form of assignment (printed on the reverse of the certificates); physical size; and paper composition. *These elements are "set delimiters" because a change to any of them marks the end of one set and the start of another.*

THE TEXAS COMPANY.

INCORPORATED UNDER THE LAWS OF THE STATE OF TEXAS

True Set of Stock Certificates Issued 1910-20

Certificate Type:	Cancelled
Security Type:	Capital Stock Par Value $100
Denomination:	NYSE Conformed Set: Less Than 100 Shares and 100 Shares
Transfer Agent:	The Texas Company
Registrar:	The New York Trust Company
Color:	Orange and Green
Printer:	American Banknote Company
Grade:	Good

The Texas Company (Texas) listed on the New York Stock Exchange on September 30, 1910. These are certificates from the first NYSE-conformed set issued after the company listed on the Exchange.

THE TEXAS COMPANY.

INCORPORATED UNDER THE LAWS OF THE STATE OF TEXAS

True Set of Stock Certificates Issued 1920-26

Certificate Type:	Company Specimen and Cancelled
Security Type:	Capital Stock Par Value $25
Denomination:	NYSE Conformed Set: Less Than 100 Shares; 100 Shares; and undenominated
Transfer Agent:	The Texas Company
Registrar:	The New York Trust Company
Color:	Blue, Olive-Gold, and Purple
Printer:	American Bank Note Company
Grade:	Good

The "undenominated" certificate for issuing certificates in share amounts greater than 100 shares made its first appearance in a Texaco set in 1920. Note the undenominated corner piece of top certificate. It is assumed the NYSE permitted their use on an exceptional basis because the 1953 Listed Company manual still defined the conventional form of certificates as "less than 100 shares" and "100 shares."

THE TEXAS CORPORATION

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

True Set of Stock Certificates Issued 1926-31

Certificate Type: Cancelled
Security Type: Capital Stock Par Value $25
Denomination: NYSE Conformed Set: Less Than 100 Shares; 100 Shares; and undenominated
Transfer Agent: The Texas Corporation
Registrar: The Chase National Bank of the City of New York
Color: Green, Orange and Brown
Printer: American Bank Note Company
Grade: Good

In 1926 The Texas Company changed its state of incorporation to Delaware from Texas and changed its name to The Texas Corporation. This set is from the first series of stock certificates issued by The Texas Corporation. Along with the name change, the color of each denomination was changed to facilitate processing of the new certificates by brokers and the transfer agent.

THE TEXAS CORPORATION

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

True Set of Stock Certificates Issued 1931-35

Certificate Type:	Bank Note Specimen and Cancelled
Security Type:	Capital Stock Par Value $25
Denomination:	Less Than 100 Shares and 100 Shares
Transfer Agent:	The Texas Corporation
Registrar:	The Chase National Bank of the City of New York
Color:	Blue and Olive
Printer:	Quayle & Son, New York
Grade:	Excellent

During 1931, The Texas Corporation changed bank note companies for the printing of their stock certificates. Quayle & Son, New York, replaced the American Bank Note Company. With the change, the company ceased its practice of issuing stock certificates in amounts greater than 100 shares and discontinued use of the "undenominated" certificates. So, once again, an NYSE-conformed set consisted of two rather than three certificates. The certificates also showcased a new vignette. Vignettes are not transportable between banknote companies.

THE TEXAS CORPORATION

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

True Set of Stock Certificates Issued 1935-41

Certificate Type: Bank Note and Company Specimens
Security Type: Capital Stock Par Value $25
Denomination: NYSE Conformed Set: Less Than 100 Shares; 100 Shares; and Undenominated
Transfer Agent: The Texas Corporation
Registrar: The Chase National Bank of the City of New York
Color: Green, Orange and Brown
Printer: American Bank Note Company
Grade: Very Good

During 1935, The Texas Corporation switched bank note companies – they stopped using Quayle & Son (who had manufactured the company's certificates for almost four years) and returned to using American Bank Note Company (who had printed the company's certificates prior to the switch to Quayle). With the change, the company reverted to using the original ABN-designed certificates issued between 1926 and 1931 including the older-style ABN vignette and the same certificate colors in the same denominations – which included an undenominated certificate for the issuance of more than 100 shares. As a result, an NYSE-conformed set again consisted of three certificates instead of two certificates.

TEXACO INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

True Set of Stock Certificates Issued 1961-63

Certificate Type: Bank Note Company Specimens
Security Type: Capital Stock
Denomination: NYSE Conformed Set: Less Than 100 Shares; 100 Shares; and More Than 100 Shares
Transfer Agent: Texaco Inc.
Registrar: The Chase Manhattan Bank
Color: Blue, Purple and Red
Printer: American Bank Note Company
Grade: Excellent

The denominated "For More Than 100 Shares" certificate made its first appearance in Texaco certificate sets in 1961. Note the stacked, five-column panel punch. The panel punch permitted certificates to be issued to a maximum of 99,999 shares. Prior to this series, certificates used to issue more than 100 shares were "undenominated" and contained no panel punch.

TEXACO INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

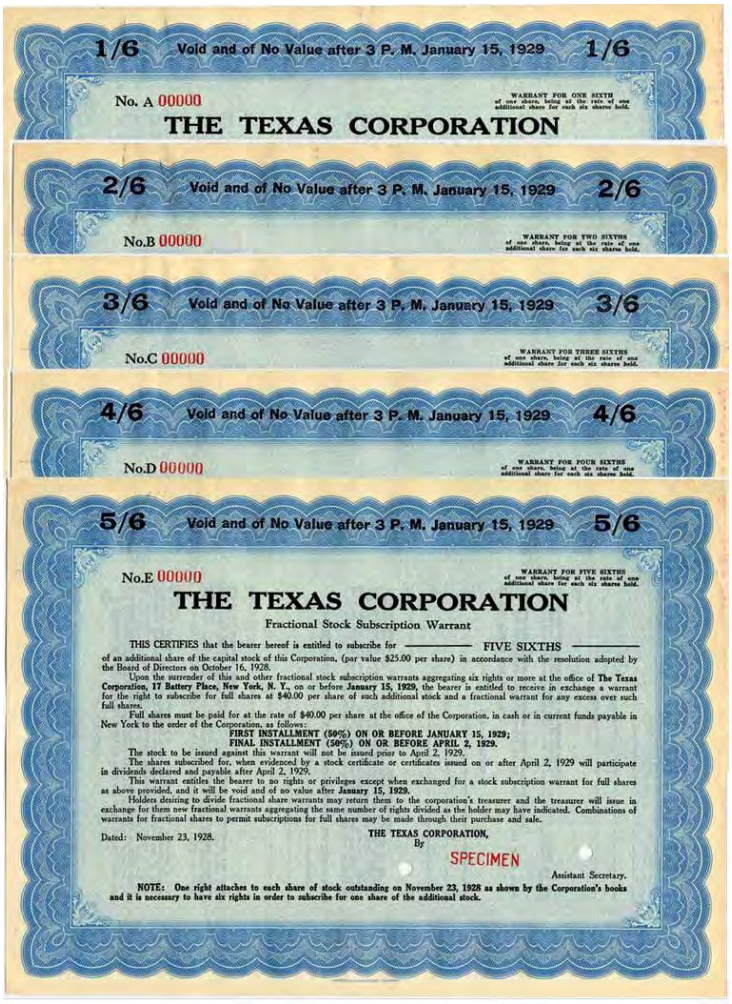
Stock Certificate Issued May 1974-76

Certificate Type:	Bank Note Company Specimen
Security Type:	Capital Stock
Denomination:	For Not More Than 10,000 Shares
Transfer Agent:	Montreal Trust Company
Registrar:	The Royal Trust Company
Color:	ABN No. 1 Green
Printer:	American Bank Note Company
Grade:	Excellent (but highly visible red cancellation stamps)

The single-denominational form of certificate that replaced Texaco certificate sets. In 1974, Texaco began use of a single-denominational form of stock certificate for the issuance of "***Not More Than 10,000 Shares***." The certificates were manufactured in continuous form with pin-feed strips which, for the first time, permitted the use of high-speed computer printers in issuing the certificates. Note, however, the certificates still contained a panel punch which required manual intervention in the process. Use of the certificate negated the need to issue certificates in the three NYSE denominational forms. Texaco purposely selected the color *American Bank Note Company No. 1 Green* because it closely matched the color of U.S. currency. A subliminal message.

THE TEXAS CORPORATION

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE



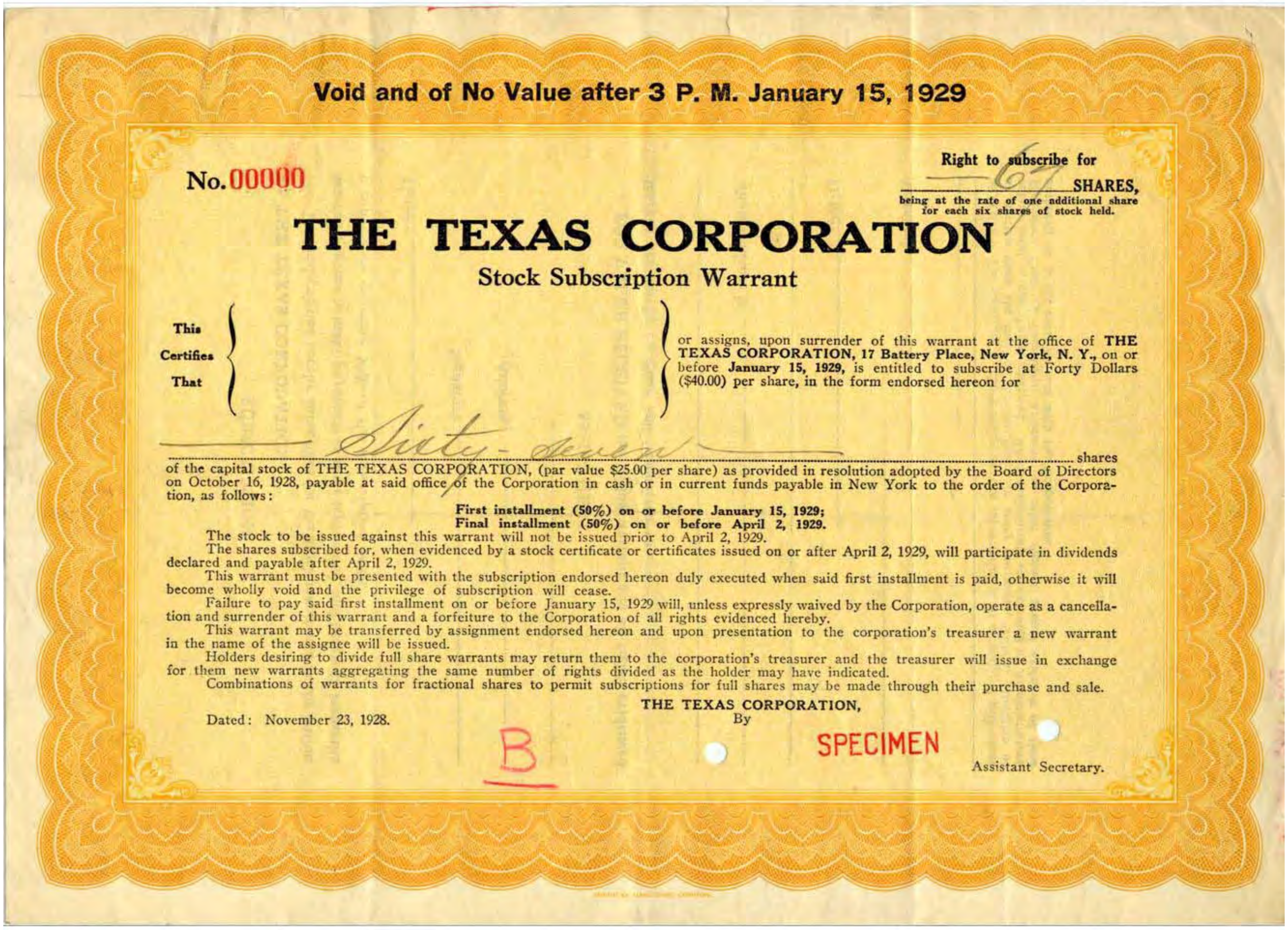
True Set of Fractional Stock Subscription Warrant Certificates
Issued November 23, 1928

Certificate Type:	Bank Note Company Specimens
Security Type:	Fractional Stock Subscription Warrant
Denomination:	1/6; 2/6; 3/6; 4/6 and 5/6 of a share
Transfer Agent:	The Texas Corporation
Color:	Blue
Printer:	American Bank Note Company
Grade:	Excellent

This is a true set of five Fractional Stock Subscription Warrant certificates issued by The Texas Corporation on November 23, 1928. The certificates are denominated in 1/6, 2/6, 3/6, 4/6 and 5/6 of a share increments. Combined with the Full Shares Certificate and the Stock Subscription Certificate (see pages 113 & 114), the seven pieces make up a complete set of certificates issued for the distribution.

THE TEXAS CORPORATION

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE



Void and of No Value after 3 P. M. January 15, 1929

No. 00000

Right to subscribe for 67 SHARES, being at the rate of one additional share for each six shares of stock held.

THE TEXAS CORPORATION

Stock Subscription Warrant

This Certifies That or assigns, upon surrender of this warrant at the office of THE TEXAS CORPORATION, 17 Battery Place, New York, N. Y., on or before January 15, 1929, is entitled to subscribe at Forty Dollars ($40.00) per share, in the form endorsed hereon for

Sixty-seven shares of the capital stock of THE TEXAS CORPORATION, (par value $25.00 per share) as provided in resolution adopted by the Board of Directors on October 16, 1928, payable at said office of the Corporation in cash or in current funds payable in New York to the order of the Corporation, as follows:

First installment (50%) on or before January 15, 1929;
Final installment (50%) on or before April 2, 1929.

The stock to be issued against this warrant will not be issued prior to April 2, 1929.

The shares subscribed for, when evidenced by a stock certificate or certificates issued on or after April 2, 1929, will participate in dividends declared and payable after April 2, 1929.

This warrant must be presented with the subscription endorsed hereon duly executed when said first installment is paid, otherwise it will become wholly void and the privilege of subscription will cease.

Failure to pay said first installment on or before January 15, 1929 will, unless expressly waived by the Corporation, operate as a cancellation and surrender of this warrant and a forfeiture to the Corporation of all rights evidenced hereby.

This warrant may be transferred by assignment endorsed hereon and upon presentation to the corporation's treasurer a new warrant in the name of the assignee will be issued.

Holders desiring to divide full share warrants may return them to the corporation's treasurer and the treasurer will issue in exchange for them new warrants aggregating the same number of rights divided as the holder may have indicated.

Combinations of warrants for fractional shares to permit subscriptions for full shares may be made through their purchase and sale.

THE TEXAS CORPORATION,
By

Dated: November 23, 1928.

B

SPECIMEN

Assistant Secretary.

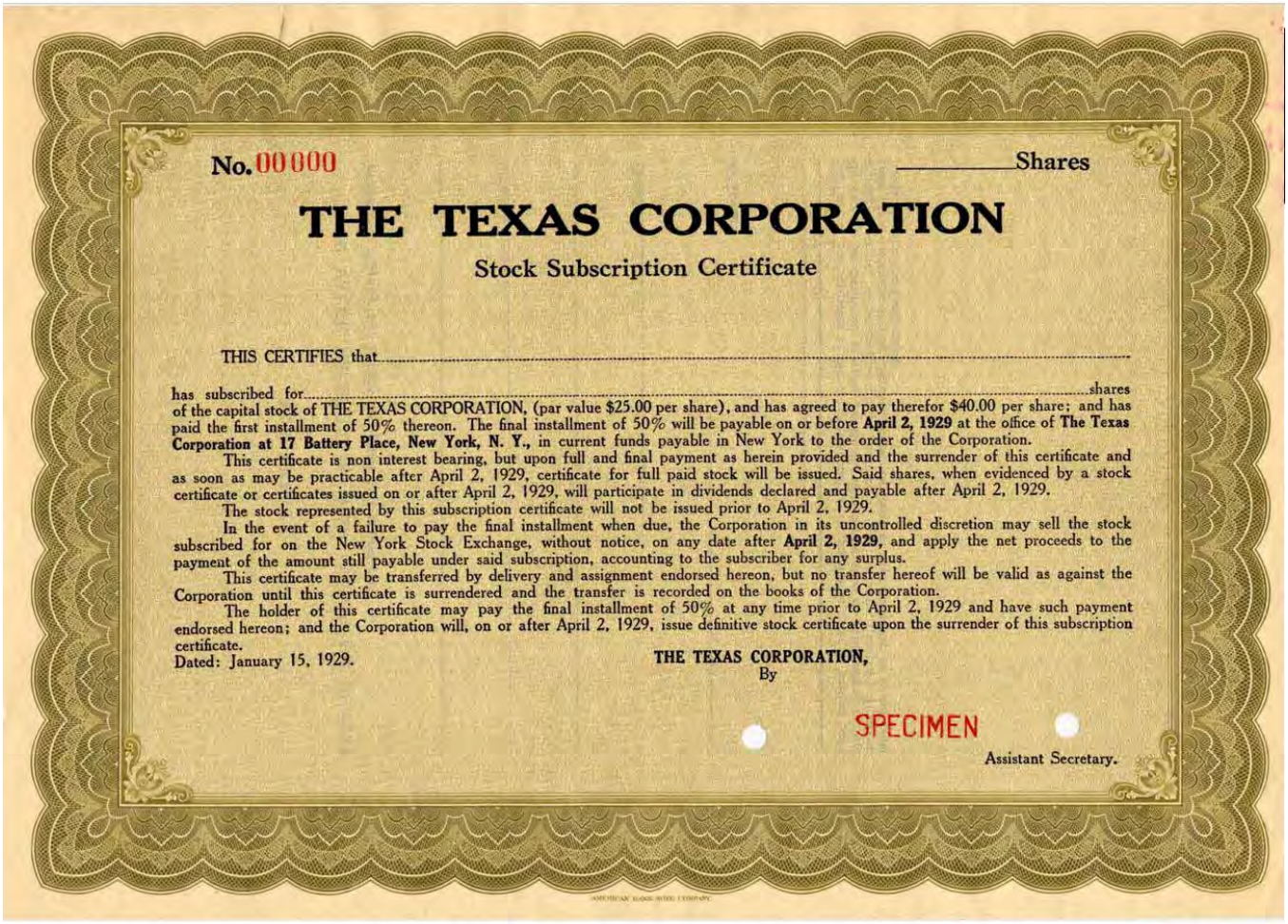
Full Shares Stock Subscription Warrant Certificate
Issued November 23, 1928

Certificate Type:	Bank Note Company Specimen
Security Type:	Full Shares Stock Subscription Warrant
Denomination:	Undenominated (for whole shares only, i.e., no fractions)
Transfer Agent:	The Texas Corporation
Color:	Orange
Printer:	American Bank Note Company
Grade:	Very Good

This is a Stock Subscription Warrant certificate for the issuance of full share rights issued by The Texas Corporation on November 23, 1928. Combined with the five Fractional Stock Subscription Warrant certificates and the Stock Subscription Certificate (see pages 112 & 114), the seven pieces make up a complete set of certificates issued for the distribution.

THE TEXAS CORPORATION

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE



No. 00000 _____ Shares

THE TEXAS CORPORATION

Stock Subscription Certificate

THIS CERTIFIES that.....

has subscribed for.....shares of the capital stock of THE TEXAS CORPORATION, (par value $25.00 per share), and has agreed to pay therefor $40.00 per share; and has paid the first installment of 50% thereon. The final installment of 50% will be payable on or before **April 2, 1929** at the office of **The Texas Corporation at 17 Battery Place, New York, N. Y.,** in current funds payable in New York to the order of the Corporation.

This certificate is non interest bearing, but upon full and final payment as herein provided and the surrender of this certificate and as soon as may be practicable after April 2, 1929, certificate for full paid stock will be issued. Said shares, when evidenced by a stock certificate or certificates issued on or after April 2, 1929, will participate in dividends declared and payable after April 2, 1929.

The stock represented by this subscription certificate will not be issued prior to April 2, 1929.

In the event of a failure to pay the final installment when due, the Corporation in its uncontrolled discretion may sell the stock subscribed for on the New York Stock Exchange, without notice, on any date after **April 2, 1929,** and apply the net proceeds to the payment of the amount still payable under said subscription, accounting to the subscriber for any surplus.

This certificate may be transferred by delivery and assignment endorsed hereon, but no transfer hereof will be valid as against the Corporation until this certificate is surrendered and the transfer is recorded on the books of the Corporation.

The holder of this certificate may pay the final installment of 50% at any time prior to April 2, 1929 and have such payment endorsed hereon; and the Corporation will, on or after April 2, 1929, issue definitive stock certificate upon the surrender of this subscription certificate.

Dated: January 15, 1929.

THE TEXAS CORPORATION,
By

SPECIMEN

Assistant Secretary.

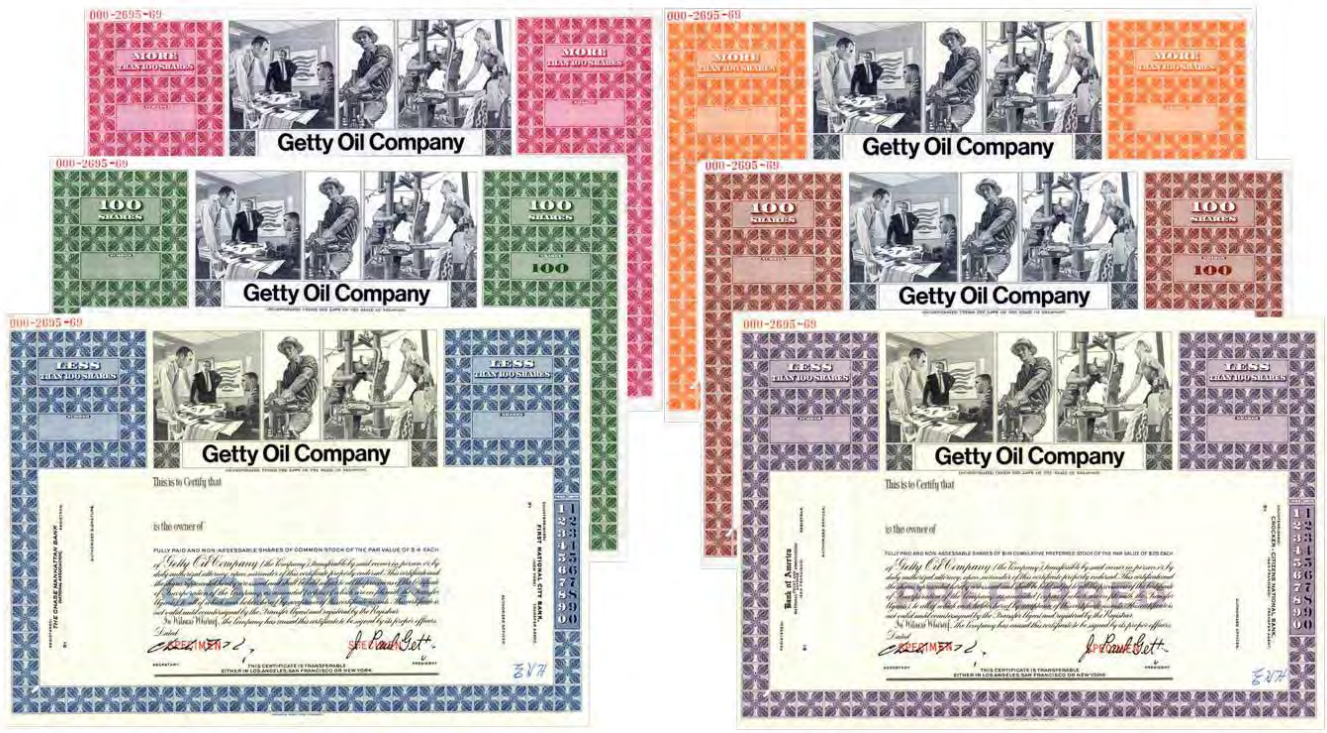
Stock Subscription Certificate Issued January 15, 1929

Certificate Type: Bank Note Company Specimen
Security Type: Stock Subscription Certificate
Denomination: Undenominated
Transfer Agent: The Texas Corporation
Color: Olive
Printer: American Bank Note Company
Grade: Excellent

This is a Stock Subscription Certificate issued by The Texas Corporation on January 15, 1929. The certificates were issued on the stock subscription expiration date to acknowledge its receipt of the stockholders' subscriptions. Combined with the five Fractional Stock Subscription Warrant certificates and the Full Shares Stock Subscription Warrant certificate (see pages 112 & 113), the seven pieces make up a complete set of certificates issued for the distribution.

Getty Oil Company

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE



Ultra Set of Common and Preferred Stock Certificates

Certificate Type: Bank Note Company Specimens
Security Type: Common and Preferred Stock
Denomination: NYSE Conformed Sets: Less Than 100 Shares; 100 Shares; and More Than 100 Shares
Transfer Agent: First National City Bank; and Crocker-Citizens National Bank
Registrar: The Chase Manhattan Bank; and Bank of America
Color: Blue & Green & Red and Purple & Brown & Orange
Printer: American Bank Note Company
Grade: Excellent

Unique six-piece set of Getty Oil Company stock certificates. Getty Oil Company had two classes of stock: Common (left-side set) and Preferred (right-side set), and produced NYSE-conformed certificate sets for each class and used different transfer agents to manage the records of each class. Therefore, a complete set of Getty Oil Company certificates consisted of six different certificates – each a different color. This is a complete set of those certificates.

ASSOCIATED OIL COMPANY

INCORPORATED UNDER THE LAWS OF THE STATE OF CALIFORNIA

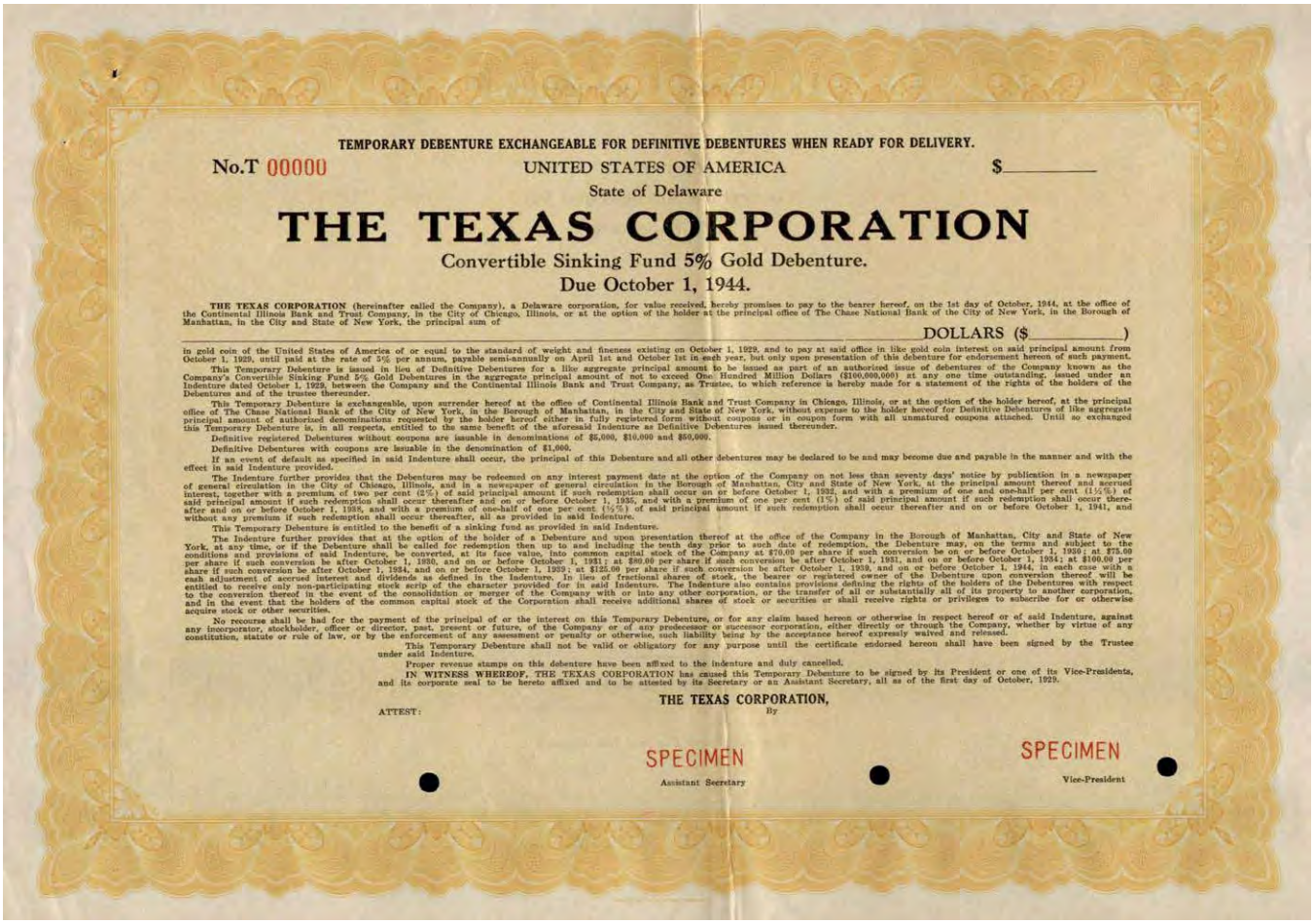
Set of Capital Stock Certificates Issued 1923-26

Certificate Type: Company Specimens
Security Type: Capital Stock
Denomination: NYSE Conformed Set: Less Than 100 Shares; 100 Shares; and Undenominated
Transfer Agent: Associated Oil Company
Registrar: Wells Fargo Bank & Union Trust Company
Color: Purple, Blue and Green
Printer: American Bank Note Company
Grade: Very Good

The Associated Oil Company was incorporated in California on October 7, 1901. On March 20, 1926, the company was acquired and merged with the Tide Water Oil Company to form a new company incorporated in Delaware named the *Tide Water Associated Oil Company*. This company evolved into the Tidewater Oil Company which was purchased by Getty Oil in 1967. This is a complete set of NYSE conformed certificates of the $25 par value stock issued from 1923 (after a 4:1 split) until 1926 when it was acquired and merged into the Tide Water Associated Oil Company

THE TEXAS CORPORATION

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE



TEMPORARY DEBENTURE EXCHANGEABLE FOR DEFINITIVE DEBENTURES WHEN READY FOR DELIVERY.

No.T 00000 UNITED STATES OF AMERICA $_____

State of Delaware

THE TEXAS CORPORATION

Convertible Sinking Fund 5% Gold Debenture.

Due October 1, 1944.

THE TEXAS CORPORATION (hereinafter called the Company), a Delaware corporation, for value received, hereby promises to pay to the bearer hereof, on the 1st day of October, 1944, at the office of the Continental Illinois Bank and Trust Company, in the City of Chicago, Illinois, or at the option of the holder at the principal office of The Chase National Bank of the City of New York, in the Borough of Manhattan, in the City and State of New York, the principal sum of

_____ DOLLARS ($_____)

in gold coin of the United States of America of or equal to the standard of weight and fineness existing on October 1, 1929, and to pay at said office in like gold coin interest on said principal amount from October 1, 1929, until paid at the rate of 5% per annum, payable semi-annually on April 1st and October 1st in each year, but only upon presentation of this debenture for endorsement hereon of such payment.

This Temporary Debenture is issued in lieu of Definitive Debentures for a like aggregate principal amount to be issued as part of an authorized issue of debentures of the Company known as the Company's Convertible Sinking Fund 5% Gold Debentures in the aggregate principal amount of not to exceed One Hundred Million Dollars ($100,000,000) at any one time outstanding, issued under an Indenture dated October 1, 1929, between the Company and the Continental Illinois Bank and Trust Company, as Trustee, to which reference is hereby made for a statement of the rights of the holders of the Debentures and of the trustee thereunder.

This Temporary Debenture is exchangeable, upon surrender hereof at the office of Continental Illinois Bank and Trust Company in Chicago, Illinois, or at the option of the holder hereof, at the principal office of The Chase National Bank of the City of New York, in the Borough of Manhattan, in the City and State of New York, without expense to the holder hereof for Definitive Debentures of like aggregate principal amount of authorized denominations requested by the holder hereof either in fully registered form without coupons or in coupon form with all unmatured coupons attached. Until so exchanged this Temporary Debenture is, in all respects, entitled to the same benefit of the aforesaid Indenture as Definitive Debentures issued thereunder.

Definitive registered Debentures without coupons are issuable in denominations of $5,000, $10,000 and $50,000.

Definitive Debentures with coupons are issuable in the denomination of $1,000.

If an event of default as specified in said Indenture shall occur, the principal of this Debenture and all other debentures may be declared to be and may become due and payable in the manner and with the effect in said Indenture provided.

The Indenture further provides that the Debentures may be redeemed on any interest payment date at the option of the Company on not less than seventy days' notice by publication in a newspaper of general circulation in the City of Chicago, Illinois, and in a newspaper of general circulation in the Borough of Manhattan, City and State of New York, at the principal amount thereof and accrued interest, together with a premium of two per cent (2%) of said principal amount if such redemption shall occur on or before October 1, 1932, and with a premium of one and one-half per cent (1½%) of said principal amount if such redemption shall occur thereafter and on or before October 1, 1935, and with a premium of one per cent (1%) of said principal amount if such redemption shall occur thereafter and on or before October 1, 1938, and with a premium of one-half of one per cent (½%) of said principal amount if such redemption shall occur thereafter and on or before October 1, 1941, and without any premium if such redemption shall occur thereafter, all as provided in said Indenture.

This Temporary Debenture is entitled to the benefit of a sinking fund as provided in said Indenture.

The Indenture further provides that at the option of the holder of a Debenture and upon presentation thereof at the office of the Company in the Borough of Manhattan, City and State of New York, at any time, or if the Debenture shall be called for redemption then up to and including the tenth day prior to such date of redemption, the Debenture may, on the terms and subject to the conditions and provisions of said Indenture, be converted, at its face value, into common capital stock of the Company at $70.00 per share if such conversion be on or before October 1, 1930; at $75.00 per share if such conversion be after October 1, 1930, and on or before October 1, 1931; at $80.00 per share if such conversion be after October 1, 1931, and on or before October 1, 1932; at $100.00 per share if such conversion be after October 1, 1932, and on or before October 1, 1933; at $125.00 per share if such conversion be after October 1, 1933, and on or before October 1, 1944, in each case with a cash adjustment of accrued interest and dividends as defined in the Indenture. In lieu of fractional shares of stock, the bearer or registered owner of the Debenture upon conversion thereof will be entitled to receive only non-participating stock scrip of the character provided for in said Indenture. The Indenture also contains provisions defining the rights of the holders of the Debentures with respect to the conversion thereof in the event of the consolidation or merger of the Company with or into any other corporation, or the transfer of all or substantially all of its property to another corporation, and in the event that the holders of the common capital stock of the Corporation shall receive additional shares of stock or securities or shall receive rights or privileges to subscribe for or otherwise acquire stock or other securities.

No recourse shall be had for the payment of the principal of or the interest on this Temporary Debenture, or for any claim based hereon or otherwise in respect hereof or of said Indenture, against any incorporator, stockholder, officer or director, past, present or future, of the Company or of any predecessor or successor corporation, either directly or through the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, such liability being by the acceptance hereof expressly waived and released.

This Temporary Debenture shall not be valid or obligatory for any purpose until the certificate endorsed hereon shall have been signed by the Trustee under said Indenture.

Proper revenue stamps on this debenture have been affixed to the indenture and duly cancelled.

IN WITNESS WHEREOF, THE TEXAS CORPORATION has caused this Temporary Debenture to be signed by its President or one of its Vice-Presidents, and its corporate seal to be hereto affixed and to be attested by its Secretary or an Assistant Secretary, all as of the first day of October, 1929.

THE TEXAS CORPORATION,

ATTEST: By

SPECIMEN

Assistant Secretary

SPECIMEN

Vice-President

Convertible Sinking Fund 5% Gold Debentures Issued October 1, 1929

TEMPORARY DEBENTURE EXCHANGEBLE FOR DEFINITIVE DEBENTURES WHEN READY FOR DELIVERY

Certificate Type: Bank Note Company Specimens
Security Type: Gold Debenture – Temporary Format
Denomination: Undenominated
Color: Yellow-Orange
Printer: American Bank Note Company
Grade: Very Good

This is a certificate from the first debt security issued by The Texas Corporation: 5% Gold debentures issued on October 1, 1929. The temporary certificates were issued until the definitive certificates were printed. The finished certificates were issued in both "registered" and "bearer" formats and combined make up a complete five-piece set of the distribution (see pages 118 & 119).

THE TEXAS CORPORATION

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

True Set of Convertible Sinking Fund 5% Gold Debentures
Issued October 1, 1929 – Registered Format

Certificate Type:	Bank Note Company Specimens
Security Type:	Gold Debenture – Registered Format
Denomination:	$5,000, $10,000 and $50,000
Color:	Purple, Orange and Green
Printer:	American Bank Note Company
Grade:	Excellent

This is a true set of the "registered" form of the 5% Gold debentures issued on October 1, 1929 – the first debt security issued by The Texas Corporation. The certificates were issued in denominations of $5,000, $10,000 and $50,000. The certificates were also issued in "temporary" and "bearer" forms and combined make up a complete five-piece set of the distribution (see pages 117 & 119).

THE TEXAS CORPORATION

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

Convertible Sinking Fund 5% Gold Debenture
Issued October 1, 1929 – Bearer Format

Certificate Type: Bank Note Company Specimen
Security Type: Gold Debenture – Bearer Format
Denomination: $1000
Color: Green
Printer: American Bank Note Company
Grade: Excellent

This is a specimen of the "bearer" form of the 5% Gold debentures issued on October 1, 1929 with all 30 semi-annual interest coupons attached. This is the first debt security issued by The Texas Corporation. The debentures were also issued in "registered" and "temporary" forms and combined make up a complete five-piece set of the distribution (see pages 117 & 118).

About the Author

PAUL RAMIREZ joined Texaco's in-house shareholder services department in 1968 in New York City where he enjoyed a career spanning thirty-three years. He is a graduate of the State University of New York at Purchase. Paul served as a director of the Corporate Transfer Agent's Association (now the Shareholder Services Association) and was a member of the Securities Transfer Association. He also served on the NYSE ad hoc committee to review proxy fees paid by corporations. Paul's most-prized scripophily piece is the last stock certificate representing the last share of stock issued by Texaco. The certificate is issued in his name -- a gift from his friends at Texaco. Paul resides in Texas with his wife, Suzanne, and their four dogs.

Acknowledgements

I am very grateful to Max D. Hensley who read the book, commented most perceptively on its contents, and encouraged me to share it with other collectors.