

CHAPTER 302

UNIFORM STOCK TRANSFER ACT

Chapter 302 may be cited as the Uniform Stock Transfer Act. It is identical with the provisions of the Uniform Stock Transfer Act approved by the National Conference of Commissioners on uniform state laws, in 1909. It has been adopted by Alaska, District of Columbia, and every state except Iowa, Kansas and Vermont.

For decisions in other states see Uniform Laws Annotated Volume 6.

**302.01 CITATION.**

Uniform Stock Transfer Act. 23 MLR 484.

Amenability of incorporated agricultural cooperatives to involuntary bankruptcy proceedings. 25 MLR 635.

Creditors' remedies relating to choses in action and corporate stock. 30 MLR 616.

**302.02 TRANSFER OF STOCK.**

In May and June 1928 Theelke pledged 50 shares of stock with Diamond Motor Parts Company, endorsed in blank. The pledgee sold the stock, receiving a check payable to plaintiff which it cashed, and kept the funds. Plaintiff had notice of this in July, 1928, but did not sue until 1932. During the interval the Diamond Parts Company became insolvent. Plaintiff by his long delay and acquiescence, to the prejudice of the defendant, is estopped from setting up forgery, and by his conduct has ratified the action of the pledgee in making the endorsement. *Theelke v Northern States Power Co.* 192 M 330, 256 NW 236.

By a separate consent given the bank, plaintiffs agreed that their stock should remain pledged as to renewals, and they are not in a position to claim a release of the pledge because of an extension of time without their consent. *Stewart v Bowman*, 195 M 544, 263 NW 618.

Where, as in the instant case, there are inconsistencies, the instrument must be construed as a whole to ascertain its meaning. The distinguishing characteristic of an option contract is that it imposes no binding obligation upon the person holding the option, but where there is not merely the right but the obligation to buy, the contract is not one of option but of sale. *Oleson v Bergwell*, 204 M 450, 283 NW 770.

An option is an offer to sell coupled with an agreement to hold the offer open for a specified time. Such contract secures the privilege of buying but is not of itself a purchase. The owner does not sell his property by such agreement but simply gives to another the right to buy at the latter's election. *Johnson v Kruse*, 205 M 237, 285 NW 715.

Turning over management of a corporation, as part performance sufficient to take an oral agreement to sell corporate stock out of the statute of frauds. 9 MLR 383.

What law governs the transfer of stock certificates. 9 MLR 661, 674.

Liability of transferees; reacquired stock. 11 MLR 167.

Measure of damages for conversion of unendorsed stock certificates. 17 MLR 230.

Liability of directors to pledgee of stock for misappropriation of corporate assets. 20 MLR 822.

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Situs of corporate stock under the uniform stock transfer act for purposes of attachment. 23 MLR 381.

Negotiability of shares; right of subsequent transferee to sue. 23 MLR 484.

Validity of restrictions placed upon transfer of stock by corporations. 23 MLR 834.

Assignability of cause of action under securities act of 1933. 25 MLR 633.

Negotiability of stock certificates endorsed in blank. 26 MLR 121.

Negotiability and non-negotiability of choses of action and corporate stocks; creditor's remedies. 30 MLR 616, 629.

### **302.05 HOLDER IN GOOD FAITH TAKES TITLE.**

Negotiability of shares of stock and right of subsequent transferee to sue. 23 MLR 484.

Negotiability of stock certificates endorsed in blank. 26 MLR 121.

Negotiability and non-negotiability of choses in action and corporate stocks. 30 MLR 616, 629.

### **302.07 ENDORSEMENT EFFECTUAL IN SPITE OF FRAUD, DURESS, MISTAKE, REVOCATION, DEATH, INCAPACITY OR LACK OF CONSIDERATION OR AUTHORITY.**

Various grounds for defeasance of legal and equitable titles. 6 MLR 92, 96.

Bona fide purchaser from one entrusted with certificate endorsed in blank. 13 MLR 272.

Negotiability of stock certificates endorsed in blank. 26 MLR 121.

### **302.08 RESCISSION.**

Actions for rescission on the ground of frauds. *Fawkes v Knapp*, 138 M 384, 165 NW 236; *Zeglin v Tetzloff*, 146 M 397, 178 NW 954; *Ricker v Owens*, 149 M 130, 182 NW 960; *Eckberg v Trackage Oil Co.* 207 M 433, 292 NW 19, *Thomes v Atkins*, 52 F. Supp. 405.

Waiver of stockholder's right of rescission by acceptance of dividend after knowledge of the fraud. 12 MLR 412.

Rescinding purchase of stock. 17 MLR 436.

Measure of damages in action for fraud in the sale of corporate securities. 23 MLR 205.

### **302.12 WARRANTIES ON SALE OF CERTIFICATE.**

Policy of act to protect bona fide purchaser of certificate. 23 MLR 487.

### **302.14 NO ATTACHMENT OR LEVY UPON SHARES UNLESS CERTIFICATE SURRENDER OR TRANSFER ENJOINED.**

Courts will look at the substance rather than at the form of the transaction. Defendant had, in substance, a savings account in the association, and this was subject to levy of execution as a chose in action. *Benton's v Hegna*, 213 M 271, 7 NW(2d) 3.

Judgment creditor claiming that his debtor has made a transfer in fraud of creditors may disregard the transfer and levy upon the property, in which case, possession of the certificates by fraudulent transferee was immaterial. Execution sale of the stock was properly conducted pursuant to sections 570.05 and 550.14. *Brennan v Friedell*, 215 M 499, 10 NW(2d) 355.

Situs of corporate stock under the uniform stock transfer act for the purposes of attachment. 23 MLR 381.

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## 302.16 UNIFORM STOCK TRANSFER ACT

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Creditor's remedies relating to negotiable and non-negotiable choses of action and corporate stocks. 30 MLR 616, 629.

### 302.16 NO LIEN OR RESTRICTION UNLESS INDICATED ON CERTIFICATE.

Subrogation to statutory lien of corporation upon stock. 9 MLR 292.

### 302.18 LOST OR DESTROYED CERTIFICATES.

Owner of lost certificate who secured a duplicate certificate upon filing proof of ownership and bond, was not liable to surety reserving right to secure its discharge "in the absence or default of the principal" which purchased and surrendered the lost certificate upon its reappearance, in the absence of proof by the surety that the holder of the lost certificate had title thereto so that principal on bond was liable to indemnify the transfer agent on failure to acquire and surrender it to the transfer agent. *American Surety Co. v Cunningham*, 200 M 566, 275 NW 1.

### 302.22 APPLICATION.

See, *Brennan v Friedell*, 215 M 499, 10 NW(2d) 355.