

Reported Recommending
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House File 105

January 23, 1947.
Private Corporations.

By SCHWENGEL, FIMMEN,
HEDIN and HICKLIN.

A BILL FOR

An Act concerning the transfer of shares of stock in
corporations, making uniform the law relating thereto.

Be It Enacted by the General Assembly of the State of Iowa:

1 Section 1. Title to a certificate and to the shares
2 represented thereby can be transferred only, (a) by delivery
3 of the certificate indorsed either in blank or to a specified
4 person by the person appearing by the certificate to be the
5 owner of the shares represented thereby, or (b) by delivery
6 of the certificate and a separate document containing a
7 written assignment of the certificate or a power of attorney
8 to sell, assign, or transfer the same or the share represented
9 thereby, signed by the person appearing by the certificate
10 to be the owner of the shares represented thereby. Such
11 assignment or power of attorney may be either in blank or to
12 a specified person.

13 The provisions of this section shall be applicable although
14 the charter or articles of incorporation or code of regulations
15 or by-laws of the corporation issuing the certificate and
16 the certificate itself, provide that the shares represented
17 thereby shall be transferable only on the books of the

18 corporation or shall be registered by a registrar or trans-
19 ferred by a transfer agent.

1 Sec. 2. Nothing in this act shall be construed as
2 enlarging the powers of an infant or other person lacking
3 full legal capacity, or of a trustee, executor or adminis-
4 trator, or other fiduciary, to make a valid indorsement,
5 assignment or power of attorney.

1 Sec. 3. Nothing in this act shall be construed as
2 forbidding a corporation, (a) to recognize the exclusive
3 right of a person registered on its books as the owner of
4 shares to receive dividends, and to vote as such owner, or
5 (b) to hold liable for calls and assessments a person
6 registered on its books as the owner of shares.

1 Sec. 4. The title of a transferee of a certificate
2 under a power of attorney or assignment not written upon
3 the certificate, and the title of any person claiming under
4 such transferee, shall cease and determine if, at any time
5 prior to the surrender of the certificate to the corporation
6 issuing it, another person, for value in good faith, and
7 without notice of the prior transfer, shall purchase and
8 obtain delivery of such certificate with the indorsement
9 of the person appearing by the certificate to be the owner
10 thereof, or shall purchase and obtain delivery of such
11 certificate and the written assignment or power of attorney
12 of such person, though contained in a separate document.

1 Sec. 5. The delivery of a certificate to transfer

2 title in accordance with the provisions of Section 1, is
3 effectual, except as provided in Section 7, though made by
4 one having no right of possession and having no authority
5 from the owner of the certificate or from the person
6 purporting to transfer the title.

1 Sec. 6. The indorsement of a certificate by the
2 person appearing by the certificate to be the owner of the
3 shares represented thereby is effectual, except as provided
4 in Section 7, though the indorser or transferor, (a) was
5 induced by fraud, duress or mistake, to make the indorsement
6 or delivery, or (b) has revoked the delivery of the certificate,
7 or the authority given by the indorsement or delivery of the
8 certificate, or (c) has died or become legally incapacitated
9 after the endorsement, whether before or after the delivery of
10 the certificate, or (d) has received no consideration.

1 Sec. 7. If the endorsement or delivery of certificate,
2 (a) was procured by fraud or duress, or (b) was made under
3 such mistake as to make the indorsement or delivery inequit-
4 able; or if the delivery of a certificate was made (c) with-
5 out authority from the owner, or (d) after the owner's death
6 or legal incapacity, the possession of the certificate may
7 be reclaimed and the transfer thereof rescinded, unless:

8 (1) The certificate has been transferred to a purchaser
9 for value in good faith without notice of any facts making
10 the transfer wrongful, or,

11 (2) The injured person has elected to waive the injury,

12 or has been guilty of laches in endeavoring to enforce his
13 rights.

14 Any court of appropriate jurisdiction may enforce specif-
15 ically such right to reclaim the possession of the certificate
16 or to rescind the transfer thereof and, pending litigation,
17 may enjoin the further transfer of the certificate or impound
18 it.

1 Sec. 8. Although the transfer of a certificate or of
2 shares represented thereby has been rescinded or set aside,
3 nevertheless, if the transferee has possession of the
4 certificate or of a new certificate representing part or the
5 whole of the same shares of stock, a subsequent transfer of
6 such certificate by the transferee, mediately or immediately,
7 to a purchaser for value in good faith, without notice of
8 any facts making the transfer wrongful, shall give such
9 purchaser an indefeasible right to the certificate and the
10 shares represented thereby.

1 Sec. 9. The delivery of a certificate by the person
2 appearing by the certificate to be the owner thereof without
3 the indorsement requisite for the transfer of the certificate
4 and the shares represented thereby, but with intent to
5 transfer such certificate or shares, shall impose an
6 obligation, in the absence of an agreement to the contrary,
7 upon the person so delivering, to complete the transfer by
8 making the necessary indorsement. The transfer shall take
9 effect as of the time when the indorsement is actually made.

10 This obligation may be specifically enforced.

1 Sec. 10. An attempted transfer of title to a certificate
2 or to the shares represented thereby without delivery of
3 the certificate shall have the effect of a promise to
4 transfer and the obligation, if any, imposed by such
5 promise shall be determined by the law governing the forma-
6 tion and performance of contracts.

1 Sec. 11. A person who for value transfers a certificate,
2 including one who assigns for value a claim secured by a
3 certificate, unless a contrary intention appears, warrants—
4 (a) That the certificate is genuine, (b) That he has legal
5 right to transfer it, and (c) That he has no knowledge of any
6 fact which would impair the validity of the certificate.

7 In the case of an assignment of a claim secured by a
8 certificate, the liability of the assignor upon such warranty
9 shall not exceed the amount of the claim.

1 Sec. 12. A mortgagee, pledgee, or other holder for
2 security of a certificate who in good faith demands or
3 receives payment of the debt for which such certificate is
4 security, whether from a party to a draft drawn for such
5 debt, or from any other person, shall not by so doing be
6 deemed to represent or to warrant the genuineness of such
7 certificate, or the value of the shares represented thereby.

1 Sec. 13. No attachment or levy upon shares of stock
2 for which a certificate is outstanding shall be valid until
3 such certificate be actually seized by the officer making

4 the attachment or levy, or be surrendered to the corporation
5 which issued it, or its transfer by the holder be enjoined.
6 Except where a certificate is lost or destroyed, such
7 corporation shall not be compelled to issue a new certificate
8 for the stock until the old certificate is surrendered to it.

1 Sec. 14. A creditor whose debtor is the owner of a
2 certificate shall be entitled to such aid from courts of
3 appropriate jurisdiction, by injunction and otherwise, in
4 attaching such certificate or in satisfying the claim by
5 means thereof as is allowed at law or in equity, in regard to
6 property which cannot readily be attached or levied upon by
7 ordinary legal process.

1 Sec. 15. There shall be no lien in favor of a corpor-
2 ation upon the shares represented by a certificate issued
3 by such corporation and there shall be no restriction upon
4 the transfer of shares so represented by virtue of any by-
5 laws of such corporation, or otherwise, unless the right
6 of the corporation to such lien or the restriction is
7 stated upon the certificate.

1 Sec. 16. The alteration of a certificate, whether
2 fraudulent or not and by whomsoever made, shall not deprive
3 the owner of his title to the certificate and the shares
4 originally represented thereby, and the transfer of such a
5 certificate shall convey to the transferee a good title to
6 such certificate and to the shares originally represented
7 thereby.

1 Sec. 17. Where a certificate has been lost or
2 destroyed, a court of competent jurisdiction may order the
3 issue of a new certificate therefor on service of process
4 upon the corporation and on reasonable notice by publication,
5 and in any other way which the court may direct, to all
6 persons interested, and upon satisfactory proof of such
7 loss or destruction and upon the giving of a bond with
8 sufficient surety to be approved by the court to protect the
9 corporation or any person injured by the issue of the new
10 certificate from any liability or expense, which it or
11 they may incur by reason of the original certificate
12 remaining outstanding. The court may also in its dis-
13 cretion order the payment of the corporation's reasonable
14 cost and counsel fees.

15 The issue of a new certificate under an order of the
16 court as provided in this section, shall not relieve the
17 corporation from liability in damages to a person to whom
18 the original certificate has been or shall be transferred
19 for value without notice of the proceedings or of the
20 issuance of the new certificate.

1 Sec. 18. In any case not provided for by this act,
2 the rules of law and equity, including the law merchants, and
3 in particular the rules relating to the law of principal and
4 agent, executors, administrators and trustees, and to the effect
5 of fraud, misrepresentation, duress or coercion, mistake,
6 bankruptcy, or other invalidating cause, shall govern.

1 Sec. 19. This Act shall be so interpreted and construed
2 as to effectuate its general purpose to make uniform the
3 law of those States which enact it.

1 Sec. 20. A certificate is indorsed when an assignment
2 or a power of attorney to sell, assign, or transfer the
3 certificate or the shares represented thereby is written on
4 the certificate and signed by the person appearing by the
5 certificate to be the owner of the shares represented thereby,
6 or when the signature of such person is written without more
7 upon the back of the certificate. In any of such cases a
8 certificate is indorsed though it has not been delivered.

1 Sec. 21. The person to whom a certificate was originally
2 issued is the person appearing by the certificate to be the
3 owner thereof, and of the shares represented thereby, until
4 and unless he indorses the certificate to another specified
5 person, and thereupon such other specified person is the
6 person appearing by the certificate to be the owner thereof
7 until and unless he also indorses the certificate to another
8 specified person. Subsequent special indorsements may be
9 made with like effect.

1 Sec. 22. (1) In this act, unless the context or subject
2 matter otherwise requires—

3 “Certificate” means a certificate of stock in a corporation
4 organized under the laws of this state or of another state
5 whose laws are consistent with this act.

6 “Delivery” means voluntary transfer of possession from

7 one person to another.

8 "Person" includes a corporation or partnership or two
9 or more persons having a joint or common interest.

10 To "purchase" includes to take as mortgagee or as pledgee.

11 "Purchaser" includes mortgagee and pledgee.

12 "Shares" means a share or shares of stock in a corporation
13 organized under the laws of this state or of another state
14 whose laws are consistent with this act.

15 "State" includes state, territory, district and insular
16 possession of the United States.

17 "Transfer" means transfer of legal title.

18 "Title" means legal title and does not include a merely
19 equitable or beneficial ownership or interest.

20 "Value" is any consideration sufficient to support a simple
21 contract. An antecedent or pre-existing obligation, whether for
22 money or not, constitutes value where a certificate is taken
23 either in satisfaction thereof or as security therefor.

24 (2) A thing is done "in good faith" within the meaning of this
25 act, when it is in fact done honestly, whether it be done
26 negligently or not.

1 Sec. 23. The provisions of this act apply only to certificates
2 issued after the taking effect of this act.

1 Sec. 24. This act may be cited as the Uniform Stock Transfer
2 Act.

1 Sec. 25. This Act being deemed of immediate importance shall
2 be in full force and effect after publication in The

- 3 Daily Times, a newspaper published at Davenport,
- 4 Iowa, and the Wapello Republican, a newspaper
- 5 published at Wapello, Iowa.

EXPLANATION OF H. F. 105

This bill is the Uniform Stock Transfer Law prepared and recommended for adoption by the National Conference of Commissioners on Uniform State Laws.

It is recommended by the (a) Iowa Commission on Uniform State Laws, (b) National Conference of Commissioners on Uniform State Laws, (c) National Association of Security Commissioners, (d) American Bar Association, (e) Iowa Bankers Association, (f) American Bankers Association and (g) Investment Bankers Association of the United States.

Substantially in the form recommended, it has been adopted in forty-seven (47) states and territories. The only states in which it has not been adopted are Iowa, Kansas and Vermont. It is being submitted to the General Assemblies of these three states this year.

The purposes of this bill are (a) to make the law of Iowa, relating to the transfer of shares of stock uniform with the laws of all other states, (b) to secure for the citizens of Iowa the rights, privileges and benefits of such uniform law, (c) to protect innocent purchasers for value of share of stock, (d) to protect the owners of stock from theft, forgery and fraud as defined in the bill, and (e) to save to the owners of shares of stock unnecessary expense, delay and inconvenience in transferring such securities.

The bill was presented to the last General Assembly and passed the Senate without a dissenting vote, but was lost in the Sifting Committee of the House during the last days of the session.