

CHAPTER X
CORPORATE CONVEYANCES

STANDARD 10.1

**DEFECTIVE EXECUTION OF CORPORATE
CONVEYANCE**

STANDARD: THE VALIDITY OF A CORPORATE CONVEYANCE IS NOT AFFECTED BY FAILURE OF THE CORPORATE NAME TO BE INCLUDED AS PART OF THE SIGNATURE, PROVIDED THE CORPORATION IS NAMED AS GRANTOR IN THE BODY OF THE INSTRUMENT AND THE CONVEYANCE IS PROPERLY ACKNOWLEDGED.

Problem: A conveyance purporting to be from Star Corporation as grantor was signed by Joe Doe, president, and Richard Roe, secretary. The name of the corporation was not included in the signature. The acknowledgment was in proper form. Is the instrument valid?

Answer: Yes.

Authorities: MCL 565.604. *Archbold v Industrial Land Co*, 264 Mich 289, 249 NW 858 (1933).

STANDARD 10.2

ABSENCE OF CORPORATE SEAL FROM CORPORATE CONVEYANCE

STANDARD: THE ABSENCE OF THE CORPORATE SEAL FROM A CORPORATE CONVEYANCE DOES NOT AFFECT THE VALIDITY OF THE CONVEYANCE.

Problem: Star Corporation deeded Blackacre to Richard Smith. The corporate seal did not appear on the deed. The signature and acknowledgment were in proper form. Is Smith's deed valid?

Answer: Yes.

Authorities: MCL 565.241 and 600.1401.

Comment: The Revised Judicature Act provides that the use of a seal constitutes presumptive evidence of consideration and of the lawful execution of a corporate instrument. MCL 600.2139 and 600.2142. *American Employers Insurance Co v H G Christman & Bros Co*, 284 Mich 36, 278 NW 750 (1938).

STANDARD 10.3

ACKNOWLEDGMENT OF CORPORATE CONVEYANCE

STANDARD: A CORPORATE CONVEYANCE IS NOT ENTITLED TO BE RECORDED UNLESS IT IS ACKNOWLEDGED ON BEHALF OF THE CORPORATION.

Problem: Star Corporation deeded Blackacre to Robert Miller. The deed was signed by John Doe, president, and Richard Roe, secretary. Doe and Roe each acknowledged their execution of the deed, but the acknowledgment did not refer to their respective corporate capacities. Is Miller's deed entitled to be recorded?

Answer: No.

Authorities: MCL 565.267(3) and 565.8.

Comment A: If, through error, an instrument not entitled to recording is recorded, the record itself may not be introduced in evidence to establish the instrument, but the instrument may constitute constructive notice of the interest described in the instrument. MCL 565.604. *Brown v McCormick*, 28 Mich 215 (1873).

Comment B: An acknowledgment is not necessary to give validity to a conveyance. The purpose of an acknowledgment is to entitle the instrument to be recorded. *Turner v Peoples State Bank*, 299 Mich 438, 300 NW 353 (1941).

Note: See Chapter III concerning execution, acknowledgment and recording of conveyances.

STANDARD 10.4

CONVEYANCE TO UNINCORPORATED VOLUNTARY ASSOCIATION

STANDARD: A CONVEYANCE TO AN UNINCORPORATED VOLUNTARY ASSOCIATION DOES NOT OPERATE TO VEST TITLE IN THE ASSOCIATION, EXCEPT A CONVEYANCE TO AN UNINCORPORATED RELIGIOUS, FRATERNAL, SCIENTIFIC OR BENEVOLENT SOCIETY WILL VEST TITLE IN THE SOCIETY UPON ITS SUBSEQUENT ORGANIZATION OR INCORPORATION IN COMPLIANCE WITH APPLICABLE STATUTORY PROVISIONS, SUBJECT TO THE RIGHTS OF AN INTERVENING GOOD FAITH PURCHASER FOR VALUE.

Problem A: James Smith deeded Blackacre to the Wild Life Hunting and Fishing Association, an unincorporated voluntary association. Later, the association deeded Blackacre to Charles Gray. Did Gray acquire title to Blackacre?

Answer: No.

Problem B: James North deeded Blackacre to The Disciples, an unincorporated religious society. Later, The Disciples was incorporated as an ecclesiastical corporation. Did title to Blackacre vest in The Disciples upon its incorporation?

Answer: Yes.

Authorities: Problem A: MCL 565.604.

Problem B: MCL 565.604. *Badeaux v Ryerson*, 213 Mich 642, 182 NW 22 (1921); *Russian All Saints Orthodox Church v Darin*, 222 Mich 35, 192 NW 697 (1923).

STANDARD 10.5

TITLE TO REAL PROPERTY OF DISSOLVED MICHIGAN CORPORATION

STANDARD: UPON DISSOLUTION OF A MICHIGAN CORPORATION AFTER DECEMBER 31, 1972, ANY INTEREST OF THE CORPORATION IN REAL PROPERTY REMAINS VESTED IN THE CORPORATION UNTIL CONVEYED IN THE CORPORATE NAME.

Problem A: Star Company, a Michigan corporation, owned Blackacre. Star was dissolved on June 10, 1974. On October 23, 1974, Star conveyed Blackacre to Simon Grant by a deed executed by an authorized officer. Did Grant acquire title to Blackacre?

Answer: Yes.

Problem B: Same facts as in Problem A, except that the deed was not executed in the corporate name but was executed by Joe Johnson as a shareholder of Star. Did Grant acquire title to Blackacre?

Answer: No.

Authority: MCL 450.1834(b).

Comment A: Before January 1, 1973, the effective date of the Michigan Business Corporation Act, title to corporate real property remained vested in the corporation for a period of three years after its charter became void, whether due to expiration of the corporate term, failure to file an annual report, or otherwise. During the three-year period, a deed of corporate real property could be executed in the corporate name by either an authorized officer or by a majority of the members of the corporation's last board of directors. After the expiration of the three-year period, title to corporate real property vested in the surviving members of the corporation's last board of directors as trustees for the creditors and shareholders of the corporation.

If the directors did not convey the corporate real property or if there were no surviving directors, the circuit court of the county in which the registered office of the corporation was last located could appoint

a trustee who would be vested with title to the corporate real property with power to administer the real property as the court directed. MCL 450.2098 repealed these provisions, effective January 1, 1973.

The Michigan Business Corporation Act provides that for the purpose of winding up its affairs, unless otherwise directed by court order, a dissolved corporation and its officers, directors and shareholders shall continue to function in the same manner as though dissolution had not occurred, and that title to the corporation's assets remains in the corporation until conveyed by it in the corporate name.

Comment B: Upon dissolution of a foreign corporation which owns Michigan real property, title to the real property vests in the manner prescribed by the law of the jurisdiction in which the corporation was incorporated. *Weber v Roberts Iron Ore Co.*, 270 Mich 38, 258 NW 408 (1935).

STANDARD 10.6

AUTHORITY TO CONVEY INTEREST IN CORPORATE REAL PROPERTY

STANDARD: AN INTEREST IN CORPORATE REAL PROPERTY MAY BE CONVEYED BY AN INSTRUMENT EXECUTED BY A PERSON AUTHORIZED TO ACT ON BEHALF OF THE CORPORATION.

Problem A: By a resolution not inconsistent with its articles of incorporation and bylaws, the board of directors of Star Corporation, a Michigan corporation which owned Blackacre, approved the sale and authorized John Doe, its president and Richard Roe, its secretary, to execute a deed of Blackacre to Simon Grant. Later, Star Corporation conveyed Blackacre to Simon Grant pursuant to a deed executed by John Doe, president and Richard Roe, secretary, of Star Corporation. Did Grant acquire marketable title to Blackacre?

Answer: Yes.

Problem B: Same facts as in Problem A, except that the deed was executed by Alex Smith, vice-president and John Keys, treasurer, of Star Corporation. Did Grant acquire marketable title to Blackacre?

Answer: No.

Problem C: Ace Manufacturing Company, a Michigan corporation, adopted a corporate bylaw not inconsistent with its articles of incorporation conferring on its president the authority to approve sales of real property and to execute deeds and other instruments to effectuate the sales. The corporation owned Blackacre. The board of directors of the corporation did not adopt a resolution approving a sale of Blackacre. Sam Phillips, as the corporation's president, executed a deed of Blackacre to George Williams. Did Williams acquire marketable title to Blackacre?

Answer: Yes.

Problem D: Same facts as in Problem C, except that Ace Manufacturing Company is in the business of buying and selling real property and the

corporation's bylaws confer on the president unrestricted power as its general manager to perform any act in the ordinary course of the corporation's business. Did Williams acquire marketable title to Blackacre?

Answer: Yes.

Authorities: MCL 450.1231, 450.1261, 450.1501 and 450.1531. *Dickinson Island Land Co. v Hill*, 210 Mich 53, 177 NW 142 (1920); *Cope-Swift Co. v John Schlaff Creamery Co.*, 223 Mich 543, 194 NW 550 (1923); *In re Lee Ready Mix & Supply Co.*, 437 F2d 497 (6th Cir 1971).

Comment: This Standard does not apply to the conveyance of corporate real property as a part of the disposition of all or substantially all of the corporation's assets, whether or not in the usual and regular course of business. As to the authority for a conveyance of all or substantially all of the corporate assets in the usual and regular course of business, see MCL 450.1751. As to the conveyance of all or substantially all of the corporate assets not in the usual and regular course of business, see MCL 450.1751 and 450.1753.