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## Can A Corporation Pledge Its Own Shares?

Article By:

Keith Paul Bishop

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A "pledge" is a bailment for security. It is effected by delivery of possession of the pledged property, although title remains in the pledgor. *Hartford v. State Bar*, 50 Cal. 3d 1139, 791 P.2d 598, 270 Cal. Rptr. 12 (1990). California Corporations Code Section 207(d) unequivocally states that, subject to Section 510, a corporation has the power to pledge its own shares. But how is that possible?

Section 510(a) provides that when a corporation reacquires its own shares, those shares are restored to the status of authorized but unissued shares, unless the articles prohibit the reissuance. Thus, it seems that any shares held by the corporation will be unissued and thus in the title of no one.

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