

SABRE V. UNITED TRACTION & ELECTRIC COMPANY.  
156 Fed. 79, 225 Fed. 601.

In this case the minority stockholder of a holding company claimed that unanimous consent of the stockholders of the holding company was required in order for the wholly owned subsidiaries of the holding company to transfer all their assets to another company under a long term lease. The holding company, United Traction & Electric Company, owned all the stock of several street railway companies; and by voting its shares in these subsidiaries it had them lease all their properties for a period of 999 years to a third company, the Rhode Island Company. All the stock of the Rhode Island Company was, in turn, acquired by a fourth company, the Rhode Island Securities Company. Complainant sued the Traction Company and the Securities Company in equity, claiming that such a transfer of the property of the subsidiary street railway companies required the unanimous consent of the stockholders of the Traction Company. The court held that the consent of the subsidiary's sole stockholder i.e. the Traction Company, was sufficient, and that unanimous consent of the stockholders of the Traction Company was unnecessary. In this connection it stated:

"It is impossible, however, to accept the contention that the non-assent of a shareholder of the Traction Company should be given the same effect as the non-assent of a shareholder in each of the lessor street railway companies. Neither as a matter of form nor as a matter of substance can the complainant be regarded as a shareholder, or entitled to claim the rights of a shareholder in any one of the lessor companies. He is merely a shareholder in a corporate owner of all the stock of the street railway corporations, each of which is still a distinct corporation whose individual existence cannot be ignored."