



**QAPITA**

# *The* Share Transfer Form

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What actually happens on paper, in the stock ledger, and on the cap table when ownership of US private company stock changes hands. Built for finance and legal teams who cannot afford to get this wrong.

## TABLE OF CONTENTS

# Inside This Guide

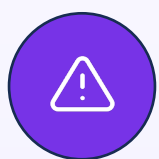
|           |                                                                                                                |           |
|-----------|----------------------------------------------------------------------------------------------------------------|-----------|
| <b>01</b> | <b>The Real Definition</b><br>What a share transfer form is — and the four documents people confuse it with    | <b>04</b> |
| <b>02</b> | <b>Why This Small Form Carries Big Risk</b><br>The diligence failures that trace back to a mishandled transfer | <b>05</b> |
| <b>03</b> | <b>Anatomy of the Form</b><br>Every field, clause, and signature block explained                               | <b>06</b> |
| <b>04</b> | <b>Certificated vs. Uncertificated</b><br>The Delaware mechanics most guides never mention                     | <b>08</b> |
| <b>05</b> | <b>The Stock Power Myth, Corrected</b><br>What actually removes a restrictive legend — and what doesn't        | <b>10</b> |
| <b>06</b> | <b>Gift, Sale, or Transmission</b><br>Three transfer types, three different paper trails                       | <b>11</b> |
| <b>07</b> | <b>The Approval Chain</b><br>ROFR, board consent, drag-along — what must happen before signature               | <b>12</b> |
| <b>08</b> | <b>Step-by-Step Execution</b><br>From notice to stock ledger update, in order                                  | <b>13</b> |
| <b>09</b> | <b>The Downstream Blind Spot</b><br>What a transfer form breaks later if it is filed wrong today               | <b>14</b> |
| <b>10</b> | <b>Rule 144 Deep Dive</b><br>Legends, holding periods, and why founders get this backwards                     | <b>16</b> |
| <b>11</b> | <b>Common Mistakes</b><br>Patterns from real diligence findings                                                | <b>17</b> |
| <b>12</b> | <b>A Working Checklist</b><br>The one-page version you can actually use                                        | <b>18</b> |
| <b>13</b> | <b>How Qapita Handles This</b><br>From manual paper trail to system of record                                  | <b>19</b> |

## BEFORE YOU START

# The Form Everyone Signs and No One Reads

Somewhere between a founder leaving, an investor exiting a secondary, and an employee exercising an option, a small piece of paper decides who owns what. Most teams treat it as an afterthought a form to fill in once the "real" negotiation is done.

**That instinct is exactly backwards.** *The share transfer form a stock power or assignment separate from certificate, under Delaware or your state's corporate law is not paperwork that follows the deal. It is the legal act that makes the deal real. Until it is executed and reflected in the stock ledger, the "new owner" holds nothing but an expectation.*



## This guide exists because of a pattern

Across cap table audits and diligence reviews, the single most common documentation gap is not a missing SAFE or an unsigned stockholders' agreement. It is a share transfer that happened in an email thread, a text message, or a handshake and was never converted into an instrument the company's own stock ledger recognizes.

This guide breaks the form down field by field, shows you the Delaware mechanics most explainers skip entirely, and in the section most guides never touch shows you exactly what breaks later, from QSBS eligibility to Rule 144 holding periods, when this document is handled carelessly today.

## SECTION 01 — DEFINITION

# What a Share Transfer Form Actually Is

A share transfer form, typically a stock power (also called a stock assignment) executed alongside the certificate, or a book-entry instruction where shares are uncertificated is the signed legal instrument by which a stockholder gives up ownership of specific shares and a named recipient acquires it.

It is not a negotiation document. By the time this form is signed, price, timing, and conditions are already settled elsewhere usually in a stock purchase agreement or a stockholders' agreement. The transfer form has one job: to legally execute what was already agreed.

## This guide exists because of a pattern

### Stock Purchase Agreement

Negotiates price, warranties, indemnities. The stock power executes what the SPA already promised it doesn't renegotiate anything.

### Board Resolution / Consent

The company's internal approval to register the transfer on the stock ledger. It authorizes the entry; it is not the instrument between transferor and transferee.

### Share / Stock Certificate

Evidence of ownership at a point in time. The old certificate is cancelled and a new one issued once the transfer is processed the certificate is the output, not the mechanism.

### Medallion Signature Guarantee

A bank- or broker-issued authentication stamped on the stock power itself, not a separate instrument but often the single step that actually holds up a transfer (see Section 04).

## SECTION 02 — THE STAKES

# Why a Two-Page Form Can Stall a Financing Round

Investors don't diligence your idea. They diligence your paper trail. A cap table that looks clean in a spreadsheet but can't be traced back to signed, board-approved stock powers is a cap table that isn't actually clean.

**14**

discrepancies a lead investor's counsel found between one founder's cap table and their actual legal documents six weeks before a scheduled Series A close.

**30**

calendar days is the 83(b) election window after receiving restricted stock. Miss it because a transfer or issuance was delayed, and the tax consequence cannot be undone.

**5**

years is the QSBS holding-period clock under Section 1202 tracked per share, from original issuance. An improperly documented transfer can reset it without anyone noticing until exit.

## SECTION 03 — ANATOMY OF THE FORM

# Every Field Explained, Part One

A transfer form is short by design. Every field it does have exists because a court, a registrar, or an auditor has, at some point, needed exactly that information to settle a dispute.



## The Transferor

Full legal name, address, and critically how they currently hold the shares (sole holder, joint holder, trustee, nominee). Joint holdings require every named holder's signature unless the bylaws say otherwise.



## The Transferee

Full legal name and address of the recipient. If the transferee is a new stockholder, most bylaws require a simultaneous entry on the stock ledger the stock power and the ledger entry are two separate legal acts.



## Share Identifiers

Class of stock (common, preferred, a specific series), the exact number of shares, and for certificated stock the specific certificate number being transferred. Vague identification is the single most common reason a transfer agent or corporate secretary rejects a submitted form.



## Consideration

The price paid, or an explicit statement that the transfer is a gift (see Section 06). This figure is what capital gains tax and in related-party transfers fair market value and 409A scrutiny are calculated against.

## SECTION 03 — ANATOMY OF THE FORM

# Every Field Explained, Part Two



## Signatures

Both transferor and transferee sign. For institutional or higher-value transfers, the transferor's signature typically requires a medallion signature guarantee a bank or broker authentication, not a notarization before a transfer agent will act on it.



## Board / Company Consent

A reference to (or attachment of) the board resolution approving the transfer, and confirmation that any right of first refusal or lock-up under the stockholders' agreement has been cleared or waived. Skip this and the transfer is valid between the parties but unenforceable against the company under DGCL § 202.



## Date of Execution

Not the date the deal was agreed the date this specific instrument was signed. This date starts every regulatory clock that follows: the 30-day 83(b) election window, the Rule 144 holding period, and the QSBS five-year clock.



## Restrictive Legend Reference

Where the certificate carries a securities-law legend (nearly all private stock does), the stock power should reference it. The legend does not disappear on transfer it follows the shares until a transfer agent formally removes it (see Section 10).

## SECTION 04 — THE PART MOST GUIDES SKIP

# Certificated vs. Uncertificated Shares

Almost every public explainer on this topic assumes every private company still issues paper stock certificates. **Many don't.** Since Delaware amended §158 of the DGCL, a board can resolve that some or all classes of stock are uncertificated tracked only as book entries in the stock ledger. That single fact changes what "signing the transfer form" actually means.

*Get this wrong, and you'll ask a stockholder to physically surrender a certificate that was never issued in the first place or worse, you'll register a "transfer" of book-entry shares with a stock power template built for paper certificates and end up with no compliant record of the change at all.*

## Certificated

Paper certificate + stock power,  
surrendered and cancelled at transfer

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*This is the traditional model most legal templates still assume by default.*

## Uncertificated

Book-entry only, no physical document;  
ledger update is the transfer

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*Increasingly common for newer Delaware entities managing equity digitally.*

## SECTION 04 — DELAWARE MECHANICS

# What Actually Happens to the Paper (or Doesn't)

|                                           | Certificated Shares                                                                                                          | Uncertificated Shares                                                                                                   |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Governing law                             | DGCL § 158, certificates are the default unless the board resolves otherwise                                                 | DGCL § 158, board resolution required to designate a class uncertificated                                               |
| What the transferor signs                 | A stock power referencing the specific certificate number, surrendered with the original certificate                         | A stock power or written instruction to the corporation/transfer agent, no certificate to surrender                     |
| What happens to the "old" record          | Certificate is marked cancelled (stamp, perforation, or annotation) and retained, typically stapled into the minute book     | Register entry is updated directly; there is no physical artifact to cancel                                             |
| What the transferee receives              | A new certificate, sequentially numbered, in their name, unless they elect uncertificated form where permitted               | A confirmation of book-entry position; no certificate issued unless one is requested and the company still supports it  |
| Where restrictions are noted              | Conspicuously on the face of the certificate (DGCL § 202), enforceable against any transferee, even without actual knowledge | In the notice given under DGCL § 151(f), enforceable only against a transferee with actual knowledge of the restriction |
| Authentication for higher-value transfers | Medallion signature guarantee on the stock power is standard for institutional or estate transfers                           | Same requirement, the guarantee attaches to the signature, not the certificate                                          |

## SECTION 05 — MYTH, CORRECTED

# A Signed Stock Power Does Not Unlock the Shares

Search "how to transfer private company stock" and most results stop at "complete and sign the stock power." That is necessary but nowhere close to sufficient, two separate gatekeepers still stand between a signature and a valid transfer.



## The restrictive legend

Nearly all private stock carries a legend stating it cannot be resold until registered with the SEC or exempt under Rule 144. Signing a stock power does not remove it. Only the company's transfer agent can and typically only after receiving a legal opinion.



## The medallion guarantee

For institutional, estate, or higher-value transfers, the transfer agent will typically refuse to act on a stock power at all without a medallion signature guarantee a specific bank or broker authentication. A notary public cannot provide one; this is a distinct, often-missed requirement.



The rule of thumb: treat the signed stock power as step one of three, not the finish line. Confirm whether the legend needs removal (it usually does), and confirm whether the transfer agent will require a medallion guarantee before the paperwork even reaches their desk.

## SECTION 06 — TRANSFER TYPES

# Gift, Sale, or Transmission?

## The Paper Trail Changes Each Time

"Transfer" is used loosely in everyday conversation to mean any change of hands. Legally, the mechanism and the form you use depends entirely on why ownership is moving.



### Sale

The standard case: consideration changes hands. Requires the full instrument signatures, and (in related-party sales) fair market value or 409A support to avoid triggering deemed-compensation or gift-tax exposure.



### Gift

No consideration, but the same instrument is still required with "gift" stated explicitly and nil consideration recorded. Skipping documentation because "nothing changed hands" is the single most common way gifted family stockholdings become undocumented, disputed equity a decade later. Gifts above the annual exclusion also trigger a federal gift tax return.



### Transmission

Ownership moves by operation of law death of a joint holder, inheritance, incapacity, not by an act of transfer. No stock power is signed by the original holder; the executor or legal heir succeeds automatically, evidenced instead by letters testamentary, a court order, or an affidavit of domicile submitted directly to the transfer agent.

## SECTION 07 — BEFORE YOU SIGN ANYTHING

# The Approval Chain Comes Before the Signature

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A signed stock power between two willing parties is not, by itself, a valid transfer. Private company shares almost always carry contractual restrictions that must clear first.

1

## Right of First Refusal (ROFR)

Existing stockholders, often the company itself, get a window to buy the shares on the same terms before an outside transferee can. Silence for the notice period is treated as a waiver; skipping notice entirely can void the transfer against the company even after signature.

---

2

## Board Approval

Nearly every private company's bylaws or stockholders' agreement reserve the right for the board to approve or refuse a transfer. A resolution must be passed and minuted, a verbal "sure, go ahead" from a director carries no legal weight.

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3

## Drag-Along / Tag-Along Rights

If the transfer is part of a larger sale, majority stockholders may be able to force minority holders to sell on the same terms (drag), or minority holders may have the right to join the sale (tag). Both must be checked against the stockholders' agreement before terms are final.

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4

## Lock-Up / Standstill Periods

Founders and early investors are frequently locked up for a defined period post-financing or post-IPO. A stock power executed during lock-up is a breach of contract even if every other formality is perfect.

## SECTION 08 — EXECUTION

# From Notice to Stock Ledger Update

From notice through the stock ledger, the sequence a compliant transfer actually follows for private US stock.

1

**Confirm restrictions are clear**

Check the bylaws and stockholders' agreement for ROFR, lock-up, and board-consent requirements. Serve any required notice.

2

**Finalize commercial terms**

Execute the underlying stock purchase agreement or gift instrument, this fixes price, timing, and conditions the stock power will simply record.

3

**Complete and sign the stock power**

Both parties sign; obtain a medallion signature guarantee if the transfer agent will require one. Attach the original certificate, if shares are certificated.

4

**Confirm legend status**

Determine whether the restrictive legend needs removal, and whether a legal opinion will be required before the transfer agent will act (see Section 05).

5

**Submit to the company or transfer agent**

Lodge the stock power, certificate (if any), and supporting documents. No fixed federal filing window applies, but delay creates its own risks, see Section 09.

6

**Board approves and stock ledger is updated**

The board passes a resolution accepting the transfer; the corporate secretary or transfer agent updates the stock ledger.

7

**New certificate issued, old one cancelled**

For certificated stock, the transferee receives a fresh certificate; the transferor's old certificate is marked cancelled and retained. Uncertificated shares update by ledger entry alone.

8

**Cap table and downstream records updated**

Equity management system, 409A models, QSBS tracking, and ownership reporting all reflect the new holder — same day, not "next quarterly refresh."

## SECTION 09 — THE PART NOBODY CONNECTS

# A Transfer Form Is a Small Input Into a Very Large System

Most content on this topic stops at "get it signed and filed." **That treats the form as the finish line. It is closer to a keystone**, remove it, or place it wrong, and things that look structurally unrelated start to fail months or years later.



Transfer form executed (or not)



Cap table reflects new/old holder



QSBS holding period clock, 409A strike basis



Diligence, exit waterfall, tax filings

## SECTION 09 — SPECIFIC FAILURE MODES

# What Actually Breaks, Months or Years Later

## QSBS eligibility resets silently

US Section 1202 qualified small business stock exemption is tracked from original issuance, per share, on a five-year clock. An improperly documented transfer between related parties can be read by the IRS as a new acquisition restarting a clock worth up to \$10M+ in excluded gain per holder, discovered only at exit.

## 409A strike prices lose their support

A 409A valuation partly relies on recent arm's-length transactions in company stock. An undocumented or improperly valued related-party transfer either gets excluded (weakening the valuation's evidentiary base) or, worse, gets included and skews the strike price for every option granted afterward.

## The stock ledger stops matching reality

Whoever is named in the stock ledger is, legally, who the company must treat as the stockholder for notices, dividends, and voting, regardless of what a side agreement says. An unregistered transfer means the company is still legally obligated to deal with the seller.

## Diligence timelines slip by weeks, not days

Counsel doesn't accept "the parties agreed via email" as a substitute for an executed stock power and updated stock ledger. Reconstructing a missing transfer chain retroactively: locating parties, re-executing documents, resolving legend and medallion-guarantee gaps, routinely adds two to four weeks to a financing timeline at the worst possible moment.

## SECTION 10 — RULE 144 DEEP DIVE

# Restricted Legends and Rule 144: What Founders Get Backwards

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In the US, private company stock is almost always "restricted securities" under Rule 144, acquired in an unregistered, private transaction. The common misreading: founders assume a signed transfer form alone makes the shares freely tradeable. It doesn't.



## The legend is the real gatekeeper

A restrictive legend stamped on the certificate says these shares cannot be resold until registered with the SEC or exempt. A completed transfer form does not remove it, only the company's transfer agent can, and only after specific conditions are met.

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## Holding periods start at the transfer date, not the deal date

Rule 144's holding-period clock (generally six months to one year depending on issuer status) runs from when securities were actually acquired, which is exactly why the execution date on the transfer instrument matters far more than most people assume.

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## Buying from an affiliate changes your status too

If you acquire shares from a company insider (an affiliate), your shares are restricted even if they weren't restricted in the seller's hands. The identity of your transferor, not just your own role, determines your resale rights.

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## A legal opinion is usually the real unlock

Transfer agents generally require a legal opinion before removing a legend, not because Rule 144 mandates it, but because it protects the agent and the company from facilitating an unregistered sale. Budget for counsel time, not just paperwork time.

## SECTION 11 — PATTERNS FROM REAL DILIGENCE

# Nine Mistakes That Keep Reappearing

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Treating a verbal or email agreement as a completed transfer, with no stock power ever executed



Filling in the transferee's name but forgetting joint holders must all sign, per the stock ledger



Leaving "consideration" blank on a gift transfer instead of stating nil consideration explicitly



Executing the transfer before checking whether ROFR notice periods have actually run



Updating the cap table spreadsheet without updating the actual stock ledger



Not re-issuing a cancelled certificate, leaving two "valid-looking" certificates in circulation



Confusing an uncertificated book-entry position with a certificate that was never actually issued

## SECTION 12 — THE ONE-PAGE VERSION

# A Checklist You Can Actually Run Against

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- ☐ Bylaws / Stockholders' Agreement reviewed for ROFR, lock-up, and consent clauses

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- ☐ Underlying commercial document executed (stock purchase agreement, gift instrument, or transmission evidence)

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- ☐ Transferor's holding pattern confirmed: sole, joint, trust, and all required signatories identified

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- ☐ Share class, quantity, and certificate number (if certificated) stated precisely, not approximately

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- ☐ Consideration stated accurately, including explicit "gift" / nil consideration where applicable

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- ☐ Restrictive legend status confirmed and legal opinion requested if removal is needed

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- ☐ Medallion signature guarantee obtained if the transfer agent will require one

---
- ☐ Board resolution passed and minuted, referencing this specific transfer

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- ☐ Stock power (and certificate, if any) submitted to the company or transfer agent

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- ☐ Stock ledger updated, not just the internal cap table spreadsheet

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- ☐ Old certificate cancelled; new certificate issued and delivered to transferee (or book-entry confirmed)

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- ☐ Cap table, 409A model, and QSBS/Rule 144 holding-period tracking updated same-day

## SECTION 13 — FROM PAPER TRAIL TO SYSTEM OF RECORD

## The Checklist Above Is a Manual Process. It Doesn't Have to Be.

Every checklist item on the previous page is a place where a spreadsheet-and-email process silently fails — a missed medallion guarantee, a legend that never got cleared, a stock ledger that quietly drifts out of sync with reality. Qapita's cap table platform builds the transfer workflow around the same rules this guide walks through, so the compliant path is also the default path.



### ROFR and lock-up cross-referenced automatically

The platform checks proposed transfers against your bylaws and stockholders' agreement terms before execution, not after.



### Legend and restriction status tracked per certificate

Know at a glance which certificates carry a restrictive legend and which have already cleared — no manual lookup required.



### Stock ledger and cap table update together

One workflow updates both, so "the spreadsheet says one thing, the ledger says another" stops being possible.



### Every regulatory clock tracked from the execution date

QSBS five-year holding periods, Rule 144 windows, and 83(b) deadlines, tracked against the actual transfer date — not the deal date.

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## Ready to stop reconstructing your ownership history from memory?

Every transfer, gift, and transmission event handled through Qapita is captured in a single, audit-ready source of truth the cap table, the stock ledger, and the compliance calendar, always in sync.

[Talk to Qapita](#)