
An “isolated transaction” is a transaction which is unique, occurs only once or sporadically.

[Approved, effective September 1, 1988.]

Committee commentary. — Certain securities transactions are not required to be registered prior to sale. One common defense to the sale of unregistered securities is that the sale was an isolated sale. The Court of Appeals in a civil case held that the sale of all of the stock of a business by a non-issuer may sell as an “isolated sale” a whole business by selling 100% of the securities without registration if the purpose of the sale is to pass complete ownership, including managerial control, of the business of the corporation to the buyer. See White v. Solomon, 1986-NMCA-136, 105 N.M. 366, 732 P.2d 1389 [(Ct. App. 1986). See; see also State v. Sheets, 1980-NMCA-041, 94 N.M. 356, [364,] 610 P.2d 760 [(Ct. App. 1980) (cert. denied 94 N.M. 675, 615 P.2d 992)] for the definition of “isolated sale”.

White v. Solomon, supra, adopts the sale of business doctrine. The New Mexico Court of Appeals improperly relies upon the United States Supreme Court decision of Tcherepnin v. Knight, 389 U.S. 332[,-88 S. Ct. 548, 19 L. Ed. 2d 564] (1967) in holding that the sale of 100% of the stock of a business is not the sale of securities for purposes of registration. This interpretation of Tcherepnin, was specifically rejected by the United States Supreme Court in Landreth v. Landreth, 471 U.S. 681[-105 S. Ct. 2297, 85 L. Ed. 2d 692] (1985). See committee commentary to UJI 14-4301 NMRA for a discussion of the Tcherepnin and Landreth decisions.

[It is noted that even though the sale of 100% of the stock of a business may not have to be registered in New Mexico, the transaction is still subject to the fraud provisions of the New]

[As amended by Supreme Court Order No. 21-8300-009, effective for all cases pending or filed on or after December 31, 2021.]