But a company may by a valid contract entered into by itself after its formation become bound to do what others have undertaken it shall do when formed. If the contract, although purporting to be made by the company and showing an intention to ratify an agreement prior to its charter, was nevertheless invalid for informalities the company would not be liable thereunder.[1]

Of course the company may impliedly ratify agreements entered into by its promotors, in cases where it accepts and retains any benefits which accrue to it therefrom as a company, in which case it becomes liable, not on the strict theory of contract, but on a principle analagous to that of *estoppel*.[2]

14. Withdrawal of proposed member before formation.—Where a number of persons meaning to join in a common undertaking, and raise a fund, eventually to be increased, for the purpose of forwarding that common undertaking, but commencing by deposits, put such deposits into the hands of a committee with directions to do certain acts ; it is not afterwards competent for any one of them, or for any number of them, to withdraw, and say to such committee, " I, or we, think you ought not to go any further with the undertaking." In such a case a single dissenter may insist on the committee proceeding, however inexpedient it may appear to do so, and however con-

[1] Waddell v. Dominion City Brick Co., 5 Manitoba, 119 (before the full Court), and see Allen v. Clark, 65 Barb., 563. Articles of association are a contract of the shareholders *inter se*, and therefore an outsider cannot base an action against the company on any of their provisions (Eley v. Positive Assurance Co. (1 Ex. Div., 20 and 88; Howard v. Patent Ivory Co., 38 Ch. Div., 156; Northumberland Hotel Co., 33, Ch. Div., 16). Save, however, in so far as such provisions create a trust for the plaintiff which he can enforce. (See Touche v. Metropolitan Ry. Co., 6 Ch., 671; Terrell v. Hutton, 4 H. L. C., 1091).

[2] *Supra*; and Edwards Grand Junction Ry. Co., 1 Milne & C., 650; Paxton Cattle Co. v. First Nat. Bank, 21 Neb., 621; Low v. Ry. Co., 45 N. H., 370; Rockford, etc., Ry. Co. v. Sage, 65 Ill., 328.

Promissory notes, granted by the members of a company before incorporation, for goods sold and delivered by the plaintiffs, and renewed by notes of the company after the completion of the incorporation (the old notes being surrendered and given up to the company) were, together with the original debt for the goods, novated and paid.

In the absence of fraud, in effecting the exchange of notes as above, the shareholders who paid up their stock in full, and caused the fact to be duly registered were free from all liability to pay said notes, or the original price of said goods (Brewster v. Chapman, Q. B. 1875, 19 L. C. J., 301).