

EDWIN CHUA AND EDGAR CHUA, PETITIONERS-APPELLANTS, VS. VALSOFA ENTERPRISES, INC., VALERIO CHUA AND FREDERICK CHUA, RESPONDENTS-APPELLEES.

Ponente: INTING, J.

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INTING, J.:

This is an Appeal from the June 4, 2010 Decision[1] of the Regional Trial Court, Branch 12, Zamboanga City in the consolidated Civil Case Nos. 5220 and 5219. The dispositive portion of the Decision states:

WHEREFORE, in view of all the foregoing, judgment is hereby rendered in all the above-entitled consolidated cases in favor of the petitioners in Civil Case No. 5219 (formerly SEC Case No. 11-95-5203 and RTC Branch 46, Manila Case No. 01-99654) and respondents in Civil Case No. 5220 (formerly SEC Case No. 04162 and RTC Branch 46, Manila Case No. 01-99625) and against petitioners and petitioners-intervenors in Civil Case No. 5220 (formerly SEC Case No. 04162 and RTC Branch 46, Manila Case No. 01-99625) and respondents in Civil Case No. 5219 (formerly SEC Case No. 11-95-5203 and RTC Branch 46, Manila Case No. 01-99654) in the following manner;

- by ordering the DISMISSAL of the petition and petition in intervention in Civil Case No. 5220 (formerly SEC Case No. 04162 and RTC Branch 46, Manila Case No. 01-99625) for lack of merit;
- by declaring Certificates of Stocks Nos. 30, 29, 27, 31, 35, 33 and 32 as NULL and VOID for having been improperly issued and directing the immediate surrender thereof to the respondent corporation;
- by ordering the dissolution of the Management Committee pursuant to the Order of this Court dated February 20, 2007 and the immediate turn over (sic) of the management of the corporation including all and any properties thereof, tangible or intangible to the current elected officers of the corporation and for the said Management Committee to render and submit its final accounting on the total assets and liabilities of the corporation within 30 days from receipt hereof;
- by ordering the said petitioners and petitioner in intervention to pay the cost of this suit.

SO ORDERED.

The facts of the case are as follows:

For three consecutive weeks in August 1990, Valsofa Enterprise, Inc., (Valsofa) through its Corporate Secretary Frederick Chua, published in a weekly newspaper Prensa Zamboanga[2] a Notice of Loss stating that certain stock certificates were reported lost, stolen or destroyed. Among those listed were the following:

Name of Stockholder

Stock Certificate No.

No. of Shares

Faustino Chua

24

350

Faustino Chua

27

1,000

Edwin Chua

29

1,000

Edgar Chua

30

1,000

Margareth Chua

31

50

Jeannie Chua

32

100

Nancy Chua

33

100

Maria Chua

35

1,500

Edgar Chua and Edwin Chua, claiming to be stockholders, sent Valsofa a Letter dated January 16, 1992 informing the latter's officers that the afore-cited stock certificates were not lost but are in their possession as stockholders.[3] Their Letter was unanswered.

On January 30, 1992, Edgar Chua and Edwin Chua came to know that Valsofa was sending Notices dated January 28, 1992 to its stockholders for the annual stockholders' meeting scheduled on February 4, 1992.[4] They allegedly did not receive the notice so that they suspected that their shares may have been illegally transferred and their names stricken off from the list of Valsofa's stockholders. Consequently, Edgar Chua and Edwin Chua sent another Letter dated January 30, 1992 requesting that the meeting be postponed pending the determination of their status as stockholders who are also entitled to vote.⁵ Their request was not heeded.

Hence, on January 31, 1992, Edgar Chua and Edwin Chua filed a Petition⁶ before the Securities and Exchange Commission (SEC) docketed as SEC. Case No. 04162 against Valsofa Enterprise, Inc., including its President,

Valerio Chua and its Secretary, Frederick Chua seeking that they each be declared as owners of 1,000 shares of stocks of Valsofa and also praying for damages, attorney's fees and a restraining order to stop the February stockholders' meeting. A Temporary Restraining Order was granted suspending the scheduled stockholders' meeting.

Meanwhile, the Estate of Faustino Chua namely, his wife Maria Chua, Margareth Chua, Jeannie Chua and Nancy Chua, as heirs of Faustino Chua and stockholders in their own right, filed a Petition in Intervention on September 18, 1992. They claimed that their late father Faustino Chua owned 4,750 shares of Valsofa as of January 31, 1995, to wit:

Stock Certificate

No. Number of

Shares

3

250

4

350

10

50

19

200

21

1500

22

50

24

350

25

1000

26

1000

Out of the afore-mentioned stocks, Faustino Chua transferred to his children 1,750 shares thereby making them stockholders as evidenced by the following:

Stock Certificate No.

Name of Stockholder

Date Issued

No. of Shares

31

Margareth Chua

February 28, 1981

50

32

Jeannie Chua

February 28, 1981

100

33

Nancy Chua

February 28, 1981

100

35

Maria Chua

May 3, 1982

1,500

Maria Chua's share was obtained from Bruno Yap, her brother, who bought the shares from Faustino Chua before selling them to her. Likewise, 2,000 of Faustino Chua's shares were assigned to his sons Edgar Chua and Edwin Chua, the original petitioners. By virtue of the transfers, Faustino Chua's Stock Certificates Nos. 19, 21, 22, 25 and 26 were cancelled and the transferees were issued their corresponding stock certificates. Upon Faustino Chua's death on December 15, 1984, he allegedly still had 1,000 shares in his name, as follows:

Stock Certificate No.

No. of Shares

3

250

4

350

10

50

24

350

The heirs of Faustino Chua (petitioners-intervenors) shared the sentiments of Edgar Chua and Edwin Chua (petitioners). They maintained that as stockholders, they are entitled to the Notices of the annual scheduled meeting and to appear thereat; and that the published Notice of Loss is baseless as the stock certificates are with them. They also averred that the respondents tried to trick them into signing a Memorandum of Agreement (MOA) wherein they would agree to cancel their stock certificates, but they refused.

In addition, the petitioners-intervenors alleged that Valsofa's present officers are mismanaging the company.

Valsofa is actually owned by the four: Maria Chua, Cresencio Chua, Valerio Chua and the fourth group composed of Chua So and Evelia Chan. The company owns the following: Nation Theater, the Canteen inside the theater operated by Maria Chua, the National Showroom, the Golden Video and the Sizzling Bistro, all of which were offered for rent.

Maria had been managing the Canteen inside the theater since 1976 until 19907 when Valerio took over allegedly because of the December 1, 1988 Agreement executed by the families wherein it was agreed that the theater would be leased, operated and managed by Valerio Chua, who was then elected as the General Manager from January 1, 1990 to December 31, 1991.

It was also agreed that Valerio Chua will be paying P28,000.00 to Maria Chua as her share in the rent while the income on the other spaces for rent are to be remitted to the corporate Treasurer, who will then distribute it among the four families.

A meeting was supposed to be held months before the expiration of the lease agreement to elect a new manager and lessee of the theater but Valerio Chua deliberately failed to hold one.

Hence, until the filing of the action, Valerio Chua continued to manage and operate the theater, which the petitioners-intervenors claim, is a breach of their agreement. They also claim that they were not paid their share of the rent.

In view thereof, the petitioners-intervenors prayed for an injunction to prevent Valerio Chua from acting as Valsofa's general manager; for the appointment of a management committee to take possession and preserve the company's properties; and for the respondents to render a full accounting of the proceeds of the rental. They also prayed for damages.

During the trial, the petitioners-intervenors, except for Maria Chua, admitted that they paid no consideration for the transfer of the shares from Faustino Chua and alleged that they were not aware if the shares were fully paid.[8] But they insisted that Faustino Chua was a stockholder and became the Corporate President sometime in 1980 or 1981.[9] Their stock certificates showed that they were signed by Faustino Chua as the President and Vicente Chan as the Secretary.[10] They also maintained that the new composition of the shareholdings agreed upon during the January 3, 1990 meeting is void because they were not able to take part therein despite being stockholders.

On the other hand, Valsofa, Valerio Chua and Frederick Chua (respondents) maintain that the petitioners and the petitioners-intervenors are not stockholders of Valsofa as their stock certificates were illegally issued. The respondents aver that the SEC in a Decision dated June 27, 1983 declared Valerio Chua as Valsofa's President making Faustino Chua's issuances, as acting President, null and void. Upon Valerio Chua's assumption as President after he was upheld by the SEC, he appointed Frederick Chua as his Secretary and scheduled a meeting on January 3, 1990. The Minutes of the meeting included the agreement to have a new composition of the shareholdings and to render all prior issuances of stock certificates not corresponding to the new arrangement as null and void.

Respondent Frederick Chua claims that when he took over as Secretary, Vicente Chan did not turn over any records including the Stock and Transfer Book and was just told that the books got lost.[11] Consequently, he executed an Affidavit of Loss of the Stock and Transfer Book and went to the Corporate Accountant to secure a list of the stockholders.

On February 6, 1990, a MOA was executed by the respondents as a consequence of the several issuances and transfers of stock certificates which were made without proper notations on the Stock and Transfer Book. All Stock Certificates Nos. 1 to 51 were considered null and void and new shares were issued with the sharing agreement computed by Vicente Chan allegedly in consonance with the December 1, 1988 Agreement by the stockholders. The names of the petitioners and the petitioners-intervenors were not on the list but their family-owned corporation FAMAC was listed as a stockholder for 2,917 shares. The shares were purportedly transferred to FAMAC's name per Maria Chua's instructions.

However, the MOA was not implemented because the petitioners and the intervenors refused to sign it. Frederick Chua presented the MOA to the petitioners and petitioners-intervenors for their signatures but they told him that they lost their stock certificates which were supposed to be surrendered and cancelled so that a new one can be issued based on the new composition. Allegedly, the petitioners and petitioners-intervenors made Frederick Chua believe that they would sign the MOA but to naught.

In the meantime, Frederick Chua caused the publication of the Notice of Loss in a newspaper after having been told by the petitioners and petitioners-intervenors that their stock certificates were lost.

The respondents denied the claim of mismanagement and alleged that Maria Chua already received her shares of the rent personally from 1990 to 1991 and thereafter, her shares were deposited in a bank untouched.

On November 29, 1995, the respondents Valsofa, Valerio Chua and Frederick Chua also filed a case against the petitioners and petitioners-intervenors docketed as SEC Case No. 11-95-5203 praying that the latter's stock certificates particularly Stock Certificate Nos. 27, 29, 30, 31, 32, 33 and 35, be declared as void because the transfers were not made by the President but rather by the Vice-President Faustino Chua; and that when the petitioners and the petitioners-intervenors were demanded to surrender the stock certificates they refused to do so.[12]

Both petitions were consolidated and transferred before the Regional Trial Court (RTC) as a special commercial court. The cases were docketed as Civil Case Nos. 5219 and 5220 for SEC Case Nos. 11-95-5203 and 04162, respectively.

On July 2, 2001, the RTC ordered for a management committee to take over Valsofa after having found that there were dissipation, loss, wastage and destruction of the company's assets.[13] A motion for reconsideration thereof was denied.[14]

The RTC rendered the assailed June 4, 2010 Decision finding that the heart of the controversy is the legitimacy of Stock Certificates Nos. 30, 29, 27, 31, 35, 33 and 32 issued in the names of the petitioners and petitioners-intervenors. The RTC resolved that the issuances violated the corporate By-Laws and the Corporation Code because they were issued by Faustino Chua who was only the Corporate Vice-President contrary to the aforementioned laws wherein it was stipulated that the issuances should be made by the President and countersigned by the Secretary.

The RTC said that although the subject stock certificates were also signed by the Secretary, it does not change the fact that they were actually issued by the Vice President. It further said that even if Faustino Chua represented himself as the President, the SEC had already declared Valerio Chua as the rightful President, thereby nullifying

not only the meetings made without Valerio Chua's authority but also those actions taken by Faustino Chua. Moreover, the RTC pointed out the failure of the petitioners and petitioners-intervenors to present the Stock and Transfer Book as vital to their case as the Corporation Code provides that to be valid, the transfer of the stock certificates must be recorded in the corporate books. The RTC held that the petitioners and petitioners-intervenors' possession of the stock certificates is not enough to uphold its validity.

Aggrieved, petitioners and petitioners-intervenors appealed from the assailed Decision assigning the following RTC errors, to wit:

I. THE TRIAL COURT ERRED IN NOT SUSTAINING AND RULING THAT THE RESPECTIVE VALSOFA ENTERPRISES, INC. STOCK CERTIFICATES OF THE MAIN PETITIONERS-APPELLANTS AND PETITIONERS-INTERVENORS-APPELLANTS ARE GENUINE AND AUTHENTIC AND NOT SPURIOUS OR NULL AND VOID;

II. THE TRIAL COURT ERRED IN NOT DECLARING, CONSIDERING AND RULING THAT DURING THE LIFETIME OF FAUSTINO CHUA, THOUGH HE WAS VICE-PRESIDENT OF VALSOFA ENTERPRISES, INC. BECAME AND WAS THE INCUMBENT AND ACTING AS PRESIDENT THEREOF SPECIFICALLY FROM 28 FEBRUARY 1981 UNTIL 27 JUNE 1983 OR AT THE TIME WHEN STOCK CERTIFICATES NOS. 29, 30, 31, 32, 33 AND 35 WERE ISSUED TO THE ABOVE-NAMED TRANSFEREES;

III. THE TRIAL COURT ERRED IN NOT HOLDING, CONSIDERING AND RULING THAT WHAT WERE NULLIFIED BY THE SECURITIES AND EXCHANGE COMMISSION IN SEC CASE NO. 1871 WERE ONLY THE 1,000 ADDITIONAL SHARES SUBSCRIBED BY FAUSTINO CHUA UNDER AND COVERED BY STOCK CERTIFICATE NO. 27, AS PART OF THE 3,500 ADDITIONAL SHARES OF VALSOFA ENTERPRISE, INC.;

IV. THE TRIAL COURT ERRED IN NOT HOLDING, CONSIDERING AND SUSTAINING THE FINDINGS OF FACT MADE BY THE SEC HEARING OFFICER IN HIS ORDER DATED 27 MAY 1992 AND 08 JANUARY 1993 AND PANEL OF HEARING OFFICERS IN ITS ORDER DATED 07 AUGUST 2000, ITS EN BANC RESOLUTIONS IN SEC EN BANC CASES NOS. 411 DATED 14 MARCH 1994 AND 511, ORDER DATED 02 JULY 2001 OF THE REGIONAL TRIAL COURT OF MANILA, BRANCH 46 AS CORPORATE COURT, IN WHICH IT CREATED THE MANAGEMENT COMMITTEE, ORDERS OF THE REGIONAL TRIAL COURT DATED 21 JANUARY 2004 AND 13 MAY 2004 ISSUED BY ACTING PRESIDING JUDGE ABDUL JULA; AND ORDERS ISSUED BY THE REGIONAL TRIAL COURT PRESIDING JUDGE OF BRANCH 12, PARTICULARLY THE ORDER DATED 20 FEBRUARY 2007, ALL OF WHICH HAVE FULLY ASCERTAINED, SUSTAINED AND RULED THAT THE PETITIONERS-APPELLANTS AND PETITIONERS-INTERVENORS-APPELLANTS ARE BONA FIDE, LEGAL, REGISTERED AND ACTUAL STOCKHOLDERS OF VALSOFA ENTERPRISES, INC. UNDER THE GENUINE AND AUTHENTIC STOCK CERTIFICATES AFORESTATED FOR THE 4,750 SHARES OF THE COMPANY;

V. THE TRIAL COURT ERRED IN NOT DECLARING, CONSIDERING AND RULING THAT STOCKHOLDER VALERIO CHUA, RESPONDENT-APPELLEE IN CIVIL CASE NO. 5220, TOGETHER WITH RESPONDENT-APPELLEE FREDERICK CHUA, ACTING TREASURER EVELIA CHAN AND OTHER PERSONS WHO ARE NOT STOCKHOLDERS OF VALSOFA ENTERPRISES, INC. AND IN CAHOOTS WITH THE ABOVE-NAMED RESPONDENTS-APPELLEES, HAVE COMMITTED ACTS AMOUNTING TO FRAUD OR MISREPRESENTATION AND/OR DEVICES OR SCHEMES TO WREST MAJORITY CONTROL FROM THE PETITIONERS AND PETITIONERS-INTERVENORS WHICH ARE DETRIMENTAL TO THE INTEREST OF THE STOCKHOLDERS OF VALSOFA ENTERPRISES, INC., PETITIONERS-APPELLANTS AND PETITIONERS-INTERVENORS-APPELLANTS INCLUDED, AS DETERMINED BY THE MANAGEMENT AND FINANCIAL AUDIT REPORT OF BANARIA,

BANARIA & CO., DULY APPOINTED AND ORDERED BY THE SEC PANEL OF HEARING OFFICERS TO MAKE SAID AUDIT UNDER ITS ORDER DATED 07 AUGUST 2000 FOR THE PERIOD FROM JANUARY 1990 TO 31 AUGUST 2000; AND

VI. THE TRIAL COURT ERRED IN NOT RULING THAT RESPONDENT VALERIO CHUA'S SHARE IN VALSOFA ENTERPRISES, INC. ONLY TOTALS 1,150 SHARES COVERED BY STOCK CERTIFICATE NOS. 01, 02, 20 AND 23.

The appellants maintain that only 6,275 shares of Valsofa were subscribed and that 4,750 shares of which are owned by Faustino Chua; that the 1,000 shares nullified by the SEC is no longer part of the 4,750 shares in Faustino Chua's name; that at the time the stock certificates were transferred to Faustino Chua's heirs, he was the Acting President and the transfer was attested to by the Corporate Secretary; and that granting that the transfers were not regular, Faustino Chua's share should still accrue to his heirs and not to Valsofa.

The appellants further maintain that RTC made an oversight in ruling that the transfer was not recorded in the Stock and Transfer Book; that it was Valsofa that suppressed the Stock and Transfer Book which was in their possession as they were even able to publish the list of the stock certificates that was allegedly lost; that there is a presumption that Faustino Chua's stocks were fully paid as he was issued a certificate; that Valerio's shares never exceeded 1,150 as confirmed by the independent auditor; and that Valerio increased the outstanding stocks without approval from the SEC and continued to conduct meetings without knowledge of the petitioners-appellants and the petitioners-intervenors-appellants.

Our Ruling

The appeal is partly meritorious.

It is undisputed that on June 27, 1983, the SEC rendered a Decision declaring Valerio Chua as the majority stockholder of Valsofa with 3,150 shares in contrast to the recorded 2,750 shares of Faustino Chua; upholding Valerio Chua as President of Valsofa; and nullifying the stockholders' meetings presided over by Faustino Chua as President and his issuances of the stock certificates. Considering that a conclusion has been reached by the SEC with finality, this Court cannot hold otherwise lest there be a violation of the principle of immutability of judgments. As explained in *Genato v. Viola*,^[15] nothing is more settled in the law than that a decision that has acquired finality becomes immutable and unalterable and may no longer be modified in any respect even if the modification is meant to correct erroneous conclusions of fact or law and whether it was made by the court that rendered it or by the highest court of the land. The only recognized exceptions to the general rule are the correction of clerical errors, the so-called *nunc pro tunc* entries which cause no prejudice to any party, void judgments, and whenever circumstances transpire after the finality of the decision rendering its execution unjust and inequitable.^[16]

The instant case does not fall under any of the mentioned exceptions. Hence, regardless of any flaws in the SEC findings, this Court is constrained to uphold them. The doctrine of finality of judgment is grounded on fundamental considerations of public policy and sound practice, and that, at the risk of occasional errors, the judgments or orders of courts must become final at some definite time fixed by law; otherwise, there would be no end to litigations, thus setting to naught the main role of courts of justice which is to assist in the enforcement of the rule of law and the maintenance of peace and order by settling justiciable controversies with finality.^[17]

In *PNB v. Maranon*,^[18] the Supreme Court held that it was an error for the Court of Appeals to delve into and, worse, overturn the findings of the RTC as to the status of the petitioner therein as a mortgagee in good faith even if it was already adjudged with finality by the trial court. The High Court went on to hold that the CA had no other recourse but to uphold the status of PNB as a mortgagee in good faith regardless of its defects for the sake of

maintaining stability of judicial pronouncements.

Analogously, We can no longer address the issue on whether Valerio Chua is a majority stockholder of Valsofa with 3,150 shares as he was already declared as such through the SEC's final judgment and there was no showing of any transfers made by Valerio Chua on his shares. We have no other recourse but to sustain his status as Valsofa's President based on the SEC's findings. Thus, herein appellants can no longer assert that in 1980 and thereafter, Faustino Chua was voted as President of Valsofa as this fact has been negated by the SEC. Accordingly, any act by Faustino Chua during that time as the President should be nullified. The SEC Decision is clear that the 3,500 additional shares issued by Faustino Chua and the meetings he presided are null and void apart from all the acts and resolutions taken or adopted in all those meetings.

Taking the foregoing into account, We now address the issue as to how much really is Faustino Chua's share in Valsofa.

A judicious perusal of the stock certificates shows that Faustino Chua's share as of 1972 was evidenced by the following:

Stock Certificate No.	Number of Shares
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3	250
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4	350
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10	50
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19	200
----	-----

21	1500
----	------

22	50
----	----

24	350
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Thereafter, Faustino Chua was allegedly able to secure additional 2,000 shares as evidenced by Stock Certificates Nos. 25 and 26 with 1,000 shares each issued in 1974 and 1975. However, his shares were subsequently transferred in the name of herein appellants leaving only Stock Certificate Nos. 3, 4, 10, and 24 with a total of 1,000 shares in Faustino Chua's name. Per records, the appellants were able to present the stock certificates to support their claims of stock ownership.

Nevertheless, the appellees contest the issuances in Faustino Chua's name because the stock certificates show that they were signed not by the President but by the Vice-President which is in violation of the By-Laws.

Section 63 of the Corporation Code partly provides that the capital stock of stock corporations shall be divided into shares for which certificates signed by the president or vice president, countersigned by the secretary or assistant secretary, and sealed with the seal of the corporation shall be issued in accordance with the by-laws. Article IV of Valsofa's by-laws states that the certificate of stock shall be in such form and design as may be determined by the Board of Directors. Every certificate shall be signed by the President and countersigned by the Secretary, and shall state on its face its number, the date of issue, and the number of shares for which it was issued and the name of the person in whose favor it was issued.

An examination of the stock certificates shows that Faustino Chua's stock certificates were actually signed by him and there was no showing that during those times, he was elected as the President. However, this Court notes that not all of Faustino's stock certificates were assailed by the appellees even if they were issued by Faustino

Chua himself and countersigned by the Secretary. For instance, Stock Certificate No. 24 was issued and signed by Faustino Chua himself and the Secretary in 1972, yet its validity was not questioned by the appellees. It can be gleaned from the records that Stock Certificate No. 24 reflects part of Faustino Chua's 2,750 shares which he owned in 1972. Faustino Chua's 2,750 shares were undoubtedly recognized by the appellees and were likewise reflected in all of Valsofa's records including those filed before the SEC. Apparently, the corporate By-Laws providing that the stock certificate must be signed by the President was not at all strictly implemented by Valsofa. On the contrary, it is evident that the provision on the Corporation Code allowing the Vice-President to sign the stock certificates was actually exercised by Valsofa, and the issuances were acknowledged as valid.

In *Bitong v. CA*,^[19] the Supreme Court held:

...a formal certificate of stock which can be issued only upon compliance with certain requisites. First, the certificates must be signed by the president or vice-president, countersigned by the secretary or assistant secretary, and sealed with the seal of the corporation. A mere typewritten statement advising a stockholder of the extent of his ownership in a corporation without qualification and/or authentication cannot be considered as a formal certificate of stock. Second, delivery of the certificate is an essential element of its issuance. Hence, there is no issuance of a stock certificate where it is never detached from the stock books although blanks therein are properly filled up if the person whose name is inserted therein has no control over the books of the company. Third, the par value, as to par value shares, or the full subscription as to no par value shares, must first be fully paid...

The afore-quoted requisites are well at hand in the instant case. It appears that Faustino Chua's stock certificates were signed by him as the Vice President, countersigned by their Secretary, and sealed with the corporate seal that the stock certificates were delivered to Faustino Chua; and that there was no proof of Faustino Chua's non-payment of the subscription fees. As contained in Valsofa's By-Laws, each stockholder whose share of stock has been paid in full shall be entitled to a stock certificate for such share of stock. Since Faustino Chua was issued stock certificates some of which the appellees do not assail, and he was duly recognized as a stockholder, it can be safely presumed that he fully paid his subscription absent evidence to the contrary.

Consequently, We see no reason not to uphold the validity of Faustino Chua's shares as evidenced by the stock certificates. We, however, take exception to Stock Certificate Nos. 25 and 26 which were subsequently transferred to the petitioners-appellants Edgar Chua and Edwin Chua.

The certificate of stock itself once issued is a continuing affirmation or representation that the stock described therein is valid and genuine and is at least *prima facie* evidence that it was legally issued in the absence of evidence to the contrary.^[20] However, this presumption may be rebutted.^[21] Similarly, books and records of a corporation which include even the stock and transfer book are generally admissible in evidence in favor of or against the corporation and its members to prove the corporate acts, its financial status and other matters including one's status as a stockholder.^[22] They are ordinarily the best evidence of corporate acts and proceedings.^[23]

In the instant case, the Stock and Transfer Book could no longer be produced, yet other records like the General Information Sheet (GIS), among others, could be referred to verify the status of the stockholders with respect to their shares. Per GIS in 1979, Faustino Chua had only 2,750 shares on record. This was consistent with the SEC finding which led to its conclusion that Valerio Chua is the majority stockholder with 3,150 shares. Evidently, the additional 2,000 shares issued to Faustino Chua were not recognized by Valsofa as of 1979 despite the claims that they were issued in 1974 and 1975.

Further, Faustino Chua executed an Affidavit notarized on January 8, 1979 attesting that he has only 2,750 shares. Granting that he is not authorized to issue the Affidavit, it did not change the fact that he still acknowledged it to be true knowing that what was reflected therein was his ownership only of 2,750 shares as of December 1978.

Moreover, the Minutes on the December 27, 1979 stockholders' meeting signed by Vicente Chan as Secretary showed that Faustino only had 2,750 shares. Records abound of proof that Faustino Chua owned 2,750 shares. But We cannot say the same with respect to the additional 2,000 shares. The effect of entries in the books of the corporation which purport to be regular records of the proceedings of its board of directors or stockholders can be destroyed by testimony of a more conclusive character than mere suspicion that there was an irregularity in the manner in which the books were kept.[24] There was no such convincing testimony in the instant case to negate the veracity of the entries in the corporate records which shows that Faustino only had 2,750 shares and not 4,750.

Accordingly, the transfers made to Edwin and Edgar involving Stock Certificates Nos. 25 and 26, which were cancelled and replaced with Stock Certificate Nos. 29 and 30 in the petitioners-appellants' names, cannot be considered as valid. No one can acquire a right greater than what the transferor himself has.[25]

We now resolve whether there was a proper transfer of stocks to the petitioners-intervenors-appellants.

Section 63 of the Corporation Code further provides that shares of stock so issued are personal property and may be transferred by delivery of the certificate or certificates indorsed by the owner or his attorney-in-fact or other person legally authorized to make the transfer. No transfer however shall be valid except as between the parties until the transfer is recorded in the books of the corporation showing the names of the parties to the transaction, the date of the transfer, the number of the certificate or certificates and the number of shares transferred.

The rule is that the endorsement of the certificate of stock by the owner or his attorney-in-fact or any other person legally authorized to make the transfer shall be sufficient to effect the transfer of shares only if the same is coupled with delivery.[26] The delivery of the stock certificate duly endorsed by the owner is the operative act of transfer of shares from the lawful owner to the new transferee.[27] Thus, for a valid transfer of stocks, the requirements are as follows: (a) There must be delivery of the stock certificate; (b) The certificate must be endorsed by the owner or his attorney-in-fact or other persons legally authorized to make the transfer; and, (c) to be valid against third parties, the transfer must be recorded in the books of the corporation.[28]

In the case of *Lao v. Lao*,[29] it was stressed that the burden of proof is on the petitioners therein to show that they are shareholders. This is so because in that case, they do not have any certificates of shares in their name. Moreover, they do not appear in the corporate books as registered shareholders. However, if they had certificates of shares, the burden would have been with the corporation to prove that they are not shareholders thereof.

In the case before Us, the petitioners-intervenors-appellants have the certificates of shares in their names, thus, it is Valsofa's burden to show that there was no proper transfer of the stocks. We find that they have failed to overcome such burden.

The stock certificates of the petitioners-intervenors-appellants were delivered to them as they were even in possession thereof and on their face the certificates were duly endorsed by Faustino Chua. However, appellees claim that the transfer was not recorded in the Stock and Transfer Book hence, it is not valid as far as they are concerned.

The appellees could have proved the invalidity of the transfer had they produced the Stock and Transfer Book to show that no such transaction was recorded. The appellees claim that the book was not turned over to the Secretary after they took over. But it behooves this Court how the appellees were able to execute the MOA with the list of stockholders therein and their corresponding certificate numbers, which already included the petitioners-intervenors-appellants, if the corporation had no records of the transfers. Granting that the list was obtained from the Accountant as claimed by the Secretary, the Accountant must have based it on company records unless the list was just made up. Further, the testimonies of the appellees counter their claim of not

acknowledging the petitioners-intervenors-appellants' ownership of stocks. We note that the petitioners-intervenors-appellants' names no longer appeared on the MOA executed by the appellees and this was because their shares were transferred to FAMAC allegedly per instruction of Maria Chua. This shows that the appellees were very much aware of the transfers to the petitioners-intervenors-appellants.

Thus, lacking evidence to prove that the transfer which caused the issuance of the petitioners-intervenors-appellants' certificates was not recorded in the stock and transfer book, there is no ground to declare the transfer invalid or to annul the certificates.

Nevertheless, We agree with the appellees that Faustino Chua's heirs are not entitled to the remaining 1,000 shares in Faustino Chua's name. The case of *Puno v. Puno Enterprises, Inc.*,^[30] thoroughly explains, and We quote:

Upon the death of a shareholder, the heirs do not automatically become stockholders of the corporation and acquire the rights and privileges of the deceased as shareholder of the corporation. The stocks must be distributed first to the heirs in estate proceedings, and the transfer of the stocks must be recorded in the books of the corporation. Section 63 of the Corporation Code provides that no transfer shall be valid, except as between the parties, until the transfer is recorded in the books of the corporation. During such interim period, the heirs stand as the equitable owners of the stocks, the executor or administrator duly appointed by the court being vested with the legal title to the stock. Until a settlement and division of the estate is effected, the stocks of the decedent are held by the administrator or executor. Consequently, during such time, it is the administrator or executor who is entitled to exercise the rights of the deceased as stockholder.

Thus, even if petitioner presents sufficient evidence in this case to establish that he is the son of Carlos L. Puno, he would still not be allowed to inspect respondent's books and be entitled to receive dividends from respondent, absent any showing in its transfer book that some of the shares owned by Carlos L. Puno were transferred to him. This would only be possible if the petitioner has been recognized as an heir and has participated in the settlement of the estate of the deceased.

Similarly, in the case at bench, it was not refuted that there was yet no settlement of Faustino Chua's estate and that no administrator or executor was appointed. Nor was there a valid transfer of the 1,000 shares to Faustino Chua's heirs. Consequently, the petitioners-intervenors-appellants cannot exercise the rights pertaining to Faustino Chua as a stockholder until such time that the latter's estate has been settled and the proper transfer of the stocks are duly recorded in the corporate books.

All told, it was aptly established that Faustino Chua owned 2,750 shares, 1,000 of which are still in his name as evidenced by Stock Certificate Nos. 3, 4, 10 and 24 with 250, 350, 50 and 350 shares, respectively; while the 1,750 shares were validly transferred to herein petitioners-intervenors-appellants Margareth Chua, Jeannie Chua, Nancy Chua and Maria Chua per Stock Certificate Nos. 31, 32, 33 and 35, respectively. On the other hand, We find that evidence of the validity of Stock Certificate Nos. 25 and 26 is wanting, hence, We cannot sustain its legitimacy and the subsequent transfers thereof to the petitioners-appellants.

Considering that the petitioners-intervenors-appellants are stockholders of Valsofa in their own right, they are therefore, entitled to all the rights of a stockholder, which include among others, notices for the stockholders' meetings and the inspection of the corporate books and financial statements.

WHEREFORE, the appeal is Partly Granted. The June 4, 2010 Decision of the Regional Trial Court, Branch 12, Zamboanga City in the consolidated Civil Case Nos. 5220 and 5219 is AFFIRMED with MODIFICATION as follows:

1.)

GRANTING the Amended Petition in Intervention and DECLARING Stock Certificate Nos. 31, 32, 33 and 35 in the names of Margareth Chua, Jeannie Chua, Nancy Chua and Maria Chua, respectively; and Stock Certificate Nos. 3, 4, 10 and 24 all in Faustino Chua's name as valid;

2.)

DISMISSING the Petition and DECLARING Stock Certificate Nos. 29 and 30 (transfer from Stock Certificate Nos. 25 and 26 respectively) in the names of Edwin Chua and Edgar Chua as null and void;

3)

ORDERING the dissolution of the Management Committee pursuant to the Order of this Court dated February 20, 2007 and the immediate turn over of the management of the corporation including all and any properties thereof, tangible or intangible to the current elected officers of the corporation and for the said Management Committee to render and submit its final accounting on the total assets and liabilities of the corporation within 30 days from receipt hereof; and

4.)

ORDERING the petitioners to pay the cost of suit.

SO ORDERED.

Camello, J. Ch., and Perez, JJ., concur.

[1] Rollo, pp. 113-137.

[2] Records, Volume I, p. 170.

[3] Records, Volume I, p. 171.

[4] Records, Volume I, p. 173.

[5] Records, Volume I, p. 174.

[6] Records, Volume I 01-99654, pp. 307-312.

[7] TSN, December 15, 1994, p. 10.

[8] TSN, July 9, 1992, p.39.

[9] TSN, April 21, 1999, p. 17; TSN, June 9, 1999, p. 19.

[10] TSN, April 19, 1999, pp. 76-77.

[11] TSN, July 23, 1993, p. 15.

[12] Records, pp. 82-89.

[13] Records, pp. 1030-1034.

[14] Records, pp. 1052-1053.

[15] G.R. No. 169706, February 5, 2010.

[16] Ibid..

[17] GSIS v. Group Management Corp. (GMC), G.R. No. 167000; GMC v. Lapu-Lapu Development Housing, G.R. No. 169971, June 8, 2011.

[18] G.R. No. 189316, June 1, 2013.

[19] G.R. No. 123553, July 13, 1998.

[20] Bitong v. CA, G.R. No. 123553, July 13, 1998.

[21] Ibid.

[22] Ibid.

[23] Ibid.

[24] Supra.

[25] Sanchez v. Quinio, G.R. No. 133545, July 15, 2005.

[26] Supra.

[27] Supra.

[28] Supra.

[29] G.R. No. 170585, October 6, 2008.

[30] G.R. No. 177066, September 11, 2009.

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