

JUAN B. ESPE, PLAINTIFF-APPELLANT, VS. CENTRAL COOPERATIVE EXCHANGE, INC., DEFENDANT-APPELLEE.

G.R. No. L-29116. May 29, 1970

Ponente: REYES, J. B. L., J.

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REYES, J. B. L., J.:

This appeal from a decision of the Court of First Instance of Bulacan (Civil Case No. 65-V) dismissing a complaint seeking a transfer of a certificate of stock of the Central Cooperative Exchange was certified to this Supreme Court by the Court of Appeals, because only questions of law are involved.

The conceded antecedents of this appeal are described in the appealed decision in the following manner (Record on Appeal, pages 24-25) :

"It is not disputed that the Bacnotan (La Union) Facoma was the owner of 607 shares of stock in defendant corporation as per the latter's stock certificate No. 57. In Civil Case No. 79 of the municipal court of Bacnotan, La Union, entitled Juan B. Espe vs. Bacnotan (La Union) Facoma," the plaintiff obtained judgment for sum of money against the Facoma, and a writ of execution was issued in due course. The shares of stock aforementioned were levied upon and in the execution sale the same were acquired by plaintiff as highest bidder. Thereafter plaintiff, thru counsel, wrote to the corporation informing it of his acquisition of the said shares of stock and re-requesting the transfer thereof to his name in the books of the corporation, or if the same cannot be granted because of any legal impediment, that the Bacnotan Facoma be withdrawn from membership in the corporation, subject to the conditions stated in its by-laws, and the equivalent value of the said shares of stock be paid to him. The request for transfer of the stock to Espe's name was denied by the corporation on the ground that he does not have the qualifications necessary for ownership of stock in the corporation as prescribed in its articles of incorporation and by laws. The alternative request for withdrawal from membership of the Bacnotan Facoma and the payment of the equivalent value of the stock to the plaintiff was likewise denied on the ground that the requisite conditions for such withdrawal have not been complied with. Thereafter Espe instituted this action to compel the corporation to comply with his demands."

Because Article VII of the articles of incorporation of the appellee corporation, as well as Article III of its By Laws, provide, in conformity with Section 31 of Act 3425 of the Philippine Legislature (known as the Cooperative Marketing Law), that transfer of the common stock of the cooperative association is forbidden to persons not engaged in the production of agricultural products handled by the association, and because it is undisputed that appellant Espe did not possess the qualification of being a producer of agricultural products, the trial court, after hearing and reception of evidence, dismissed the complaint. Whereupon, plaintiff Espe interposed this appeal.

We find the appeal to be without merit.

Act 3425 (the Cooperative Marketing Law) explicitly prescribes in its section 31 as follows:

"The By laws shall prohibit the transfer of the common stock of the association to persons not engaged in the production of the agricultural products handled by the association and such restriction must be printed upon

every certificate of stock subject thereto."

The Central Cooperative Exchange, Inc., was organized in 1955 as a farmers' marketing cooperative. In conformity with the statutory limitation on stock ownership, Article VII of its Articles of Incorporation (Exhibit "4") provides that:

"Shares of stock in the association may be purchased, owned or held only by farmers' marketing cooperatives organized and existing under Act No. 3425, as amended, federations or such cooperatives on a provincial, regional or national level, and corporations owned or controlled by the government.

"No stockholder in the association shall be entitled to more than one vote, regardless of the number of shares of, stock he may own therein, unless the stockholder be a corporation owned or Controlled by the government, in which case it shall have votes equal to the number of shares of stock it may hold therein.

"In the event the Board of Directors should find, following a hearing, that any of the stock of the association has come into the hands of any person or entity not eligible for membership, or that the holder thereof has ceased to be an eligible member, such person or entity shall have no right or privilege on account of such stock. The association shall have the right to buy the stock at its book value as established at the last accounting of the association. If the association fails to buy the stock, the holder shall be paid its book value upon the dissolution or termination of the association."

And Article III of the By Laws (Exhibit "2") specify the following:

"Section 2. Stock Transfer, Loss or Destruction of Certificates. Transfer of stock shall be made only to members and to those eligible for membership with the Exchange upon approval of the Board of Directors: Provided, that the member making the transfer is not indebted to the Exchange and that it has already complied with the terms and conditions of any contract that it may have with the Exchange. All transfers of stock shall be made upon the books of the Exchange upon surrender of the duly endorsed certificates and the payment of a transfer fee of P1.00 for every certificate. No transfer shall be made within thirty (30) days next preceding the day appointed for distribution of dividends."

Since the plaintiff, Juan B. Espe, admittedly is not an agricultural producer, it is plain that he is not entitled to hold shares of stock in the appellee corporation. Not only is he bound to know the provisions of the law on Marketing Cooperatives, but his attention and that of the Sheriff were called to the apposite restrictions contained in the corporate by laws by the counsel for the appellee prior to the execution sale (Exhibit "1"). So much so, that the Sheriff's Certificate of Sale (copy of which was annexed to plaintiff's own complaint, Record on Appeal, page 5, et seq) specified that the sale was made "subject to the provisions of Act 3425 as amended and the Articles of Incorporation and By Laws of the Central Cooperative Exchange Inc." (Record on Appeal, page 5).

When, therefore, appellant purchased the stock certificate held by the Bacnotan FACOMA in the appellee Corporation, he was aware that membership therein was limited to agricultural producers, and not being one such he could not be a transferee of the stock. Having voluntarily purchased property with full knowledge that it was subject to statutory and corporate restrictions, he may not plead that he should be released therefrom.

WHEREFORE, the decision appealed from is affirmed. Treble costs are imposed upon appellant to be paid by his counsel, Attorney Arsenio B. Cruz.

Concepcion, C.J., Dizon, Makalintal, Zaldivar, Fernando, Teehankee, Barredo, and Villamor, JJ., concur.
Castro, J., on leave.

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