BATANGAS LAGUNA TAYABAS BUS COMPANY, INC., DOLORES A. POTENCIANO, MAX JOSEPH A. POTENCIANO, MERCEDELIN A. POTENCIANO, AND DELFIN C. YORRO, PETITIONERS, VS. BENJAMIN M. BITANGA, ...

G.R. No. 137934. August 10, 2001

Ponente: YNARES-SANTIAGO, J.

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YNARES-SANTIAGO, J.:

These cases involve the Batangas Laguna Tayabas Bus Company, Inc., which has been owned by four generations of the Potenciano family. Immediately prior to the events leading to this controversy, the Potencianos owned 87.5% of the outstanding capital stock of BLTB.[1]

On October 28, 1997, Dolores A. Potenciano, Max Joseph A. Potenciano, Mercedelin A. Potenciano, Delfin C. Yorro, and Maya Industries, Inc., entered into a Sale and Purchase Agreement,[2] whereby they sold to BMB Property Holdings, Inc., represented by its President, Benjamin Bitanga, their 21,071,114 shares of stock in BLTB. The said shares represented 47.98% of the total outstanding capital stock of BLTB.

The purchase price for the shares of stock was P72,076,425.00, the downpayment of which, in the sum of P44,354,723.00, was made payable upon signing of Agreement, while the balance of P27,721,702.00 was payable on November 26, 1997. The contracting parties stipulated that the downpayment was conditioned upon receipt by the buyer of certain documents upon signing of the Agreement, namely, the Secretary's Certificate stating that the Board of Directors of Maya Industries, Inc. authorized the sale of its shares in BLTB and the execution of the Agreement, and designating Dolores A. Potenciano as its Attorney-in-Fact; the Special Power of Attorney executed by each of the sellers in favor of Dolores A. Potenciano for purposes of the Agreement; the undated written resignation letters of the Directors of BLTB, except Henry John A. Potenciano, Michael A. Potenciano and Candido A. Potenciano); a revocable proxy to vote the subject shares made by the sellers in favor of the buyer; a Declaration of Trust made by the sellers in favor of the buyer acknowledging that the subject shares shall be held in trust by the sellers for the buyer pending their transfer to the latter's name; and the duly executed capital gains tax return forms covering the sale, indicating no taxable gain on the same.[3]

Furthermore, the buyer guaranteed that it shall take over the management and operations of BLTB but shall immediately surrender the same to the sellers in case it fails to pay the balance of the purchase price on November 26, 1997.[4]

Barely a month after the Agreement was executed, on November 21, 1997, at a meeting of the stockholders of BLTB, Benjamin Bitanga and Monina Grace Lim were elected as directors of the corporation, replacing Dolores and Max Joseph Potenciano. Subsequently, on November 28, 1997, another stockholders' meeting was held, wherein Laureano A. Siy and Renato L. Leveriza were elected as directors, replacing Candido Potenciano and Delfin Yorro who had both resigned as such. At the same meeting, the Board of Directors of BLTB elected the following officers: Benjamin Bitanga as Chairman of the Board, President and Chief Executive Officer; Monina

Grace Lim as Vice President for Finance and Supply and Treasurer; James Olayvar as Vice President for Operations and Maintenance; Eduardo Azucena as Vice President for Administration; Evelio Custodia as Corporate Secretary; and Gemma Santos as Assistant Corporate Secretary.[5]

During a meeting of the Board of Directors on April 14, 1998, the newly elected directors of BLTB scheduled the annual stockholders' meeting on May 19, 1998, to be held at the principal office of BLTB in San Pablo, Laguna. Before the scheduled meeting, on May 16, 1998, Michael Potenciano wrote Benjamin Bitanga, requesting for a postponement of the stockholders' meeting due to the absence of a thirty-day advance notice. However, there was no response from Bitanga on whether or not the request for postponement was favorably acted upon.

On the scheduled date of the meeting, May 19, 1998, a notice of postponement of the stockholders' meeting was published in the Manila Bulletin. Inasmuch as there was no notice of postponement prior to that, a total of two hundred eighty six stockholders, representing 87% of the shares of stock of BLTB, arrived and attended the meeting. The majority of the stockholders present rejected the postponement and voted to proceed with the meeting. The Potenciano group was re-elected to the Board of Directors,[6] and a new set of officers was thereafter elected.[7]

However, the Bitanga group refused to relinquish their positions and continued to act as directors and officers of BLTB. The conflict between the Potencianos and the Bitanga group escalated to levels of unrest and even violence among laborers and employees of the bus company.

On May 21, 1998, the Bitanga group filed with the Securities and Exchange Commission a Complaint for Damages and Injunction, docketed as SEC Case No. 05-98-5973.[8] Their prayer for the issuance of a temporary restraining order was, however, denied at the ex-parte summary hearing conducted by SEC Chairman Perfecto Yasay, Jr.

Likewise, the Potenciano group filed on May 25, 1998, a Complaint for Injunction and Damages with Preliminary Injunction and Temporary Restraining Order with the SEC, docketed as SEC Case No. 05-98-5978.[9] SEC Chairman Perfecto Yasay, Jr. issued a temporary restraining order enjoining the Bitanga group from acting as officers and directors of BLTB.

On June 8, 1998, the Bitanga group filed another complaint with application for a writ of preliminary injunction and prayer for temporary restraining order, seeking to annul the May 19, 1998 stockholders' meeting. The complaint was docketed as SEC Case No. 06-98-5994.

A Hearing Panel of the SEC conducted joint hearings of SEC Cases Nos. 05-98-5973 and 05-98-5978. On June 17, 1998, the SEC Hearing Panel granted the Bitanga group's application for a writ of preliminary injunction upon the posting of a bond in the amount of P20,000,000.00.[10] It declared that the May 19, 1998 stockholders' meeting was void on the grounds that, first, Michael Potenciano had himself asked for its postponement due to improper notice; and, second, there was no quorum, since BMB Holdings, Inc., represented by the Bitanga group, which then owned 50.26% of BLTB's shares having purchased the same from the Potenciano group, was not present at the said meeting. The Hearing Panel further held that the Bitanga Board remains the legitimate Board in a hold-over capacity.

The Potenciano group filed a petition for certiorari[11] with the SEC En Banc on June 29, 1998, seeking a writ of preliminary injunction to restrain the implementation of the Hearing Panel's assailed Order.

On July 21, 1998, the SEC En Banc set aside the June 17, 1998 Order of the Hearing Panel and issued the writ of preliminary injunction prayed for.[12]

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The Bitanga group immediately filed a petition for certiorari[13] with the Court of Appeals on July 22, 1998, followed by a Supplemental Petition on August 10, 1998. The petition was docketed as CA-G.R. SP No. 48374.

Meanwhile, on July 29, 1998, the SEC En Banc issued a writ of preliminary injunction against the Bitanga group, after the Potencianos posted the required bond of P20,000,000.00.[14]

On November 23, 1998, the Court of Appeals rendered the now assailed Decision, reversing the assailed Orders of the SEC En Banc and reinstating the Order of the Hearing Panel ordered dated June 17, 1998.[15] The Court of Appeals denied the Motions for Reconsideration in a Resolution dated March 25, 1999.[16]

Petitioners Batangas Laguna Tayabas Bus Company, Inc., Dolores A. Potenciano, Max Joseph A. Potenciano, Mercedelin A. Potenciano and Delfin C. Yorro filed the instant petition for review, docketed as G.R. No. 137934, against respondents Benjamin M. Bitanga, Renato L. Leveriza, Laureano A. Siy, James A. Olayvar, Eduardo A. Azucena, Monina Grace S. Lim and Gemma M. Santos. Petitioners contend that ---

> I
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> WITH ALL DUE RESPECT, THE HONORABLE COURT OF APPEALS GRAVELY ERRED WHEN IT DISREGARDED, CONTRARY TO WELL-ESTABLISHED JURISPRUDENCE, THE FACTUAL FINDINGS OF THE SEC WHICH IS A SPECIALIZED QUASI-JUDICIAL AGENCY, AND INVALIDATED THE PRELIMINARY INJUNCTION ISSUED BY THE LATTER. THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR BECAUSE THERE IS NO SHOWING THAT THE SEC MADE ANY ERROR IN EITHER JURISDICTION OR JUDGMENT.
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> II
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> WITH ALL DUE RESPECT, THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN RULING THAT RESPONDENTS WERE DEPRIVED OF THEIR RIGHT TO DUE PROCESS BECAUSE: (1) A FULL-BLOWN HEARING WAS CONDUCTED ON 6 JULY 1998 WHERE THE PARTIES FULLY ARGUED THEIR POSITIONS AND WERE HEARD BY THE SEC EN BANC; (2) THE LAW DOES NOT REQUIRE A SEPARATE HEARING FOR THE FIXING OF THE AMOUNT OF THE INJUNCTION BOND; AND (3) IN ANY CASE, THE ALLEGED FAILURE OF THE SEC TO FIX THE AMOUNT OF THE INJUNCTION BOND IN ITS 21 JULY 1998 ORDER AND SUBSEQUENT FIXING THEREOF IN ITS 26 JULY 1998 ORDER IS NOT A FATAL ERROR.
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> III
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> WITH ALL DUE RESPECT, THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN RULING THAT THE 21 JULY 1998 ORDER OF THE SEC RESOLVED THE MAIN CASE. THE SEC, ACTING WITHIN THE BOUNDS OF ITS JURISDICTION, MERELY MADE A PRELIMINARY EVALUATION TO RESOLVE THE PRAYER FOR PRELIMINARY INJUNCTION, WHICH, BY ITS VERY NATURE, IS AN ANCILLARY REMEDY. THE MAIN PETITION REMAINS PENDING BEFORE THE SEC FOR THE RESOLUTION OF ITS MERITS.[17]

Another petition for review, docketed as G.R. No. 137936, was filed by petitioners Danilo L. Concepcion, Fe Eloisa Gloria and Edijer A. Martinez, in their capacities as Associate Commissioners of the Securities and Exchange Commission, Batangas Laguna Tayabas Bus Company, Inc., Dolores A. Potenciano, Max Joseph A. Potenciano, Michael A. Potenciano, Mercedelin A. Potenciano, Candido A. Potenciano, Henry John A. Potenciano, Delfin C. Yorro, Reynaldo Magtibay, Lorna Navarro and Restituto Baylon based on the following grounds:

> I

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THE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION IN HOLDING THAT THE JULY 21, 1998 ORDER OF THE SEC IN SEC EN BANC CASE NO. 611 RESOLVED THE MAIN CASE.

II

THE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION IN HOLDING THAT THE PRIVATE RESPONDENTS WERE DENIED THEIR RIGHT TO DUE PROCESS.

III

THE COURT OF APPEALS GRAVELY ERRED IN NOT HOLDING THAT THE SEC ORDER OF JULY 21, 1998 IS VALID AND IN DISREGARDING THE FACTUAL FINDINGS OF THE SEC.[18]

The two petitions for review were consolidated.

We find that the petitions are impressed with merit. Contrary to the findings of the Court of Appeals, the Bitanga group was not deprived of due process when the SEC En Banc issued its Order dated July 21, 1998.

Due process, in essence, is simply an opportunity to be heard.[19] It cannot be denied that in the case at bar, a hearing on the prayer for injunction was held on July 9, 1998. Both parties were represented at the said hearing, and the Bitanga group presented its arguments in opposition to the injunctive relief. This alone negates any proposition that the Bitanga group was denied due process.

In applications for preliminary injunction, the requirement of hearing and prior notice before injunction may issue has been relaxed to the point that not all petitions for preliminary injunction must undergo a trial-type hearing, it being hornbook doctrine that a formal or trial-type is not at all times and in all instances essential to due process. Due process simply means giving every contending party the opportunity to be heard and the court to consider every piece of evidence presented in their favor. Accordingly, this Court has recently rejected a claim of denial of due process where such claimant was given the opportunity to be heard, having submitted his counter-affidavit and memorandum in support of his position.[20]

Much ado has been made over the fact that the injunction order was issued with “deliberate speed” even before the Bitanga group filed its Comment to the Potenciano group’s Petition. However, the said Comment is rather directed to the petition of the Potenciano group; it is not essential to the resolution of the prayer for injunction. The Rules of Court do not require that issues be joined before preliminary injunction may issue. Preliminary injunction may be granted at any stage of an action or proceeding prior to the judgment or final order, ordering a party or a court, agency or a person to refrain from a particular act or acts. For as long as the requisites for its issuance are present in the case, the injunctive writ was properly issued.[21]

Respondents argue that the SEC En Banc’s July 21, 1998 Order amounted to a ruling on the main case. We disagree.

A reading of the said Order readily reveals that it merely delved on the propriety of granting a writ of preliminary injunction against the Bitanga group. The main case is far from being disposed of as there are several issues still awaiting resolution, including, whether or not the Bitanga group has taken funds and assets of BLTB and if so, in what amount and consisting of what assets; and whether or not the Potenciano group is entitled to the payment of exemplary damages, attorney’s fees and costs of suit. There is no merit, therefore, in the statement that the SEC En Banc’s ruling is a prejudgment of the main case, as several matters need yet to be addressed.

The fact that the aforesaid Order was merely provisional in character may be gleaned from the very nature of the injunctive writ granted. Generally, injunction is a preservative remedy for the protection of one's substantive right or interest. It is not a cause of action in itself but merely a provisional remedy, an adjunct to a main suit.[22] Thus,

it has been held that an order granting a writ of preliminary injunction is an interlocutory order.[23] As distinguished from a final order which disposes of the subject matter in its entirety or terminates a particular proceeding or action, leaving nothing else to be done but to enforce by execution what has been determined by the court, an interlocutory order does not dispose of a case completely, but leaves something more to be adjudicated upon.[24]

In the case at bar, it cannot be said that the July 21, 1998 Order of the SEC En Banc terminated the Potenciano group's petition in its entirety. As mentioned above, there remain several issues which have yet to be resolved and adjudicated upon by the SEC.

The next issue --- whether or not the SEC En Banc committed error in jurisdiction as to entitle the Bitanga group to the extraordinary remedy of certiorari --- should likewise be resolved in the negative.

In the July 21, 1998 Order of the SEC En Banc, the validity of the BLTB stockholders' meeting held on May 19, 1998 was sustained, in light of the time-honored doctrine in corporation law that a transfer of shares is not valid unless recorded in the books of the corporation. The SEC En Banc went on to rule that –

> It is not disputed that the transfer of the shares of the group of Dolores Potenciano to the Bitanga group has not yet been recorded in the books of the corporation. Hence, the group of Dolores Potenciano, in whose names those shares still stand, were the ones entitled to attend and vote at the stockholders' meeting of the BLTB on 19 May 1998. This being the case, the Hearing Panel committed grave abuse of discretion in holding otherwise and in concluding that there was no quorum in said meeting.[25]

Based on the foregoing premises, the SEC En Banc issued a writ of preliminary injunction against the Bitanga group. In so ruling, the SEC En Banc merely exercised its wisdom and competence as a specialized administrative agency specifically tasked to deal with corporate law issues. We are in full accord with the SEC En Banc on this matter. Indeed, until registration is accomplished, the transfer, though valid between the parties, cannot be effective as against the corporation. Thus, the unrecorded transferee, the Bitanga group in this case, cannot vote nor be voted for. The purpose of registration, therefore, is two-fold: to enable the transferee to exercise all the rights of a stockholder, including the right to vote and to be voted for, and to inform the corporation of any change in share ownership so that it can ascertain the persons entitled to the rights and subject to the liabilities of a stockholder.[26] Until challenged in a proper proceeding, a stockholder of record has a right to participate in any meeting;[27] his vote can be properly counted to determine whether a stockholders' resolution was approved, despite the claim of the alleged transferee.[28] On the other hand, a person who has purchased stock, and who desires to be recognized as a stockholder for the purpose of voting, must secure such a standing by having the transfer recorded on the corporate books.[29] Until the transfer is registered, the transferee is not a stockholder but an outsider.[30]

We find no error either in jurisdiction or judgment on the part of the SEC En Banc, since its conclusions of law were anchored on established principles and jurisprudence.

Indeed, nowhere in the Bitanga group's petition for certiorari before the Court of Appeals was it shown that the SEC En Banc committed such patent, gross and prejudicial errors of law or fact, or a capricious disregard of settled law and jurisprudence, as to amount to a grave abuse of discretion or lack of jurisdiction on its part. Absent such showing, neither the Court of Appeals nor this Court should engage in a review of the facts found nor even of the law as interpreted or applied by the SEC En Banc, for the writ of certiorari is an extraordinary remedy, and certiorari jurisdiction is not to be equated with appellate jurisdiction. The main thrust of a petition for certiorari under Rule 65 of the Rules of Court is only the correction of errors of jurisdiction including the commission of grave abuse of discretion amounting to lack or excess of jurisdiction. However, for this Court or the Court of

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Appeals to properly exercise the power of judicial review over a decision of an administrative agency, such as the SEC, it must first be shown that the tribunal, board or officer exercising judicial or quasi-judicial functions has indeed acted without or in excess of its or his jurisdiction, and that there is no appeal, or any plain, speedy and adequate remedy in the ordinary course of law. In the absence of any showing of lack of jurisdiction or grave abuse tantamount to lack or excess of jurisdiction, judicial review may not be had over an administrative agency's decision.[31] We have gone over the records of the case at bar and we see no cogent reason to hold that the SEC En Banc had abused its discretion.

Moreover, it is a fundamental rule that factual findings of quasi-judicial agencies like the SEC, if supported by substantial evidence, are generally accorded not only great respect but even finality, and are binding upon this Court, unless petitioner is able to show that it had arbitrarily disregarded evidence before it or had misapprehended evidence to such an extent as to compel a contrary conclusion if such evidence had been properly appreciated. This rule is rooted in the doctrine that this Court is not a trier of facts, as well as in the respect to be accorded the determinations made by administrative bodies in general on matters falling within their respective fields of specialization or expertise.[32]

In light of all the foregoing, we find that the Court of Appeals erred in granting the extraordinary remedy of certiorari to the Bitanga group. It is elementary that a special civil action for certiorari is limited to correcting errors of jurisdiction or grave abuse of discretion.[33] None of these have been found to obtain in the petition before the Court of Appeals. What is more, it is also settled that the issuance of the writ of preliminary injunction as an ancillary or preventive remedy to secure the rights of a party in a pending case is entirely within the discretion of the court taking cognizance of the case, the only limitation being that this discretion should be exercised based upon the grounds and in the manner provided by law. The exercise of sound judicial discretion by the lower court in injunctive matters should not be interfered with except in cases of manifest abuse.[34]

WHEREFORE, in view of all the foregoing, the instant petitions for review are GRANTED. The Decision of the Court of Appeals dated November 23, 1998 in CA-G.R. SP No. 48374 and its resolution dated March 25, 1999 are SET ASIDE. The Orders of the SEC En Banc dated July 21, 1998 and July 27, 1998 in SEC Case No. EB 611 are ordered REINSTATED.

SO ORDERED.

Kapunan, and Pardo, JJ., concur.
Davide, Jr., C.J., (Chairman), joins Justice Puno in his dissent.
Puno, J., see dissent.

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[1] Rollo, G.R. No. 137934, p. 13.

[2] Ibid., pp. 650-669.

[3] Id., pp. 654-655.

[4] Id.

[5] Later elected Corporate Secretary at a Directors' meeting held on February 9, 1998.

[6] Dolores A. Potenciano, Max Joseph A. Potenciano, Jr., Michael A. Potenciano, Candido A. Potenciano, Delfin C. Yorro, Reynaldo Magtibay, Lorna Navarro, Restituto Baylon and Henry John A. Potenciano.

[7] Dolores A. Potenciano as Chairperson, Candido A. Potenciano as President and Chief Executive Officer,

Michael A. Potenciano as Vice President and Chief Operating Officer, Lorna Navarro as Treasurer and Chief Financial Officer and Rodolfo De Gorostiza as Corporate Secretary.

[8] Rollo, G.R. No. 137936, pp. 77-89.

[9] Rollo, G.R. No. 137934, pp. 78-273.

[10] Petition, Annex "E", Order, SEC Case No. 05-98-5973 and 05-98-5978, 17 June 1998, Rollo, G.R. No. 137934, pp. 278-283.

[11] SEC Case No. EB 611, Rollo, G.R. No. 137934, pp. 284-331.

[12] Rollo, G.R. No. 137934, pp. 332-334.

[13] Records, pp. 2-413.

[14] Rollo, G.R. No. 137934, pp. 335-336.

[15] Ibid., pp. 54-72; penned by Associate Justice Omar U. Amin, concurred in by Associate Justices Jorge S. Imperial and Hector L. Hofileña.

[16] Ibid., pp. 73-77; penned by Associate Justice Omar U. Amin, concurred in by Associate Justices Hector L. Hofileña and Portia A. Hormachuelos.

[17] Petition for Review on Certiorari, Rollo, G.R. No. 137934, pp. 19-21.

[18] Petition for Review on Certiorari, Rollo, G.R. No. 137936, p. 24.

[19] Bobis v. Court of Appeals, G.R. No. 113796, 14 December 2000.

[20] See Co v. Judge Calimag, A.M. No. RTJ-99-1493, 20 June 2000, citing NFL vs. NLRC, 283 SCRA 275 [1997] and Ginete v. Court of Appeals, 296 SCRA 38 [1998].

[21] Philippine Commercial International Bank v. Court of Appeals, G.R. No. 103149, 15 November 2000, citing Golangco v. Court of Appeals, 347 Phil. 771 [1997].

[22] Spouses Lopez v. Court of Appeals, G.R. No. 110929, 20 January 2000.

[23] Oro Cam Enterprises, Inc. v. Court of Appeals, G.R. No. 128743, 319 SCRA 444 [1999].

[24] See Bañares II v. Balising, G.R. No. 132624, 13 March 2000, citing People v. Bans, 239 SCRA 48 [1994].

[25] Petition, Annex "G", Order, SEC Case No. EB611, 21 July 1998, p. 2.

[26] See CAMPOS, The Corporation Code, Comments Notes and Selected Cases, 1990 ed., Vol. 2, p. 301.

[27] Price v. Sulu Dev. Co., 58 Phil. 707 [1933].

[28] Ibid.

[29] Ibid.

[30] Rivera v. Florendo, G.R. No. L-57586, 144 SCRA 652 [1986].

[31] See Telefunken Semiconductors Employees Union-FFW v. Court of Appeals, G.R. Nos. 143013-14, 18 December 2000.

[32] Palomado v. NLRC, G.R. No. 96520, 257 SCRA 680 [1996].

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[33] Pure Blue Industries, Inc. v. NLRC, G.R. No. 115879, 271 SCRA 259 [1997].

[34] Inter-Asia Services Corp. (International) v. Court of Appeals, G.R. No. 106427, 263 SCRA 408 [1996].

DISSENTING OPINION

PUNO: J.,

I respectfully submit that the Decision of the Court of Appeals issuing a writ of injunction to enjoin the Potenciano group from acting as officers and directors of the Batangas Laguna Tayabas Bus Co., Inc. (BLTB) is in order. It appears from the facts that the election of the Potenciano group into the Board of Directors of BLTB during the stockholders' meeting held on May 19, 1998 was void for lack of quorum. It is not disputed that the Bitanga group has acquired 50.26% of the outstanding capital stock of BLTB after Dolores Potenciano, Max Joseph Potenciano, Mercedelin Potenciano, Delfin Yorro and Maya Industries, Inc. sold 21,071,114 shares (representing 47.98% of the outstanding capital stock of the corporation) to BMB Property Holdings, Inc. represented by its President, Benjamin M. Bitanga, and the other minority stockholders sold 991,176 sharesalso to BMB Property Holdings, Inc. The Potenciano group cannot justify the participation of Dolores Potenciano, et al. in the said meeting by invoking Section 63 of the Corporation Code and arguing that the sale of the shares of stocks to BMB Property Holdings, Inc. was not recorded in the books of the corporation.

Section 63 of the Corporation Code provides:

> "Sec. 63. Certificate of stock and transfer of shares.-- xxx 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.
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Under this provision, the sale of the stocks shall not be recognized as valid unless registered in the books of the corporation, but only insofar as third persons, including the corporation, are concerned.[1] The reasons behind the registration requirement are:

> (1)
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> to enable the corporation to know at all times who its actual stockholders are, because mutual rights and obligations exist between the corporation and its stockholders;
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> (2)
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> to afford to the corporation an opportunity to object or refuse its consent to the transfer incase it has any claim against the stock sought to be transferred, or for any other valid reason; and
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> (3)
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> to avoid fictitious or fraudulent transfers.[2]

The rule is intended to protect the interest of the corporation and third persons who may be prejudiced by the transfer of the shares of stocks. It follows, therefore, that as between the parties to the sale, the transfer shall be valid even if not recorded in the books of the corporation.[3]

The present controversy involves only the sellers and buyer of the BLTB shares of stock -- the Potencianos and Bitanga. It has not been shown that either the corporation or third persons are involved in the sale. Thus, the

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sellers, the Potencianos, cannot deny that they no longer have rights as shareholders as they have already relinquished said rights to the buyer, Bitanga, pursuant to the contract of sale. Unless the sale of the shares is annulled, the rights of the buyer under the contract must be respected and upheld.

I vote to DENY the petitions.

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[1] See Razon vs. Intermediate Appellate Court, 207 SCRA 234 (1992); Embassy Farms, Inc. vs. Court of Appeals, 188 SCRA 492 (1990); Magsaysay-Labrador vs. Court of Appeals, 180 SCRA 266 (1989).

[2] Escano vs. Filipinas Mining Corp., et al., 74 Phil 711 (1944).

[3] Agbayani, Commercial Laws of the Philippines, vol. 3, 1996 ed., p. 521.

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