

## FIRST DIVISION

[ G.R. No. 233857 (formerly UDK 16000), March 18, 2021 ]

**AGAPITO A. SALIDO, JR., PETITIONER, VS. ARAMAYWAN METALS DEVELOPMENT CORPORATION, CERLITO SAN JUAN, CORAZON SAN JUAN, CRISTINA MARIE SAN JUAN, RESPONDENTS.**

### D E C I S I O N

#### **CAGUIOA, J:**

Before the Court is a Petition for Review on *Certiorari* (Petition) under Rule 45 of the Rules of Court assailing the Amended Decision<sup>[1]</sup> of the Court of Appeals (CA) dated January 31, 2017 (Amended Decision) in CA-G.R. CV No. 98934, declaring as void certain resolutions of the board of directors of Aramaywan Metals Development Corporation (Aramaywan).

#### **Facts**

This case is an intra-corporate dispute involving two different factions within Aramaywan, a corporation duly organized under the laws of the Philippines. Sometime in April 2005, Cerlito San Juan (San Juan), Ernesto Mangune (Mangune), and Agapito Salido, Jr. (Salido), along with four other individuals (collectively, Salido faction), agreed to form two mining corporations, namely Aramaywan and Narra Mining Corporation (Narra Mining).<sup>[2]</sup> San Juan was tasked to finance the initial operations of the intended corporation, Mangune was in charge of the technical aspect of the operations, while Salido and the Salido faction were in charge of the mining site and securing the necessary permits.<sup>[3]</sup> They entered into an Agreement to Incorporate (Agreement), wherein it was stipulated that San Juan would advance the paid-up subscription for Aramaywan amounting to P2,500,000.00 and would assure the payment of the subscription of the capital stock of Narra Mining.<sup>[4]</sup> In exchange, San Juan would own 55% of the stocks of Aramaywan and 35% of the stocks of Narra Mining.<sup>[5]</sup> The exact terms of the Agreement were:

SECTION 2. The capital stock of each of the Corporation shall be TEN MILLION PESOS (P10,000,000.00) to be divided into 100,000 shares with par value of P100.00 each. The parties shall subscribe and fully pay 25,000 shares of the capital stock or P2,500,000.00 of each of the two corporations. Cerlito G. San Juan shall advance the paid-up subscription for ARAMAYWAN METALS DEVELOPMENT CORPORATION in the sum of [P]2,500,000.00 and shall assure the payment of the subscription of P2,500,000.00 of the capital stock of NARRA MINING CORPORATION.

SECTION 3. The distribution of the subscription by the parties to the authorized capital stock shall be as follows:

ARAMAYWAN METALS DEVELOPMENT CORPORATION:

CERLITO G. SAN JUAN	-	55%
ERNESTO U. MANGUNE	-	10%
AGAPITO A. SALIDO,	-	7%
JR.	-	7%
WENIFRED A. TUPAZ	-	7%
EFIONONO A. TUPAZ	-	7%
TEODORA L. PLATA	-	7%
BERNALDO A. TUPAZ		

NARRA MINING CORPORATION:

CERLITO G. SAN JUAN	-	35%
ERNESTO U. MANGUNE	-	10%
AGAPITO A. SALIDO,	-	11%
JR.	-	11%
WENIFRED A. TUPAZ	-	11%
EFIONONO A. TUPAZ	-	11%
TEODORA L. PLATA	-	11% <sup>[6]</sup>
BERNALDO A. TUPAZ		

In line with the said Agreement, San Juan then advanced the P2,500,000.00 paid-up subscription of Aramaywan.<sup>[7]</sup> This is evidenced by a Standard Chartered Bank Certificate indicating that the amount of P2,500,000.00 was deposited in San Juan's name as treasurer, held by him in trust for the corporation.<sup>[8]</sup> Aramaywan was then subsequently incorporated with nine named directors. Its Articles of Incorporation<sup>[9]</sup> states that out of its 100,000 shares, 25,000 are subscribed **and paid** as follows:

<b>Name</b>	<b>No. of Shares</b>	<b>Amount Subscribed</b>	<b>Amount Paid</b>
Cerlito G. San Juan	5,000	500,000	500,000
Corazon S. San Juan	5,000	500,000	500,000
Cristina Marie San Juan	3,750	375,000	375,000
Ernesto U. Mangune	2,500	250,000	250,000
Agapito A. Salido, Jr.	1,750	175,000	175,000
Efionono A. Tupaz	1,750	175,000	175,000
Wenifred A. Tupaz	1,750	175,000	175,000
Teodora A. Plata	1,750	175,000	175,000
Bernaldo A. Tupaz	1,750	175,000	175,000
	25,000	2,500,000	2,500,000

San Juan's 55% share, representing 13,750 shares in Aramaywan, was divided into three: 5,000 shares for himself, another 5,000 shares for Corazon San Juan (Corazon), his wife, and 3,750 shares for Cristina Marie San Juan (Cristina Marie), his daughter. Corazon and Cristina Marie were also named directors of the corporation, and together with San Juan, they form the San Juan faction in

Aramaywan.<sup>[10]</sup> The rest of the five directors, excluding Mangune, representing 35% of the shares in the corporation, form the Salido faction in Aramaywan. The named officers of the corporation were San Juan as Chairman and Treasurer, Salido as President, and Mangune as Corporate Secretary.

On November 25-26, 2005, the Board of Directors of Aramaywan had its first Board Meeting. In the said meeting, the Salido faction claimed that San Juan delivered only P932,209.16 in cash during the incorporation process of the corporation. The Salido faction claimed that the rest of the P2,500,000.00 remained undelivered as it remained under San Juan's name. Thus, the Salido faction claimed that San Juan was in breach of his undertaking to advance the payment of Aramaywan's capital stock. As regards the incorporation of Narra Mining, it is undisputed that San Juan has yet to register the same, although San Juan claimed that the Salido faction has not yet demanded its registration. Because of these supposed breaches by San Juan of his obligations under the Agreement, Salido made a proposal to reduce San Juan's shares in Aramaywan from 55% to 15%. It is not clear whether San Juan accepted this proposal or not.

On January 27, 2006, San Juan received a Notice of Special Meeting of the Board from a certain Atty. Roland Pay (Atty. Pay). The San Juan faction wrote Atty. Pay a letter directing him to explain as to how he became the corporate secretary, but the latter never responded. The special board meeting was nevertheless conducted on February 5, 2006, wherein resolutions were passed by the Salido faction regarding the following matters:

- a. Resolution No. 01-2006: "confirming"<sup>[11]</sup> the reduction of the shares of San Juan in Aramaywan from 55% to 15%. San Juan's shares were reduced to allegedly accurately represent that amount of money he actually shelled out for the corporation, which was allegedly only P932,209.16 and not the total amount of P2,500,000.00;
- b. Resolution No. 02-2006: change of corporate address from Taguig to Palawan;
- c. Resolution No. 03-2006: cancelling the shares of Corazon and Cristina Marie by virtue of the reduction of shares of San Juan;
- d. Resolution No. 04-2006: That the registration of Narra Mining Corporation shall no longer proceed on account of San Juan's non-compliance with his obligation to advance the necessary amount.
- e. Resolution No. 05-2006: authorizing Salido, as President and CEO of Aramaywan, to negotiate and transact with any entity on behalf of Aramaywan, and to sign a memorandum of agreement to speed up the mining operations for the benefit of the corporation;
- f. Resolution No. 06-2006: appointment of a new corporate

secretary in the person of Atty. Roland E. Pay per minutes of a Special Meeting on November 25, 2005; and

- g. Resolution No. 07-2006: appointment of a Teodora L. Plata as the new Treasurer of Aramaywan.<sup>[12]</sup>

Several other meetings were called by the Salido faction through Atty. Pay. The supposed approved acts of the corporation in these meetings were similarly questioned by the San Juan faction. The San Juan faction, on the other hand, in its belief that it still had control over the corporation, called for stockholders' and board meetings and approved supposed corporate acts. Both contending parties then submitted to the Securities and Exchange Commission (SEC) conflicting General Information Sheets. Thereafter, the San Juan faction filed with the Regional Trial Court of Pasig (RTC) a complaint which sought to invalidate the acts of the Salido faction.

### **RULING OF THE RTC**

On February 14, 2012, the RTC issued a Decision<sup>[13]</sup> dismissing the complaint filed by the San Juan faction. The dispositive portion of the Decision reads:

**WHEREFORE**, premises considered, judgment is hereby rendered:

1. Declaring the agreement between the corporation and plaintiff Cerlito San Juan for the latter's conversion of 10,000 of his shares into treasury shares as well as the cancellation of shares of plaintiffs Corazon and Cristina San Juan [v]alid, binding and effective as between the parties;
2. Directing plaintiffs Cerlito San Juan and his nominees to execute a registrable public document for the transfer of their 10,000 shares in favor of the corporation;
3. Declaring the appointment of defendant Roland E. Pay as corporate secretary of plaintiff corporation effective November 26, 2005 valid and effective;
4. Declaring the special board meeting held on February 5, 2005 and the subsequent annual and special stockholders' and board meetings called and held by the Salido Group valid;
5. Declaring Resolution Nos. 1-2006, 2-2006, 3-2006, 4-2006, 6-2006, 7-2006 valid and binding, except for Resolution No. 5-2006, which is hereby declared invalid but without prejudice to the right of the corporation to have the same ratified;
6. Declaring the issuance of original unissued shares as well as treasury shares valid;
7. Declaring the stockholders' and board meetings of San Juan group as well as all proceedings, actions, resolutions,

decisions made therein null and void;

8. Dismissing plaintiffs' claims for damages and attorney's fees against defendants.

No pronouncement as to costs.

**SO ORDERED.**<sup>[14]</sup>

The RTC upheld Atty. Pay's appointment as corporate secretary as the Salido faction was able to prove the same through the minutes of the board meeting conducted on November 25-26, 2005. As Atty. Pay was deemed to be the rightful corporate secretary of the corporation, the RTC went on to uphold as valid the meetings called by him and the actions taken therein. The RTC also held that San Juan voluntarily and expressly agreed to the reduction of his shares, hence he could no longer repudiate the same. The RTC held that the 40% share of San Juan was converted into treasury shares in exchange for the termination of San Juan's obligation (1) to release the rest of the P1,567,790.84 to the corporation and (2) to incorporate Narra Mining. The RTC upheld the validity of the meetings of the Salido faction as they were supposedly already in control of the corporation because of the reduction of San Juan's shares. The San Juan faction thus appealed to the CA.

#### **RULING OF THE CA**

In a Decision<sup>[15]</sup> dated January 19, 2016, the CA affirmed the ruling of the RTC that the reduction of San Juan's shares was valid. The CA held that the minutes of the meeting revealed that San Juan agreed to the said reduction, and that the same was a valid corporate act on the part of the corporation. The CA likewise agreed with the RTC that San Juan's reduced shares, representing 40% of the shares in the corporation after his shares were reduced from 55% to 15%, validly became treasury shares. The CA held that the consideration for such conversion was the termination of San Juan's obligation to pay the P1,567,790.1 that he still supposedly owed the company as he only gave P932,209.16.

The San Juan faction then sought reconsideration of this Decision.

On January 31, 2017, the CA issued an Amended Decision,<sup>[16]</sup> reversing its earlier decision. The dispositive portion of the Amended Decision reads:

**WHEREFORE**, in view of the foregoing, plaintiffs-appellants' Motion for Reconsideration is partially **GRANTED**.

The present appeal is **PARTLY GRANTED** and this Court's earlier Decision promulgated on January 19, 2016 is **MODIFIED**.

Accordingly, a new judgment is hereby entered **AFFIRMING** the appealed Decision dated February 14, 2012 of the RTC, Branch 159, Pasig City in *SEC Case No. 07-89* only as to the declaration of validity of the appointment of Atty. Roland Pay as corporate secretary, declaration of validity of Resolution Nos. 4-2006, 6-2006 and 7-2006, the invalidity of Resolution 5-2006, without prejudice to ratification; and the dismissal of the claim for damages and attorney's fees. The rest of the trial court's pronouncement as explained above are hereby **REVERSED** and **SET ASIDE**.