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Respondents and their court personnel, however, are hereby **ADMONISHED** to be always courteous in dealing with litigants and the public in the performance of official duties.

SO ORDERED.

Carpio (Chairperson), Brion, del Castillo, and *Leonen, JJ.,* concur.

THIRD DIVISION

[G.R. No. 154291. November 12, 2014]

LOPEZ REALTY, INC. and ASUNCION LOPEZ-GONZALES, *petitioners, vs.* **SPOUSES REYNALDO TANJANGCO and MARIA LUISA ARGUELLES-TANJANGCO,** *respondents.*

SYLLABUS

1. MERCANTILE LAW; CORPORATION CODE; BOARD OF DIRECTORS; MEETINGS; A MEETING OF THE BOARD OF DIRECTORS IS LEGALLY INFIRM IF THERE IS FAILURE TO COMPLY WITH THE REQUIREMENTS OR FORMALITIES OF THE LAW OR THE CORPORATION'S BY-LAWS AND ANY ACTION TAKEN ON SUCH MEETING MAY BE CHALLENGED AS A CONSEQUENCE; RATIFICATION, WHEN PROPER; PRESENT IN CASE AT BAR.— The Court agrees with the petitioners that the August 17, 1981 Board Resolution did not give Arturo the authority to act as LRI's representative in the subject sale, as the meeting of the board of directors where such was passed was conducted without giving any notice to Asuncion. x x x The Court took this matter up in *Fontecha*, involving herein parties, where it was held that a meeting of the board of directors is legally infirm if there is

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failure to comply with the requirements or formalities of the law or the corporation's by laws and any action taken on such meeting may be challenged as a consequence: x x x However, the actions taken in such a meeting by the directors or trustees may be ratified expressly or impliedly. "Ratification means that the principal voluntarily adopts, confirms and gives sanction to some unauthorized act of its agent on its behalf. It is this voluntary choice, knowingly made, which amounts to a ratification of what was theretofore unauthorized and becomes the authorized act of the party so making the ratification. The substance of the doctrine is confirmation after conduct, amounting to a substitute for a prior authority. Ratification can be made either expressly or impliedly. Implied ratification may take various forms — like silence or acquiescence, acts showing approval or adoption of the act, or acceptance and retention of benefits flowing therefrom." x x x In the present case, the ratification was expressed through the July 30, 1982 Board Resolution. x x x Upon examination of the July 30, 1982 minutes of the meeting, it can be deduced that the meeting is a joint stockholders and directors' meeting. The Court takes into account that majority of the board of directors except for Asuncion, had already approved of the sale to the spouses Tanjangco prior to this meeting. As a consequence, the power to ratify the previous resolutions and actions of the board of directors in this case lies in the stockholders, not in the board of directors. It would be absurd to require the board of directors to ratify their own acts—acts which the same directors already approved of beforehand.

2. ID.; ID.; STOCKHOLDERS; ON THE DEATH OF A SHAREHOLDER, THE EXECUTOR OR ADMINISTRATOR DULY APPOINTED BY THE COURT IS VESTED WITH THE LEGAL TITLE TO THE STOCK AND ENTITLED TO VOTE IT; CASE AT BAR.— Juanito, as the administrator of Teresita's estate even though not a director, is entitled to vote on behalf of Teresita's estate as the administrator thereof. The Court reiterates its ruling in *Tan v. Sycip*, *viz*: In stock corporations, shareholders may generally transfer their shares. **Thus, on the death of a shareholder, the executor or administrator duly appointed by the Court is vested with the legal title to the stock and entitled to vote it.** Until a settlement and division of the estate is effected, the stocks of the decedent are held by the administrator or executor.

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3. ID.; ID.; CORPORATE SECRETARY; THE SIGNATURE OF THE CORPORATE SECRETARY GIVES THE MINUTES OF THE MEETING PROBATIVE VALUE AND CREDIBILITY; SUSTAINED.— It is the signature of the corporate secretary, as the one who is tasked to prepare and record the minutes, that gives the minutes of the meeting probative value and credibility, as the Court explained in *Dumlao*, to wit: x x x **The proper custodian of the books, minutes and official records of a corporation is usually the corporate secretary. Being the custodian of corporate records, the corporate secretary has the duty to record and prepare the minutes of the meeting. The signature of the corporate secretary gives the minutes of the meeting probative value and credibility**. x x x Thus, without the certification of the corporate secretary, it is incumbent upon the other directors or stockholders as the case may be, to submit proof that the minutes of the meeting is accurate and reflective of what transpired during the meeting.

4. REMEDIAL LAW; APPEALS; FACTUAL FINDINGS OF THE TRIAL COURT; THE EXISTENCE OF A PERFECTED CONTRACT IS A FINDING OF FACT WHICH THE SUPREME COURT WILL NOT DISTURB IF THERE IS SUBSTANTIAL EVIDENCE SUPPORTING IT.— The existence of a perfected contract is a finding of fact that the Court will not disturb if there is substantial evidence supporting it. "Basic is the rule that factual findings of trial courts, including their assessment of the witnesses' credibility, are entitled to great weight and respect by this Court, particularly when the [CA] affirms the findings." For this reason, the spouses Tanjangco may not be compelled to honor a compromise agreement that never left the negotiation phase and be held liable for the alleged damages Asuncion incurred as a result of her attempts to comply to the provisions thereof.

APPEARANCES OF COUNSEL

Mary Gale A. Atienza for petitioners.
M.M. Lazaro & Associates for respondents.

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D E C I S I O N

REYES, *J.*:

This is a Petition for Review[1] under Rule 45 of the Rules of Court from the Decision[2] dated February 22, 2002 of the Court of Appeals (CA) in CA-G.R. CV No. 63519 which reversed and set aside the Decision[3] dated June 25, 1997 of the Regional Trial Court (RTC) of Manila, Branch 25, in Civil Case No. 144667.

Antecedents Facts

Lopez Realty, Inc. (LRI) and Dr. Jose Tanjangco (Jose) were the registered co-owners of three parcels of land and the building erected thereon known as the "Trade Center Building", which were covered by Transfer Certificates of Title (TCT) Nos. 127778, 127779 and 127780 (subject properties) of the Register of Deeds of Manila. Jose's one-half share in the subject properties were later transferred and registered in the name of his son Reynaldo Tanjangco and daughter-in-law, Maria Luisa Arguelles (spouses Tanjangco).

At the time material to this case, the stockholders of record of LRI were the following:

a. Asuncion Lopez-Gonzalez (Asuncion) – 7,831 shares;
b. Arturo F. Lopez (Arturo) – 7,830 shares;
c. Teresita Lopez-Marquez (Teresita) – 7,830 shares;
d. Rosendo de Leon (Rosendo) – 5 shares
e. Benjamin Bernardino (Benjamin) – 1 share;
f. Augusto de Leon (Augusto) – 1 share; and
g. Leo Rivera (Leo) – 1 share[4]

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[1] *Rollo*, pp. 12-43.

[2] Penned by Associate Justice Teodoro P. Regino, with Associate Justices Eugenio S. Labitoria and Rebecca De Guia-Salvador, concurring; *id*. at 299-327.

[3] Issued by Judge Ruben A. Mendiola; *id.* at 46-56.

[4] *Id*. at 15.

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Except for Arturo and Teresita, the rest of the stockholders were members of the Board of Directors.[5] Asuncion was LRI's Corporate Secretary.

In a special meeting of the stockholders held on July 27, 1981, the sale of the one-half share of LRI in the Trade Center Building was discussed:

MINUTES OF SPECIAL MEETING OF STOCKHOLDERS OF LOPEZ REALTY[,] INCORPORATED ON JULY 27, 1981 AT 3:00 P.M.

STOCKHOLDERS PRESENT:		
TERESITA L. MARQUEZ	-	**7,830 shares**
ASUNCION F. LOPEZ	-	**7,831 shares**
ARTURO F. LOPEZ	-	**7,830 shares**
ROSENDO DE LEON	-	5 share[s]
BENJAMIN B. BERNARDINO	-	1 share
LEO R. RIVERA	-	1 share
TOTAL		**23,498 Shares**

II. Sale of One-Half (1/2) Share of Lopez Realty, Inc. in Trade Center Building

The matter of the sale of ½ share of Lopez Realty, Inc., in the Trade Center Building was taken up. Atty. Benjamin B. Bernardino informed the body that the selling price is pegged at 4 Million Pesos, and the **Tanjangcos are offering 3.6 Million Pesos plus 50% of the receivables** or a total of 3.8 Million Pesos payable under the following terms:

1) 50% - upon registration

   50% - 30 days thereafter

2) All expenses and documentary stamp tax to be born[e] by the Tanjangcos.

3) Transfer Tax and Reserve Fund to be borne by Lopez Realty, Inc.

ASUNCION F. LOPEZ countered for a selling price of 5 Million Pesos, LOPEZ REALTY, INC., clean and of everything. At this point, TERESITA L. MARQUEZ and BENJAMIN B. BERNARDINO offered

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[5] *Id*.

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to ASUNCION F. LOPEZ that they (she) accept (equal) the TANJANGCO's offer as stated above. At this juncture, ASUNCION F. LOPEZ x x x called and talked with TANJANGCO over the phone three (3) times and offered the selling price at 5 Million Pesos but the latter did not move from their original offer as above-stated.

It was finally agreed by the body that ASUNCION F. LOPEZ x x x **be given the priority to accept [equal] the TANJANGCO offer and the same to be exercised within ten (10 accept) days. Failure on her part to act on the offer, the said offer will be deemed accepted**.[6] (Emphasis in the original)

On July 28, 1981, Teresita died.[7]

Asuncion failed to exercise her option to purchase the subject properties within the stated period. Thus, on August 17, 1981, while Asuncion was abroad, the remaining directors: Rosendo, Benjamin and Leo convened in a special meeting, where the following resolution was passed and approved:[8]

III. Upon motion duly seconded, Mr. ARTURO F. LOPEZ had been authorized by the Board **to immediately negotiate** with the Tanjangcos on the matter of the latter's offer to purchase ½ of the Trade Center Building and in connection therewith he is given **full power and authority** by the Board **to carry out the complete termination of the sale terms and conditions as embodied in the Resolution of July 27, 1981 and in connection therewith is likewise authorized to sign for and in behalf of Lopez Realty Incorporated**.

RESOLUTION
Series of 1981

RESOLVED, as it is hereby resolved that ARTURO F. LOPEZ negotiate with the Tanjangcos on the matter of the sale of ½ of Trade Center Bldg., **in accordance with the terms and conditions embodied in the Minutes of the Special Meeting of July 27, 1981**.[9] (Emphasis in the original)

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[6] *Id*. at 371-372.

[7] *See* Appellant's Brief; *id*. at 87.

[8] *Id*. at 47.

[9] *Id*. at 247-248.

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On August 25, 1981, on the strength of the foregoing board resolution, Arturo executed a Deed of Sale selling LRI's one-half interest in the subject properties to Jose, who was represented by his son, Manuel Tanjangco (Manuel). The price was fixed at ₱3,600,000.00, payable in the following manner: 50% or ₱1,800,000.00 upon registration of the Deed of Sale and the other 50% within 30 days from such registration.[10]

Upon learning of the above developments, Asuncion sent cablegrams to Rosendo and Jose on August 25, 1981, requesting them not to proceed with the sale.[11] Consequently, on September 1, 1981, the Board had a special meeting where the following resolution was passed and approved:

RESOLUTION
Series of 1981

"In view of the cable of Ms. Asuncion Lopez, the [B]oard decided to postpone [the] final action on the sale of Lopez Realty, Inc. share in Trade Center Building to the Tanjangcos so that she can be enlightened on all proceedings of the Board during her absence.

UNANIMOUSLY APPROVED."[12]

Upon Asuncion's arrival, the Board had a meeting on September 16, 1981, where she moved for the repeal and/or amendment of the August 17, 1981 and August 24, 1981 Board Resolutions. While Benjamin opposed Asuncion's motion, the members of the Board agreed to defer action on the matter until such time when Arturo and Asuncion have conferred or settled the matter.[13]

As Jose's one-half interest in the subject properties had already been transferred to the spouses Tanjangco, it was requested that LRI execute another deed of sale, where the spouses Tanjangco shall be designated as buyers. Thus, on October 5,

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[10] *Id*. at 86.

[11] *Id*. at 87.

[12] *Id*. at 87-88, 312.

[13] *Id*. at 88-89.

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1981, Arturo executed a Deed of Sale similar to that which was executed on August 25, 1981 in favor of the spouses Tanjangco.[14]

The spouses Tanjangco paid LRI the amount of ₱1,800,000.00, which the latter accepted by issuing Official Receipt No. 723.[15] The spouses Tanjangco then registered the Deed of Sale with the Register of Deeds of Manila, causing the cancellation of TCT Nos. 127778, 127779 and 127780 and the issuance of TCT Nos. 145983, 145984 and 145985 in their name.[16]

Consequently, on November 4, 1981, LRI and Asuncion (herein petitioners) filed with the then Court of First Instance of Manila, a Complaint[17] for annulment of sale, cancellation of title, reconveyance and damages with prayer for the issuance of temporary restraining order (TRO) and/or writ of preliminary injunction against the spouses Tanjangco, Arturo and the Registrar of Deeds of Manila. The complaint was docketed as Civil Case No. 144667 and raffled to Branch 25. Essentially, it was alleged that the sale is not binding on LRI as the August 17, 1981 Board Resolution, authorizing Arturo to sell the corporation's one-half interest in the subject properties, is invalid for lack of notice to Asuncion. It was also alleged that the said board resolution had already been revoked by the Board of Directors in their September 1, 1981 and September 16, 1981 Resolutions.

On November 11, 1981, the trial court issued a TRO, enjoining the spouses Tanjangco from paying the balance of the purchase price and Arturo from accepting payment.[18]

On November 13, 1981, Manuel, in representation of the spouses Tanjangco, wrote LRI, enclosing a manager's check

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[14] *Id*. at 89-90.

[15] *Id*. at 90.

[16] *Id*. at 302.

[17] Records, pp. 1-11.

[18] *Rollo*, p. 364.

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for ₱1,743,000.00 covering the balance of the purchase price less the transfer tax, LRI's share in the common fund and payables to the Bureau of Internal Revenue (BIR). Rosendo, however, deferred acceptance in view of the pendency of the cases filed by the directors of LRI against each other and the order of the Security and Exchange Commission (SEC), restraining him from acting on LRI matters.[19] Apparently, several cases were pending with the SEC involving the directors and shareholders of LRI, one of which is Asuncion's complaint for the nullification of the August 17, 1981 Board Resolution.

On November 21, 1981, the spouses Tanjangco filed a motion for the production of a copy of the board resolution authorizing Asuncion to file the complaint on LRI's behalf. In her Comment, Asuncion claimed that the action is a derivative suit she initiated as LRI's minority stockholder, for which no authorization from LRI's Board of Directors is necessary.[20]

On December 7, 1981, Arturo moved to dismiss the complaint on the grounds of lack of jurisdiction and *litis pendentia*. With regard to the first ground, Arturo alleged that the case essentially involves an intra-corporate dispute, which falls within the exclusive jurisdiction of the SEC. As to the second ground, Arturo alleged that Asuncion filed a complaint with the SEC, which was docketed as SEC Case No. 2164, against him and Benjamin, seeking to annul the August 17, 1981 Board Resolution.[21]

On July 30, 1982, the stockholders of LRI had a meeting where they voted on whether to ratify and confirm the sale of the subject properties to the spouses Tanjangco. The minutes of such meeting state:

> At this juncture, Juanito Santos moved for the ratification and confirmation of the sale of Trade Center Building to the [spouses Tanjangco] and thereby ratifying and confirming all minutes relative

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[19] *Id*. at 255, 377.

[20] *Id*. at 364.

[21] *Id*. at 365.

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to the sale made to the [spouses Tanjangco], and the same being seconded, it was placed to a vote amongst the stockholders and Directors present and the votes were as follows:

Leo Rivera - yes
Rosendo de Leon - yes
Juanito Santos - yes
Benjamin Bernardino - yes

After the ratification and confirmation of the sale of Trade Center Building, Asuncion Lopez stated that she is not preparing the minutes of today's meeting as well as that of June 29, 1982 and prior ones, but she was reminded that if she refuses to do what is incumbent upon her as Secretary, the same would be prepared and if she refuses to sign, that's up to her, for the corporation is governed by the Board of Directors coupled by the majority of the stockholders who ratify the acts of the Board.

That the sale of Trade Center Building in point of stockholders and in point of the Board of Directors had been duly ratified and confirmed and likewise it was moved and seconded that the votes will be submitted to the Securities and Exchange Commission (SEC) in order that the said office may be properly apprised of the situation of Lopez Realty, Inc.

There being no further business to take up, upon motion and duly seconded, the meeting [is] adjourned.[22]

On November 11, 1982, the executor of Teresita's estate, Juanito L. Santos (Juanito), moved to intervene, stating among others that the case is "basically an intra-corporate contest among the stockholders of LRI in respect to the sale or disposition of corporate property and the distribution of the proceeds thereof."[23]

On February 6, 1984, the trial court issued an order, denying the spouses Tanjangco's, Juanito's and Arturo's respective motions.[24]

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[22] *Id*. at 91-92, 255-256, 378; records, p. 182.

[23] *Id*. at 365.

[24] *Id*.

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On March 1, 1985, Asuncion and Arturo filed a Joint Motion to Dismiss in SEC Case No. 2164 on the ground that a "final settlement has been arrived at and that they hereby waive and renounce any further claim or counterclaim that they may have against each other x x x." This was granted by the SEC.[25]

The petitioners then filed a supplemental complaint, claiming that the negotiations between the parties to settle the case resulted in an agreement where the spouses Tanjangco would sell to the petitioners their interest in the subject properties for ₱6,000,000.00 on the condition that the petitioners would return the ₱1,800,000.00 the spouses Tanjangco paid to LRI. According to the petitioners, in order for Asuncion to meet her obligations under the agreement, she borrowed ₱4,000,000.00 from a bank at a high interest, sold her house at Magallanes for less than its market value and disposed several pieces of her jewelry. However, during the formal signing of the agreement, the spouses Tanjangco refused to sign for no apparent reason. The petitioners thus prayed that the spouses Tanjangco be compelled to sign and indemnify Asuncion for the damages she incurred.[26]

During the trial, the petitioners, among others, attempted to establish that the subject sale had not been validly ratified during the July 30, 1982 stockholders' meeting in view of the failure to meet the required number of votes. Asuncion testified that Juanito was not qualified to sit as a director during the said meeting there being no evidence that he owned at least one share. Asuncion likewise testified that Leo actually voted against the ratification of the sale, contrary to what is stated in the minutes, which she and Leo did not sign.[27]

After trial on the merits, the trial court issued a Decision[28] on June 25, 1997, the dispositive portion of which reads:

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[25] *Id.* at 366.

[26] *Id.* at 302-303.

[27] *Id.* at 48.

[28] *Id.* at 46-56.

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

1. Declaring null and void the Deed of Sale, dated 5 October 1981, signed by defendant Arturo Lopez, in behalf of Lopez Realty[,] Inc., and defendants Spouses Reynaldo and Maria Luisa Tanjangco, involving the interest of Lopez Realty, Inc. in the Trade Center Building;

2. Directing the Register of Deeds of Manila to cancel Transfer Certificate of Title Nos. 145983, 145984 and 145985 in the name of Maria Luisa Arguelles married to Reynaldo Tanjangco and to reinstate Transfer Certificates of Title Nos. 127778, 127779 and 127780 in the names of Lopez Realty, Inc. and Maria Luisa Arguelles married to Reynaldo Tanjangco;

3. Directing defendants Spouses Reynaldo and Maria Luisa Tanjangco to make an accounting of all the rentals they collected from the Trade Center Building from 5 October 1981 and, thereafter, to remit to plaintiff, Lopez Realty, Inc., one-half (1/2) of the net amount (after deducting reasonable expenses), plus yearly interest in the amount of 12% until fully paid, all within 90 days from the finality of this decision;

4. Directing plaintiff Lopez Realty, Inc. to return to defendants spouses Reynaldo and Maria Luisa Tanjangco the amount of ₱1,800,000.00; and,

5. Directing defendants, Spouses Reynaldo and Maria Luisa Tanjangco to pay plaintiff the amount of ₱150,000.00 as attorney's fees.

SO ORDERED.[29]

Finding the sale null and void, the trial court ruled that Arturo lacked the authority to sell LRI's interest on the subject properties to the spouses Tanjangco on LRI's behalf in view of the procedural infirmities which attended the meeting held on August 17, 1981. Specifically:

On this issue, the Court rules in favor of the plaintiff. There is merit in plaintiff's contention that the 17 August 1981 meeting of

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[29] *Id*. at 55-56.

the Board of Directors of Lopez Realty was illegal. Section 53 of the Corporation Code of the Philippines categorically provides:

"Sec. 53. Regular and Special Meeting[s] of Directors [or] Trustees — Regular meeting of the board of directors or trustees of every corporation [shall be] held monthly[,] unless the by-laws provides [sic] otherwise.

x x x x x x x x x

Meeting[s] of directors or trustees of corporations may be held [anywhere] in or outside [of] the Philippines, unless the by-laws provides [sic] otherwise. Notice of the regular or special meeting[s] stating the date, time and place of the meeting must be sent to every director or trustee, at least, one (1) day prior to the scheduled meeting[,] unless otherwise provided by the by-laws. A director or trustee may waive this requirement, either expressly or impliedly."

Plaintiff alleged that no notice was sent to her prior to the 17 August 1981 meeting. The Court is inclined to give credit to this allegation considering that defendants never contested the same. Hence, the said meeting was illegal and the resolution adopted during the meeting would not produce the effect of binding the corporation, Lopez Realty.[30]

The trial court likewise ruled that the sale between LRI and the spouses Tanjangco was not validly ratified in the absence of the required number of votes. Thus:

Notwithstanding the assertions of the defendants, the Court gives credit to plaintiff[']s claim. The claim, which was made under oath, has not been contested by defendants. Besides, the copy of the minutes itself x x x corroborates it. From a physical examination of said minutes, it appears that among the five alleged directors present[,] only de Leon, Bernardino and Santos signed over their names at the bottom of the minutes. Gonzalez and Rivera, whose names are also written thereon do not have their signatures on. Since the vote of Santos does not count, he not being qualified to sit as director, only the two votes de Leon and Bernardino count for ratification. But that did not constitute a majority vote. Consequently, there was no valid ratification of the sale of Lopez Realty's interest in the Trade

[30] *Id*. at 51-52.

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Center Building. The sale has remained invalid and not binding upon the corporation.[31]

Nonetheless, the trial court denied Asuncion's claim for damages as there is no legal compulsion for the spouses Tanjangco to honor a compromise agreement that was not perfected prior to its reduction into writing. Thus:

> Concerning the third issue, the Court finds no valid reason to compel defendants to sign the alleged compromise agreement. Granting that defendants Tanjangcos did signify initially their conformity with the terms and conditions of the compromise agreement as alleged by plaintiff, the same did not reach maturity prior to its execution in writing. Hence, defendants did not commit breach of contract when, afterwards, they refused to sign the compromise agreement.[32]

On both parties' appeal to the CA, the trial court's Decision dated June 25, 1997 was reversed. In its Decision dated February 22, 2002, the CA recognized Arturo's authority to sell LRI's interest on the subject properties, holding that this Court had earlier declared the August 17, 1981 Board Resolution as valid in *Lopez Realty, Inc. v. Fontecha*.[33] Thus:

> It is to be recalled that the validity of the board meeting of August 17, 1981 has already been challenged before the high court, albeit, on another matter. In *Lopez Realty, Inc. vs. Fontecha*, 247 SCRA 183 [1995], the same plaintiffs-appellants challenged the validity of the board resolution granting gratuity pay and other benefits to some of the company's employees on the ground that the meeting was allegedly convened without prior notice to the directors. The high court, citing American jurisprudence, ruled that the [sic] "an action of the board of directors during a meeting, which was illegal for lack of notice, may be ratified either expressly, by the action of the directors in subsequent legal meeting, or impliedly, by the corporation's subsequent course of conduct." x x x In holding the meeting to have been valid, the same Court, among others, considered the following circumstances: petitioner corporation did not issue any resolution

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[31] *Id*. at 54-55.

[32] *Id*. at 55.

[33] 317 Phil. 216 (1995).

revoking or nullifying the board resolutions granting gratuity pay; and, petitioner therein Asuncion Lopez-Gonzales was aware of the said obligations and even acquiesced thereto by signing two of the checks for gratuity pay. In the case at bench, it was duly established that the matter of the sale of the property to the Tanjangcos has been taken up in the subsequent meetings of the corporation culminating in the meeting of July 30, 1982, where the stockholders ratified and confirmed not only the sale of Trade Center Building to the appellants Tanjan[g]cos but also all minutes relative to the said sale. It likewise appears that in the aforesaid July 30, 1982 meeting, appellant Gonzales was present and was clearly outvoted by the other stockholders.[34]

The CA likewise ruled that whatever infirmity attended the August 17, 1981 Board Resolution was cured by ratification of the majority of the directors in the joint stockholders and directors meeting held on July 30, 1982. Furthermore, the CA figured that even if Juanito's vote is disregarded, the ratification was approved by the majority of the board, including Leo, whose signature is nowhere on the minutes:

Based on a perusal of the title of the minutes, "MINUTES OF THE MEETING OF THE STOCKHOLDERS AND BOARD OF DIRECTORS OF LOPEZ REALTY, INCORPORATED HELD AT ITS PRINCIPAL OFFICE AT RM. 404 DON. PAQUITO BUILDING, 99 DASMARINAS STREET, BINONDO, MANILA ON FRIDAY, JULY 30, 1982 AT 2:00 P.M.," x x x it is immediately apparent that the meeting was a joint board and stockholders' meeting. The manner of taking the roll of attendance likewise confirms the participation of the attendees as stockholders,—

"PRESENT:

Ms. SONY LOPEZ	7,831 shares
Mr. BENJAMIN B. BERNARDINO	1 share
and representing Arturo F. Lopez	7,831 shares
Mr. JUANITO L. SANTOS (representing the Estate of Teresita Lopez Marquez)	7,830 shares

[34] *Rollo,* pp. 313-314.

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Mr. LEO RIVERA	1 share
Mr. ROSENDO DE LEON	5 shares
TOTAL SHARES REPRESENTED	23,499 shares

x x x x x x x x x

while the minutes of the meeting shows that there were instances when the attendees were asked to vote as directors x x x.

Under Section 40 of the Corporation Code—

> **Section 40.** *Sale or other disposition of assets.* – Subject to the provisions of existing laws on illegal combinations and monopolies, a corporation may, by a majority vote of its board of directors or trustees, sell, lease, exchange, mortgage, pledge or otherwise dispose of all or substantially all of its property and assets, including its goodwill, upon such terms and conditions and for such consideration, which may be money, stocks, bonds or other instruments for the payment of money or other property or consideration, as its board of directors or trustees may deem expedient, when authorized by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, or in case of non-stock corporation, by the vote of at least to two-thirds (2/3) of the members, in a stockholders' or members' meeting duly called for the purpose. Written notice of the proposed action and of the time and place of the meeting shall be addressed to each stockholder or member at his place of residence as shown on the books of the corporation and deposited to the addressee in the post office with postage prepaid, or served personally: Provided, That any dissenting stockholder may exercise his appraisal right under the conditions provided in this Code.
>
> A sale or other disposition shall be deemed to cover substantially all the corporate property and assets if thereby the corporation would be rendered incapable of continuing the business or accomplishing the purpose for which it was incorporated.
>
> After such authorization or approval by the stockholders or members, the board of directors or trustees may, nevertheless, in its discretion, abandon such sale, lease, exchange, mortgage,

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> pledge or other disposition of property and assets, subject to the rights of third parties under any contract relating thereto, without further action or approval by the stockholders or members.
>
> x x x x x x x x x

the sale of the company assets requires the majority vote of the board of directors and vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock. In the minutes of the July 30, 1982 meeting, the matter of the sale of the subject property was put to a vote "among stockholders and Directors present" x x x jointly assembled, hence, a joint vote.

Going back to the board of directors, even excluding the affirmative vote of Juanito Santos whose qualification as director was questioned by appellant Gonzales, the votes of Leo Rivera, Benjamin Bernardino and Rosendo de Leon, as *directors*, forms the majority required for the ratification of the sale, as contemplated in the abovequoted provision of the Corporation Code. Although the tally of votes did not indicate the capacity under which the votes were taken[.] We follow the high court's ruling in Zamboanga Transportation Co. vs. Bachrach Motor Co.,52 Phil. 244, 259-[2]60 [1928], thus:

> "We therefore conclude that when the president of the corporation, who is one of the principal stockholders and at the same time its general manager, auditor, attorney or legal adviser, is empowered by its by-laws to enter into chattel mortgage contracts, subject to the approval of the board of directors, and enters into such contracts with the tacit approval of two other members of the board of directors, one of whom is also a principal shareholder, both of whom, together with the president, form a majority, and said corporation takes advantage of the benefits afforded by said contract, such acts are equivalent to an implied ratification of said contract by the board of directors and binds the corporation even if not formally approved by said board of directors as required by the by-laws of the aforesaid corporation."

When therefore the aforementioned three directors voted in favor of the ratification, their votes are, at the very least, tacit approval sufficient for the application of the aforequoted ruling. It is of no moment that the signature of only two directors appears at the bottom of the minutes, for it does not refer to the results of the voting.

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On the part of the stockholders, it appears that Leo Rivera, Rosendo De Leon, Juanito Santos and Benjamin Bernardino, two of them representing two principal stockholders, voted to ratify the sale of the property to the appellants Tanjangcos. The cumulation of their votes constitute sixty-seven per cent [sic] or two-thirds of the capital stock of the appellant company. The contract has thus, been validly ratified.[35]

The CA nonetheless upheld the trial court's jurisdiction over the petitioners' complaint and Asuncion's right to bring an action on LRI's behalf in this wise:

Assailing the trial court's jurisdiction over the complaint filed in the court below, the following grounds were adduced to assail it, to wit: first, it involves an intra-corporate controversy falling under the original and exclusive jurisdiction of the Securities and Exchange Commission under Section 5(b) of P.D. No. 902-A; and, second, appellant Gonzales has no legal personality to institute the case.

In the determination of whether the Securities and Exchange Commission ("SEC") shall have jurisdiction over the complaint, there must be a concurrence of [the] following elements, to wit: "(1) the status or relationship of the parties; and (2) the nature of the question that is the subject of their controversy." x x x The Court further explained it in this wise:

> "The first element requires that the controversy must arise out of intracorporate or partnership relations between and among stockholders, members, or associates; between any or all of them and the corporation, partnership or association of which they are stockholders, members or associates, respectively; and between such corporation, partnership or association and the State insofar as it concerns their individual franchises. The second element requires that the dispute among the parties be intrinsically connected with the regulation of the corporation, partnership or association or deal with the internal affairs of the corporation, partnership or association. After all, the principal function of the SEC is the supervision and control of corporations, partnerships and associations with the end in view that investments in these entities may be

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[35] *Id*. at 315-318.

encouraged and protected, and their activities pursued for the promotion of economic development." x x x

Reading the title of the Complaint, dated October 31, 1981, designated as one for annulment of sale, cancellation of title, reconveyance and damages with prayer for the issuance of a writ of preliminary prohibitory injunction x x x, it is immediately apparent that the principal defendants being sued are not "stockholders, members of associates" of the appellant Lopez Realty, Inc., but rather vendees of the subject property. x x x In Dee vs. Securities and Exchange Commission, 199 SCRA 238, 250 [1991], the Supreme Court summarized Section 5 of P.D. No. 902-A in the following manner:

> "In other words, in order that the SEC can take cognizance of a case, the controversy must pertain to any of the following relationships: (a) between corporation, partnership or association and the public; (b) between the corporation, partnership or association and its stockholders, partners, members, or officers; (c) between the corporation, partnership or association and the state insofar as its franchise, permit or license to operate is concerned; and (d) among the stockholders, partners or associates themselves.["] x x x

Since the principal defendants-appellants, the Spouses Tanjangcos, are not connected, in the abovedescribed manner, to appellant Lopez Realty, Inc., then the SEC has no jurisdiction over the case. Moreover, upon a further reading of the body of the complaint, it appears that the annulment of the sale to the appellants Tanjangcos was being sought on the ground of the lack of valid consent on the part of Lopez Realty, Inc., the vendor. The internal affairs of the corporation were being brought into the controversy merely to prove that it never authorized appellant Arturo Lopez to execute the deed of sale. Hence, the controversy is not intrinsically connected to the regulation or operation of the corporation, negating the existence of the second element as required in *Lozano vs. delos Santos*, x x x.

As to the alleged legal personality of appellant Asuncion Lopez- Gonzalez, to file the action in the court below, although the Corporation Code does not contain any provision granting such right, the Supreme Court has recognized derivative suits, as valid, provided the following requisites are complied with, to wit:

> "a) the party bringing suit be a shareholder as of the time of the act or transaction complained of;

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> b) he has exhausted intra-corporate remedies, *i.e.*, has made a demand on the board of directors for the appropriate relief but the latter has failed or refused to heed his plea; and
>
> c) the cause of action actually devolves on the corporation, the wrongdoing or harm having been caused to the corporation and not to the particular stockholder bringing the suit[.]" x x x

Appellant Gonzales has been duly established to be a major stockholder in appellant company and she registered her opposition to the sale, by cable sent on August 25, 1981, as reflected in the Minutes of the Meeting of the Board of Directors on September 16, 1981 x x x on the ground that the corporation would be prejudiced by the extremely low price.

The rationale for vesting the appellant Gonzales with the legal personality to file the suit may be found in the following summary of the two leading cases on derivative suits, Atwol vs. Merriwether, 1867, and Dodge vs. Woolsey, 1855, respectively promulgated in England and America: "that where corporate directors have committed a breach of trust either by their frauds, [*ultra] vires* acts, or negligence, and the corporation is unable or unwilling to institute suit to remedy the wrong, a single stockholder may institute that suit, suing on behalf of himself and other stockholders and for the benefit of the corporation, to bring about a redress for the wrong done directly to the corporation and indirectly to the stockholders." x x x[36]

The CA also concurred with the trial court's finding that the parties never arrived at a perfected compromise agreement. Thus:

We are persuaded that the trial court did not commit any error in determining that there was no perfected compromise agreement between the appellants. It is noted that based on the aforequoted testimony, appellant Gonzales was herself aware of the negotiation stage of the proceedings when she allowed the appellants Tanjangcos to add conditions to the option she has chosen. The counsel of appellant Gonzales was likewise of the same opinion when he took the liberty of suggesting the additional provision on tax clearance,

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[36] *Id*. at 308-310.

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although [t]he latter removed it upon conferring with the counsel of appellants Tanjangcos. The aforesaid proceedings are consistent with the process of making reciprocal concessions, characteristic of entering into a compromise. x x x Hence, in *Sanchez vs. Court of Appeals*, 279 SCRA 647, 676 [1997], the High Court acknowledged the long and tedious process of negotiations undergone by the parties and declared, to wit: "Since this compromise agreement was the result of a long drawn out process, with all the parties ably striving to protect their respective interests and to come out with the best they could, there can be no doubt that the parties entered into it freely and voluntarily. Accordingly, they should be bound thereby. *To be valid, it is merely required under the law to be based on real claims and actually agreed upon in good faith by the parties thereto*." x x x Unfortunately, in the case at bench, the parties never came to an agreement due to the fact that the appellants Tanjangcos backed out. x x x When the appellants Tanjangcos "backed out" or refused to sign the final draft, there was no meeting of the minds or actual agreement between the parties. x x x.

Resolving the claim of damages allegedly sustained when appellant Gonzales sold some of her assets and contracted a sizable loan to cover the consideration of the compromise agreement[.] We find no legal basis for its award. She acted based on an optimistic expectation that the final draft of the compromise agreement would be acceptable to the appellants Tanjangcos. Hence, she testified that she sold her house and lot, as far back as December 1, 1987, or long before the alleged meeting at the chambers of Judge Paguio x x x. Upon further questioning, she revealed that she sold it: "because even prior to March 1, 1988, we have been already negotiating about the compromise and knew beforehand that I have to be ready, and I even thought that the price was a good one reason why I sold it because I knew then that it was a sacrifice price. I would say, that it was a sacrifice price because after a few days someone who live nearby, at the corner, came to me and was even buying the property [at] a higher price." x x x She thus, acted based on the expectation of a settlement and not on the alleged belief that there was already a perfected compromise agreement between her and the appellants Tanjangcos. She even admitted that the negotiations took some time because the parties could not come up with agreeable terms and she herself had to do study the matter. x x x It follows then that the sale of her properties and the loans obtained from the banks were merely

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tactical errors on her part for which she has no recourse under the law.[37]

The Petitioner's Case

Arguing for the nullity of the sale and the existence of a perfected compromise agreement, the petitioners claim that: (a) the August 17, 1981 meeting, where the Resolution authorizing Arturo to negotiate for the sale of the subject properties was approved, is illegal for lack of notice to Asuncion as required under Section 50 of the Corporation Code; (b) *Fontecha* does not constitute *res judicata* insofar as the issue on the validity of the August 17, 1981 meeting and all the resolutions passed therein, including the grant of authority to Arturo, are concerned; (c) in *Fontecha,* what was ruled as having been ratified was the resolution granting gratuity pay to its retiring employees and there was nothing mentioned about the resolution on the sale of the subject properties and Arturo's authority to act on LRI's behalf; (d) it cannot be rightfully claimed that the August 17, 1981 Board Resolution had been ratified as Asuncion immediately registered her objections to its validity. The Board of Directors responded to this by issuing the September 1, 1981 and September 16, 1981 Board Resolutions that held the subject sale on abeyance; (e) the August 17, 1981 Board Resolution merely authorized Arturo to "negotiate" for the sale of the subject properties and the way it was worded does not indicate that this include the authority to conclude a sale with the spouses Tanjangco; (f) even if the July 27, 1981 and August 17, 1981 Board Resolution are read together to support the claim of the spouses Tanjangco that Arturo had been duly authorized to sell the subject properties, the latter acted beyond the authority granted to him when he entered into a sale with the former the terms of which substantially depart from those provided in the July 27, 1981 Resolutions; (g) there was not enough votes to ratify the subject sale since Juanito's qualification as director had been effectively challenged and Leo actually voted against such ratification; (h) there was a perfected compromise agreement

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[37] *Id*. at 325-326.

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between the parties and there is no need for the same to be in writing for it to be considered as such; and (i) even assuming that there was no perfected compromise agreement, the spouses Tanjangco abused their right for having backed out and withdrawn their offer without reason resulting in damage to Asuncion.

The Spouses Tanjangco's Case

On the other hand, the spouses Tanjangco assert the validity of the subject sale, Arturo's authority to represent LRI in such a sale and the absence of a perfected compromise agreement, alleging that: (a) as clearly stated in the July 27, 1981 Board Resolution, the sale was perfected when Asuncion failed to match or outdo the offer of the spouses Tanjangco within the provided period; (b) reading the August 17, 1981 Board Resolution in conjunction with the July 27, 1981 Board Resolution, Arturo's mandate was to carry out or implement the July 27, 1981 Board Resolution and his authority was not limited to negotiating with the sale of the subject properties; (c) the petitioners do not dispute the validity of the July 27, 1981 Board Resolution and Asuncion's failure to match the offer of the spouses Tanjangco; (d) the spouses Tanjangco are buyers in good faith and they cannot be prejudiced by the corporate squabbles among the directors and stockholders of LRI; (e) the provisions of the Deed of Sale are in accordance with the July 27, 1981 Board Resolution; (f) under the doctrine of apparent authority, the petitioners are barred from questioning LRI's consent to the subject sale and Arturo's authority to represent LRI in such transaction; (g) the spouses Tanjangco have the right to rely on the minutes of the July 27, 1981 and August 17, 1981 Board Resolutions which appear to be regular on their face; (h) SEC Case No. 2164, a case filed by Asuncion against Arturo questioning the validity of August 17, 1981 Board Resolution, was dismissed on joint motion of Arturo and Asuncion on the ground that "a final settlement has been arrived at"; (i) contrary to the petitioner's claim, the August 17, 1981 Board Resolution had not been revoked; (j) the sale had been ratified during July 30, 1982 meeting of the stockholders and by LRI's acceptance of the spouses Tanjangco's payment; and (k) with respect to

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the compromise agreement, the evidence on record shows that the parties never went beyond the negotiation phase.

Ruling of the Court

Ratification of the August 17, 1981 Board Resolution

The Court agrees with the petitioners that the August 17, 1981 Board Resolution did not give Arturo the authority to act as LRI's representative in the subject sale, as the meeting of the board of directors where such was passed was conducted without giving any notice to Asuncion. Section 53 of the Corporation Code provides for the following:

> SEC. 53. *Regular and special meetings of directors or trustees.*— Regular meetings of the board of directors or trustees of every corporation shall be held monthly, unless the by-laws provide otherwise.
>
> Special meetings of the board of directors or trustees may be held at any time upon call of the president or as provided in the by-laws.
>
> Meetings of directors or trustees of corporations may be held anywhere in or outside of the Philippines, unless the by-laws provide otherwise. **Notice of regular or special meetings stating the date, time and place of the meeting must be sent to every director or trustee at least one (1) day prior to the scheduled meeting, unless otherwise provided by the by-laws.** A director or trustee may waive this requirement, either expressly or impliedly. (Emphasis ours)

The Court took this matter up in *Fontecha*, involving herein parties, where it was held that a meeting of the board of directors is legally infirm if there is failure to comply with the requirements or formalities of the law or the corporation's by laws and any action taken on such meeting may be challenged as a consequence:

> The general rule is that a corporation, through its board of directors, should act in the manner and within the formalities, if any, prescribed by its charter or by the general law. Thus, directors must act as a body in a meeting called pursuant to the law or the

corporation's by-laws, otherwise, any action taken therein may be questioned by any objecting director or shareholder.[38]

However, the actions taken in such a meeting by the directors or trustees may be ratified expressly or impliedly. "Ratification means that the principal voluntarily adopts, confirms and gives sanction to some unauthorized act of its agent on its behalf. It is this voluntary choice, knowingly made, which amounts to a ratification of what was theretofore unauthorized and becomes the authorized act of the party so making the ratification. The substance of the doctrine is confirmation after conduct, amounting to a substitute for a prior authority. Ratification can be made either expressly or impliedly. Implied ratification may take various forms — like silence or acquiescence, acts showing approval or adoption of the act, or acceptance and retention of benefits flowing therefrom."[39]

The Court's decision in *Fontecha* concerns the implied ratification of one of the resolutions passed on August 17, 1981 by the board of directors of LRI despite of the lack of notice of meeting to Asuncion. This was owing to the subsequent actions taken therein by the stockholders, including Asuncion herself, as cited by the CA in its decision. On the other hand, the sale of the property to the spouses Tanjangco was ratified, not because of implied ratification as was the case in *Fontecha* but through the passage of the July 30, 1982 Board Resolution.

In the present case, the ratification was expressed through the July 30, 1982 Board Resolution. Asuncion claims that the July 30, 1982 Board Resolution did not ratify the Board Resolution dated August 17, 1981 for lack of the required number of votes because Juanito is not entitled to vote while Leo voted "no" to the ratification of the sale even if the minutes stated otherwise.

Asuncion assails the authority of Juanito to vote because he was not a director and he did not own any share of stock which would qualify him to be one. On the contrary, Juanito defends

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[38] *Supra* note 33, at 226.

[39] *Yasuma v. Heirs of Cecilio S. de Villa,* 531 Phil. 62, 68 (2006).

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his right to vote as the representative of Teresita's estate. Upon examination of the July 30, 1982 minutes of the meeting, it can be deduced that the meeting is a joint stockholders and directors' meeting. The Court takes into account that majority of the board of directors except for Asuncion, had already approved of the sale to the spouses Tanjangco prior to this meeting. As a consequence, the power to ratify the previous resolutions and actions of the board of directors in this case lies in the stockholders, not in the board of directors. It would be absurd to require the board of directors to ratify their own acts—acts which the same directors already approved of beforehand. Hence, Juanito, as the administrator of Teresita's estate even though not a director, is entitled to vote on behalf of Teresita's estate as the administrator thereof. The Court reiterates its ruling in *Tan v. Sycip*,[40] *viz*:

> In stock corporations, shareholders may generally transfer their shares. **Thus, on the death of a shareholder, the executor or administrator duly appointed by the Court is vested with the legal title to the stock and entitled to vote it.** Until a settlement and division of the estate is effected, the stocks of the decedent are held by the administrator or executor.[41] (Citation omitted and emphasis ours)

On the issue that Leo voted against the ratification of sale, the Court notes that only Juanito, Benjamin and Rosendo signed the minutes of the meeting. It was also not stated who prepared the minutes, given that Asuncion as the corporate secretary refused to record the same. Also, it was not explained why Leo was not able to affix his signature on the said minutes if he really voted in favor of the ratification of the sale. What's more, Leo was not presented to testify on the witness stand. Hence, contrary to the position adopted by the CA, only those whose signatures appear on the minutes of the meeting can be said to have voted in favor of the ratification. This case must be differentiated from the Court's ruling in *People v. Dumlao, et al.*[42]

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[40] 530 Phil. 609 (2006).

[41] *Id*. at 625.

[42] 599 Phil. 565 (2009).

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In *Dumlao,* the Court ruled that the signing of the minutes by all the directors is not a requisite and that the lack of signatures on the minutes does not mean that the resolution was not passed by the board. However, there is a notable disparity between the facts in *Dumlao* and the instant case. In *Dumlao*, the corporate secretary therein recorded, prepared and certified the correctness of the minutes of the meeting despite the fact that not all directors signed the minutes. In this case, it could not even be established who recorded the minutes in view of Asuncion's refusal to do so, as demonstrated during the cross examination of Benjamin by the petitioners' counsel:

Q: I am showing to you Exhibit 14, I noticed that Exhibit 14 which is the minutes of the meeting of the stockholders on July 30, 1982 was not prepared by a secretary but was prepared by some members of the board.

A: I cannot recall anymore. I cannot give you an opinion on that, because I will be guessing.

Q: From the minutes itself?

A: That is why I told you I cannot be certain if it was prepared by the secretary or members of the board. This came into existence. Eleven years ago is not a very short period.

Q: So you cannot remember now who prepared the minutes of the meeting on July 17, 1982?

A: I cannot be accurate - - I said that.[43]

It is the signature of the corporate secretary, as the one who is tasked to prepare and record the minutes, that gives the minutes of the meeting probative value and credibility, as the Court explained in *Dumlao*, to wit:

The non-signing by the majority of the members of the GSIS Board of Trustees of the said minutes does not necessarily mean that the supposed resolution was not approved by the board. The signing of the minutes by all the members of the board is not required. There is no provision in the Corporation Code of the Philippines that requires

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[43] TSN, August 11, 1995, p. 41.

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that the minutes of the meeting should be signed by all the members of the board.

The proper custodian of the books, minutes and official records of a corporation is usually the corporate secretary. Being the custodian of corporate records, the corporate secretary has the duty to record and prepare the minutes of the meeting. The signature of the corporate secretary gives the minutes of the meeting probative value and credibility. In this case, Antonio Eduardo B. Nachura, Deputy Corporate Secretary, recorded, prepared and certified the correctness of the minutes of the meeting of 23 April 1982; and the same was confirmed by Leonilo M. Ocampo, Chairman of the GSIS Board of Trustees. Said minutes contained the statement that the board approved the sale of the properties, subject matter of this case, to respondent La'o.[44] (Citations omitted and emphasis ours)

Thus, without the certification of the corporate secretary, it is incumbent upon the other directors or stockholders as the case may be, to submit proof that the minutes of the meeting is accurate and reflective of what transpired during the meeting. Conformably to the foregoing, in the absence of Asuncion's certification, only Juanito, Benjamin and Rosendo, whose signatures appeared on the minutes, could be considered as to have ratified the sale to the spouses Tanjangco.

Yet, notwithstanding the lack of Leo's signature to prove that he indeed voted in favor of the ratification, the results are just the same for he owns one share of stock only. Pitted against the shares of the other stockholders who voted in favor of ratification, Asuncion and Leo were clearly outvoted:

Ms. [ASUNCION] LOPEZ	7, 831 shares
Mr. BENJAMIN B. BERNARDINO	1 share
and representing Arturo F. Lopez	7, 831 shares
Mr. JUANITO L. SANTOS (representing the Estate of Teresita Lopez Marquez)	7, 830 shares
Mr. LEO RIVERA	1 share
Mr. ROSENDO DE LEON	5 shares

[44] *Supra* note 42, at 581-582.

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TOTAL SHARES REPRESENTED 23, 499 shares[45]

In sum, whatever defect there was on the sale to the spouses Tanjangco pursuant to the August 17, 1981 Board Resolution, the same was cured through its ratification in the July 30, 1982 Board Resolution. It is of no moment whether Arturo was authorized to merely negotiate or to enter into a contract of sale on behalf of LRI as all his actions in connection to the sale were expressly ratified by the stockholders holding 67% of the outstanding capital stock.

In *Cua, Jr. et al. v. Tan, et al.*,[46] the Court held that by virtue of ratification, the acts of the board of directors become the acts of the stockholders themselves, even if those acts were, at the outset, unauthorized:

> **Clearly, the acquisition by PRCI of JTH and the constitution of the JTH Board of Directors are no longer just the acts of the majority of the PRCI Board of Directors, but also of the majority of the PRCI stockholders. By ratification, even an unauthorized act of an agent becomes the authorized act of the principal.** To declare the Resolution dated 26 September 2006 of the PRCI Board of Directors null and void will serve no practical use or value, or affect any of the rights of the parties, because the Resolution dated 7 November 2006 of the PRCI stockholders — approving and ratifying said acquisition and the manner in which PRCI shall constitute the JTH Board of Directors — will still remain valid and binding.[47] (Citation omitted and emphasis ours)

Compromise agreement

The remaining issue is whether the spouses Tanjangco could be held liable for damages for reneging on an alleged verbal compromise agreement.

There is no reason for the Court to disturb the unanimous findings of the CA and the trial court that no compromise

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[45] Records, p. 180.

[46] 622 Phil. 661 (2009).

[47] *Id*. at 720.

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agreement was perfected between the parties. The existence of a perfected contract is a finding of fact that the Court will not disturb if there is substantial evidence supporting it. "Basic is the rule that factual findings of trial courts, including their assessment of the witnesses' credibility, are entitled to great weight and respect by this Court, particularly when the [CA] affirms the findings."[48] For this reason, the spouses Tanjangco may not be compelled to honor a compromise agreement that never left the negotiation phase and be held liable for the alleged damages Asuncion incurred as a result of her attempts to comply to the provisions thereof.

WHEREFORE, the instant petition is **DENIED**. The Decision dated February 22, 2002 of the Court of Appeals in CA-G.R. CV No. 63519 is hereby **AFFIRMED**.

SO ORDERED.

Velasco, Jr. (Chairperson), Villarama, Jr., Perlas-Bernabe,[*] and *Jardeleza, JJ.,* concur.

FIRST DIVISION

[G.R. No. 156205. November 12, 2014]

REPUBLIC OF THE PHILIPPINES, represented by the Regional Executive Director, Region IV, Department of Environment and Natural Resources, *petitioner, vs.* **MARJENS INVESTMENT CORPORATION and PATROCINIO P. VILLANUEVA,** *respondents*.

SYLLABUS

1. CIVIL LAW; PROPERTY; FOREST LANDS CANNOT BE

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[48] *Eduarte v. People*, 603 Phil. 504, 512-513 (2009).

[*] Acting Member per Special Order No. 1866 dated November 4, 2014 *vice* Associate Justice Diosdado M. Peralta.