

**CASE NOTE: *Baltazar v. Lingayen Gulf Electric Co.* and the
Voting Rights of Stockholders, Payment of Interests on
Subscriptions, Application of Payments Made
on Subscriptions**

Three recent cases¹ jointly decided by the Supreme Court have for their principal subject, the interpretation of section 37 of the Philippine Corporation Law which provides:

"Subscribers for stock shall pay to the corporation quarterly on all unpaid subscription interest, from the date of subscription, at the rate of six per centum per annum, unless otherwise provided in the by-laws. No certificate of stock shall be issued to a subscriber as fully paid up until the full par value thereof, or the full subscription in case of no par stock has been paid by him to the corporation. Subscribed shares not fully paid up may be voted provided no subscription call or interest due on subscription is unpaid and delinquent."²

In the cases at bar, the controversy starts with an impending election for the members of the Board of Directors of the Lingayen Gulf Electric Power Co., Inc., which is a Philippine corporation with an authorized capital stock of ₱300,000.00 divided into 3,000 shares of voting stock at ₱100.00 per share. The election was the object of close contest between two rival groups: one group included plaintiffs, headed by Baltazar and the other group included defendants Ungson and company. The total number of fully paid up shares held by stockholders of one group, was almost equal the number of fully paid up shares of the other group.

Ungson's group, which controlled the majority of the incumbent Board of Directors, in an effort to deprive the rival faction of their right to vote in said annual stockholder's meeting and elections, procured the passage of three resolutions,³ which are the main subjects of question in this action. On the basis of these resolutions, defendant group was "threatening and procuring to expel and oust the plaintiffs and their companion stockholders."

The controversy was first brought to the court of first instance. While there, it underwent a protracted legal battle which brought in an agreement for amicable settlement, a decision, an amending decision and a rever-

¹ *Baltazar v. Lingayen Gulf Electric Co., Inc., et. al.*, G.R. No. L-16236; *Rose v. Lingayen Electric Co., Inc., et. al.*, G.R. No. L-16237; and *Baltazar and Rose V. Acena et al.*, G.R. No. L-16238, June 30, 1965.

² Act No. 1459 as amended.

³ RESOLUTION No. 2 (Exh. A), declared all watered stock issued to Acena, Baltazar and Jubenville, "of no value and consequently cancelled from the books of the Corporations.

RESOLUTION No. 3 (Exh. B) resolved that "all unpaid subscriptions should bear interest annually from the year of subscription on the basis of quarterly payments and

sal of the amending decision. The last decision rendered by said lower court, and which became the basis of appeal to the Supreme Court, was in favor of the Baltazar group. The dispositive portion of said decision states:

"WHEREFORE, by way of amendment to both the original and amending decisions of this court in the instant case, this Court hereby expressly rules that all shares of the capital stock of the defendant corporation covered by fully paid up capital stock shares certificates are entitled to vote in all meetings of the stockholders of this corporation and Resolutions Nos. 2, 3 and 4 (Exh. C, C-1, C-2) of the defendant's corporation's Board of Directors are hereby nullified in so far as they are inconsistent with this ruling."

Two important questions presented on appeal to the Supreme Court are as follows:

"1. If a stockholder, in a stock corporation subscribes to a certain number of shares of stock, and he pays only partially, for which he is issued certificates of stock, is he entitled to vote the latter, notwithstanding the fact that he has not paid the balance of his subscription which has been called for payment?

"2. If a stockholder subscribes to a certain number of shares of stock and makes partial payment only, and declared delinquent as to the rest, with interest, should previous payment on account of the capital, be first applied to the interest, thus diminishing the voting power of the shares of stock already paid? In other words, if the entire subscribed shares of stock are not paid, will the paid shares of stock be deprived of the right to vote, until the entire subscribed shares of stock are fully paid, including interest?

The Supreme Court affirmed the lower court's decision and resolved both questions in favor of the plaintiffs.

In relation to the first question raised, it should be explained that plaintiffs Baltazar and Rose were among the incorporators of the corporation and they originally subscribed to 600 and 400 shares of capital stock, respectively. Of the 600 shares of capital stock subscribed by

any or all payments already made on said unpaid subscriptions should be credited to pay interest first, then the capital debt after all interest is fully paid.

All shares of stock issued to and in favor of any stockholder or stockholders of the Lingayen Gulf Electric Power Co., Inc., on account of payments on "unpaid subscriptions without the interest thereon accrued and collectible having been fully paid from the date of subscription as required by the Corporation law, shall be declared of no value and cancelled from its books, and if the payments already made exceeded the increase accrued and collectible by virtue of the provision of law and the previous resolutions of its board of directors, the excess should be applied to the payment of the unpaid subscription. For this purpose, the accountant of the corporation is directed to make and report the proper computation of the interest."

RESOLUTION No. 4 (Exh. C) resolved that "any and all shares of the Lingayen Gulf Electric Power Co., Inc., issued as fully paid-up to stockholders whose subscription to a number of shares has been declared delinquent with the accrued interest on the unpaid thereof per Resolution No. 42, S. 1954, of the Board of Directors which has been duly published in the "Manila Chronicle", are hereby incapacitated to utilize or avail of the voting power until such delinquency with the accrued interest is fully paid up as indicated in Resolution No. 3, S. 1955."

Baltazar, he had fully paid up 535 shares and the corporation issued to him several *fully paid up and non-assessible certificates of stock*, corresponding to the 535 shares. He also had 65 shares for which no certificates were issued. At the time of the filing of the present action and due to previous transactions, he had remaining only 341 shares of fully paid up and non-assessible shares of stock. Meanwhile, of the 400 shares subscribed by Rose, he had 375 shares fully paid up and duly covered by certificates of stock. The fully paid up shares of stock of both were recorded and "outstanding on the stock book of the defendant corporation."

Presumably, Baltazar and Rose were delinquent in the payment of their shares of those stock for which no fully paid up certificates had been issued. The defendants therefore contend, that the resolutions, withdrawing and nullifying the voting power of all the aforesaid shares of stock whether covered by fully paid up certificates or not, were valid. They rely strongly on the ruling laid down in the *Fua Cun v. Summers*⁴ case. Said case states:

"In the absence of special agreement to the contrary, a subscriber for a certain number of shares of stock does not, upon payment of one-half of the subscription price, become entitled to the issuance of certificates for one-half the number of shares subscribed for; the subscriber's right consists only in an equity entitling him to a certificate for the total number of shares subscribed for by him upon payment of the remaining portion of the subscription price."

The defendants illustrate their point by stating that "if Baltazar subscribed to 600 shares of stock in a single subscription, and he merely paid for 300 shares, he cannot vote said 300 shares, in any meeting of the Corporation, until he shall have paid the remaining 300 shares of stock."

The Supreme Court disposes of the argument by saying that the "cases at bar do not come under the aegis of the *Fua Cun v. Summers* case." And that the saving clause in the said *Fua-Summers* case stating "in the absence of agreement to the contrary", reveals that the doctrine is "not mandatory but merely directory." And besides it was the practice and procedure since the inception of the corporation in the present case, to issue certificates of stock and give voting power to shares of stock fully paid.

The court overruling the *Fua-Summers* case opined that it is now "obsolescent" giving the following reason: That the *Fua-Summers* case was decided under the old provision of the Corporation Law (then section 36) and that about six years after that decision, said provision of

⁴ 44 Phil. 705 (1923).

law was amended. That the present case of *Baltazar v. Lingayen Gulf Co., Inc.*, is decided under the amended provision and is therefore more accurate than the *Fua-Summers* case.⁵

On the first question therefore, the court arrived at the conclusion that under the facts of the present case, the stockholder who subscribed to a certain number of shares of stock, paid only partially for them, and was issued certificates of fully paid up stock, is *entitled to vote said certificates of fully paid up stock*; notwithstanding the fact that he has not paid the balance of his subscription which has been called for payment or declared delinquent.

RIGHT TO VOTE

It is relevant to examine the premises on which the court based the above conclusion. By and large, the statements of the court regarding the evolution of section 37 and the requisites thereto are unquestionable. Its conclusion, however, stating that "*the present law requires as a condition before a shareholder can vote his share, that his full subscription be paid in the case of no par value stock; and in case of stock corporations with par value, the stockholder can vote the shares fully paid by him only, irrespective of the unpaid delinquent shares*", deserves a closer scrutiny.

Par Value Shares

According to the above conclusion of the Supreme Court, in case of par value stocks, the subscriber can vote only the shares fully paid by him, irrespective of the unpaid delinquent shares. It is believed that said statement does not deprive shares that are unpaid but which are not delinquent, from exercising the voting power. This is because the last sentence of section 37 provides that "subscribed shares not fully paid up may be voted provided no subscription call or interest due on the subscription is unpaid and delinquent." Confirmation of this provision may be further implied in section 50 of the same law which provides that "No stock delinquent for unpaid subscription shall be voted or entitled

⁵ Briefly the court argues as follows: "As may readily be seen, said Section 37 makes the payment of the *par value* as prerequisite for the issuance of certificates of *par value stocks*, and makes payment of the *full subscription* as prerequisite for the issuance of certificates of *no par value stocks*. No such distinction was contained in Sec. 36 of the Corporation law of 1906, corresponding to Sec. 37 now. The present law could have simply provided that *no certificate of par value and no par value stock* shall be issued to a subscriber, as fully paid up, until the full subscription has been paid by him to the corporation, *if full payment or subscription* were intended as the criterion in the issuance of certificates, for both the *par value* and *no par value stocks*. Stated in another way, the present law requires that as a condition before a shareholder can vote his share, that his *full subscription be paid in case of no par value stock*; and in case of stock corporation with *par value*, the stockholder can vote the shares fully paid by him only, irrespective of the unpaid delinquent shares." (Emphasis provided by the court).

to vote or representation at any stockholder's or director's meeting, for any corporation purpose whatever."

The necessary implication therefore is that as long as the subscribed unpaid par value voting stocks are not delinquent they are entitled to vote. In the present case, it is admitted, in fact even by the plaintiffs, that those shares outside of the fully paid up and outstanding ones were delinquent. They can therefore be validly disqualified from voting. But those which were fully paid up could not, on the other hand, be denied the right to vote.

The statement, that a shareholder for par value shares can vote only the shares fully paid by him, should not be taken as absolute. This is because the Supreme Court in the same case at bar, provides that "in the absence of provision in their by-laws to the contrary", payments on subscriptions may be made in either of two ways: "(a) full payment for the corresponding number of shares of stock, the par value of each of which is covered by such payment, or (b) as payment pro-rata to each and all the entire number of shares subscribed for." Under the light of these distinctions therefore, the principle that "a shareholder for par value share can vote only the shares fully paid by him" would apply only under alternative (a). It would therefore be limited by alternative (b) and would also be further circumscribed by any contrary provision in the by-laws of the corporation.

No Par Value Shares

The Supreme Court as aforestated provides that "the present law requires as a condition before a shareholder can vote his share, that his full subscription be paid in case of no par value stock."

When applied to no par value stock, it is doubted whether the court's conclusion could come in harmony with the last sentence of section 37 and also with the spirit and implication of section 50. If payment of full subscription is the requirement before the exercise of the voting power then the provision of law stating that "subscribed shares not fully paid up may be voted provided no subscription call or interest due on subscription is unpaid and delinquent", might become limited in usefulness, if not rendered absolutely useless.

The conclusion of the court, it is believed, when applied to no par stock would result in an undue deprivation of the right to vote. The right to vote is an incident to membership or of the property in the stock. The stockholder or member cannot be deprived of his right to vote without his consent.⁶ *A subscriber becomes a stockholder upon mere subscription, notwithstanding that he has not fully paid his shares. A subs-*

⁶ AGBAYANI, A., COMMENTARIES AND JURISPRUDENCE ON THE COMMERCIAL LAWS OF THE PHILIPPINES, p. 1613 (1964), citing 5 Fletcher 99.

*criber is, therefore, entitled to vote.*⁷ The fact that subscription to stock in a corporation has not been paid should not affect the status of a subscriber as a shareholder. To make one an owner of stock it is not necessary that he should have paid for it. When the corporation has agreed that a person shall be entitled to a certain number of shares in its company, to be paid for in a manner agreed upon, and that person has agreed to take and pay for them accordingly, he becomes their owner by a valid contract made upon a valuable consideration.⁸

It is also to be noted that the case at bar involves a corporation having only shares of stock of par value. It is unfortunate that in the interpretation of section 37, the mention of no par stock becomes inevitable. Perhaps, a possible harmonization between the pronouncement of the court and the provision of law, especially the last sentence of section 37 would be a suggestion that said last sentence applies only to shares of stock with par value. In the event of such interpretation, certain difficulties would be skirted. But such interpretation would be quite strained, in view of the fact that the words of the provision of law are stated in a general manner. A sudden distinction between par value stock and no par value stock, in relation to the last sentence of section 37 would be rather unwarranted. Besides, the first two previous sentences in said section 37 are not restricted to shares with par value alone; in fact the sentence immediately preceeding the last sentence speaks expressly of par value and no par value shares. It is quite obvious that the last sentence refers or should refer to the one before it.⁹ It should be stated however, that before the amendment of the law, the second to the last sentence had referred exclusively to par value shares. As will be shown later, it was only by a subsequent amendment that the words "or, the full subscription in case of no par value stock" were inserted. The last sentence was also altered, but only to the extent of inserting therein the words "call or interest due." There is no substantial change, nor a limitation as regards its reference to the preceding sentence. It is believed, that had the legislature intended to limit the application of this last sentence to par value shares only, then it should have done so in more express terms.

It should be stated again, that the court provided alternatives in the application of payments made on subscriptions. It is believed however, that the court in delineating these alternatives meant them only for par value shares by reason of the express use of the word "par value" in alternative (a). But it could be argued that, since these alternatives are,

⁷ *Ibid.*, p. 1615.

⁸ *Mitchell v. Beckman*, 64 Cal. 117, 28 p. 110 (1883).

⁹ FRANCISCO, V., STATUTORY CONSTRUCTION, p. 254 (1950): "In the construction of a statute, in order to determine the true intention of the legislature, the particular clauses and phrases should not be studied as detached and isolated expressions, but the whole and every part of the statute must be considered in fixing the meaning of any of the parts."

in the mind of the court, mere tentative and potential agreements, subject to the particular wishes of the corporation and the stockholder, there could therefore be no hindrance to applying said alternatives even to the case of no par value shares. The word "par value" could very easily be substituted for "issued value." In this event alternative (a) could read as follows: (a) full payment for the corresponding number of shares of stock, the issued value of each of which is covered by such payment. The argument could be valid, but in this event, the principle laid down by the Supreme Court in its conclusion would again become subject of conflict. Would the par value shares the issued value of which has been paid be deprived of the right to vote? Would said shares be still governed by the statement that "the law requires as a condition before a shareholder can vote his share, that his full subscription be paid in the case of no par stock"? It is believed that the answer to both queries will have to be in the negative, thus further restricting the principle enunciated by the court in its conclusion.

Alternative (b) being couched in general terms can easily be applied to no par value shares, even without alteration. But again in the event that there is but a partial payment on the subscription and there is no delinquency, the conflict between section 37 and the court's statement would arise.

As above indicated therefore, it would be a safer assumption to restrict the applications of payment delineated by the court to par value shares only, where it is subject to lesser controversy.

Lastly, it should also be stated, that the restriction laid down by the court in its conclusion, regarding the voting rights of stockholders, should be limited to voting rights in connection with elections of directors only. It should not be given so broad a meaning as to encompass and consequently restrict all the other voting rights of stockholders. At least, the court's conclusion should not be applied to voting rights regarding the approval of by-laws; because then the conclusion would find further conflict with section 20 of the Corporation Law which states in part: "For the adoption of any by-law or by-laws by the corporation, the affirmative vote of the stockholders representing a majority of all the subscribed capital stock, whether *paid or unpaid* * * * shall be necessary."

FUA CUN V. SUMMERS CASE

The court in the case at bar expressly stated that the *Fua Cun v. Summers* case has been rendered "obsolescent." The observation of the court about the said case can be summarized as follows:

- 1) That the present case does not come under the aegis of the *Fua Cun v. Summers* case;
- 2) That the *Fua Cun v. Summers* is obsolete by reason of the fact that it was decided under a law which has subsequently been amended;

and that besides the rule in said *Fua-Summers* case was merely directory and not mandatory.

At the outset it is noticeable that the *Baltazar v. Lingayen Gulf Co.* case and the *Fua Cun v. Summers* case were decided under very different sets of facts. In the latter case, the agreement was that "upon receipt of the balance of said subscription in accordance with the terms of the calls of the Board of Directors, and surrender of this certificate, duly executed certificates for said 500 shares of stock will be issued to the order of the subscriber." In the former case however, it was observed that "the defendant corporation has chosen to apply payments by its stockholders to definite shares of the capital stock of the corporation and had fully paid capital stock shares certificates for said payments."

It is correctly stated by the court, that the defendants in the case at bar could not claim protection under the general principle in the *Fua-Summers* case to the effect that what the shareholders acquired by the subscription was only an "equity." But this does not imply the complete inapplicability or "obsolescence" of the *Fua-Summers* case. This is because, as even noted by the court in the case at bar, the doctrine stated in the *Fua-Summers* case has a saving clause, namely the statement: "in the absence of special agreement to the contrary." The best example of a case coming under the saving clause is the case at bar—*Baltazar v. Lingayen Gulf Co., Inc.* As also observed, the doctrine in the *Fua-Summers* is not mandatory but merely directory. And it has been previously correctly stated that "in the light of the two cases discussed, one may properly conclude that the case at bar falls properly within the exception enunciated in the ruling of the *Fua-Summers* case."¹⁰

In a more direct dissection of the *Fua-Summers* ruling the court in the case at bar stated that said case is obsolete or rendered obsolescent by reason of the fact that it had been decided under a prior amended law. Following are the provisions of law involved:

Section 36—Old Corporation Law, 1906 "No certificate of stock shall be issued to a subscriber as fully paid up until the *full par value thereof has been paid by him to the corporation*. Subscribed shares not fully paid up may be voted provided no subscription is unpaid and delinquent."

Section 37—Present Corporation Law (Act No. 1459 as reenacted by Act No. 3518, Sec. 16).

"No certificate of stock shall be issued to a subscriber as fully paid up until the *full par value thereof, or the full subscription in case of no par stock, has been paid by him to the corporation*. Subscribed shares not fully paid up may be voted provided no subscription call or interest due on subscription is unpaid and delinquent."

(Emphasis provided by the court).

¹⁰ Survey of 1965 Supreme Court Decisions on Commercial Law, 41 Phil. L. J., 95.

It can be seen at once that the only difference between the old law and the law as amended are the additions of the words "or, the full subscription in case of no par stock" to the second sentence; and the words "call or interest due" in the last sentence. It is also to be noted that both the *Fua Cun v. Summers* and the *Baltazar v. Lingayen Gulf Electric Co., Inc.*, involved corporations having only par value shares. As far as both cases are concerned, the amendment or insertion of the provision for no par value stock, had not substantially changed the position of par value stocks. The law, in so far as par value shares are concerned, has therefore not been altered.¹¹ Far from being obsolete it is believed that the *Fua Cun v. Summers* case could be enriched by the amendment,¹² and could be harmonized with that of *Baltazar v. Lingayen Gulf Electric Co., Inc.*

For example the *Baltazar v. Lingayen Gulf Co.* in enunciating the alternatives in application of payments, stated in alternative (b): "as payment pro-rata to each and all the entire number of shares subscribed for." This is nothing more than a restatement of the general principle in the *Fua-Summers* case. The "equity" nature of the shareholder's right would be completely applicable under this alternative.

PAYMENT OF INTEREST

The second question raised on appeal states: "If a shareholder subscribed to a certain number of shares of stock and makes partial payment only, and declared delinquent as to the rest, with interest, should previous payment on account of the capital, be first applied to the interest, thus diminishing the voting power of the shares of stock already paid? In other words, if the entire subscribed shares of stock are not paid, will the paid shares of stock be deprived of the right to vote, until the entire subscribed shares of stock are fully paid, including interest?

While it is the first sentence of section 37, that deals with interests, still the above question depends, as will be seen, strongly upon the interpretation given by the court to the second and last sentences of said provision.

Defendant's contention is based on Art. 1253 of the New Civil Code (Art. 1173 of the Old Civil Code) which provides that "if the debt produces interest, payment of the principal shall not be deemed to have been made until the interest have been covered." The Supreme Court

¹¹ FRANCISCO, *supra*, p. 428, "The provisions of the amendatory and the amended acts are to be harmonized if possible, so as to give effect to each, and leave no clause of either inoperative.

¹² FRANCISCO, *ibid.*, p. 430. "In arriving at the legislative intent, the language of an amendment must be construed in the light of previous decisions by courts of last resort construing the original act, it being presumed that the legislature when adopting the amendment had in mind such judicial construction; and the construction placed on the language of the original act must be adhered to after an amendment thereof which does not in any way change the particular language.

sets aside the argument by stating "that said provision applies in the absence of verbal or written agreement, to the contrary,¹³ it is likewise merely directory and not mandatory (Art. 1252 of the New Civil Code)." The defendant corporation in the case at bar had chosen to apply payments by its stockholders to definite shares of the capital stock of the corporation and had issued fully paid capital shares certificates for such subscription. Consequently "its calls for payment of unpaid subscription and its declaration of delinquency for non-payment of said call affects only the remaining number of shares of its capital stock, for which no fully paid shares certificates have been issued and only these have been legally shorn of their voting rights by said declaration of delinquency."

The position of the defendants might also constitute what is known as assessments on fully paid shares, which is not allowed. As has been properly held "Unless the corporate charter or a constitutional statute provides otherwise, a stockholder, the full par value of whose stock has been paid in, is not liable and cannot be made to pay any sums in addition thereto."¹⁴

CONCLUSION

The case of *Baltazar v. Lingayen Gulf Electric Co.*, at once becomes important because it involves one of the vital rights of stockholders—the right to vote. The importance of the right cannot be overemphasized because this right is the most vital key to another of the stockholders rights—that is the right to the control of the corporation and its affairs. The decision may have far reaching repercussions in Philippine corporate practice.

The cases at bar expressly and unequivocally held:

- 1) that the case of *Fua Cun v. Summers* is now obsolescent;
- 2) that the present law requires as a condition before a shareholder can vote his share, that his full subscription be paid in the case of no par value stock; and in case of stock corporations with par value, the stockholder can vote the shares fully paid by him only, irrespective of the unpaid delinquent shares;
- 3) that payments made on subscriptions can be applied in the absence of provision in the by-laws to the contrary, either: (a) as full payment for the corresponding number of shares of stock, the par value of each of which is covered by such payment or; (b) as payment pro-rata to each and all the entire number of shares subscribed for.

We have tried to show that the court's conclusion that the *Fua-Summers* case is now obsolescent, is not necessarily accurate. However, even if the court's conclusion is to be adopted, there is still no real harm

¹³ 8, MANRESA, CODIGO CIVIL ESPAÑOL, 3rd Edition, p. 317.

¹⁴ Wall v. Basin Min. Co., 16 Idaho, 313, 101 p. 733, 22 LRA (NS) 1013 (1909).

done because as was also shown the doctrine in *Fua-Summers* is also embodied if not adopted by the case at bar, especially so in alternative (b) of the methods laid down for applying payments on subscription. Moreover, it is believed that the facts of the *Fua-Summers* case, if decided under the doctrine in the case at bar would not alter the result arrived at in the former case.

Regarding the second conclusion of the court, we tried to show that such a doctrine, restricting the voting rights of stockholders, is limited in the case of par value stock only to alternative (a) in the application of payment to subscription. It cannot therefore apply to alternative (b) and it may also be further restricted by "any provision in by-laws to the contrary." On the other hand, if we apply the court's conclusion to no par value stock, it was shown that this might run in conflict with the last sentence of section 37 and also the implication of section 50 of the Corporation Law. It is understood to be further limited by the provisions of section 20 of the same law.

Furthermore, it is believed that the methods laid down by the court, regarding the application of payments on subscription can be safely applied only to par value shares.

The ruling under examination may also give rise to several questions on collateral matters. For example, it could arouse curiosity as to the real nature of a subscription contract. Should a subscription contract be regarded as divisible or indivisible? It seems that under alternative (a), in the alternatives provided by the court for the application of payments, the contract will necessarily have to be regarded as divisible. Under alternative (b), the contract would however, be indivisible. On the other hand, how would a subscription contract be regarded in cases where there are no stipulations or agreements for the application of payments? Would it be divisible or indivisible?

If one would consider it divisible, how would the corporation enforce payments on subscriptions not yet paid? What would happen to the Trust Fund doctrine? If, on the other hand, one should consider it indivisible then what would be the effect on authorities which state each share of stock can be considered as a separate contract in itself?¹⁵

Closely related to this question would also be the right to dividends. It is accepted that stockholders have a right to share in corporate profits

¹⁵ BALLANTINE ON CORPORATIONS, pp. 465-466: "A share of stock may be described as a profit-sharing contract, one of a series of units of interest and participation, authorized by the charter of a corporation, by which capital is obtained in consideration of a proportional right to participate in dividend and other distributions. A certificate for shares certifies that one is a holder or owner of a certain number of shares of stock in the corporation but is not usually regarded as expressing the share contract itself. It is ordinarily mere documentary evidence of the holder's ownership of shares and a convenient instrument for the transfer of title.

in the form of dividends. But, in view of the above discussions and distinctions as to shares and subscriptions, who would then be properly considered as stockholders entitled to dividends? For example, would a subscriber for no-par stock, who has not paid full subscription but who is not delinquent on any call for payment, be entitled to dividends? How about a subscriber for par value stock in the same position? Would the restrictions on the right to vote be the same with the right to dividends?

By reason of article 8 of the New Civil Code, the ruling of the Supreme Court in the case at bar, will have to stand. While it is conceded that it justly and equitably disposes of the particular controversy involved in the case, it is noticeable that certain premises of the court need, not only closer scrutiny, but also proper and further elucidation. It is hoped, that the principles laid down in this case will be further ventilated in subsequent cases on the same points.

PABLITO V. SANIDAD

ANNOUNCEMENT

In January, 1964, a Roundtable Conference of Asian International Lawyers was held to consider cooperation among Asian scholars and to consider ways and means whereby the teaching of International Law could be improved at Asian Universities. The Roundtable appointed a Provisional Committee under the chairmanship of Dean Vicente Abad Santos of the College of Law, University of the Philippines, to follow up the conclusions and recommendations of the Roundtable. At a meeting of the Provisional Committee in January, 1965, it was decided to convoke a second Conference of Asian International Law scholars to deal with current problems of international law of particular interest to Asian countries. The University of Hongkong, through Vice-Chancellor Kenneth Robinson agreed to act as host institution and the Carnegie Endowment for International Peace as well as The Asia Foundation are extending financial support for the Conference. About twenty-five International Law experts from Asian countries will be invited in their personal capacity to participate. A limited number of non-Asian scholars will attend as consultants and observers—also in their personal capacity. The agenda includes the subject of Foreign Investments, State Succession and the Pacific Settlement of International Law Disputes. The Conference is scheduled to be held from January 2 to 7, 1967.

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(Sgd.) IRENE R. CORTES
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