

FIRST DIVISION

[G.R. No. 184068, April 19, 2016]

SIMNY G. GUY, AS MINORITY STOCKHOLDER AND FOR AND IN BEHALF OF GOODLAND COMPANY, INC., PETITIONER, VS. GILBERT G. GUY, ALVIN AGUSTIN T. IGNACIO AND JOHN AND/OR JANE DOES, RESPONDENTS.

DECISION

SERENO, C.J.:

Before this Court is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, assailing the Decision^[1] and Resolution^[2] of the Court of Appeals (CA) in CA-G.R. SP No. 99749. The CA affirmed *in toto* the Decision^[3] issued by the Regional Trial Court (RTC) of Manila, Branch 24. The challenged rulings upheld the validity of a special stockholders' meeting, the election of directors and officers of Goodland Company, Inc. (GCI), and any further proceedings, acts or resolutions resulting therefrom.

FACTUAL ANTECEDENTS

GCI is a family-owned corporation of the Guy family duly organized and existing under Philippine laws.^[4] Petitioner Simny G. Guy (Simny) is a stockholder of record and member of the board of directors of the corporation. Respondents are also GCI stockholders of record who were allegedly elected as new directors by virtue of the assailed stockholders' meeting held on 7 September 2004.^[5]

On 10 September 2004, Paulino Delfin Pe and Benjamin Lim (stockholders of record of GCI) informed petitioner that they had received a notice dated 31 August 2004 calling for the holding of a special stockholders' meeting on 7 September 2004 at the Manila Diamond Hotel.^[6] The notice^[7] reads:

NOTICE OF MEETING

Please take notice that the Special Stockholders' meeting of Goodland Company, Inc. shall be held on 7 September 2004 at 10:00 a.m. at the Manila Diamond Hotel located at Roxas Boulevard corner Dr. J. Quintos Street, Ermita, Manila, for the purposes, among others, of the election of the Board of Directors for the year 2004-2005, and consideration of such other matters as may arise during the meeting.

If you are unable to be present at the stockholders' meeting, please nominate and authorize your proxy representative by executing, signing and delivering to the undersigned the proxy for the meeting of the stockholders.

The newly elected Board of Directors may meet thereafter for the purposes, among others, of election and appointment of officers, and consideration of such other matters as may arise during the meeting.

Quezon City, 31 August 2004.

(Sgd)
GILBERT G. GUY Executive
Vice-President

On 22 September 2004, or fifteen (15) days after the stockholders' meeting, petitioner received the aforementioned notice.^[8]

On 30 September 2004, petitioner, for himself and on behalf of GCI and Grace Guy Cheu (Cheu), filed a Complaint against respondents before the RTC of Manila^[9] for the "Nullification of Stockholders' Meeting and Election of Directors, Nullification of Acts and Resolutions, Injunction and Damages with Prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction."^[10]

Petitioner assailed the election held on 7 September 2004 on the following grounds: (1) there was no previous notice to petitioner and Cheu; (2) the meeting was not called by the proper person; and (3) the notices were not issued by the person who had the legal authority to do so.^[11]

In his Answer, respondent Gilbert G. Guy (Gilbert) argued that the stockholders' meeting on 7 September 2004 was legally called and held; that the notice of meeting was signed by the authorized officer of GCI and sent in accordance with the by-laws of the corporation; and that Cheu was not a stockholder of record of the corporation, a status that would have entitled her to receive a notice of the meeting.^[12]

On 18 October 2004, the RTC issued a Temporary Restraining Order (TRO) enjoining respondents and their officers, agents, assigns, and all other persons deriving authority from them from acting or holding themselves out as new directors/officers of the corporation.^[13]

In a Manifestation dated 10 August 2005, respondents disclosed that an annual stockholders' meeting of GCI for the year 2005 had been held. They prayed for the dismissal of the Complaint, claiming that the issues raised therein had already become moot and academic by virtue of the 2005 annual stockholders' meeting.^[14] The pertinent portions of the Manifestation read:

4. On March 30, 2005, defendant Gilbert G. Guy [herein respondent], in his capacity as Acting President, Vice-President, Director and majority stockholder of GOODLAND, sent a "**Notice of 2005 Annual Meeting of Stockholders**" to all stockholders of record of GOODLAND notifying all stockholders that "*pursuant to Art. II, Sec. 1 of the By-Laws of GOODLAND COMPANY, INC., the annual meeting of the stockholders of*

the Corporation shall be held on the SECOND MONDAY OF APRIL, " or on APRIL 11, 2005, at 2:00 o'clock in the afternoon, at Taal Conference Room, Upper Lobby, Century Park Sheraton Hotel, P. Ocampo, Sr., St. Manila" xxx.

5. The said Notice complies with the provisions of Art. II, Sections] 2 and 3 of the By-Laws of GOODLAND, which provide that:

"Sec. 2. Special meeting of the stockholders may be called at the principal office of the company at any time by resolution of the Board of Directors or by order of the President and must be called upon the written request of stockholders registered as the owners of one-third (1/3) of the total outstanding stock. "

*"Section 3. Notice of meeting written or printed for every regular or special meeting of the stockholders shall be **prepared** and **mailed** to the Registered post office address of each stockholder not less than five (5) days prior to the date set for such meeting, and if for a special meeting, such notice shall state the object or objects of the same. No failure or irregularity of notice of any meeting shall invalidate such meeting at which all the stockholders are present and voting without protest. "*

6. Plaintiff SIMNY G. GUY [herein petitioner] was notified three (3) times by the post office of the said "**Notice of 2005 Annual Meeting of Stockholders**" on April 6, 2005, April 11, 2005 and April 20, 2005, respectively, but the same was (sic) ignored by plaintiff SIMNY G. GUY [petitioner] and the said "Notice of 2005 Annual Meeting of Stockholders" was "**UNCLAIMED**" x x x.

7. The Notices sent to Paulino Del fin Pe and Benjamin Lim were duly received by them on April 5, 2005 as evidenced by their respective Registry Return Receipts x x x.

8. No Notice was sent to plaintiff GRACE GUY CHEU as she is **not** a stockholder of record of GOODLAND.^[15]

On 26 October 2005, the RTC denied the prayer for dismissal and ruled that the case had not been mooted by the holding of the 2005 annual stockholders' meeting. It said that respondents' issuance and sending of notices were part of the acts arising from the special stockholders' meeting held on 7 September 2004, the validity of which is being assailed in the present case.^[16]

In their Manifestation and Motion,^[17] petitioner and Cheu averred that their application for preliminary injunction had been mooted by supervening events. One of these events was the holding of the 2005 annual stockholders' meeting of the corporation on 11 April 2005, during which a new set of directors and officers for the ensuing year was elected.^[18]

In a Decision^[19] dated 25 June 2007, the RTC dismissed the Complaint filed by

petitioner and Cheu. The trial court ruled:

On the issue that there was no previous notice to the plaintiffs, the evidence clearly shows that the Notice of the Special Stockholders' meeting was sent to plaintiff Simny [petitioner] by registered mail on September 2, 2004, or five days before the said meeting held on September 7, 2004, in accordance with Art. II, Section 3 of the By-Laws of Goodland. In fact, plaintiffs admitted in par. 13 of the complaint that plaintiffs were informed by Paulino Delfin Pe and Benjamin Lim that they received a Notice dated 31 August 2004 calling for the holding of a special stockholders' meeting on 7 September 2004.^[20]

The evidence on record consisting of the GIS of Goodland, duly filed with SEC, for the years 1998, 1999, 2001, 2002, and 2003 xxx, show that plaintiff Simny G. Guy [petitioner] owns 7,982 shares of the total 80,000 subscribed and issued shares of Goodland or equivalent to around 9.97% of the total subscribed shares of Goodland.^[21]

Plaintiff Grace Cheu failed to show proof of her alleged ownership of shares in Goodland as in fact, the evidence she presented during trial are the valid, existing, and uncanceled Goodland Stock Certificate Nos. 49 and 58 in the name of one Paulino Delfin Pe for a total of 8 shares xxx, and Goodland Stock Certificate Nos. 50 and 59 in the name of one Benjamin Lim for a total of 7 shares x x x.^[22]

On the other hand, respondent Gilbert Guy was shown to own 63,996 shares or around 79.99% of the total subscribed shares of Goodland x x x.^[23]

As correctly pointed out by defendants the applicable provisions of the By-laws of Goodland are Art. II, Sec. 2 which provides that the "special meeting of the stockholders may be called xxx by order of the President and must be called upon the written request of stockholders registered as the owners of one-third the total outstanding stock" and Art. IV, Section 3 which provides that "the Vice President, if qualified, shall exercise all of the functions and perform all the duties of the President in the absence or disability, for any cause, of the latter."^[24]

Based on the evidence on record and considering the above quoted provisions of Goodland's By-Laws, we rule in favor of defendants [herein respondents]. The evidence conclusively shows that defendant Gilbert is the owner of more than one-third of the outstanding stock of Goodland. In fact, it is around 79.99%. Thus, pursuant to Art. II, Sec. 2 of the By-laws of Goodland, defendant Gilbert may validly call such special stockholders' meeting.^[25]

Plaintiffs have not disputed defendants' allegation that the then incumbent President of Goodland Francisco Guy Co Chia was incapacitated by Alzheimer's Disease. Thus, pursuant to Art. IV, Section 3 of the By-Laws of Goodland, defendant Gilbert, as the duly elected Vice

President of Goodland (which is likewise not disputed by plaintiffs), shall exercise all of the functions and perform all the duties of the President in the absence or disability, for any cause of the latter. We likewise rule that the qualifying phrase in Art. IV, Section 3 of the By-Laws of Goodland that the Vice-President, "if qualified," refers to the qualification that the Vice President must also be a director since one of the qualifications to become a President of the corporation is that he must first be a director of the corporation. A Vice President of Goodland who is not also a director is not qualified to act as President. And since defendant Gilbert is both the duly elected Vice President and an incumbent director, we find that he is qualified to act as President. Thus, as acting President of Goodland, defendant Gilbert may validly order the calling of the said special stockholders' meeting.^[26]

In view of the said findings, plaintiffs' prayer for damages against defendants must perforce fail.^[27]

Aggrieved, petitioner filed a Petition for Review^[28] under Rule 43 of the Rules of Court based on Section 1 of A.M. No. 04-9-07-SC dated 18 July 2007 and docketed as CA-G.R. No. 99749. According to this provision, "[a]ll decisions and final orders in cases falling under the Interim Rules of Corporate Rehabilitation and the Interim Rules of Procedure Governing Intra-Corporate Controversies under Republic Act No. 8799 shall be appealable to the Court of Appeals through a petition for review under Rule 43 of the Rules of Court."^[29]

In a Decision^[30] dated 30 April 2008, the CA affirmed the RTC ruling *in toto*.

Hence, this Petition for Review on *Certiorari* claiming that the special stockholders' meeting held on 7 September 2004 was void for lack of due notice.

Respondents filed their Comment^[31] praying for the dismissal of the Petition for lack of merit and for being moot and academic.

Our Ruling

The Petition is denied.

Notice of the stockholders' meeting was properly sent in compliance with law and the by-laws of the corporation.

Section 50 of *Batas Pambansa Blg. 68* (B.P. 68) or the Corporation Code of the Philippines reads as follows:

SECTION 50. *Regular and Special Meetings of Stockholders or Members.*
— Regular meetings of stockholders or members shall be held annually on a date fixed in the by-laws, or if not so fixed, on any date in April of every year as determined by the board of directors or trustees: Provided, That written notice of regular meetings shall be sent to all stockholders