TWENTIETH DIVISION

[CA–G.R. CV No. 100481, March 19, 2014]

MANUEL O. SANCHEZ, PLAINTIFF-APPELLANT, VS. MATIAS V. DEFENSOR, PABLO B. ROMAN, JR., VICTOR B. ROMAN, PATRICIO N. ROMAN, ANGEL R. RODRIGUEZ, JR., LIBRADO C. VICENTE, CLARO T. ABELLO, BENJAMIN B. TRINIDAD, ABELARDO R. VILLANUEVA AND CAPITOL HILLS GOLF AND COUNTRY CLUB, INC., DEFENDANTS-APPELLEES.

D E C I S I O N

DICDICAN, J.:

Before us is an appeal from the Order[1] issued by erstwhile Acting Presiding Judge Ma. Luisa C. Quijano-Padilla of Branch 226 of the Regional Trial Court of the National Capital Judicial Region in Quezon City ("trial court") on April 27, 2012 in Civil Case No. Q-02-011 which, *inter alia*, dismissed the complaint for nullification of the annual stockholders' meeting of defendant-appellee Capitol Hills Golf and Country Club, Inc. that was held on May 21, 2002 ("first assailed order"). Likewise assailed in the instant appeal is the subsequent Order[2] that was issued by the trial court on December 21, 2012 which denied the motion for reconsideration of the first assailed April 27, 2012 order that was filed by herein plaintiff-appellant in the said case for lack of merit ("second assailed order").

The material and relevant facts of the case, as culled from the record, are as follows:

The instant case stemmed from a Petition[3] for the nullification of the annual and special stockholders' meeting of defendant-appellee Capitol Hills Golf and Country Club, Inc. ("defendant-appellee Capitol") held on May 21, 2002 and April 23, 2002, respectively, that was filed by herein plaintiff-appellant Manuel O. Sanchez ("plaintiff-appellant") against herein defendants-appellees in the trial court on July 1, 2002. In the said petition, the plaintiff-appellant alleged that the individual defendants-appellees were officers and directors of defendant-appellee Capitol which is a domestic corporation with principal office address at Old Balara, Diliman, Quezon City. The plaintiff-appellant averred that, on April 29, 2002, defendant-appellee Matias V. Defensor ("defendant-appellee Defensor") mailed to all stockholders of record of defendant-appellee Capitol an undated notice of annual stockholders' meeting to be held on May 21, 2002. Attached in the aforesaid notice was the agenda for the said annual stockholders' meeting, as well as a proxy form should the stockholders wish to designate their representatives during the said annual stockholders' meeting.[4]

Thereafter, the annual stockholders' meeting of defendant-appellee Capitol was conducted on May 21, 2002 where defendant-appellee Defensor certified that a quorum was present for the said annual stockholders' meeting. However, before the

same could proceed, Victor Fernandez, a stockholder of defendant-appellee Capitol, questioned the validity of the proxies that were used and inquired on whether or not the stockholders were notified in writing of the date, time and place when the aforesaid proxies would be validated. On this query, defendant-appellee Defensor stated that he sent another written notice to all stockholders informing the latter of the date, time, and place when the proxies would be validated. However, the plaintiff-appellant claimed that defendant-appellee Defensor could not produce a copy of the aforementioned notice. Moreover, the latter pointed out that the said notice was also included in the notice of annual stockholders' meeting that was sent to the stockholders of defendant-appellee Capitol on April 29, 2002. Two (2) stockholders of the defendant-appellee Capitol then stood up and stated that they received the notice informing them of the date, time and place when the proxies would be validated.

The foregoing antecedents prompted herein plaintiff-appellant to file the instant petition in the trial court insisting that the annual stockholders' meeting of defendant-appellee Capitol was illegally held for lack of quorum. According to the plaintiff-appellant, proxies must be validated at least five (5) days prior to the annual stockholders' meeting of the corporation, pursuant to Section 3 of Article A of Securities and Exchange Commission (SEC) Memorandum Circular No. 5 (Series of 2006). However, as stated in the notice of the annual stockholders' meeting of defendant-appellee Capitol, the last day for the submission of proxies was only three (3) days prior to its annual stockholders' meeting or on May 19, 2002. In addition, the plaintiff-appellant likewise contended that the said three (3)-day period also violated said SEC Memorandum Circular No. 5 which requires that, in the absence of any provision in the by-laws of a corporation, proxies must be submitted to the corporate secretary at least ten (10) days before the annual stockholders' meeting.

Consequently, since there were no legally-validated proxies during the annual stockholders' meeting of the defendant-appellee Capitol on May 21, 2002, the plaintiff-appellant maintained that there could be no quorum thereat. Thus, he averred that every action that was taken during the said annual stockholders' meeting and the resolutions that were passed therein were null and void and without any legal force and effect. The said actions included, among others, the ratification of the board resolution amending a part of the memorandum of agreement which defendant-appellee Capitol entered into with Ayala Land, Inc. The aforesaid amendment had been earlier approved and ratified during the special stockholders' meeting that was held on April 23, 2002 and contained the following amendments, to wit: (1) To have the entire precision golf course in the whole span of the front and back nine of the present golf course and not just to limit it at the back nine as contained in the original memorandum of agreement; (2) Defendant-appellee Capitol would receive forty percent (40%) of developed lots instead of cash override on the forty percent (40%) share; and (3) To accelerate the development of the parcels to avert further accumulation of interest on advances that were made from Ayala Land, Inc.

As to the special stockholders' meeting that was held by the defendant-appellee Capitol on April 23, 2002, the plaintiff-appellant asseverated that the amendments to the memorandum of agreement with Ayala Land, Inc. were earlier proposed to be approved in a special stockholders' meeting that was scheduled on March 22, 2002. The said stockholders' meeting, however, was enjoined by Branch 90 of the Regional Trial Court of Quezon City. Thereafter, another special stockholders' meeting was held on April 23, 2002 where the proposed amendments were again submitted as

part of the agenda. Consequently, the plaintiff-appellant questioned the said special stockholders' meeting that was held on April 23, 2002 on the ground that the conduct thereof violated the restraining order that was issued by Branch 90 of the Regional Trial Court of Quezon City which directed as follows:

> "WHEREFORE, let this Temporary Restraining Order be issued and the respondents, their representatives, agent/s or any person or persons, in their behalf are ordered to refrain or desist from holding the special stockholders' meeting scheduled on March 22, 2002 at 3:00 p.m. (Annex "C" of the verified petition) or at any time thereafter, until further order from this court."

The plaintiff-appellant further pointed out that the April 23, 2002 special stockholders' meeting of defendant-appellee Capitol was covered by the aforequoted restraining order in that the matter that was taken up during the April 23, 2002 special stockholders' meeting was the same subject matter that was restrained by Branch 90 of the Regional Trial Court of Quezon City. Moreover, the plaintiff-appellant argued that the stockholders of defendant-appellee Capitol were only notified of the special stockholders meeting on April 23, 2002 through publication as there was no written notice that was sent to them pursuant to Section 50 of the Corporation Code of the Philippines.

Summonses were thereafter served upon the defendants-appellees by the trial court requiring the latter to file their respective answers to the complaint within ten (10) days from their receipt thereof. In their Answer[5], the defendants-appellees denied the allegations that were hurled against them by the plaintiff-appellant. The defendants-appellees contended that two (2) notices were jointly sent to the stockholders of the defendant-appellee Capitol and that all notices of the annual stockholders' meeting were accompanied by the notice for the validation of proxies. [6] Moreover, as regards the special stockholders' meeting that was held on April 23, 2002, the defendants-appellees asseverated that the conduct of the aforesaid special stockholders' meeting could not have possibly violated the temporary restraining order that was issued by Branch 90 of the Regional Trial Court of Quezon City in that the said TRO sought to be enjoined therein was an intended special stockholders' meeting only on March 22, 2002. The defendants-appellees further pointed out that the TRO was only effective for a period of twenty (20) days which had already expired when the special stockholders' meeting was held on April 23, 2002.

Furthermore, the defendants-appellees countered that, assuming that the SEC Memorandum Circular No. 5 was violated by them, the said fact would not result in the invalidation and nullification of the annual stockholders' meeting of defendant-appellee Capitol, as well as the resolutions that were passed during the said annual stockholders' meeting. Moreover, they stressed that the violation of SEC Memorandum Circular No. 5 merely provides for sanctions against those who were responsible therein and it does not provide for the nullification of the proxies themselves.

In view of the pending incidents that surrounded the case which the trial court had to resolve first before proceeding with the trial on the merits of the case, Civil Case No. Q-02-011 was finally scheduled for pre-trial only on February 16, 2009. However, during the said date, the plaintiff-appellant, as well as his counsel, did not appear, thereby prompting the trial court to declare the plaintiff-appellant to be non-

suited. The case was then dismissed by the trial court in an Order[7] that was issued on even date. Consequently, the plaintiff-appellant filed a Motion for Reconsideration of the February 16, 2009 Order of the trial court alleging that the notice of the pre-trial conference in the morning of February 16, 2009 was only received by his counsel in the afternoon of the same date. Finding merit in the contention of the plaintiff-appellant, the trial court, in a subsequent Resolution[8] dated June 10, 2010, granted the said motion for reconsideration and ordered that the case be reinstated. The continuation of the pre-trial conference in the case was thereafter scheduled by the trial court on August 27, 2010.

The case was thereafter referred to judicial dispute resolution (JDR) proceeding. However, all the efforts which were exerted by the parties to have the case settled proved to be unsuccessful. Thus, the case proceeded to pre-trial conference. However, during the pre-trial conference that was set by the trial court on April 27, 2012, the plaintiff-appellant, as well as his counsel, failed to appear again in court, thereby prompting the said trial court to dismiss the case for the second time. The herein first assailed order dated April 27, 2012 thus reads:

> "When this case was called for hearing this morning, only Atty. Tolentino appeared for the defendants. As prayed for, considering the failure of the plaintiff and counsel to appear for pre-trial conference today despite notice, let this case be DISMISSED; plaintiff is hereby declared non-suited."

On July 2, 2012, the plaintiff-appellant filed a Motion for Reconsideration[9] of the first assailed order of the trial court. However, the aforesaid motion for reconsideration was likewise denied by the said court in the herein second assailed order dated December 21, 2012. The pertinent portion of the said order reads as follows:

> "There being no extra-ordinary circumstance shown to justify the liberal application of the rules, plaintiff's motion for reconsideration is DENIED.
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> "The challenged order of dismissal dated April 27, 2012 stays.
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> "SO ORDERED."

Undaunted by the foregoing disquisition of the trial court, the plaintiff-appellant filed the instant appeal raising the following errors which were purportedly committed by the trial court, to wit:

> I.
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> THE REGIONAL TRIAL COURT ERRED IN DISMISSING THE CASE WITH PREJUDICE FOR FAILURE OF THE PLAINTIFF-APPELLANT AND HIS COUNSEL, AT THE FIRST INSTANCE, TO APPEAR IN THE PRE-TRIAL CONFERENCE OF THE CASE.
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> II.
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> THE REGIONAL TRIAL COURT ERRED IN STRICTLY APPLYING THE RULES OF PROCEDURE DESPITE THE EXISTENCE OF SUFFICIENT JUSTIFICATION WARRANTING ITS LIBERAL APPLICATION TO SERVE THE BEST INTEREST OF JUSTICE.