

Title: Forest Hills Golf and Country Club, Inc. vs. Gardpro, Inc.

Facts:

- Forest Hills Golf and Country Club, Inc. (Forest Hills) is a non-profit stock corporation established to promote social, recreational, and athletic activities.
- In March 1993, Fil-Estate Properties, Inc. (FEPI) began marketing the golf club shares for Forest Hills.
- In July 1995, FEPI transferred its rights and obligations to Fil-Estate Golf and Development, Inc. (FEGDI).
- FEGDI engaged Fil-Estate Marketing Associates Inc., (FEMAI) to market shares of Forest Hills in 1995. The president of FEMAI informed the sales staff about the application and approval process for club membership.
- In 1996, Gardpro, Inc. (Gardpro) purchased Class "C" common shares, allowing them to nominate two representatives for club membership.
- In October 1997, Forest Hills began accepting membership applications. Gardpro's nominees, Fernando R. Martin and Rolando N. Reyes, paid P50,000 each as membership fees despite being initially informed such fees would not be collected.
- Gardpro was later informed it would have to pay new membership fees of P75,000 per nominee to change its designated members, which it refused to do.
- Gardpro filed a complaint with the Securities and Exchange Commission (SEC) on July 7, 1999, seeking a refund of the membership fees and challenging the fee for the replacement of nominees.
- On June 30, 2000, the SEC Hearing Officer ruled in favor of Gardpro.
- Upon appeal, the SEC En Banc decision on June 28, 2001, affirmed the ruling, excluding the award of attorney's fees.
- Forest Hills appealed to the Court of Appeals (CA), which affirmed the SEC ruling on September 26, 2003.
- The CA denied the Federation of Golf Clubs (Phil.), Inc. (Federation) the motion to intervene on March 1, 2004, and Forest Hills' motion for reconsideration on July 27, 2004.
- Forest Hills filed a petition for review on certiorari with the Supreme Court.

Issues:

1. Whether under the governing documents of the corporation, Gardpro's replacement nominees are obligated to pay new membership fees.
2. Did the Court of Appeals encroach on Forest Hills' prerogative to set its own membership rules and procedures?
3. Should the Court of Appeals have permitted the Federation of Golf Clubs of the

Philippines, Inc. to intervene as amicus curiae?

Court's Decision:

The Supreme Court affirmed the CA ruling, holding that:

1. Forest Hills was not authorized to collect new membership fees for replacement nominees of corporate shareholders under its by-laws.
2. The CA did not overstep by interpreting the provisions of the articles of incorporation and by-laws, as it was a judicial function to interpret and apply laws.
3. Denying the Federation's intervention was proper, as the issues concerned private matters and the court discretionarily grants or denies amicus curiae status.

Doctrine:

- The by-laws and articles of incorporation govern the relationship between a corporation and its shareholders, and their provisions should be applied according to their plain meaning.
- Courts will interpret contracts based on the expressed intentions of the parties, and constructions that may render any provision inoperative or void are disfavored.
- The judiciary has the inherent power to interpret the laws and the contract terms of corporate charters and by-laws.

Class Notes:

- In a stock corporation, membership-related fees and nominations are chiefly governed by corporate by-laws and articles of incorporation.
- Transfer fees vs. Membership fees: Transfer fees apply to the replacement of designees or stock transfers, whereas membership fees are a one-time cost for the initial approval of membership.
- Products of corporate discretion such as rules and procedures are binding; however, these matters are subject to judicial interpretation where disputes arise.
- Rules of interpretation: The literal meaning of a contract's stipulations shall control unless the contract is ambiguous, wherein extrinsic evidence may be necessary for interpretation.
- Judicial interpretation of private statutes, such as by-laws, is necessary where court action implicates the determination of rights arising under the statutes.
- Intervention of amicus curiae is a discretionary act of the court, typically withheld if the party seeking status has partisan interests or when adequate representation exists.

Historical Background:

The development of exclusive clubs like Forest Hills occurs in the context of both

investment arrangements and the offering of amenities to members as rewards. In the Philippine setting, where land and development are highly regulated, issues around corporate memberships in clubs frequently touch on corporate governance and shareholder rights. These disputes often have a broader impact, affecting similar recreational organizations and illuminating the complexities of corporate membership and property rights in the corporate context.