

****Title:****

Villongco et al. vs. Yabut et al.; Yabut et al. vs. Villongco et al.

****Facts:****

Phil-Ville Development and Housing Corporation (Phil-Ville) was established by Geronima Gallego Que, who owned 3,140 shares. The remaining 196,860 shares were equally distributed among her six children. Geronima passed away on August 31, 2007. Before her death, purportedly, a Sale of Shares of Stocks dated June 11, 2005, executed by Cecilia Que Yabut as attorney-in-fact for Geronima, distributed these shares amongst certain family members in a manner that led to disputes.

On January 18, 2013, Cecilia, Eumir Carlo Que Camara, and Ma. Corazon Que Garcia (collectively, Cecilia Que, et al.) requested Ana Maria, the corporate secretary, to call an annual stockholders' meeting to be held on January 25, 2013. The majority of the Board decided to postpone this meeting due to the ongoing dispute regarding the shares' distribution. Despite this, Cecilia Que, et al. held the meeting, resulting in the election of new board members, which included themselves.

Consequently, Carolina, Ana Maria, and Angelica, along with others, filed a complaint to annul the alleged sale and distribution of the shares, and the stockholders' meeting of January 25, 2014. This resulted in subsequent legal actions contesting the validity of the meeting and of the elected members. They also filed an election contest (SEC Case No. 14-001-MN) questioning the validity of the election carried out during the shareholders' meeting on January 25, 2014.

The Regional Trial Court (RTC) declared the meeting and the subsequent elections void for lack of quorum. The Court of Appeals (CA) upheld this decision, noting the RTC's decision was void for violating Section 14, Article VIII of the Constitution, and confirmed the lack of quorum invalidated the meeting.

****Issues:****

1. Whether the CA was correct in holding that the RTC decision violated Section 14, Article VIII of the Constitution.
2. Whether the total undisputed shares of Phil-Ville should be the basis for determining quorum.
3. Whether Cecilia, et al., were barred from filing an answer.

****Court's Decision:****

****1. Violation of Section 14, Article VIII:****

The SC affirmed the CA's decision that the RTC judgment was void for failing to comply with Section 14, Article VIII of the Constitution. The RTC decision did not clearly and distinctly state the facts and the law on which it was based. The claim that 98,428 shares were represented at the meeting was unsubstantiated by specific legal reasoning or underlying factual detail, thereby failing to meet constitutional requirements.

****2. Determination of Quorum:****

The SC reiterated that quorum should be based on the total outstanding capital stock, without distinguishing between disputed and undisputed shares. As per Section 52 and Section 137 of the Corporation Code, quorum consists of a majority of the outstanding capital stock. Therefore, the proper quorum for Phil-Ville was based on its 200,000 outstanding shares. The meeting in question only had 98,430 shares represented, which was insufficient to constitute a valid quorum.

****3. Bar from Filing an Answer:****

The SC held that Cecilia, et al., by filing a Motion for Extension of Time to File an Answer, effectively made a voluntary appearance, thereby submitting to the court's jurisdiction despite defective service of summons.

****Doctrine:****

- ****Section 14, Article VIII of the Constitution****: Requires judicial decisions to clearly and distinctly state the facts and the law on which they are based.
- ****Quorum****: Defined by the total outstanding capital stock as per Sections 52 and 137 of the Corporation Code.
- ****Voluntary Appearance****: Filing a motion for extension of time to file an answer constitutes voluntary submission to a court's jurisdiction, curing any defect in service of summons.

****Class Notes:****

- ****Quorum**** Definition: Based on total outstanding shares as per the Corporation Code.
- ****Section 63 Corporation Code****: No transfer of shares is valid between parties unless recorded in the corporation's books.
- ****Rule on Voluntary Appearance****: Filing an extension for an answer implies acceptance of court jurisdiction.
- ****Constitutional Mandate****: Courts must provide clear and distinct facts and law in decisions.

****Historical Background:****

This case provides a context where internal family disputes over corporate shares distribution led to significant judicial scrutiny on how corporate governance principles and procedural requirements are adhered to. It reflects tensions typical in family-owned businesses, especially concerning control and distribution of shares among heirs, and highlights the critical importance of adhering to juridical and corporate governance norms in resolving such disputes.