

Grace Christian High School v. Sycip, et al.

530 Phil. 609

Facts:

1. **Corporate Setup:** Grace Christian High School (GCHS) is a non-stock, non-profit educational corporation with fifteen regular members who constitute its board of trustees.

2. **Annual Meeting Issue:**

- **Date:** April 6, 1998.

- **Attendees:** Of the eleven living member-trustees, seven attended through proxies.

- **Dispute:** Atty. Antonio C. Pacis objected to the meeting claiming no quorum existed.

- **Actions:** Petitioners elected Ernesto Tanchi, Edwin Ngo, Virginia Khoo, and Judith Tan to replace four deceased member-trustees.

3. **Securities and Exchange Commission (SEC) Proceedings:**

- **Argument:** Petitioners argued deceased members should not be counted for quorum determination.

- **Hearing Officer's Decision:** SEC Hearing Officer Malthie G. Militar declared the April 6, 1998 meeting null and void for lack of quorum. Asserted quorum should be based on the number specified in the articles of incorporation.

- **SEC en banc Decision:** Affirmed the Hearing Officer's decision, stating the computation of quorum should include all members as specified in the articles of incorporation.

4. **Appeal to Court of Appeals (CA):**

- **Petition:** Filed by petitioners.

- **CA's First Resolution (January 23, 2002):** Dismissed the appeal due to defective Verification and Certification of Non-Forum Shopping signed only by Atty. Sabino Padilla Jr., without a Special Power of Attorney (SPA).

- **CA's Second Resolution (May 7, 2002):** Denied reconsideration despite submission of the SPA.

5. **Petition to the Supreme Court:**

- Petitioners sought reversal of the CA Resolutions, asserting that in non-stock corporations, dead members should not be counted in determining the quorum.

Issues:

1. **Procedural Issue:**

- Whether the CA erred in dismissing the petition based on the defective Verification and Certification of Non-Forum Shopping.

2. **Substantive Issue:**

- Whether dead members should be counted in determining the quorum for purposes of conducting the annual members' meeting.

Court's Decision:

1. **On the Procedural Issue:**

- **Resolution:** The Supreme Court excused the procedural lapse in the interest of substantial justice, accepting the subsequent SPA provided by the petitioners.

- **Rationale:** There was no intent to circumvent verification and certification requirements; substantial merits and legal questions in the petition justified the exception.

2. **On the Substantive Issue:**

- **Quorum for Non-Stock Corporations:** The quorum in members' meetings should be based on the actual number of living members.

- **Effect of Death on Membership:** Since GCHS's by-laws specify that membership terminates upon the member's death, deceased members should not be counted for quorum purposes.

- **Validity of the Annual Meeting:** With only 11 living members at the time of the meeting, the quorum was 6. The presence of seven members (through proxies) met the quorum requirement, validating the annual meeting.

- **Filling Vacancies on the Board:** Trustees must fill board vacancies. The election by members at their annual meeting was invalid as it did not comply with the by-laws specifying that remaining member-trustees fill vacancies.

Doctrine:

- **Quorum Determination in Non-Stock Corporations:** Only actual, living members with voting rights are counted in determining the quorum.

- **Membership Termination upon Death:** Membership rights are personal and non-transferable unless otherwise stated in the articles of incorporation or by-laws.

Class Notes:

- **Membership in Non-Stock Corporation:** Membership and associated rights terminate upon death if specified by the corporation's by-laws (Sec. 91, Corporation Code).
- **Quorum Requirement:** Quorum in non-stock corporations is based on living members (Sec. 52, Corporation Code).
- **Filling Board Vacancies:** Vacancies must be filled by remaining trustees if they constitute a quorum; otherwise, by regular/special member meetings (Sec. 29, Corporation Code).

Historical Background:

This case provides an interpretation of the Corporation Code's provisions regarding the determination of quorum and the termination of membership upon death in non-stock corporations. It addresses procedural issues when challenging administrative decisions and emphasizes the significance of adhering to specific corporate by-laws and statutory requirements in the governance of non-stock corporations. The case has relevant repercussions on the operations and dispute resolution mechanisms within educational and other similar non-profit organizations in the Philippines.