

# LAW ON CORPORATION

## TITLE VI MEETINGS

CORPORATION CODE OF THE PHILIPPINES  
Sec. 49-59



**Sec. 49. *Kinds of Meeting.*** – Meetings of directors, trustees, stockholders, or members may be regular or special.

**Sec. 50. *Regular and special meetings of stock holders 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 or members of record at least 2 weeks prior to the meeting, unless a different period is required by the by-laws.

Special meetings of stockholders or members shall be held at any time deemed necessary or as provided in the by-laws: Provided, however, that at least 1 week written notice shall be sent to all stock holders or members, unless otherwise provided in the by-laws. Notice of any meeting may be waived, expressly or impliedly, by any stockholder or member.

Whenever, for any cause, there is no person authorized to call a meeting, the SEC, upon petition of a stockholder or member, and on the showing of good cause there for, may issue an order to the petitioning stockholder or member directing him to call a meeting of the corporation by giving proper notice required by this Code or by the by-laws. The petitioning stockholder or member shall preside thereat until at least a majority of the stockholders or members present have chosen one of their numbers as presiding officer.

**Corporate decisions; rationale of meetings**

As a rule, a majority of the shareholders or members have no power to vote or act for the corporation as to matters on which shareholders have authority, except at a meeting called and conducted according to law. Written or oral consent to a corporate act by the shareholders or members individually, even though a majority may agree, is not binding on the corporation.

**When there is no person authorized to call a meeting**

A stockholder or member may petition the SEC upon showing of good cause, to call a meeting and directing the petitioner (stockholder or member) to give notice required by the Code and the by-laws. The petitioning stockholder or member shall preside at such meeting until at least a majority of the stockholders or members present have chosen one of their numbers as presiding officer.

**Sec. 51. *Place and time of meetings of stockholders or members.*** – Stockholders' or members' meetings, whether regular or special, shall be held in the city or municipality where the principal office of the corporation is located, and if practicable in the principal office of the corporation: Provided, that Metro Manila shall, for the purposes of this section, be considered a city or municipality

Notice of meetings shall be in writing, and the time and place thereof stated therein. All proceedings had and any business transacted at any meeting of the stockholders or members, if within the powers or authority of the corporation, shall be valid even if the meeting be improperly held or called, provided all the stockholders or members of the corporation are present or duly represented at the meeting.

**Place of meetings**

(Regular or special) meetings shall be held in the city or municipality where the principal office of the corp. is located.

If the meeting be **improperly held or called** (as when there was a defective notice) the same shall still be valid provided that

1. The act done was within the powers of the corporation.
2. All the stockholders or members were present or duly represented.

**Sec 52. Quorum in meetings.** – Unless otherwise provided for in this Code or in the by-laws, a quorum shall consist of the stockholders representing a majority of the outstanding capital stock or a majority of the members in the case of non-stock corporations.

Quorum – Signifies the number of persons belonging to a corporation required to transact business. Within the meaning of section 52 above, a quorum shall consist of the stockholders representing a majority of the outstanding capital stock or a majority of the members in the case of non-stock corporations.

**Sec. 53. Regular of special meetings of directors or trustees.** – The meetings shall be held monthly, unless the by-laws provide otherwise.

Special meetings of the board of directors or trustees may be held at any time upon the call of the president or as provided in the by-laws

Meetings of directors or trustees of corporations may be held anywhere in or outside of the Philippines, unless the by-laws provide otherwise. Notice of regular or special meetings stating the date, time and place of the meeting must be sent to every director or trustee at least 1 day prior to the scheduled meeting, unless otherwise provided in the by-laws. A director or trustee may waive this requirement, either expressly or impliedly.

**Sec. 54. Who shall preside at meetings.** – The president shall preside at all meeting of the directors or trustees as well as of the stockholders or members, unless the by-laws provide otherwise.

The meetings of directors or trustees may be held anywhere in the by-laws. Notice of regular or special meetings of directors or trustees must be sent to them at least 1 day prior to the scheduled meeting, unless the by-laws provided otherwise.

**Sec. 55. Right to vote of pledgors, mortgagors and administrators.** – In case of pledged or mortgaged share in stock corporations, the pledgor or mortgagor shall have the right to attend and vote at meetings of stockholders, unless the pledge or mortgagee is expressly given such right in writing which is recorded on the appropriate corporate books by the pledgor or mortgagor.

Executors, administrators, receivers and other legal representatives duly appointed by the court may attend and vote in behalf of the stockholders or members without need of any written proxy.

The **pledgor or mortgagor** of shattem in the absence of agreement to the contrary, if the shate remain in his name on the books of the corporation **has the right to attend and vote at meetings of stockholders.**

A **person who appears on the books of a corporation or otherwise as the absolute owner of stock clearly has the right to vote**, although in face he may hold it as trustee. Executor and administrator has the right, to vote shares belonging to the estate of his decedent, and it can make no difference that the share stand on the books of the corporation in the name of the decedent.

**Sec. 56. Voting in case of joint ownership of stock.** – In case of share of stock owned jointly by 2 or more persons, in order to vote the same, the consent of all the co-owners shall be necessary, unless there is a written proxy, signed by all the co-owners. Authorizing one or some of them or any other person to vote such share or shares: provided, that when the shares are owned in an capacity by the holders thereof, any one of the joint owner can vote said shares or appoint a proxy therfor.

If share are owned by 2 or more persons jointly, **the right to vote is in them jointly**, and , in order that the shares may be voted, they must agree upon the vote. This rule of joint action applies to shares held by several executors or trustees, in the absence of provision for a majority vote if the fiduciaries disagree.

**Sec. 57. Voting right for treasury share.** – Treasury shares shall have no voting right as long as such stock remains in the treasury.  
**Treasury shares have no voting rights.**

**Sec. 58. Proxies.** – Stockholders and members may vote in person or by proxy in all meetings of stock holders or members. Proxies shall be in writing, signed by the stock holder or member and filed before the scheduled meeting with the corporate secretary. Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five years at any one time.

Proxy – In corporate law, is a person who votes for and this represents the stockholders or members.

#### **Voting by proxy**

Ordinarily the right to vote shall be exercised by the stockholders themselves or by their duly authorized representatives. Proxy to be valid must be:

1. In writing, signed by the stockholder or member giving it.
2. Filed with the corporate secretary before the scheduled meeting.
3. It is valid only for the meeting for which it is intended unless otherwise stipulated.
4. Even if the proxy is a continuing one it shall not be longer than 5 year at any one time.

**Sec 59. Voting trusts.** – One or more stockholders of a stock corporation may be create a voting trust for the purpose of conferring upon a trustee or trustees the right to vote and other rights pertaining to the share for a period not exceeding 5 years at any one time: Provided, that in the case of a voting trust specifically required as a condition in a loan agreement, said voting trust may be for a period exceeding 5 years but shall automatically expire upon full payment of the loan. A voting trust agreement must be in writing and notarized, and shall specify the terms and conditions thereof. A certified copy of such agreement shall be filed with the corporation and with the SEC: otherwise, said agreement is ineffective and unenforceable. The certificate or of stock covered by the voting trust agreement shall be cancelled and new one shall be issued in the name of the trustee or trustees stating that they are issued pursuant to said agreement. In the books of the corporation, it shall be noted that the transfer in the name of the trustee or trustees is made pursuant to said voting trust agreement.

The Trustee or trustees shall be execute and deliver to the transferors voting trust certificates, which shall be transferable in the same manner and with the same effect as certificates of stock.

The voting trust agreement filed with the corporation shall be subject to examination by any stockholder of the corporation in the same manner as any other corporate book or record: *Provided*, That both the transferor and the trustee or trustees may exercise the right of inspection of all corporate books and records in accordance with the provisions of this code.

Any other stock holder may transfer his shares to the same trustee or trustees upon the terms and conditions stated in the voting trust agreement, and there upon shall be bound by all the provisions of said agreement.

No voting trust agreement shall be entered into for the purpose of circumventing the law against monopolies and illegal combinations in restraint of trade or used for purposes of fraud.

Unless expressly renewed, all rights granted in a voting trust agreement shall automatically expire at the end of the agreed period, and the voting trust certificates as well as the certificates of stock in the name of the trustee or trustees shall thereby be deemed cancelled and new certificates of stock shall be reissued in the name of the transferors.

The voting trustee or trustees may vote by proxy unless the agreement provides otherwise.

#### **Concept of voting trusts**

A voting trust is an agreement by which stockholders surrender their voting power and place it irrevocably in the hands of others for a definite period of time. In exchange for the certificates of stock the trustee delivers to the stockholder voting trust certificates.

#### **Limitations on voting trust agreement**

1. It shall be for a period not exceeding 5 years but if required under a loan agreement, the period may be for more than 5 years but shall automatically cease upon full payment of the loan.
2. It must be in writing and notarized.
3. It shall not be entered into to circumvent laws on monopolies and restraint of trade, nor shall it be entered into purposes of fraud.
4. It shall be filed with the corporation and with SEC otherwise it shall be ineffective and unenforceable.
5. It shall be subject to examinations by any stockholder in the same manner as any other corporate book or record.
6. Parties to the voting trust agreement shall be bound by all the provisions of said agreement.