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**Minutes of the Annual Stockholders' Meeting of  
CARITAS HEALTH SHIELD, INC.**

Held on 06 March 2019 at Caritas Corporate Center, 97 E. Rodriguez Sr. Ave., Quezon City

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**I. CALL TO ORDER**

The stockholders' meeting was called to order by the Chairman of the Board, Dr. Rene V. Reyes, at 10:30 a.m., and the minutes of the meeting was recorded by the Corporate Secretary.

**II. REPORT ON ATTENDANCE & QUORUM**

Atty. Brillantes asked why is there a low attendance of only 75.69% compared to the past years. The reason according to the Corporate Secretary is that out of the 300,000 outstanding capital stock, 72,922 shares were excluded. The grounds for their non-inclusion are the following:

|  |   |               |
|--|---|---------------|
| a) Stockholder with unknown address                        | - | 548 shares    |
| b) Deceased stockholders                                   | - | 27,228 shares |
| c) Stockholders absent & w/o proxy                         | - | 2,192 shares  |
| d) Shares of G.M. Martinez subject of an interpleader case | - | 42,954 shares |
|  |   | =====         |
| Total  |   | 72,922 shares |

It was pointed out that in so far as the 42,954 shares of G.M. Martinez are concerned, the Quezon City Regional Trial Court (RTC ) in the interpleader case (Case No. R-QZN-17-08220-CV) has issued an *Order* that “x x x *Caritas Health Shield is hereby directed to hold in abeyance the disposition of whatever dividends due on the subject shares, and the parties are directed to refrain from exercising whatever rights over the subject shares until the Petition for Certiorari of the the Court of Appeals is resolved with finality.*” To this, Atty. Brillantes gave information that the Court Appeals (CA) in the certiorari case has rendered a decision which has already become final, consequently, he said, the aforesaid *Order* of the Quezon City RTC is no longer applicable and therefore, there is no more impediment for the contested 42,954 shares to be included in this meeting. However, the Corporate Secretary opined that since the corporation is not a party to CA case and that no new directive from the interpleader court was issued, the existing Quezon City RTC *Order* stands and should be followed.

Atty. Brillantes then asked whether a proxy for the 42,954 shares was issued. Yes and the proxy is Mr. Ronald D. Acolola named by G.M. Martinez. Mr. Acolola also added that he too is the proxy nominated by Rhodaline Regoso-Jumamil (who is one of the three conflicting claimants in the interpleader case). Because of this, Atty. Brillantes said that Mr. Acolola should be allowed to represent the contested shares since two of the claimants have named him their proxy. Again the Corporate Secretary maintained that since the purpose of an interpleader is precisely for the court to resolve the conflicting claims, the corporation must wait for the definitive ruling of the court or a directive setting aside its previous order.

At this juncture, Atty. Martinez interjected to say that the judgment of the CA has attained finality and that decision upheld the validity of the Sheriff's sale over the 42,954 shares in favor of Marionette O. Martinez (the third party in the Interpleader case) who then in turn transferred all her rights and interest over the said shares in favor of Rhodaine Regoso-Jumamil. He therefore submits that Mr. Acolola should be allowed to represent the contested shares being also the proxy of the transferee. The Corporate Secretary said that this notwithstanding, Mr. Acolola could not still validly represent the subject shares. He explained that assuming, on one hand, the CA certiorari case has been resolved with finality in favor of Marionette O. Martinez, it then follows that the proxy issued by G.M. Martinez should not be honored for the simple reason that he is not anymore the owner of the said shares. On the other hand, assuming the subsequent transfer of said shares by Marionette O. Martinez in favor of Rhodaine Regoso-Jumamil, the latter's proxy to Mr. Acolola could neither be recognized because she (R. Regoso-Jumamil) is not yet a stockholder of record because no BIR *Certificate Authorizing Registration* (CAR) was yet submitted which is a legal requisite to record the assignment of shares in books of the corporation. He further stressed that in the last Board meeting, it was so resolved that **only stockholders of record as of 22 February are entitled to notice and vote** in this meeting.

Atty. Martinez joined by Atty. Brillantes and Mr. Acolola then requested to inspect the Stock Transfer Book commenting that with the exclusion of the 42,954 shares from participating despite the finality of the CA decision will trigger an intra-corporate dispute.

Mr. Collado said that since more than enough was said regarding the matter, he moved that the body should vote on it. However, the Chair said that it is not necessary to divide the house, the meeting will instead proceed with all comments and objections raised recorded in the minutes, and those aggrieved may later decide to avail of the appropriate legal remedies.

Accordingly, the Chair declared that the attendance stands at 75.69% of the outstanding capital stock.

### **III. REVIEW AND APPROVAL OF THE MINUTES OF THE PREVIOUS STOCKHOLDERS' MEETING**

After a review of the minutes of the Stockholders' Meeting of 06 March 2018, the body, upon motion made and duly seconded, approved the same without any correction.

### **IV. MANAGEMENT REPORTS:**

**1. Sales Report.** The Chief Marketing Officer, Ms. Rafe M. Diaz, presented the annual production report.

**2. President's Report.** The President & CEO, Mr. Mariano T. Katipunan, Jr. gave his report, the salient features or which relate to the following:

- a) Re-organization of the Alternative Marketing Department to streamline its operations of this department;

- b) Preparations being undertaken before introduction to the public the sale of Yearly-Renewable Term (YTR) products;
- c) Total assets: Php9.034 billion (unaudited figures);
- d) Net income after tax: Php1.413 million (unaudited figures);
- e) Trust Fund Reserves: Php7.573 billion;
- f) Eye Center now operational (PhilHealth accredited);
- g) Kidney Stone Center to be operational by April 2019;
- h) Acquisition of new equipment for premiere clinics;
- i) Renovation of premiere branches;
- j) Installation of 225 KVA generator unit sufficient to provide back-up power to the Eye Center, Kidney Stone Center, and the entire head office.
- k) Digital Transformation Project expected to be completed by September 2019;
- l) Establishment of the Customer Relations Department (CRD) to meet the growing needs of members and stakeholders;
- m) Leadership Management Seminars for Branch Managers;
- n) Training seminars for cashiers;
- o) Marketing conference target for 2019: Php6.1 billion.

The President ended by giving the company a bright prognosis and with a management team committed to achieve its continuous growth.

**3. Financial Report** – Mr. Ovidan Caesar Galvez, Head Accounting Services, presented the Audited Financial Statements (AFS) for the year ended 31 December 2017 which was released on November 2018. The auditing firm of Reyes Tacandong & Co. that prepared the AFS gave it the stamp of an unqualified opinion, the summary of which are as follows:

“In our opinion, the separate financial statements present fairly in all material respects the financial position of the company as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with the Philippine Financial Reporting Standards.”

Mr. Galvez also presented the Unaudited Financial Statement of the company for the year ended 31 December 2018.

## **V. RATIFICATION OF ALL ACTS OF THE BOARD OF DIRECTORS**

Upon motion made and seconded, and with no objection raised, the body passed and approved all the resolutions ratifying, and confirming all the acts of the Board of Directors including the Executive Committee, from 06 March 2018 (or the period that passed since the last stockholders’ meeting) to date.

## **VI. ELECTION OF THE MEMBERS OF THE BOARD FOR THE ENSUING YEAR**

The Chair opened the floor for nomination and election of the 15-member Board of Directors to serve for the ensuing year until their successors have been duly elected and qualified.

Atty. Martinez announced that he is submitting four (4) nominations under the assumption the the Quezon City RTC *Order* in the interpleader case is no longer effective, the nominees are:

1. Acolola, Ronald D.
2. Arcilla, Juanito G.;
3. Brillantes, Sixto Jr. B.; and
4. Martinez, Florencio M.

On the other hand, if the said *Order* is sustained as still being effective and enforceable, he is submitting two nominations in the person of the following:

1. Arcilla, Juanito G.; and
2. Brillantes, Sixto Jr. B.

The Corporate Secretary reiterated that the standing *Order* of the court cannot be ignored and should be followed. Hence, only the two nominees of Atty. Maritinez can be recognized.

Ms. Escalona submitted thirteen (13) nominees, to wit:

1. Aventura, Avenilo P.;
2. De Asis, Edgar C.;
3. Diaz, Rafe M.;
4. Dizon-Co, Lourdes Ann;
5. Collado, Ronnie U.;
6. Crisostomo, Jay D.;
7. Escalona, Ana Maria K.;
8. Henson, Ruben G.;
9. Katipunan, Mariano, Jr. T.;
10. Lucena, Gilda C.;
11. Reyes, Rene V.
12. Umali, Elizabeth C.; and
13. Yulde, Jeffrey K.

Upon motion made and seconded, the Chair closed the nomination. There being only 15 nominees, the Chair instructed the Corporate Secretary to distribute equally the available qualified votes to the said nominees.

Accordingly, it was announced that the fifteen elected members of Board of Directors for the ensuing term are the following:

1. Arcilla, Juanito G.
2. Aventura, Avenilo P.;
3. Brillantes, Sixto Jr., B.
4. De Asis, Edgar C.
5. Diaz, Rafe M.
6. Dizon-Co, Lourdes Ann;
7. Collado, Ronnie U.;
8. Crisostomo, Jay D.;
9. Escalona, Ana Maria K.;
10. Henson, Ruben G.;

11. Katipunan, Mariano, Jr. T.;
12. Lucena, Gilda C.;
13. Reyes, Rene V.
14. Umali, Elizabeth C.; and
15. Yulde, Jeffrey K.

Atty. Brillantes manifested that in view of condition made by Atty. Martinez when he submitted his nomination, two of the 13 nominees of the majority should be prepared to step down if a court ruling is obtained declaring the exclusion of the 42,954 shares was improper. The Chair noted the manifestation and such eventuality will be dealt in accordance with law once it happens.

## **VII. APPOINTMENT OF EXTERNAL AUDITOR**

Upon recommendation of management and on motion duly made and seconded, and with no objection raised, the body approved to engage the services of the auditing firm **REYES TACANDONG & CO.** as the company's external auditor in the preparation of the Financial Statement as of and for the year ended 31 December 2019.

## **VIII. OTHER MATTERS**

1. Change of Corporate Name – The President said of the need to change the corporate name of the corporation because the SEC has rendered a ruling ordering to discontinue the use of the word “Caritas” in the corporate name of the corporation. However, this would entail an amendment to the Articles of Incorporation but the matter of change of corporate name was not included in the notice of today's stockholders' meeting, he proposed a waiver of the required prior notice, and then to consider and approve the change in the corporate name of the corporation by reverting to its original name “Health Shield, Inc.”

Atty. Brillantes queried whether at least 2/3 of outstanding capital stock is represented in this meeting. The Corporate Secretary answered in the affirmative with 75.69% of the outstanding capital stock being present.

Upon motion made and seconded, the body voted affirmatively, sans objection the following: (a) to waive the required prior notice to consider the amendment to Article I of the Articles of Incorporation changing the corporate name of the corporation; and (b) to approve the proposed change of corporate name from “Caritas Health Shield, Inc.” to “Health Shield, Inc.”

2. Increase in the Capital Structure – Ms. Escalona also proposed that the increase in the authorized capital stock from Php30 million to Php600 million be taken up in today's stockholders' meeting by again waiving the required prior notice. She said that this matter has been in limbo for a long time now and the company remains non-compliant with risk-based capitalization requirement of the Insurance Commission.

It was recalled that two previous attempts were made to secure the stockholders' ratification to the proposed the capital increase from Php30 million to Php630 million. The first was on 27 June 2017, but it failed to pass because the required affirmative 2/3 votes of the outstanding capital stock was not met. In the second stockholders' meeting held on 25 July 2017, no voting was conducted but the consideration of the increase was suspended indefinitely due to the demand of

some dissenting stockholders to have a copy of the actuarial valuation report (AVR) officially submitted to the IC as a guide in voting on the proposed increase.

Atty. Arcilla inquired whether the initial subscription and paid-up portion of the Php600 million increase would only be the required minimum subscription of 25% and 25% of which is to be paid-up (or approximately Php37.5 million). Ms. Escalona said that as of 2017, the corporation's risk-based capital requirement under IC regulations should already be Php180 million, but the corporation's present capital is only Php30 million, therefore there is a deficiency of Php150 million. Atty. Arcilla doubted that the stockholders can come up with said amount. Atty. Brillantes added by asking that if the Php150 million cannot be raised from the stockholders, where would the amount be sourced? He was answered that it will be taken from the standby Php150 million infused by CLIC which is currently booked as "deposit for future subscription" and shall be applied as actual subscription only after the stockholders have exercised their pre-emptive rights. It was also noted the IC is fully aware of this matter. Atty. Arcilla then asked whether this arrangement legally tenable. Yes, according to the counsel's opinion secured from the law firm of Feria Tantoco & Daos Law Offices.

Finally, upon motion made and seconded, sans objection, the body voted to waive the required prior notice to consider for ratification the proposed amendment of the Seventh Article of the Articles of Incorporation increasing the authorized capital stock of the corporation.

Likewise, upon motion made and seconded, the body approved the increase in the authorized capital stock of the corporation from Php30 million to Php600 million.

## IX. ADJOURNMENT

There being no other further business to transact, the meeting was adjourned at 2:25 o'clock p.m.

Certified Correct:



**CHARLES B. ESCOLIN**  
*Corporate Secretary*