

1 **MINUTES OF THE 07-2020 BOARD MEETING**
2 **OF THE SOCIAL HOUSING FINANCE CORPORATION**
3 **25 June 2020**
4 **Videoconference¹**

5
6 ATTENDANCE OF BOARD DIRECTORS:
7

8
9 SEC. EDUARDO D. DEL ROSARIO - DHSUD Secretary
10 *Chairperson*
11
12 ATTY. ARNOLFO RICARDO B. CABLING - President, SHFC
13 *Vice-Chairperson*
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15 DR. FELIXBERTO BUSTOS JR. - President, NHMFC
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18 USEC. EPIMACO V. DENSING III - DILG Representative
19
20 USEC. BAYANI H. AGABIN - DOF Representative
21
22 ATTY. RYAN S. LITA - DBM Representative
23

24 *Private Sector Representatives:*

25
26 MR. LYNDON B. CATULONG, SR.
27 ATTY. EMILIANO C. REYES
28 MR. RONALD BARCENA
29 MR. GEORGE JT D. ALIÑO II.
30

31 *Other Officers/Attendees:*

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33 Atty. Junefe Payot - SHFC EVP
34 Atty. Leo Deocampo - SHFC OIC-SVP for Operations
35 Atty. Melanie B. Valenciano - SHFC Acting Board Secretary
36 Other SHFC Vice-Presidents and Managers
37

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39 **1. CALL TO ORDER**
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41 The Department of Human Settlements and Urban Development (DHSUD) Secretary Eduardo
42 Del Rosario called the 07-2020 Board Meeting to order at 10:29 a.m.
43

44 **2. DETERMINATION OF QUORUM**
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46 At the onset, the Acting Board Secretary Atty. Valenciano, announced that out of the eleven
47 (11) Members with one (1) vacancy, there are nine (9) who are present, thus there is a quorum

¹ Zoom videoconference platform

1 to do business. During the videoconference,² the following are the initial attendees joining the
2 meeting from their respective locations:³

- 3
- 4 1. Secretary Eduardo Del Rosario joining from the DHSUD Building in Quezon City
- 5 2. Atty. Arnolfo Ricardo Cabling from Davao City;
- 6 3. Dr. Felixberto Bustos Jr. from Lubao, Pampanga;
- 7 4. Director Ronald Barcena from Antipolo;
- 8 5. Mr. Lyndon Catulong Sr. from Davao City;
- 9 6. Atty. Emiliano Reyes from Mariveles, Bataan;
- 10 7. Mr. George JT Aliño II from Quezon City;
- 11 8. Atty. Ryan Lita from the Department of Budget and Management Building in Manila;
- 12 and
- 13 9. Usec. Epimaco V. Densing from Paranaque.
- 14

15 During the meeting, Usec. Bayani H. Agabin joined the meeting at 11:16 a.m. Thus, there were
16 ten (10) Directors who attended the meeting.

17 18 **3. DELIBERATION / APPROVAL OF THE AGENDA OF THE 07-2020 BOARD** 19 **MEETING**

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21 **The Members of the Board approved the Agenda for the 07-2020 Board Meeting.**

22 23 **I. FOR APPROVAL**

24 25 **1. ADDITIONAL AMENDMENTS TO THE SHFC BY-LAWS**

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27 The Management, through the Acting Board Secretary Atty. Melanie B. Valenciano, presented
28 the following proposed additional amendments to the SHFC By-Laws alongside the original
29 SHFC By-Laws:

- 30
31 a) Article II, Section 5 – Quorum

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SHFC By- Laws	Proposed Amendments	Board Approval
Section 5. Quorum- Unless otherwise provided by law in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.	Section 5. Quorum- Unless otherwise provided by law in all regular or special meeting of stockholders, <i>a majority of the outstanding capital stock and a majority of the members of the Board of Directors must be present or represented in order to constitute a quorum.</i> If no quorum is constituted, the meeting shall be adjourned until the requisite amount of	Approved

² Zoom Videoconference platform

³ SEC Memorandum Circular No.6, Series of 2020

<p>The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to less than a quorum.</p>	<p>stock shall be present. The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to less than a quorum.</p>	
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Atty. Cabling explained the reason why the Management was presenting this amendment again to the Board. He said that the Management feels uncomfortable that only one individual will constitute the quorum for the Stockholders’ Meeting considering that SHFC is a government entity and there should be a check and balance mechanism.

Usec. Densing adamantly interposed his objection in the said proposal stating that during the last Board Meeting, the Board has disapproved this proposed amendment and unless there is a motion for reconsideration made by those Directors who disapproved this provision then it will stay disapproved.

Director Catulong commented that it is only Usec. Agabin who disagreed with the said provision. He then added that he preferred that this provision will be amended.

Usec. Densing manifested that he also disagreed with the amendment to the said provision considering that the Stockholders’ Meeting is a business of stockholders therefore whoever has the majority of the outstanding stock should represent in the quorum instead of the individual presence of the Board of Directors. He also added that for the purposes of Stockholders’ Meeting, Director Bustos will only do is to ratify the Board-approved matters.

Director Bustos then suggested that he can submit the proposal for the distribution of shares to the NHMFC Board considering that he cannot decide on his own.

Atty. Cabling explained that the Management is not requesting for the distribution of the shares because it would entail amendments to the Articles of Incorporation and the approval of the NHMFC Board of Directors. Instead, the Management is proposing to increase the quorum requirement. He added that the Management is not insisting but just wanted to request for reconsideration on the said matter. Considering that SHFC is a government entity, with this provision, SHFC will be able to protect more its interest.

Secretary Del Rosario clarified that the said provision will be immediately effective on the Stockholders’ Meeting that will proceed after the Board Meeting. Atty. Valenciano answered that it would be effective only after the approval of the Securities and Exchange Commission (SEC). The amended By-Laws will be submitted first to the SEC for approval.

Usec. Densing then explained his point that to be able to transact business, there is a need for the majority of the outstanding share. And even if the majority of the Director is physically present, the one who holds the majority outstanding stock will be the one who will make the decision. He added that “parang pinahirapan lang natin ang mga sarili natin” with the said amendment considering that the majority of the Board will be required to be present. Although

1 the one who has the majority outstanding stock is enough to constitute a quorum, Usec. Densing
2 commented that it is the responsibility of the other members of the Board to attend the
3 stockholders meeting. He further added that considering that SHFC is a Government-Owned
4 or Controlled Corporation (GOCC) it is okay that there are other Members of the Board that
5 are included in the Stockholders' Meeting, however he feels that it is not appropriate.

6
7 Director Bustos manifested that he likes everybody to be present in the Stockholders' Meeting.

8
9 Atty. Cabling explained that before the Stockholders' Meeting can proceed there should be a
10 determination of quorum first so there will be a deliberation or discussion with the participation
11 of the members of the Board of Directors. With respect to the decision-making, it will be
12 determined by the number of shareholding. The meeting will not proceed if the majority of the
13 Board of Directors will not participate considering that it requires a quorum.

14
15 Usec. Densing clarified that the quorum is determined by the number of outstanding shares and
16 not the physical presence of the individual.

17
18 Atty. Cabling added that the basis for the proposal is in the law which provides that "unless the
19 By-Laws provides otherwise".

20
21 Secretary Del Rosario commented that he thinks that there is nothing wrong if SHFC will adopt
22 the said amendment considering that the Management feels it is right to protect the interest of
23 the government. He then added that he personally moves for the amendment that the majority
24 of the Board Members be present in the Stockholders' Meeting for approval unless there is a
25 strong objection coming from the Board of Directors.

26
27 Usec. Densing firmly registered his objection.

28
29 With this, the house was divided and the approval on the said matter will be voted for by the
30 members of the Board. Secretary Del Rosario manifested that he would vote at the end if there
31 would be a tie. The result of which is as follows:

- 32
33 1. Dr. Felixberto Bustos – Abstained
34 2. Atty. Arnolfo Ricardo Cabling – Yes
35 3. Usec. Epimaco Densing – No
36 4. Atty. Ryan Lita – No
37 5. Dir. Lyndon Catulong – Yes
38 6. Atty. Emiliano Reyes – Yes
39 7. Dir. Ronald Barcena – Yes
40 8. Dir. George JT Aliño – Yes

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49 b) Article IV Section 7 – Term of Office
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SHFC By- Laws	Proposed Amendments	Board Approval
<p>Section 7. Term of Office. – The term of office of all the officers shall be for a period of one (1) year and until their successors are duly elected and qualified. Such officers may however be sooner removed for cause.</p>	<p>Section 7. Term of Office. – The President/Chief Executive Officer shall have a term of one (1) year and until his successor is duly elected and qualified. The following Officers may be removed from office by the majority vote of the members of the Board:</p> <ol style="list-style-type: none"> 1. Corporate Treasurer; 2. Corporate Secretary; 3. Compliance Officer; and 4. Head of Internal Audit 	<p>Include the Chief Finance Officer in the Officers that may be removed from office by the majority vote of the members of the Board.</p>

1
 2 Atty. Cabling mentioned that he requested Atty. Saco to inform Atty. Valenciano that the Chief
 3 Finance Officer be included in the list considering that the Governance Commission for the
 4 GOCC (GCG) Corporate Governance equates the Treasurer and Finance Officer and therefore
 5 should be appointed by the Board. It also specifically mentioned, hence the highest trust and
 6 confidence should also be required to the Chief Finance Officer.

7
 8 **After thorough deliberation, the Board approved the Proposed Additional Amendments**
 9 **to the SHFC By-Laws specifically on the following sections as amended during the Board**
 10 **Meeting:**

- 11 1. Article II, Section 5; and
- 12 2. Article IV, Section 7.

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 14
 15 **2. LEGAL OPINION ON THE CONSTRUCTION OF THE RETAINING WALL**
 16 **FOR THE MARAWI SHELTER PROJECT PHASE 1**

17
 18 As a continuation of her presentation, Atty. Valenciano presented Legal Opinion of the Legal
 19 Affairs Department on the construction of the retaining wall for the Marawi Shelter Project
 20 Phase 1.

21
 22 The Conclusion and Recommendations of the Legal Affairs Department are as follows:

- 23
 24 1. The BAC may assess the current situation of the project site (re: soil erosion).
 25 Negotiated Procurement under Section 53.2 (Emergency Cases) may only be allowed
 26 for the construction of retaining wall and slope protection of the Marawi Shelter Project
 27 in the event that the assessment and recommendation of the BAC states that the
 28 emergency situation conceived is real and not merely based on assumptions, surmises,
 29 or weak probabilities. It must also indicate the source of the fund for the Emergency
 30 Procurement;

- 1 2. The savings that SHFC will get from the supposed land acquisition and site
2 development of the 500 housing units which were transferred to the National Housing
3 Authority (NHA) may be used to finance the construction of retaining wall and slope
4 protection of the Marawi Shelter Project because such construction of retaining wall
5 and slope protection also serves the same purpose of the said fund provided in the GAA
6 FY 2018 & 2020 - for the recovery, rehabilitation, reconstruction and relief projects in
7 Marawi City and affected areas. Simply put, the construction of retaining wall and slope
8 protection of the Marawi Shelter Project Phase I also redounds to the rehabilitation of
9 Marawi City and the affected areas. SHFC may include this Php12.844Million
10 additional construction cost for the retaining wall in its succeeding drawdown request
11 for release of funds from the total fund;
12
- 13 3. SHFC is also advised to amend and/or update its Project Proposal submitted to the
14 NDRRMC under the OCD to reflect the actual number of ISFs for the Marawi Program
15 to be assisted by SHFC from 1500 to 1000 ISFs with a proportional reduction of the
16 total amount of funding requirement, if necessary and in accordance with existing rules.
17 SHFC may however provide for a justification on the utilization of the total remaining
18 amount for the Marawi Shelter Project Phase III and additional drawdowns for the
19 ongoing Marawi Shelter Project Phases I and II; and
20
- 21 4. Finally, SHFC should submit quarterly reports on the utilization of funds and the
22 monthly progress/accomplishment reports on the projects that will be posted on
23 SHFC's website in compliance with the provisions of the GAA and Section 22 of RA
24 No.10121 or the Philippine Risk Reduction and Management Act of 2010.
25

26 The said legal opinion is initially for the information of the Board. However, Atty. Cabling
27 manifested that the utilization of the "savings" for the construction of the retaining wall will be
28 approved.
29

30 Atty. Reyes clarified that the savings from the land acquisition will be a diversion of funds.
31 However, if the General Appropriation Act (GAA) allows the said utilization of savings then
32 he will second the proposal.
33

34 Secretary Del Rosario then asked if there is a technical malversation. Atty. Valenciano
35 answered that SHFC could still request for succeeding drawdowns from the total funds
36 considering that the construction of the retaining wall is still for the purpose of the recovery
37 and the construction of the Marawi City. SHFC will not deviate from the purpose of the fund
38 provided in the GAA. Hence, there is no diversion of the purpose of the said fund.
39

40 Atty. Lita raised a clarification that the proposed additional funding for the retaining wall will
41 still be requested for Special Allotment Release Order (SARO) from DBM and the request will
42 be for the purpose of site development. It seems that it is an additional request from the previous
43 release for site development.
44

45 Secretary Del Rosario also raised an inquiry on the term "savings". Atty. Valenciano clarified
46 that the term "savings" is only the term used by the Management and it is not savings per se
47 but the difference between the total fund amounting to Php398 Million proposed by SHFC to
48 Office of the Civil Defense (OCD) and the Php198 Million which was already obligated to
49 SHFC by virtue of SARO issued by the DBM. SHFC can still request for release of funds from
50 the remaining amount of Php199 Million from the total fund.

1 Atty. Lita recommended that it should not be referred as “savings” considering that it is not
2 actually savings. It is actually part of the purpose and it is a request for additional funding for
3 the site development from the balance of the fund approved by President Rodrigo Duterte.

4
5 Atty. Cabling noted the said recommendation. He added that the Management will just change
6 the terminology used.

7
8 Atty. Valenciano added that instead of the term “savings” it will be changed to the additional
9 drawdown from the total fund.

10
11 Secretary Del Rosario then remarked that there is no savings to speak of and it is just charged
12 from the remaining balance from the total fund. He added that the request is approved but
13 pending the release of SARO from DBM hence, it will take time considering that this is
14 emergency procurement in nature. Atty. Cabling responded that SHFC will probably advance
15 again from its own funds.

16
17 Secretary Del Rosario commented that the corporate funds will be used in the meantime so that
18 the project will start immediately.

19
20 Atty. Lita recommended to coordinate first with the DBM Operations Department for them to
21 be informed with respect to the matter at hand prior to the advancing of the budget just to be
22 safe.

23
24 Atty. Cabling said that SHFC has done the advancing of budget in the past which came from
25 its reflows and not from the GAA fund. Their experience before is that the DBM said that as
26 long as the budget is coming from the reflows, SHFC has a discretion on the utilization of the
27 fund. He then noted the recommendation and assured the good Director that the Management
28 will coordinate first with the DBM.

29
30 Secretary Del Rosario likened the said matter to the National Housing Authority (NHA)
31 experience. He added that the NHA is similarly doing the same thing. He further added that it
32 is a good thing considering that the projects are expedited pending the release of budget from
33 the DBM.

34
35 With respect to the purchasing of additional lot, Secretary Del Rosario inquired about the
36 updates on it. Atty. Cabling answered that SHFC has at least three (3) choices and it will be
37 presented in the next Board Meeting.

38
39 Secretary Del Rosario reminded the Management of the deadline that was given to SHFC for
40 the completion of the Project. He then instructed the Management to expedite the purchase of
41 the additional lot to avoid delays.

42
43 **After thorough deliberations, the Board approved the additional drawdowns amounting**
44 **to Php12.844 Million to be requested from the Office of the Civil Defense (OCD) and**
45 **DBM for the construction of the retaining wall from the remaining amount of the Total**
46 **Fund previously submitted to the OCD. SHFC may advance the budget in the meantime.**

47
48 **The Board then instructed the Management the following:**

- 49 **1. Prior to advancing budget for the construction of the retaining wall, coordinate**
50 **first with the DBM Operations Department regarding the fund availability;**

1 **2. With respect to the additional lot acquisition for the Marawi Shelter Project III,**
2 **expedite the purchase of the lot.**

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4 **III. OTHER MATTERS**

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6 **3. ADJOURNMENT**

7
8 The 13th Annual Stockholders' Meeting immediately proceeded after the adjournment of the
9 07-2020 Board Meeting.

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11 There being no additional other matters for discussion, SHFC's 07-2020 Board Meeting was
12 adjourned at 11:20 a.m.

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ATTY. MELANIE B. VALENCIANO
Acting Board Secretary