Republic of the Philippines
SECURITIES AND EXCHANGE COMMISSION
SEC Bldg. EDSA, Greenhills, Mandaluyong City

OFFICE OF THE GENERAL COUNSEL

23 March 2011

SEC-OGC Opinion No. 11-19
Procedure for Election of Directors

JG Law
SOL Building
112 Amorsolo Street, Legaspi Village
Makati City

ATTENTION: Atty. Lory Anne P. Manuel-McMullin
Atty. Myla Gloria A. Amboy

Mesdames:

This refers to your letter dated 15 October 2010 referred to us by the Commission's Corporation and Finance Department on 08 November 2010.

In particular, you request the Commission's opinion on the validity of the procedure for election of directors adopted by your client namely, Capitol Medical Center, Inc. (CMCI). The said procedure is as follows:

> "1. That the segregation of the votes for regular and independent directors is acceptable, such that one vote cast per independent director (since there are only two nominees for independent director) would already be sufficient to elect them. On the other hand, for the regular directors, the 9 nominees with the highest votes cast in their favor would be elected. Under this procedure, the losing nominee for regular director, even if he/she gets a higher number of votes than the independent directors, would still not be elected.
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> 2. In the event of a tie between two candidates for the last slot for regular director, the Corporation may break the tie by way of drawing of lots (by the candidates who get the same number of votes) as an acceptable corporate practice in the absence of a provision in the by-laws of the Corporation. (copy of the SEC Opinion dated 24 February 2004 is attached herewith)
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> 3. In case the other candidate (who gets the tie vote) is absent during the annual stockholders' meeting , an authorized representative of the

absent candidate or his proxy, or in case there is no authorized representative/proxy, the presiding officer, in the presence of the stockholders, shall draw the lot in behalf of the absent candidate."

We confirm that this procedure is not contrary to the Corporation Code, or the Securities Regulation Code and its Implementing Rules and Regulations. We acknowledge that segregation of the voting for regular directors and independent ones is a practical device in order to ensure that at least two independent directors are elected to the CMCI's 11-member Board of Directors in accordance with SRC Rule 38.

Further, we re-affirm SEC Opinion dated 24 February 2004 regarding the manner of resolving a deadlock in the elections, in the absence of specific provisions on the matter in the corporation's by-laws.

This Opinion is rendered based solely on the facts and circumstances disclosed and relevant solely to the particular issues raised therein and shall not be used in the nature of a standing rule binding upon the Commission in other cases whether of similar or dissimilar circumstances. If, upon investigation, it will be disclosed that the facts relied upon are different, this opinion shall be rendered null and void.

Please be guided accordingly.

VERNETTE G. UMALI-PACO
General Counsel