

Republic of the Philippines
HOUSE OF THE REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL No. 528

**Introduced by HON. RODEL M. BATOCABE, HON. ALFREDO A. GARBIN, Jr. and
HON. CHRISTOPHER S. CO**

EXPLANATORY NOTE

Enacted in 1980, the Corporation Code, while still good law for the most part, is failing to keep up with the changing times. While other countries reap the benefits of a more long-term focus and the acceptance of new business models, the Philippines lags behind, remaining bound by express limitations in the Code on the life of corporations, who may incorporate, and the form and manner of incorporation. Traditional procedures and processes embedded in the Code, which were expedient and effective thirty years ago, have been reduced to stumbling blocks for business struggling to thrive in an increasingly fast-paced environment where communication and information exchange steadily accelerate. The constant evolution and escalating prevalence of abuses and fraudulent practices in the corporate scene, and the more technologically advanced ways of propagating the same, have rendered once-effective safeguards in the Code grossly inadequate.

In addition, the Philippines' performance in international evaluations indicates a need for reform. While garnering the distinction of "most improved" in the Ease of Doing Business ranking of 2013 (after jumping 30 places to 108th of 189 countries), the Philippines is still in the bottom half of the list, trailing far behind several of its Southeast Asian counterparts. In the 2012-2013 ASEAN corporate governance scorecard report and assessment of its top 100 publicly listed companies, the Philippine PLCs merely scored an average of 48.9%. Additionally, in the 2012 Civil Society Report by Transparency and Accountability Network (presented to the Conference of the State Parties to the United Nations Convention against Corruption in 2012), the Philippines was found as having only partially complied with the standards and principles of the UN Convention Against Corruption, indicating a vulnerability to "Napoles-like" scams.

Under this light, the proposed amendments incorporate international best standards and practices, specifically tailored to address the needs and realities of the Philippine corporate setting, and introduce new concepts and mechanisms to help the Philippines

keep up with the changing times. In the same manner, the amendments are geared towards enabling the Philippines to move towards full compliance with the requirements of international bodies and, in the process, make it more attractive to investors. Thus, amendments have been introduced to, among others, encourage new businesses, contribute to the ease of doing business, strengthen corporate governance, better protect the rights of stockholders, minimize/deter corporate abuses and fraud, strengthen anti-corruption measures, and fortify the regulatory authority of the Commission.

To encourage new business, the amendments include shifting to perpetuity, removing the minimum number of incorporators, and allowing the formation of one person corporations. Thus, corporations in general will have perpetual existence, enabling a more long-term mindset that will foster sustainability; smaller businesses may reap the advantages of the corporate vehicle with as few as two incorporators; and single proprietors may protect their personal properties by setting up one person corporations.

To improve on the ease of doing business, the name verification process will be simplified with the use of only "distinguishability" as a criterion, electronic submissions and notices will be accepted, and the Commission will have the authority to develop new systems such as online registration. Additionally, the amendments clarify the procedures for dissolution, as well as give non-compliant corporations a grace period for compliance. In lieu of immediate revocation, action on matters brought by delinquent corporations to the Commission shall be withheld until full compliance is made

A good number of the amendments are proposed to strengthen corporate governance, which will also better protect the rights of stockholders, and deter corporate abuses and fraud as well as graft and corrupt practices. These amendments incorporate into the Code most of the standards for good corporate governance found in the ASEAN corporate governance scorecard. The Philippines would be the first to apply these standards not only to publicly listed companies but to all corporations. Thus, provisions have been introduced for increased disclosure and transparency, increased director disqualifications, independent directors, allowing attendance at meetings by remote communication, and allowing voting *in absentia*, among others. The concept of an emergency board is also introduced to enable the board to act in an emergency even when there is a failure of quorum.

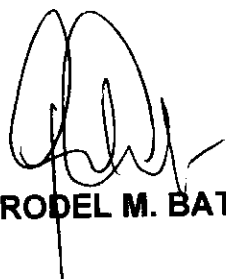
In addition, the amendments to improve corporate governance also protect stockholders. Other amendments have likewise been introduced for this particular purpose, including expressly extending the right of inspection to a stockholder's counsel or representative and providing a solution to the problem of perpetual holdovers. With respect to the latter, the Commission will have the authority to direct the holding of a meeting upon notice of a failure to hold the same, and will have access to corporate records necessary

for this purpose. The meeting called by the Commission will have a special measure of quorum, *i.e.* whoever is in attendance, in order to compel attendance at the meeting and to reduce instances of deliberate non-attendance to avoid quorum.

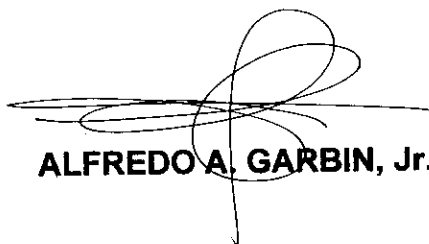
The proposed amendments for corporate governance are also intended to curb corporate abuses and fraud, as well as strengthen anti-corruption measures. In the fight against corporate abuses and fraud, and graft and corrupt practices, whistleblower provisions have been included and a code of ethics/standards of conduct will be required in the by-laws. These are in addition to the proposal to include criminal liability for the usage of the corporate vehicle for fraud, and graft and corrupt practices whether done directly or through an intermediary (including the dissolution of the corporation and the forfeiture of its assets) and for retaliation against whistleblowers. In these instances, corporate criminal liability shall be separate and distinct from the criminal liability of responsible officers and directors.

The other amendments are intended to fortify the regulatory authority of the Commission. Thus, provisions on the following, among others, have been included: the harmonization of its powers with those in the Securities and Regulation Code, greater visitorial powers, powers to remove signages of deregistered names, issuance of *ex parte* cease and desist orders to prevent fraud or injury to the public, forfeiture of assets when the corporate vehicle is used for fraud or graft and corrupt practices, and fiscal autonomy.

With the foregoing backdrop and objectives in mind, the urgency of the amendments becomes apparent. It is hoped that these amendments will be given priority status so that the vision of a globally competitive Philippines may be achieved.



RODEL M. BATOCABE



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CHRISTOPHER S. CO

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Introduced by HON. RODEL M. BATOCABE, HON. ALFREDO A. GARBIN, Jr. and
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**AN ACT AMENDING BATAS PAMBANSA BLG. 68
OR THE CORPORATION CODE OF THE PHILIPPINES**

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 6 of Batas Pambansa Blg. 68 or The Corporation Code of the Philippines (hereinafter, Code), is hereby amended to read as follows:

"Sec. 6. *Classification of shares.* – The shares of stock of stock corporations may be divided into classes or series of shares, or both, any of which classes or series of shares may have such rights, privileges or restrictions as may be stated in the articles of incorporation: *Provided*, That no share may be deprived of voting rights except those classified and issued as "preferred" or "redeemable" shares, unless otherwise provided in this Code: *Provided further*, That there shall always be a class or series of shares [which have] **WITH** complete voting rights. Any or all of the shares or series of shares may have a par value or have no par value as may be provided for in the articles of incorporation: *Provided, however*, That banks, trust companies, insurance companies, **PRE-NEED COMPANIES**, public utilities, and building and loan associations shall not be permitted to issue no-par value shares of stock.

Preferred shares of stock issued by any corporation may be given preference in the distribution of the assets of the corporation in case of liquidation and in the distribution of dividends, or such other preferences as may be stated in the articles of incorporation which are not violative of the provisions of this Code: *Provided*, That preferred shares of stock may be issued only with a stated par value. The board of directors, where authorized in the articles of incorporation, may fix the terms and conditions of preferred shares of stock or any series thereof: *Provided*, That such terms and conditions shall be effective upon [filing of a certificate thereof with the Securities and Exchange Commission] **THE ISSUANCE BY THE SECURITIES AND EXCHANGE COMMISSION, HEREINAFTER REFERRED TO AS THE "COMMISSION", OF A CERTIFICATE THAT THE TERMS AND CONDITIONS OF THE PREFERRED SHARES ARE NOT INCONSISTENT WITH THE PROVISIONS OF THIS CODE, THE CONSTITUTION OF THE PHILIPPINES, AND OTHER EXISTING LAWS, RULES AND REGULATIONS.**

xxx xxx xxx"

SECTION 2. Section 7 of the Code is hereby amended to read as follows:

1 "Sec. 7. *Founders' shares.* - Founders' shares classified as such in the
 2 articles of incorporation may be given certain rights and privileges not enjoyed by
 3 the owners of other stocks, provided that where the exclusive right to vote and
 4 be voted for in the election of directors is granted, it must be for a limited period
 5 not to exceed five (5) years subject to the approval of the [Securities and
 6 Exchange] Commission. The five-year period shall commence from the date of
 7 the aforesaid approval by the [Securities and Exchange] Commission:
 8 **PROVIDED, THAT THE EXCLUSIVE RIGHT TO VOTE OR BE VOTED FOR**
 9 **SHALL NOT BE ALLOWED IF ITS EXERCISE WILL VIOLATE THE RULES**
 10 **AND REGULATIONS OF THE COMMISSION, COMMONWEALTH ACT NO.**
 11 **108, AND REPUBLIC ACT 7042; PROVIDED, FURTHER, THAT THE SAID**
 12 **RIGHT SHALL BE GRANTED ONLY ONCE.**

13 **AFTER THE LAPSE OF THE FIVE-YEAR PERIOD, THE SHARES**
 14 **SHALL AUTOMATICALLY HAVE THE SAME VOTING RIGHTS AND**
 15 **PRIVILEGES AS COMMON SHARES."**

16 **SECTION 3.** Section 8 of the Code is hereby amended to read as follows:

17 "Sec. 8. *Redeemable shares.* - Redeemable shares may be issued by the
 18 corporation when expressly so provided in the articles of incorporation. [They
 19 may be purchased or taken up by the corporation upon the expiration of a fixed
 20 period, regardless of the existence of unrestricted retained earnings in the books
 21 of the corporation, and upon such other terms and conditions as may be stated
 22 in the articles of incorporation, which terms and conditions must also be stated in
 23 the certificate of stock representing said shares.] **THE CORPORATION MAY**
 24 **REDEEM THE SAID SHARES ONLY IF, AFTER SUCH REDEMPTION, IT**
 25 **SHALL STILL HAVE SUFFICIENT ASSETS IN ITS BOOKS TO COVER**
 26 **LIABILITIES INCLUSIVE OF THE SUBSCRIBED CAPITAL STOCK, AND**
 27 **SUCH REDEMPTION IS IN ACCORDANCE WITH THE TERMS AND**
 28 **CONDITIONS STATED IN THE ARTICLES OF INCORPORATION AND/OR**
 29 **THE CERTIFICATE OF STOCK REPRESENTING SAID SHARES.**

30 **EXCEPT AS PROVIDED IN THE IMMEDIATELY PRECEDING**
 31 **PARAGRAPH, NO CORPORATION SHALL REDEEM, REPURCHASE OR**
 32 **REACQUIRE ITS OWN SHARES OF WHATEVER CLASS, UNLESS IT HAS**
 33 **SUFFICIENT UNRESTRICTED RETAINED EARNINGS TO FUND THE COST**
 34 **OF SUCH REDEMPTION, REPURCHASE OR REACQUISITION; PROVIDED,**
 35 **THAT SUCH REQUIREMENT SHALL NOT APPLY IF THE REDEMPTION,**
 36 **REPURCHASE OR REACQUISITION IS MADE UNDER ANY OF THE**
 37 **FOLLOWING CIRCUMSTANCES:**

38 **a) PURSUANT TO A CONVERSION RIGHT PROVIDED FOR IN THE**
 39 **ARTICLES OF INCORPORATION;**

40 **b) TO EFFECT A DECREASE IN THE AUTHORIZED CAPITAL STOCK**
 41 **OF THE CORPORATION AS APPROVED BY THE COMMISSION; AND**

42 **c) UPON INSTRUCTION TO A CLOSE CORPORATION BY THE**
 43 **COMMISSION TO RESOLVE A DEADLOCK."**

44 **SECTION 4.** Section 10 of the Code is hereby amended to read as follows:

45 "Sec. 10. *Number and qualifications of incorporators.* - Any number of
 46 **PERSONS, natural OR JURIDICAL, [persons not less than five (5)] but not more**
 47 **than fifteen (15), [all of legal age] and a majority of whom are residents of the**

Philippines], may form a private corporation for any lawful purpose or purposes. Each of the incorporators of a stock corporation must own or be a subscriber to at least one (1) share of the capital stock of the corporation."

SECTION 5. Section 11 of the Code is hereby amended to read as follows:

"Sec. 11. *Corporate term.* - **UNLESS SOONER DISSOLVED**, a corporation shall exist [for a period] **PERPETUALLY, OR AS OTHERWISE STATED IN THE ARTICLES OF INCORPORATION. A TERM LESS THAN PERPETUAL** [not exceeding fifty (50) years from the date of incorporation unless sooner dissolved or unless said period is] **MAY BE** extended[. The corporate term as originally stated in the articles of incorporation may be extended for periods not exceeding fifty (50) years in any single instance] by an amendment of the articles of incorporation, in accordance with this Code; Provided, That no extension can be made earlier than [five (5)] **THREE (3)** years prior to the original or subsequent expiry date(s) unless there are justifiable reasons for an earlier extension as may be determined by the [Securities and Exchange] Commission; **PROVIDED, FURTHER, THAT SUCH EXTENSION OF THE CORPORATE TERM SHALL TAKE EFFECT ONLY ON THE DAY FOLLOWING THE ORIGINAL OR SUBSEQUENT EXPIRY DATE(S).**

THE CORPORATE TERM MAY BE SHORTENED BY AN AMENDMENT OF THE ARTICLES OF INCORPORATION IN ACCORDANCE WITH THIS CODE.

REGARDLESS OF THE TERM, ALL CORPORATIONS SHALL REMAIN UNDER THE SUPERVISION AND REVIEW OF THE COMMISSION. A CORPORATION WITH A PERPETUAL TERM OR A TERM EXCEEDING TWENTY-FIVE YEARS SHALL COMPLY WITH THE RENEWAL REQUIREMENTS THE COMMISSION MAY PRESCRIBE THEREFOR ON THE TWENTY-FIFTH YEAR AND EVERY TWENTY-FIVE YEARS THEREAFTER, OR AT SUCH INTERVALS AS THE COMMISSION MAY LATER DETERMINE. THE COMMISSION SHALL CHARGE SUCH PENALTIES AS IT MAY DEEM APPROPRIATE AND WITHHOLD ACTION ON ANY MATTER BROUGHT BY A RENEWING CORPORATION, INCLUDING BUT NOT LIMITED TO APPLICATIONS FOR THE AMENDMENT OF THE ARTICLES OF INCORPORATION AND/OR BY-LAWS AND THE ISSUANCE OF CERTIFICATIONS OF GOOD STANDING OR THOSE REQUIRED FOR TRANSACTIONS WITH OTHER GOVERNMENT AGENCIES, UNTIL FULL COMPLIANCE WITH THE COMMISSION'S RENEWAL REQUIREMENTS IS MADE.

A CORPORATION WHOSE TERM EXPIRED OR LAPSED WITHIN TEN YEARS PRIOR TO THE EFFECTIVITY OF THIS CODE, AND WHICH HAS NOT REINCORPORATED, MAY APPLY WITH THE COMMISSION FOR THE REVIVAL OF ITS CERTIFICATE OF INCORPORATION IF IT CAN SHOW THAT REINCORPORATION WOULD BE DIFFICULT OR DELETERIOUS TO IT AND THAT IT CONTINUES TO BE A GOING CONCERN OR CAN READILY REVIVE ITS OPERATIONS. UPON APPROVAL BY THE COMMISSION AND SUBJECT TO THE CORPORATION'S COMPLIANCE WITH THE COMMISSION'S REQUIREMENTS OR CONDITIONS FOR REVIVAL AND THE PAYMENT OF THE PRESCRIBED FEES, THE COMMISSION SHALL REVIVE THE CORPORATION'S CERTIFICATE OF INCORPORATION AND THE CORPORATION SHALL THENCEFORTH EXIST IN ACCORDANCE WITH THIS SECTION."

1 **SECTION 6.** Section 12 of the Code is hereby amended to read as follows:

2 *"Sec. 12. Minimum capital stock required of stock corporations. -*Stock
3 corporations incorporated under this Code shall [not be required to have
4 any]**HAVE A minimum authorized capital stock OF ONE MILLION**
5 **(P1,000,000.00) PESOS [except as] OR SUCH AMOUNT AS MAY BE**
6 **DETERMINED BY THE COMMISSION AFTER DUE NOTICE TO THE PUBLIC,**
7 **UNLESSA DIFFERENT AMOUNT IS REQUIRED BY ANY LAW[otherwise**
8 specifically provided for by special law], and subject to the provisions of the
9 following section[.]; **PROVIDED, HOWEVER, THAT FOR CORPORATIONS**
10 **ISSUING NO PAR VALUE SHARES, THE MINIMUM AUTHORIZED CAPITAL**
11 **STOCK SHALL BE 200,000 SHARES; AND PROVIDED, FURTHER, THAT**
12 **WHERE CAPITAL CONSISTS OF BOTH PAR AND NO-PAR VALUE**
13 **SHARES, THE MINIMUM AUTHORIZED CAPITAL STOCK SHALL BE ONE**
14 **MILLION (P1,000,000.00) PESOS."**

15 **SECTION 7.** Section 13 of the Code is hereby amended to read as follows:

16 *"Sec. 13. Amount of capital stock to be subscribed and paid for purposes*
17 *of incorporation.-***EXCEPT WITH RESPECT TO ONE PERSON**
18 **CORPORATIONS AND SMALL CORPORATIONS WHOSE CAPITAL STOCK**
19 **SHALL BE PAID IN FULL UPON SUBSCRIPTION, at least twenty-five (25%)**
20 percent of the **NUMBER OF SHARES OF THE** authorized capital stock as stated
21 in the articles of incorporation must be subscribed at the time of incorporation,
22 and at least twenty-five (25%) percent of the **VALUE OF THE** total subscription
23 must be paid upon subscription, the balance to be payable on a date or dates
24 fixed in the contract of subscription without need of call, or in the absence of a
25 fixed date or dates, upon call for payment by the board of directors: *Provided,*
26 *however,* That in no case shall the paid-up capital be less than[five thousand
27 (P5,000.00) pesos.]**SIXTY TWO THOUSAND FIVE HUNDRED (P62,500.00)**
28 **PESOS, OR SUCH AMOUNT AS MAY BE DETERMINED BY THE**
29 **COMMISSION OR REQUIRED IN OTHER LAWS; PROVIDED, HOWEVER,**
30 **THAT WITH RESPECT TO NO PAR VALUE SHARES, AT LEAST TWENTY-**
31 **FIVE PERCENT (25%) OF SAID SHARES OF THE AUTHORIZED CAPITAL**
32 **STOCK MUST BE SUBSCRIBED AND FULLY PAID UPON SUBSCRIPTION."**

33 **SECTION 8.** Section 14 of the Code is hereby amended to read as follows:

34 *"Sec. 14. Contents of articles of incorporation. -* All corporations
35 organized under this Code shall file with the [Securities and Exchange]
36 Commission articles of incorporation in any of the official languages, duly signed
37 and acknowledged by all of the incorporators, containing substantially the
38 following matters, except as otherwise prescribed by this Code or by special law:

39 1. The name of the corporation;

40 xxx xxx xxx

41 3. [The place where the principal office of the corporation is to be located,
42 which must be within the Philippines] **THE SPECIFIC ADDRESS, WHICH**
43 **SHALL INCLUDE, WHERE APPLICABLE, THE STREET NUMBER, STREET**
44 **NAME, BARANGAY, CITY OR MUNICIPALITY, AND PROVINCE OF THE**
45 **PRINCIPAL OFFICE OF THE CORPORATION, WHICH MUST BE WITHIN THE**
46 **PHILIPPINES;**

TENTH: That _____ has been elected by the subscribers as Treasurer of the Corporation to act as such until his successor is duly elected and qualified in accordance with the by-laws, [and] that as such Treasurer, he has been authorized to receive for and in the name and for the benefit of the corporation, all subscription (or fees) or contributions or donations paid or given by the subscribers or members, **THAT HE CERTIFIES THE INFORMATION SET FORTH IN THE SEVENTH, EIGHT AND NINTH CLAUSES ABOVE, AND THAT HE HAS RECEIVED THE PAID-UP PORTION OF THE SUBSCRIPTION IN CASH OR PROPERTY FOR THE BENEFIT AND CREDIT OF THE CORPORATION.**

xxx xxx xxx

IN WITNESS WHEREOF, we have hereunto signed these Articles of Incorporation, this day of, [19]20..... in the City/Municipality of Province of Republic of the Philippines.

xxx xxx xxx

[TREASURER'S AFFIDAVIT

xxx xxx xxx

NOTARY PUBLIC

My commission expires on, 19
Doc. No.;
Page No.;
Book No.;
Series of 19]

SECTION 10. Section 16 of the Code is hereby amended to delete "Securities and Exchange" from "Securities and Exchange Commission" in each instance.

SECTION 11. Section 17 of the Code is hereby amended to read as follows:

*"Sec. 17. Grounds when articles of incorporation or amendment may be rejected or disapproved. – The [Securities and Exchange] Commission may reject the articles of incorporation or disapprove any amendment thereto if the same is not in compliance with the requirements of this Code: Provided, That the Commission shall give the incorporators, **DIRECTORS, TRUSTEES OR OFFICERS** a reasonable time within which to correct or modify the objectionable portions of the articles or amendment. The following are grounds for such rejection or disapproval:*

1. That the articles of incorporation or any amendment thereto is not substantially in accordance with the form prescribed herein;

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[No articles of incorporation or amendment to articles of incorporation of banks, banking and quasi-banking institutions, building and loan associations, trust companies and other financial intermediaries, insurance companies, public

1 utilities, educational institutions, and other corporations governed by special laws
2 shall be accepted or approved by the Commission unless accompanied by a
3 favorable recommendation of the appropriate government agency to the effect
4 that such articles or amendment is in accordance with law.]

5 **THE COMMISSION MAY REQUIRE AN ENDORSEMENT OR**
6 **FAVORABLE RECOMMENDATION FROM ANOTHER APPROPRIATE**
7 **GOVERNMENT AGENCY.**

8 **SECTION 12.** Section 18 of the Code is hereby amended to read as follows:

9 "Sec. 18. *Corporate name.* - No corporate name may be allowed by the
10 [Securities and Exchange] Commission if the proposed name is [identical or
11 deceptively or confusingly similar] **NOT DISTINGUISHABLE**[to that of] **FROM**
12 **THAT ALREADY RESERVED OR REGISTERED IN FAVOR OF** any existing
13 corporation or to any other name already protected by law, or **WHEN THE**
14 **SAME**is [patently deceptive, confusing or] contrary to existing laws.

15 **THE COMMISSION SHALL DETERMINE WHETHER A NAME IS**
16 **DISTINGUISHABLE FROM ANOTHER NAME FOR PURPOSES OF THIS**
17 **CODE. WITHOUT EXCLUDING OTHER NAMES WHICH MAY NOT**
18 **CONSTITUTE DISTINGUISHABLE NAMES AS DETERMINED BY THE**
19 **COMMISSION, AND SUBJECT TO THE RULES OR GUIDELINES THE**
20 **COMMISSION MAY SET WITH RESPECT THERETO, A NAME IS NOT**
21 **CONSIDERED DISTINGUISHABLE FOR PURPOSES OF THIS CODE**
22 **SOLELY BECAUSE IT CONTAINS ONE OR MORE OF THE FOLLOWING:**

23 1. **THE WORD "CORPORATION", "COMPANY",**
24 **"INCORPORATED", OR "LIMITED", "LIMITED LIABILITY" OR AN**
25 **ABBREVIATION OF ONE OF SUCH WORDS;**

26
27 2. **PUNCTUATIONS, ARTICLES, CONJUNCTIONS,**
28 **CONTRACTIONS, ABBREVIATIONS, DIFFERENT TENSES,**
29 **SPACING OR NUMBER OF THE SAME WORD OR PHRASE.**

30 **THE FACT THAT A CORPORATE NAME COMPLIES WITH THIS**
31 **SECTION DOES NOT CREATE SUBSTANTIVE RIGHTS TO THE USE OF**
32 **THAT CORPORATE NAME. THE COMMISSION SHALL HAVE THE**
33 **AUTHORITY TO SUMMARILY REMOVE FROM REGISTRATION OR**
34 **RESERVATION ANY NAME WHICH IT LATER DETERMINES TO BE NOT**
35 **DISTINGUISHABLE AS STATED ABOVE.**

36 **WHEN A CORPORATE NAME IS REMOVED FROM REGISTRATION,**
37 **THE CORPORATION SHALL IMMEDIATELY CEASE FROM USING THE**
38 **SAME AND APPLY FOR THE REGISTRATION OF A NEW CORPORATE**
39 **NAME. SIMILARLY, A CORPORATION DIRECTED BY FINAL JUDGMENT TO**
40 **CHANGE ITS CORPORATE NAME SHALL NOT USE THE SAME IN ITS**
41 **OPERATIONS OR IN ANY OTHER WAY, EVEN AFTER ITS DISSOLUTION**
42 **OR REVOCATION AS A CORPORATION.**

43 When a change in the corporate name is approved, the Commission shall
44 issue an amended certificate of incorporation under the amended name.

1 IF A CORPORATION USES OR CONTINUES TO USE A CORPORATE
 2 NAME ALREADY REMOVED FROM REGISTRATION OR RESERVATION, OR
 3 WHICH HAS BEEN DIRECTED TO BE CHANGED BY FINAL JUDGMENT,
 4 THE COMMISSION SHALL DULY NOTIFY SAID CORPORATION AND
 5 REQUIRE IT TO CEASE AND DESIST FROM THE CONTINUED USE OF
 6 SUCH CORPORATE NAME WITHIN A PERIOD OF FIVE (5) DAYS. IF THE
 7 CORPORATION FAILS TO COMPLY WITH THE COMMISSION'S ORDER
 8 WITHIN THE FIVE-DAY PERIOD, THE COMMISSION MAY HOLD THE
 9 CORPORATION AND/OR ITS RESPONSIBLE DIRECTORS OR OFFICERS IN
 10 CONTEMPT, AND/OR CAUSE THE REMOVAL OF ALL VISIBLE SIGNAGES,
 11 MARKS, ADVERTISEMENTS, LABELS, PRINTS AND OTHER EFFECTS
 12 BEARING SUCH CORPORATE NAME IN THEIR POSSESSION. LIABILITY
 13 UNDER THIS SECTION SHALL BE WITHOUT PREJUDICE TO THE
 14 CORPORATION'S AND/OR ITS RESPONSIBLE DIRECTORS' OR OFFICERS'
 15 LIABILITY FOR OTHER ADMINISTRATIVE, CIVIL, OR CRIMINAL
 16 SANCTIONS UNDER THIS CODE AND OTHER LAWS."

17 **SECTION 13.** Section 19 of the Code is hereby amended to read as follows:

18 "Sec. 19. **REGISTRATION, INCORPORATION AND commencement of**
 19 **corporate existence.**—A PERSON OR GROUP OF PERSONS DESIRING TO
 20 INCORPORATE SHALL SUBMIT THE INTENDED CORPORATE NAME TO
 21 THE COMMISSION FOR VERIFICATION. IF THE COMMISSION FINDS THAT
 22 THE NAME IS DISTINGUISHABLE, THE NAME SHALL BE RESERVED IN
 23 FAVOR OF THE INCORPORATORS. THE INCORPORATORS SHALL
 24 THEN: (A) SUBMIT, AS MAY BE APPLICABLE, THEIR ARTICLES OF
 25 INCORPORATION, THEIR BY-LAWS, AND SUCH OTHER DOCUMENTS
 26 AND/OR INFORMATION AS MAY BE REQUIRED BY THE COMMISSION;
 27 AND (B) PAY THE PRESCRIBED FEES.

28 INCORPORATORS SHALL HAVE THE OPTION OF RESERVING A
 29 CORPORATE NAME, SUBMITTING THE REQUIREMENTS FOR
 30 INCORPORATION AND PAYING THE PRESCRIBED FEES EITHER
 31 THROUGH THE MANUAL PROCESS AT THE OFFICE OF THE COMMISSION
 32 OR THROUGH ANY OTHER SYSTEM OF REGISTRATION AND
 33 INCORPORATION WHICH THE COMMISSION MAY ESTABLISH, SUBJECT
 34 TO THE CORRESPONDING RULES AND PROCEDURES THE COMMISSION
 35 SHALL PRESCRIBE THEREFOR.

36 IF THE COMMISSION FINDS THAT THE SUBMITTED DOCUMENTS,
 37 INFORMATION AND PAYMENT ARE COMPLETE AND IN FULL
 38 COMPLIANCE OF THE REQUIREMENTS UNDER THIS CODE AND THE
 39 RULES OF THE COMMISSION, AND THERE IS NO OTHER GROUND TO
 40 REJECT OR DISAPPROVE ANY OF THE SUBMISSIONS, THE COMMISSION
 41 SHALL ISSUE THE CORRESPONDING CERTIFICATE OF INCORPORATION
 42 AND REGISTER THE CORPORATE NAME EARLIER RESERVED.

43 A private corporation formed or organized under this Code commences to
 44 have corporate existence and juridical personality and is deemed incorporated
 45 from the date the [Securities and Exchange] Commission issues [a]
 46 THE certificate of incorporation under its official seal; PROVIDED, THAT THE
 47 COMMISSION MAY ISSUE THE CERTIFICATE OF INCORPORATION IN THE
 48 FORM OF AN ELECTRONIC DOCUMENT, IN ACCORDANCE WITH THE
 49 RULES AND REGULATIONS OF THE COMMISSION ON THE USE OF
 50 ELECTRONIC DATA MESSAGES; and thereupon the incorporators,
 51 stockholders/members and their successors shall constitute a body politic and
 52 corporate under the name stated in the articles of incorporation for the period of

time mentioned therein, unless said period is extended or the corporation is sooner dissolved in accordance with law.

SECTION 14. Section 22 of the Code is hereby amended to read as follows:

"Sec. 22. *Effects of non-use of corporate charter and continuous inoperation of a corporation; DELINQUENCY AND REVOCATION.* – If a corporation does not formally organize and commence [the transaction of] its business or the construction of its works within [two (2)] **FIVE (5)** years from the date of its incorporation, its [corporate powers cease and the corporation] **CERTIFICATE OF INCORPORATION** shall be deemed [dissolved] **REVOKED AS OF THE DAY FOLLOWING THE END OF SAID FIVE-YEAR PERIOD, WITHOUT NEED OF FURTHER ACTION BY THE COMMISSION.**

However, if a corporation [has] commenced [the transaction of] its business but subsequently [becomes] **BECAME** [continuously] inoperative for a period of at least five (5) **CONSECUTIVE** years, [the same shall be a ground for the suspension or revocation of its corporate franchise or certificate of incorporation] **THE COMMISSION MAY, AFTER DUE NOTICE AND HEARING, EITHER REVOKE THE CORPORATION'S CERTIFICATE OF INCORPORATION OR PLACE THE CORPORATION UNDER DELINQUENCY STATUS. THE CORPORATION'S FAILURE TO COMPLY WITH THE REPORTORIAL REQUIREMENTS UNDER SECTION 180 SHALL RENDER IT INOPERATIVE FOR PURPOSES OF THIS CODE.**

THE COMMISSION SHALL GIVE A DELINQUENT CORPORATION A PERIOD OF TWO YEARS WITHIN WHICH IT MUST RESUME OPERATIONS, COMPLY WITH ALL REQUIREMENTS, AND PAY ALL FINES THE COMMISSION SHALL PRESCRIBE. THE COMMISSION SHALL CHARGE SUCH PENALTIES AS IT MAY DEEM APPROPRIATE AND WITHHOLD ACTION ON ANY MATTER BROUGHT BY A DELINQUENT CORPORATION, INCLUDING BUT NOT LIMITED TO APPLICATIONS FOR THE AMENDMENT OF THE ARTICLES OF INCORPORATION AND/OR BY-LAWS AND THE ISSUANCE OF CERTIFICATIONS OF GOOD STANDING OR THOSE REQUIRED FOR TRANSACTIONS WITH OTHER GOVERNMENT AGENCIES, UNTIL FULL COMPLIANCE WITH THE COMMISSION'S REQUIREMENTS AND PAYMENT OF ALL FINES AND PENALTIES ARE MADE.

ONCE COMPLIANCE WITH THE COMMISSION'S REQUIREMENTS AND PAYMENT OF FINES AND PENALTIES ARE COMPLETED, THE COMMISSION SHALL ISSUE AN ORDER LIFTING THE DELINQUENCY STATUS. FAILURE TO RESUME OPERATIONS, COMPLY WITH THE COMMISSION'S REQUIREMENTS, AND PAY THE PENALTIES PRESCRIBED WITHIN THE PERIOD GIVEN BY THE COMMISSION OR ANY EXTENSION GRANTED BY IT, HOWEVER, SHALL RENDER THE CORPORATION'S CERTIFICATE OF INCORPORATION REVOKED AS OF THE LAPSE OF SAID PERIOD WITHOUT NEED OF FURTHER ACTION BY THE COMMISSION.

THE COMMISSION SHALL REVOKE THE CERTIFICATE OF INCORPORATION OF A CORPORATION WHEN DIRECTED BY FINAL JUDGMENT OF A COMPETENT COURT OR WHEN, AFTER DUE NOTICE AND HEARING, THE COMMISSION DETERMINES THAT THE CORPORATION COMMITTED VIOLATIONS OF THIS CODE OR ITS RULES WHICH WARRANT THE REVOCATION OF ITS CERTIFICATE OF INCORPORATION.

1 **ONCE THE REVOCATION BECOMES FINAL, I.E. AFTER THE LAPSE**
 2 **OF FIFTEEN DAYS FROM THE DATE OF REVOCATION, THE**
 3 **CORPORATION SHALL BE BANNED FROM ANY FURTHER USE OF THE**
 4 **CORPORATE NAME AND SHALL BE DISSOLVED IN ACCORDANCE WITH**
 5 **THE PROVISIONS ON DISSOLUTION UNDER TITLE XIV OF THIS CODE.**

6 [The provision shall not apply if the failure to organize, commence the
 7 transaction of its business or the construction of its works, or to continuously
 8 operate is due to causes beyond the control of the corporation as may be
 9 determined by the Securities and Exchange Commission]."

10 **SECTION 15.** Section 23 of the Code is hereby amended to read as follows:

11 *"Sec. 23. The board of directors or trustees. - Unless otherwise provided*
 12 *in this Code, the corporate powers of all corporations formed under this Code*
 13 *shall be exercised, all business conducted and all property of such corporations*
 14 *controlled and held by the board of directors or trustees [to be elected from*
 15 *among the holders of stocks, or where there is no stock, from among the*
 16 *members of the corporation,] who shall hold office for one (1) year until their*
 17 *successors are elected and qualified.*

18 **ONE PERSON CORPORATIONS SHALL HAVE ONLY ONE (1)**
 19 **DIRECTOR OR TRUSTEE. SMALL CORPORATIONS SHALL HAVE AS**
 20 **MANY DIRECTORS AS THERE ARE INCORPORATORS, NOT EXCEEDING**
 21 **THREE (3). A CORPORATION SHALL BE DEEMED TO BE A SMALL**
 22 **CORPORATION WHEN IT HAS ONLY TWO (2) OR THREE (3)**
 23 **INCORPORATORS AND ITS TOTAL ASSETS DO NOT EXCEED FIVE**
 24 **MILLION PESOS (PHP5,000,000.00)**

25 **CORPORATIONS WITH TEN (10) OR MORE MEMBERS, AS WELL AS**
 26 **THOSE WITH TEN (10) OR MORE STOCKHOLDERS AND WITH TOTAL**
 27 **ASSETS OF AT LEAST ONE HUNDRED MILLION PESOS (P100,000,000.00),**
 28 **OR SUCH NUMBER AND AMOUNT AS MAY BE LATER SET BY THE**
 29 **COMMISSION, SHALL HAVE AT LEAST ONE (1) INDEPENDENT DIRECTOR**
 30 **OR TRUSTEE, OR SUCH OTHER MINIMUM NUMBER WHICH THE**
 31 **COMMISSION MAY DETERMINE AS NECESSARY FOR GOOD CORPORATE**
 32 **GOVERNANCE. THE COMMISSION SHALL PRESCRIBE THE MINIMUM**
 33 **STANDARDS OR CRITERIA IN DETERMINING THE INDEPENDENCE OF A**
 34 **DIRECTOR.**

35 **EXCEPT WITH RESPECT TO INDEPENDENT DIRECTORS,**
 36 **DIRECTORS SHALL BE ELECTED FROM AMONG THE HOLDERS OF**
 37 **STOCKS [Every director] AND must EACH own at least one (1) share of the**
 38 **capital stock of the corporation of which he is a director, which share shall stand**
 39 **in his name [on] IN the books of the corporation. [Any] IF ANY SUCH director**
 40 **[who] ceases to be the owner of at least one (1) share of the capital stock of the**
 41 **corporation, [of which he is a director] HE shall thereby cease to be a director.**

42 **Trustees of non-stock corporations [must be members thereof.], OTHER**
 43 **THAN INDEPENDENT TRUSTEES, SHALL BE ELECTED FROM AMONG THE**
 44 **MEMBERS OF THE CORPORATION. IF ANY SUCH TRUSTEE CEASES TO**
 45 **BE A MEMBER OF THE CORPORATION, HE SHALL THEREBY CEASE TO**
 46 **BE A TRUSTEE.**

A majority of the directors or trustees of all corporations organized under this Code, **INCLUSIVE OF INDEPENDENT DIRECTORS OR TRUSTEES**, must be residents of the Philippines.

IT SHALL BE THE DUTY OF ALL DIRECTORS OR TRUSTEES TO ATTEND ALL MEETINGS OF THE BOARD AND OF THE STOCKHOLDERS OR MEMBERS AND THEIR ABSENCE MAY BE EXCUSED ONLY FOR JUSTIFIABLE REASONS. WHEN RELATED PARTY TRANSACTIONS OR SELF-DEALINGS OF A DIRECTOR ARE TAKEN UP, THE CONCERNED DIRECTOR SHALL ABSENT HIMSELF FROM THE MEETING AND HIS ABSENCE SHALL NOT BE COUNTED AGAINST HIM. DIRECTORS AND TRUSTEES SHALL HAVE SUCH OTHER DUTIES AND RESPONSIBILITIES PROVIDED IN THE CORPORATION'S BY-LAWS AND AS MAY BE PRESCRIBED BY THE COMMISSION FOR GOOD CORPORATE GOVERNANCE.

SECTION 16. Section 24 of the Code is hereby amended to read as follows:

"Sec. 24. Election of directors or trustees. – OTHER THAN IN INSTANCES WHEN THE EXCLUSIVE RIGHT IS WITHHELD FOR HOLDERS OF FOUNDERS' SHARES UNDER SECTION 7, EACH STOCKHOLDER OR MEMBER SHALL HAVE THE RIGHT TO NOMINATE ANY DIRECTOR OR TRUSTEE WHO POSSESSES ALL OF THE QUALIFICATIONS AND NONE OF THE DISQUALIFICATIONS SET FORTH IN THIS CODE OR IN THE RULES OF THE COMMISSION.

EXCEPT AS PROVIDED IN SECTION 26 OF THIS CODE, at all elections of directors or trustees, there must be present, either in person, BY REMOTE COMMUNICATION, or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock, or if there be no capital stock, a majority of the members entitled to vote; PROVIDED THAT WHEN A VOTE IS CAST *IN ABSENTIA*, THE STOCKHOLDER OR MEMBER WHO CAST THE VOTE SHALL BE DEEMED PRESENT FOR PURPOSES OF QUORUM.

EACH STOCKHOLDER OR MEMBER SHALL HAVE THE RIGHT TO VOTE IN PERSON, BY REMOTE COMMUNICATION, BY PROXY, AND/OR *IN ABSENTIA*; PROVIDED THAT VOTING BY REMOTE COMMUNICATION OR *IN ABSENTIA* MAY BE RESORTED TO ONLY WHEN ALLOWED EITHER BY THE BY-LAWS OF THE CORPORATION OR BY A MAJORITY OF THE BOARD OF DIRECTORS AND WHEN THE CORPORATION HAS INSTITUTED REASONABLE MEASURES TO VERIFY THAT THE PERSON PERMITTED TO PARTICIPATE OR VOTE BY REMOTE COMMUNICATION OR *IN ABSENTIA* IS A STOCKHOLDER OR MEMBER, OR A HOLDER OF A PROXY FROM A STOCKHOLDER OR MEMBER, AND TO RECORD ALL VOTES AND OTHER ACTIONS TAKEN AT THE MEETING. WHEN ATTENDANCE AT THE MEETING IS BY REMOTE COMMUNICATION, THE CORPORATION SHALL PROVIDE THE STOCKHOLDER OR MEMBER, OR PROXY-HOLDER, A REASONABLE OPPORTUNITY TO PARTICIPATE IN THE MEETING, HEAR OR SEE THE PROCEEDINGS AS WELL AS BE HEARD OR SEEN BY OTHER STOCKHOLDERS OR MEMBERS, AND TO CAST THEIR VOTE SUBSTANTIALLY CONCURRENTLY WITH SUCH PROCEEDINGS. WHEN VOTING *IN ABSENTIA*, IS ALLOWED, THE CORPORATION SHALL INSTITUTE REASONABLE MEASURES TO TIMELY PROVIDE THE STOCKHOLDER OR MEMBER WITH INFORMATION ON THE NOMINEES AND GIVE THEM A REASONABLE OPPORTUNITY TO ASK QUESTIONS BEFORE CASTING THEIR VOTES. THE COMMISSION SHALL PRESCRIBE

**THE MINIMUM STANDARDS OR GUIDELINES TO MAKE ATTENDANCE BY
REMOTE COMMUNICATION AND VOTING *IN ABSENTIA* EFFICIENT AND
ACCESSIBLE FORA FOR STOCKHOLDERS OR MEMBERS.**

The election must be by ballot if requested by any voting stockholder or member.

In stock corporations, every stockholder entitled to vote shall have the right to vote [in person or by proxy] the number of shares of stock standing, at the time fixed in the by-laws, in his own name [on] **IN** the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected: Provided, however, That no delinquent stock shall be voted. Unless otherwise provided in the articles of incorporation or in the by-laws, members of corporations which have no capital stock may cast as many votes as there are trustees to be elected but may not cast more than one vote for one candidate. Candidates receiving the highest number of votes shall be declared elected.

[Any meeting of the stockholders or members called for an election may adjourn from day to day or from time to time but not sine die or indefinitely] If, for any reason, no election is held, or if there are not present or represented by proxy, at the meeting, the owners of a majority of the outstanding capital stock, or if there be no capital stock, a majority of the members entitled to vote, **THE MEETING MAY BE ADJOURNED AND THE CORPORATION SHALL PROCEED IN ACCORDANCE WITH SECTION 26 OF THIS CODE."**

SECTION 17. Section 25 of the Code is hereby amended to read as follows:

"Sec. 25. *Corporate officers; quorum.* - Immediately after their election, the directors of a corporation must formally organize by the election of a president **OR CHIEF EXECUTIVE OFFICER**, who shall be a director, a treasurer **OR CHIEF FINANCIAL OFFICER**, who may or may not be a director, a secretary who shall be a resident and citizen of the Philippines, **A COMPLIANCE OFFICER WHO SHALL REPORT DIRECTLY TO THE CHAIRMAN OF THE BOARD**, and such other officers as may be provided for in the by-laws. Any two (2) or more positions **OTHER THAN THAT OF THE COMPLIANCE OFFICER** may be held concurrently by the same person, except that no one shall act as president and secretary or as president and treasurer at the same time.

[The directors or trustees and officers to be elected shall perform the duties enjoined on them by law and by the by-laws of the corporation.] Unless the articles of incorporation or the by-laws provide for a greater majority, a majority of the number of directors or trustees as fixed in the articles of incorporation shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors or trustees present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the board.

[Directors or trustees cannot attend or vote by proxy at board meetings]; **HOWEVER, WHEN ALLOWED BY THE BY-LAWS, THEY CAN**

1 ATTEND BOARD MEETINGS THROUGH REMOTE COMMUNICATION SUCH
 2 AS VIDEOCONFERENCING, TELECONFERENCING OR OTHER
 3 TECHNOLOGY THAT ALLOWS THEM A REASONABLE OPPORTUNITY TO
 4 PARTICIPATE."

5 **SECTION 18.** Section 26 of the Code is hereby amended to read as follows:

6 "Sec. 26. *Report of election of directors, trustees and officers*], **NON-**
 7 **HOLDING OF ELECTION AND CESSATION FROM OFFICE.** - Within thirty (30)
 8 days after the election of the directors, trustees and officers of the corporation,
 9 the secretary, or any other officer of the corporation, shall submit to the
 10 [Securities and Exchange] Commission, the names, nationalities,
 11 **SHAREHOLDINGS** and residences of the directors, trustees, and officers
 12 elected.

13 **THE NON-HOLDING OF ANY ELECTION AND THE REASONS**
 14 **THEREFOR, SHALL BE REPORTED TO THE COMMISSION WITHIN THREE**
 15 **(3) DAYS FROM THE DATE OF THE SCHEDULED ELECTION; PROVIDED**
 16 **THAT, THE NOTICE OF NON-HOLDING MAY BE SUBMITTED IN THE FORM**
 17 **OF AN ELECTRONIC DOCUMENT, IN ACCORDANCE WITH THE RULES**
 18 **AND REGULATIONS OF THE COMMISSION ON THE USE OF ELECTRONIC**
 19 **DATA MESSAGES.**

20 **WHEN PERTAINING TO THE ORIGINAL SCHEDULE, THE REPORT**
 21 **OF NON-HOLDING SHALL FURTHER SPECIFY A NEW DATE FOR THE**
 22 **ELECTION, WHICH SHALL NOT BE LATER THAN THIRTY DAYS FROM THE**
 23 **ORIGINAL DATE.**

24 **IF NO NEW DATE HAS BEEN DESIGNATED, OR IF THE NEWLY-**
 25 **SCHEDULED ELECTION BE LIKEWISE NOT HELD, THE COMMISSION MAY,**
 26 **MOTU PROPRIO OR UPON THE APPLICATION OF ANY STOCKHOLDER,**
 27 **MEMBER, DIRECTOR OR TRUSTEE AND AFTER VERIFICATION OF THE**
 28 **NON-HOLDING OF THE ELECTION OF DIRECTORS OR TRUSTEES,**
 29 **REQUIRE THE CORPORATE SECRETARY ON RECORD TO IMMEDIATELY**
 30 **ISSUE A LIST OF STOCKHOLDERS OR MEMBERS, THEIR ADDRESSES**
 31 **AND CONTACT NUMBERS AND SIMILAR INFORMATION, AND SUMMARILY**
 32 **ORDER THAT THE ELECTION BE HELD. IN THIS REGARD, THE**
 33 **COMMISSION SHALL HAVE THE POWER TO ISSUE SUCH ORDERS AS**
 34 **MAY BE APPROPRIATE, INCLUDING, WITHOUT LIMITATION, ORDERS**
 35 **DESIGNATING THE TIME AND PLACE OF THE ELECTION, THE RECORD**
 36 **DATE OR DATES FOR DETERMINATION OF STOCKHOLDERS OR**
 37 **MEMBERS ENTITLED TO NOTICE OF THE ELECTION AND TO VOTE**
 38 **THEREAT, AND THE FORM OF NOTICE OF SUCH ELECTION.**

39 **THE SHARES OF STOCK OR MEMBERSHIP REPRESENTED AT**
 40 **SUCH MEETING AND ENTITLED TO VOTE THEREAT, EITHER IN PERSON,**
 41 **BY REMOTE COMMUNICATION, IN ABSENTIA, OR BY PROXY, SHALL**
 42 **CONSTITUTE A QUORUM FOR THE PURPOSE OF SUCH MEETING,**
 43 **NOTWITHSTANDING ANY PROVISION OF THE ARTICLES OF**
 44 **INCORPORATION OR BY-LAWS TO THE CONTRARY. THE MEETING**
 45 **SCHEDULED BY THE COMMISSION AND THE ELECTION HELD THEREAT**
 46 **SHALL HAVE THE SAME EFFECT OF A VALID MEETING AND ELECTION**
 47 **OF THE CORPORATION.**

48 **Should a director, trustee or officer die, resign or in any manner cease to**
 49 **hold office, his heirs in case of his death, the secretary, or any other officer of the**

corporation, or the director, trustee or officer himself, shall [immediately] report such fact to the [Securities and Exchange] Commission **IN WRITING WITHIN THREE (3) DAYS FROM CESSATION FROM OFFICE, PROVIDED THAT SUCH NOTICE MAY GIVEN IN THE FORM OF AN ELECTRONIC DOCUMENT, IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE COMMISSION ON THE USE OF ELECTRONIC DATA MESSAGES.**

IN ELECTING DIRECTORS OR TRUSTEES TO FILL VACANCIES, THE PROCEDURE SET FORTH IN SECTION 24 AND IN THIS SECTION SHALL APPLY."

SECTION 19. Section 27 of the Code is hereby amended to read as follows:

"Sec. 27. Disqualification of directors, trustees or officers. – THE FOLLOWING PERSONS SHALL BE DISQUALIFIED FROM BEING ELECTED AS DIRECTOR, TRUSTEE OR OFFICER OF ANY CORPORATION:

1. [No person] THOSE WHO HAVE BEEN convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of this Code **OR REPUBLIC ACT 8799** [, committed] within five (5) years prior to the date of his election or appointment[, shall qualify as a director, trustee or officer of any corporation];

2. THOSE WHO, BY FINAL JUDGMENT, ARE CONVICTED OF, OR FOUND ADMINISTRATIVELY LIABLE FOR, ANY OFFENSE INVOLVING MORAL TURPITUDE, FRAUD, EMBEZZLEMENT, THEFT, ESTAFA, COUNTERFEITING, MISAPPROPRIATION, FORGERY, BRIBERY, FALSE OATH, PERJURY AND OTHER FRAUDULENT ACTS;

3. THOSE CONVICTED BY FINAL JUDGMENT OF A FOREIGN COURT OR EQUIVALENT REGULATORY AUTHORITY OF ACTS, VIOLATIONS OR MISCONDUCT THE SAME AS OR SIMILAR TO THOSE ENUMERATED IN PARAGRAPHS 1 AND 2 ABOVE; AND

4. THOSE WHO HAVE BEEN CONVICTED BY FINAL JUDGMENT OF ANY THREE OF THE OFFENSES AND/OR VIOLATIONS IN PARAGRAPHS 1 TO 3 ABOVE, REGARDLESS OF WHEN THE JUDGMENTS BECAME FINAL.

THE MAXIMUM NUMBER OF BOARD REPRESENTATIONS ANY INDEPENDENT DIRECTOR OR TRUSTEE SHALL HAVE IN OTHER CORPORATIONS SHALL BE FIVE (5), OR SUCH LOWER NUMBER AS MAY BE PROVIDED IN THE BY-LAWS OF THE CORPORATION OR AS THE COMMISSION MAY LATER PRESCRIBE.

THE FOREGOING IS WITHOUT PREJUDICE TO QUALIFICATIONS OR OTHER DISQUALIFICATIONS WHICH THE COMMISSION MAY IMPOSE IN ITS PROMOTION OF, AMONG OTHERS, GOOD CORPORATE GOVERNANCE."

SECTION 20. Section 28 of the Code is hereby amended to read as follows:

"Sec. 28. Removal of directors or trustees. - Any director or trustee of a corporation may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock, or if the

corporation be a non-stock corporation, by a vote of at least two-thirds (2/3) of the members entitled to vote: Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders or members of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders or members of a corporation for the purpose of removal of directors or trustees, or any of them, must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock, or, if it be a non-stock corporation, on the written demand of a majority of the members entitled to vote. Should the secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, or if there is no secretary, the call for the meeting may be addressed directly to the stockholders or members by any stockholder or member of the corporation signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in this Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders or members of the right of representation to which they may be entitled under Section 24 of this Code.

THE COMMISSION SHALL, *MOTU PROPRIO* OR UPON VERIFIED COMPLAINT AND AFTER DUE NOTICE AND HEARING, ORDER THE REMOVAL OF ANY DISQUALIFIED DIRECTOR OR TRUSTEE ELECTED DESPITE THE DISQUALIFICATION, OR WHOSE DISQUALIFICATION IS DISCOVERED OR AROSE SUBSEQUENT TO ELECTION. THE REMOVAL OF ANY DISQUALIFIED DIRECTOR SHALL BE WITHOUT PREJUDICE TO OTHER SANCTIONS THE COMMISSION MAY IMPOSE IN ACCORDANCE WITH THIS CODE, UPON SHOWING OF A WILLFUL OR DELIBERATE CONCEALMENT OF THE DISQUALIFICATION. "

SECTION 21. Section 29 of the Code is hereby amended to read as follows:

"Sec. 29. *Vacancies in the office of director or trustee.* - Any vacancy occurring in the board of directors or trustees [other than by removal by the stockholders or members or by expiration of term, may be filled by the vote of at least a majority of the remaining directors or trustees, if still constituting a quorum; otherwise, said vacancies] must be filled by the stockholders in a regular or special meeting called for that purpose.

WHEN THE VACANCY IS DUE TO EXPIRATION OF TERM, THE ELECTION SHALL BE HELD NO LATER THAN THE DAY OF SUCH EXPIRATION OF TERM AT A MEETING CALLED FOR THAT PURPOSE. WHEN THE VACANCY ARISES AS A RESULT OF REMOVAL BY THE STOCKHOLDERS OR MEMBERS, THE ELECTION MUST BE HELD ON THE SAME DAY OF THE MEETING AUTHORIZING THE REMOVAL AND THIS FACT MUST BE SO STATED IN THE AGENDA AND NOTICE OF SAID MEETING. IN ALL OTHER CASES, THE ELECTION MUST BE HELD NO LATER THAN FORTY-FIVE (45) DAYS FROM WHEN THE VACANCY ARISES. A director or trustee so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

HOWEVER, WHEN THE VACANCY PREVENTS THE REMAINING DIRECTORS FROM CONSTITUTING A QUORUM AND EMERGENCY ACTION IS REQUIRED TO PREVENT GRAVE, SUBSTANTIAL AND IRREPARABLE LOSS OR DAMAGE TO THE CORPORATION, THE VACANCY MAY BE TEMPORARILY FILLED BY UNANIMOUS VOTE OF THE

1 **REMAINING DIRECTORS OR TRUSTEES FROM AMONG THE OFFICERS OF**
 2 **THE CORPORATION, PROVIDED THAT ACTION BY THE APPOINTED**
 3 **DIRECTOR OR TRUSTEE SHALL BE LIMITED TO THE EMERGENCY**
 4 **ACTION NECESSARY TO PREVENT GRAVE, SUBSTANTIAL OR**
 5 **IRREPARABLE LOSS TO THE COMPANY AND HIS TERM SHALL NOT**
 6 **CONTINUE FOR LONGER THAN REASONABLY NECESSARY AFTER THE**
 7 **TERMINATION OF THE EMERGENCY.**

8 Any directorship or trusteeship to be filled by reason of an increase in the
 9 number of directors or trustees shall be filled only by an election at a regular or at
 10 a special meeting of stockholders or members duly called for the purpose, or in
 11 the same meeting authorizing the increase of directors or trustees if so stated in
 12 the notice of the meeting.

13 **IN ALL ELECTIONS TO FILL VACANCIES UNDER THIS SECTION,**
 14 **THE PROCEDURE SET FORTH IN SECTIONS 24 AND 26 SHALL APPLY."**

15 **SECTION 22.** Section 30 of the Code is hereby amended to read as follows:

16 "Sec. 30. *Compensation of directors.* –In the absence of any provision in
 17 the by-laws fixing **THE PARAMETERS OF** their compensation, the directors **OR**
 18 **TRUSTEES** shall not receive any compensation[,] as such directors **OR**
 19 **TRUSTEES**, except for reasonable per diems: *Provided, however,* That any such
 20 compensation other than per diems may be granted to directors **OR**
 21 **TRUSTEES** by the vote of the stockholders representing at least a majority of the
 22 outstanding capital stock **OR BY MAJORITY OF THE MEMBERS** at a regular or
 23 special meeting.

24 **NO DIRECTOR OR TRUSTEE SHALL PARTICIPATE IN THE**
 25 **DETERMINATION OF HIS OWN PER DIEMS OR COMPENSATION. PER**
 26 **DIEMS OR COMPENSATION GRANTED TO DIRECTORS OR TRUSTEES**
 27 **SHALL LIKEWISE BE APPROVED BY THE VOTE OF THE STOCKHOLDERS**
 28 **REPRESENTING AT LEAST A MAJORITY OF THE OUTSTANDING CAPITAL**
 29 **STOCK OR BY MAJORITY OF THE MEMBERS AT A REGULAR OR**
 30 **SPECIAL MEETING.**

31 In no case shall the total yearly compensation of directors **OR**
 32 **TRUSTEES**, as such directors **OR TRUSTEES**, exceed ten (10%) percent of the
 33 net income before income tax of the corporation during the preceding year.

34 **THE CORPORATION SHALL SUBMIT AN ANNUAL REPORT ON THE**
 35 **COMPENSATION OF DIRECTORS OR TRUSTEES AS PRESCRIBED UNDER**
 36 **THIS CODE."**

37 **SECTION 23.** Section 35 of the Code is hereby amended to read as follows:

38 "Sec. 35. *Executive committee AND OTHER SPECIAL COMMITTEES.* -
 39 The by-laws of a corporation may create an executive committee, composed of
 40 not less than three members of the board, to be appointed by the board. Said
 41 committee may act, by majority vote of all its members, on such specific matters
 42 within the competence of the board, as may be delegated to it in the by-laws or
 43 on a majority vote of the board, except with respect to: (1) approval of any action
 44 for which shareholders' approval is also required; (2) the filling of vacancies in
 45 the board; (3) the amendment or repeal of by-laws or the adoption of new by-
 46 laws; (4) the amendment or repeal of any resolution of the board which by its

express terms is not so amendable or repealable; and (5) a distribution of cash dividends to the shareholders.

FOR MERITORIOUS REASONS, THE BOARD MAY, UPON DUE AMENDMENT OF THE BY-LAWS, ORDER THE FORMATION OF OTHER SPECIAL COMMITTEES AND DETERMINE THE MEMBERS' TERM, COMPENSATION, POWERS AND RESPONSIBILITIES.

WHEN NECESSARY TO ENSURE GOOD CORPORATE GOVERNANCE AND/OR COMBAT GRAFT AND CORRUPT PRACTICES, OR WHEN THE PARAMOUNT INTEREST OF THE PUBLIC OTHERWISE REQUIRES, THE COMMISSION SHALL HAVE THE POWER TO REQUIRE THE FORMATION OF OTHER COMMITTEES AND DESIGNATE THEIR POWERS AND RESPONSIBILITIES; PROVIDED THAT THE TERM AND COMPENSATION OF SUCH COMMITTEES SHALL BE DETERMINED BY THE BOARD AND THE CORPORATION'S BY-LAWS SHALL BE AMENDED ACCORDINGLY WITHIN THE PERIOD PRESCRIBED BY THE COMMISSION."

SECTION 24. Section 36 of the Code is hereby amended to read as follows:

"Sec. 36. Corporate powers and capacity. - Every corporation incorporated under this Code has the power and capacity:

1. To sue and be sued in its corporate name;

2. Of **PERPETUAL** succession by its corporate name [for the], **UNLESS A LIMITED** period of time **IS** stated in the articles of incorporation and the certificate of incorporation;

xxxxxx xxx

8. [To enter into merger or consolidation with other corporations as provided in this Code]**TO ENTER INTO A JOINT VENTURE OR OTHER COMMERCIAL AGREEMENT WITH PERSONS, JURIDICAL OR OTHERWISE, AND MERGE OR CONSOLIDATE WITH OTHER CORPORATIONS.**

xxx xxx xxx"

SECTION 25. Section 37 of the Code is hereby amended to read as follows:

*"Sec. 37. Power to extend or shorten corporate term. - A private corporation may extend or shorten its term as stated in the articles of incorporation when approved by a majority vote of the board of directors or trustees and ratified at a meeting by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock or by at least two-thirds (2/3) of the members in case of non-stock corporations. Written notice of the proposed action and of the time and place of the meeting shall be addressed to each stockholder or member at his place of residence as shown on the books of the corporation and deposited to the addressee in the post office with postage prepaid, [or] served personally[.], **OR, WHEN ALLOWED IN THE BY-LAWS OR DONE WITH THE CONSENT OF THE CONCERNED STOCKHOLDER, NOTICE UNDER THIS SECTION MAY BE GIVEN IN THE FORM OF AN ELECTRONIC DOCUMENT, IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE COMMISSION ON THE USE OF ELECTRONIC DATA MESSAGES:** Provided, That in case of extension of corporate term, any*

dissenting stockholder may exercise his appraisal right under the conditions provided in this code."

SECTION 26. Section 38 of the Code is hereby amended to read as follows:

"Sec. 38. *Power to increase or decrease capital stock; incur, create or increase bonded indebtedness.* – xxx xxx xxx

[(5) The actual indebtedness of the corporation on the day of the meeting;]

xxx xxx xxx

Any increase or decrease in the capital stock or the incurring, creating or increasing of any bonded indebtedness shall require prior approval of the [Securities and Exchange] Commission. **THE FILING OF THE APPLICATION WITH THE COMMISSION SHALL BE MADE WITHIN THREE (3) MONTHS FROM THE DATE OF APPROVAL BY THE BOARD OF DIRECTORS AND STOCKHOLDERS. PRIOR TO THE COMMISSION'S APPROVAL, THE RECOGNITION OF THE SUBSCRIPTION TO MEET THE REQUIRED PAID-UP CAPITAL SHALL BE IN ACCORDANCE WITH REQUIREMENTS SET BY THE COMMISSION. NON-PAYMENT OF THE ADDITIONAL PAID-UP CAPITAL WITHIN ONE (1) YEAR FROM THE DATE OF THE BOARD OF DIRECTORS AND STOCKHOLDERS' APPROVAL SHALL RENDER THE PROPOSAL ABANDONED AND INEFFECTIVE.**

One of the duplicate certificates shall be kept on file in the office of the corporation and the other shall be filed with the [Securities and Exchange] Commission and attached to the original articles of incorporation. From and after approval by the [Securities and Exchange] Commission and the issuance by the Commission of its certificate of filing, the capital stock shall stand increased or decreased and the incurring, creating or increasing of any bonded indebtedness authorized, as the certificate of filing may declare: Provided, That the [Securities and Exchange] Commission shall not accept for filing any certificate of increase of capital stock unless accompanied by the sworn statement of the treasurer of the corporation lawfully holding office at the time of the filing of the certificate, showing that at least twenty-five (25%) percent of [such increased] **THE INCREASE IN** capital stock has been subscribed and that at least twenty-five (25%) percent of the amount subscribed has been paid either in actual cash to the corporation or that there has been transferred to the corporation property the valuation of which is equal to twenty-five (25%) percent of the subscription: Provided, further, That no decrease of the capital stock shall be approved by the Commission if its effect shall prejudice the rights of corporate creditors.

xxx xxx xxx

Bonds issued by a corporation shall be registered with the [Securities and Exchange] Commission, which shall have the authority to determine the sufficiency of the terms thereof."

SECTION 27. Section 40 of the Code is hereby amended to read as follows:

"Sec. 40. *Sale or other disposition of assets.* - Subject to the provisions of existing laws on illegal combinations and monopolies **AND SUBJECT, FURTHER, TO SEC. 81 OF THIS CODE ON DE FACTO MERGERS,** a

corporation may, by a majority vote of its board of directors or trustees, sell, lease, exchange, mortgage, pledge or otherwise dispose of [all or substantially all of] its property and assets, including its goodwill, upon such terms and conditions and for such consideration, which may be money, stocks, bonds or other instruments for the payment of money or other property or consideration, as its board of directors or trustees may deem expedient.

WHEN THE SALE IS OF ALL OR SUBSTANTIALLY ALL OF THE CORPORATION'S PROPERTY AND ASSETS, IT MUST BE [when] authorized by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, or in case of non-stock corporation, by the vote of at least two-thirds (2/3) of the members, in a stockholder's or member's meeting duly called for the purpose[.]; WHEN THE SALE IS OF LESS THAN ALL OR SUBSTANTIALLY ALL OF THE CORPORATION'S PROPERTY AND ASSETS, A MAJORITY VOTE SHALL BE REQUIRED. In non-stock corporations where there are no members with voting rights, the vote of at least a majority of the trustees in office will be sufficient authorization for the corporation to enter into any transaction authorized by this section.

Written notice of the proposed action and of the time and place of the meeting shall be addressed to each stockholder or member at his place of residence as shown on the books of the corporation and deposited to the addressee in the post office with postage prepaid, or served personally: Provided, That any dissenting stockholder may exercise his appraisal right under the conditions provided in this Code.

[A sale or other disposition shall be deemed to cover substantially all the corporate property and assets if thereby the corporation would be rendered incapable of continuing the business or accomplishing the purpose for which it was incorporated.]

After such authorization or approval by the stockholders or members, the board of directors or trustees may, nevertheless, in its discretion, abandon such sale, lease, exchange, mortgage, pledge or other disposition of property and assets, subject to the rights of third parties under any contract relating thereto, without further action or approval by the stockholders or members.

Nothing in this section is intended to restrict the power of any corporation, without the authorization by the stockholders or members, to sell, lease, exchange, mortgage, pledge or otherwise dispose of any of its property and assets if the same is necessary in the usual and regular course of business of said corporation or if the proceeds of the sale or other disposition of such property and assets be appropriated for the conduct of its remaining business.

[In non-stock corporations where there are no members with voting rights, the vote of at least a majority of the trustees in office will be sufficient authorization for the corporation to enter into any transaction authorized by this section.]"

SECTION 28. Section 43 of the Code is hereby amended to read as follows:

"Sec. 43. *Power to declare dividends.* - The board of directors of a stock corporation may declare dividends out of the unrestricted retained earnings which **SHALL BE DETERMINED IN ACCORDANCE WITH THE**

GUIDELINES SET BY THE COMMISSION ON UNREALIZED EARNINGS AND LOSSES. SUCH DIVIDENDS shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them: Provided, That any cash dividends due on delinquent stock shall first be applied to the unpaid balance on the subscription plus costs and expenses, while stock dividends shall be withheld from the delinquent stockholder until his unpaid subscription is fully paid: Provided, further, That no stock dividend shall be issued without the approval of stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose.

Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except: (1) when justified by definite corporate expansion projects or programs approved by the board of directors; or (2) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or (3) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies."

SECTION 29. Section 46 of the Code is hereby amended to read as follows:

"Sec. 46. *Adoption of by-laws.* - Every corporation formed under this Code must, within one (1) month after receipt of official notice of the issuance of its certificate of incorporation by the [Securities and Exchange] Commission, adopt a code of by-laws for its government not inconsistent with this Code. For the adoption of by-laws by the corporation the affirmative vote of the stockholders representing at least a majority of the outstanding capital stock, or of at least a majority of the members in case of non-stock corporations, shall be necessary. The by-laws shall be signed by the stockholders or members voting for them and shall be kept in the principal office of the corporation, subject to the inspection of the stockholders or members during office hours. A copy thereof, duly certified to by a majority of the directors or trustees countersigned by the secretary of the corporation, shall be filed with the [Securities and Exchange] Commission which shall be attached to the original articles of incorporation.

Notwithstanding the provisions of the preceding paragraph, by-laws may be adopted and filed prior to incorporation; in such case, such by-laws shall be approved and signed by all the incorporators and submitted to the [Securities and Exchange] Commission, together with the articles of incorporation.

BY-LAWS OR AMENDMENTS THERETO MAY BE FILED IN THE FORM OF AN ELECTRONIC DOCUMENT, IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE COMMISSION ON THE USE OF ELECTRONIC DATA MESSAGES.

In all cases, by-laws shall be effective only upon the issuance by the [Securities and Exchange] Commission of a certification that the by-laws are not inconsistent with this Code.

The [Securities and Exchange] Commission shall not accept for filing the by-laws or any amendment thereto of any bank, banking institution, building and loan association, trust company, insurance company, public utility, educational institution or other special corporations governed by special laws, unless

accompanied by a certificate of the appropriate government agency to the effect that such by-laws or amendments are in accordance with law."

SECTION 30. Section 47 of the Code is hereby amended to read as follows:

"Sec. 47. *Contents of by-laws.* - Subject to the provisions of the Constitution, this Code, other special laws, and the articles of incorporation, a private corporation [may] **SHALL** provide in its by-laws for:

1. The time, place and manner of calling and conducting regular or special meetings of the directors or trustees;

2. The time and manner of calling and conducting regular or special meetings of the stockholders or members, **PROVIDED THAT THE BY-LAWS SHALL CONTAIN NO PROVISION SUPPRESSING OR OTHERWISE LIMITING IN ANY MANNER THE RIGHT OF ANY MEMBER OR STOCKHOLDER TO PROPOSE THE HOLDING OF MEETINGS AND THE ITEMS FOR DISCUSSION IN THE AGENDA;**

xxx xxx xxx

5. The qualifications, duties **AND RESPONSIBILITIES**, and **THE PARAMETERS OR GUIDELINES TO CONSIDER IN SETTING THE** compensation, of directors or trustees **AND[,] officers [and employees], AS WELL AS THE MAXIMUM NUMBER OF OTHER BOARD REPRESENTATIONS AN INDEPENDENT DIRECTOR OR TRUSTEE MAY HAVE WHICH SHALL, IN NO CASE, BE MORE THAN FIVE (5) OR SUCH OTHER NUMBER THE COMMISSION MAY LATER PRESCRIBE;**

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9. In the case of stock corporations, the manner of issuing stock certificates; [and]

10. THE TIME AND MANNER BY WHICH ACCURATE AND TIMELY INFORMATION SHALL BE GIVEN TO STOCKHOLDERS OR MEMBERS ON MATTERS AFFECTING THE CORPORATION, WHICH MAY INCLUDE BUT SHALL NOT BE LIMITED TO THE PUBLICATION OF SUCH INFORMATION ON THE CORPORATION'S WEBSITE;

11. A CODE OF ETHICS OR STANDARDS OF CONDUCT FOR THE CORRECT, HONORABLE AND PROPER PERFORMANCE OF A CORPORATION'S BUSINESS AND ITS DEALINGS, DIRECT OR INDIRECT, WITH THE GOVERNMENT AND ITS AGENCIES, AS WELL AS MECHANISMS TO ENFORCE SUCH CODE OF ETHICS OR STANDARDS OF CONDUCT, WHICH SHALL CONTAIN THE MINIMUM REQUIREMENTS THE COMMISSION MAY PROVIDE;

12. INTERNAL PROCEDURES TO PROVIDE AVENUES OF COMMUNICATION BY, TO PROTECT THE IDENTITY AND SECURITY OF TENURE/COMPENSATION OF, AND TO PROVIDE PROTECTION FROM RETALIATION BEFORE AND AFTER EMPLOYMENT OF: (A) THOSE WHO REPORT VIOLATIONS OF THE CORPORATION'S CODE OF ETHICS OR STANDARDS OF CONDUCT, GRAFT AND CORRUPT PRACTICES, IMPROPRIETIES IN MATTERS OF FINANCIAL REPORTING, OR OTHER

1 UNLAWFUL OR ILLEGAL CONDUCT COMMITTED BY THE CORPORATION
 2 OR ANY OF ITS DIRECTORS, TRUSTEES, OFFICERS, EMPLOYEES OR
 3 AGENTS; (B) THOSE WHO REPORT INSTRUCTIONS OR PRESSURE FROM
 4 HIERARCHICAL SUPERIORS TO COMMIT ANY OF THE ACTS IN (A);
 5 AND/OR (C) THOSE WHO RAISE CONCERNS ABOUT THREATS OF OR
 6 POSSIBLE ACTS CONSTITUTING ANY OF THE ACTS IN (A) ABOVE;

7 13.A SYSTEM, INCLUDING THE APPOINTMENT OF A COMPLIANCE
 8 OFFICER, THAT WILL MONITOR COMPLIANCE WITH THE RULES AND
 9 REGULATIONS ON GOOD CORPORATE GOVERNANCE; AND

10 [10] 14. Such other matters as may be necessary for the proper or
 11 convenient transaction of its corporate business and affairs OR AS MAY BE
 12 DEEMED NECESSARY BY THE COMMISSION FOR THE PROMOTION OF
 13 GOOD GOVERNANCE AND/OR ITS POLICY AGAINST GRAFT AND
 14 CORRUPTION.

15 THE COMMISSION SHALL FORMULATE AND MAKE AVAILABLE
 16 SAMPLE BY-LAWS WITH THE FOREGOING REQUIREMENTS."

17 SECTION 31. Section 48 of the Code is hereby amended to read as follows:

18 Section 48. Amendment to by-laws. – The board of directors or trustees,
 19 by a majority vote thereof, and the owners of at least [a majority] **TWO-THIRDS**
 20 **(2/3)** of the outstanding capital stock, or at least [a majority] **TWO-THIRDS (2/3)**
 21 of the members of a non-stock corporation, at a regular or special meeting duly
 22 called for the purpose, may amend or repeal any by-laws or adopt new by-laws.
 23 The owners of two-thirds (2/3) of the outstanding capital stock or two-thirds (2/3)
 24 of the members in a non-stock corporation may delegate to the board of directors
 25 or trustees the power to amend or repeal any by-laws or adopt new by-laws;
 26 Provided, That any power delegated to the board of directors or trustees to
 27 amend or repeal any by-laws or adopt new by-laws shall be considered as
 28 revoked whenever stockholders owning or representing a majority of the
 29 outstanding capital stock or a majority of the members in non-stock corporations,
 30 shall so vote at a regular or special meeting.

31 Whenever any amendment or new by-laws are adopted, such
 32 amendment or new by-laws shall be attached to the original by-laws in the office
 33 of the corporation, and a copy thereof, duly certified under oath by the corporate
 34 secretary and a majority of the directors or trustees, **INCLUDING THE**
 35 **STOCKHOLDERS' OR MEMBERS' RESOLUTION ON THE DELEGATION OF**
 36 **THE POWER TO AMEND OR ADOPT NEW BY-LAWS OR ON THE**
 37 **REVOCATION OF SUCH DELEGATION, IF ANY,** shall be filed with the
 38 [Securities and Exchange] Commission the same to be attached to the original
 39 articles of incorporation and original by-laws.

40 The amended or new by-laws shall only be effective upon the issuance
 41 by the [Securities and Exchange] Commission of a certification that the same are
 42 not inconsistent with this Code."

43 SECTION 32. Section 50 of the Code is hereby amended to read as follows:

44 "Sec. 50. *Regular and special meetings of stockholders or members.* -
 45 Regular meetings of stockholders or members shall be held annually on a date
 46 fixed in the by-laws, or if not so fixed, on any date in April of every year as
 47 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 [two (2)] **THREE(3)** weeks prior to the meeting, unless a [different] **LONGER** period is required by the by-laws **OR BY ANY RELEVANT LAW OR REGULATION, AND IN SUCH A MANNER AS TO BE RECEIVED AT LEAST FIVE DAYS BEFORE THE SCHEDULED MEETING.**

AT EACH REGULAR MEETING OF STOCKHOLDERS OR MEMBERS, THE BOARD OF DIRECTORS OR TRUSTEES SHALL, AMONG OTHERS, PRESENT TO SUCH STOCKHOLDERS OR MEMBERS THE FOLLOWING:

a. THE MINUTES OF THE MOST RECENT REGULAR MEETING WHICH SHALL INCLUDE, AMONG OTHERS:

(i) A DESCRIPTION OF THE VOTING AND VOTE TABULATION PROCEDURES USED AND TO BE USED IN THE CURRENT MEETING,

(ii) THE OPPORTUNITY GIVEN TO STOCKHOLDERS OR MEMBERS TO ASK QUESTIONS, AS WELL AS A RECORD OF THE QUESTIONS THEY ASKED AND THE ANSWERS RECEIVED,

(iii) THE MATTERS DISCUSSED AND RESOLUTIONS REACHED,

(iv) A RECORD OF THE VOTING RESULTS FOR EACH AGENDA ITEM, AND

(v) A LIST OF THE DIRECTORS OR TRUSTEES, OFFICERS AND STOCKHOLDERS OR MEMBERS WHO ATTENDED THE MEETING;

b. A MEMBERS' LIST FOR NON-STOCK CORPORATIONS AND, FOR STOCK CORPORATIONS, MATERIAL INFORMATION ON THE CURRENT STOCK OWNERSHIP STRUCTURE AND VOTING RIGHTS, INCLUDING GROUP STRUCTURES, INTRA-GROUP RELATIONS, OWNERSHIP DATA, AND BENEFICIAL OWNERSHIP WITH SPECIFIC DISCLOSURES ON THE DIRECT AND INDIRECT STOCKHOLDINGS OF DIRECTORS AND OFFICERS;

c. A DETAILED, DESCRIPTIVE, BALANCED AND COMPREHENSIBLE ASSESSMENT OF THE CORPORATION'S PERFORMANCE WHICH SHALL INCLUDE INFORMATION ON THE CHANGES IN THE CORPORATION OR ITS BUSINESS AND ITS STRATEGY;

d. A FINANCIAL REPORT OF THE OPERATIONS OF THE CORPORATION FOR THE PRECEDING YEAR, WHICH SHALL INCLUDE FINANCIAL STATEMENTS DULY SIGNED AND CERTIFIED IN ACCORDANCE WITH THIS CODE AND THE RULES THE COMMISSION MAY PRESCRIBE, A STATEMENT ON THE ADEQUACY OF THE CORPORATION'S INTERNAL CONTROLS OR RISK MANAGEMENT SYSTEMS, AND A STATEMENT OF ALL EXTERNAL AUDIT AND NON-AUDIT FEES;

e. AN EXPLANATION OF THE DIVIDEND POLICY AND THE FACT OF PAYMENT OF DIVIDENDS OR THE REASONS FOR NON-PAYMENT THEREOF;

f. DIRECTOR OR TRUSTEE PROFILES WHICH SHALL INCLUDE, AMONG OTHERS, THEIR QUALIFICATIONS AND RELEVANT EXPERIENCE, LENGTH OF SERVICE IN THE CORPORATION, THE TRAININGS AND CONTINUING EDUCATION THEY ATTENDED, AND THE NUMBER OF THEIR BOARD REPRESENTATIONS IN OTHER CORPORATIONS;

g. A DIRECTOR OR TRUSTEE ATTENDANCE REPORT, INDICATING THE ATTENDANCE OF EACH DIRECTOR OR TRUSTEE AT EACH OF THE MEETINGS OF THE BOARD AND ITS COMMITTEES AND IN REGULAR OR SPECIAL STOCKHOLDER MEETINGS;

h. A BOARD APPRAISAL OR PERFORMANCE REPORT AND THE STANDARDS OR CRITERIA AND PROCEDURE USED TO ASSESS THE BOARD;

i. A DIRECTOR OR TRUSTEE APPRAISAL OR PERFORMANCE REPORT AND THE STANDARDS OR CRITERIA AND PROCEDURE USED TO ASSESS EACH DIRECTOR OR TRUSTEE;

j. A DIRECTOR OR TRUSTEE COMPENSATION REPORT PREPARED IN ACCORDANCE WITH THIS CODE AND THE RULES THE COMMISSION MAY PRESCRIBE;

k. DIRECTOR DISCLOSURES ON SELF-DEALINGS AND RELATED PARTY TRANSACTIONS;

l. THE PROFILES OF DIRECTORS NOMINATED OR SEEKING ELECTION OR RE-ELECTION;

m. THE COMPENSATION/BENEFITS OF EMPLOYEES WHO ARE IMMEDIATE FAMILY MEMBERS OF A DIRECTOR OR TRUSTEE OR ANY OFFICER OF THE CORPORATION OR WHOSE EMPLOYMENT WAS MADE WITH THEIR ENDORSEMENT; AND

n. DETAILS OF THE ORIENTATION PROGRAM FOR NEW DIRECTORS.

ANY DIRECTOR, TRUSTEE, STOCKHOLDER OR MEMBER MAY PROPOSE ANY OTHER MATTER FOR DISCUSSION OR INCLUSION IN THE AGENDA AT ANY REGULAR MEETING OF STOCKHOLDERS OR MEMBERS.

SUBJECT TO THE RIGHT OF ANY MEMBER OR STOCKHOLDER TO PROPOSE THE HOLDING OF SPECIAL MEETINGS AND THE ITEMS FOR DISCUSSION IN THE AGENDA THEREOF, 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 [one (1)week] written notice shall be sent to all stockholders or members AT LEAST THREE (3) WEEKS PRIOR TO THE

MEETING, unless [otherwise] A LONGER PERIOD IS provided in the by-laws OR BY ANY RELEVANT LAW OR REGULATION, AND IN SUCH A MANNER AS TO BE RECEIVED AT LEAST FIVE DAYS BEFORE THE SCHEDULED MEETING.

Notice of any meeting may be waived, expressly or impliedly, by any stockholder or member[.]; PROVIDED THAT GENERAL WAIVERS OF NOTICE IN THE ARTICLES OF INCORPORATION OR THE BY-LAWS SHALL NOT BE ALLOWED; PROVIDED, FURTHER, THAT ATTENDANCE AT A MEETING SHALL CONSTITUTE A WAIVER OF NOTICE OF SUCH MEETING, EXCEPT WHEN THE PERSON ATTENDS A MEETING FOR THE EXPRESS PURPOSE OF OBJECTING AT THE BEGINNING OF THE MEETING, TO THE TRANSACTION OF ANY BUSINESS BECAUSE THE MEETING IS NOT LAWFULLY CALLED OR CONVENED.

Whenever, for any cause, there is no person authorized to call a meeting, the [Securities and Exchange] Commission, upon petition of a stockholder or member on a showing of good cause therefor, 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 number as presiding officer.

UNLESS THE BY-LAWS PROVIDE FOR A LONGER PERIOD, THE STOCK AND TRANSFER BOOK/MEMBERSHIP BOOK SHALL BE CLOSED AT LEAST TWENTY (20) DAYS BEFORE THE SCHEDULED DATE OF THE MEETING.

IN CASE OF POSTPONEMENT OF STOCKHOLDERS' OR MEMBERS' MEETINGS, WRITTEN NOTICE THEREOF AND THE REASON THEREFOR SHALL BE SENT TO ALL STOCKHOLDERS OR MEMBERS OF RECORD AT LEAST TWO (2) WEEKS PRIOR TO THE DATE OF THE MEETING, UNLESS A DIFFERENT PERIOD IS REQUIRED BY THE BY-LAWS OR BY ANY RELEVANT LAW OR REGULATION, AND IN SUCH A MANNER AS TO BE RECEIVED AT LEAST FIVE DAYS BEFORE THE DATE OF THE MEETING."

SECTION 33. Section 51 of the Code is hereby amended to read as follows:

Sec. 51. *Place and time of meetings of stockholders of members.* - Stockholder's or member's meetings, whether regular or special, shall be held in the **PRINCIPAL OFFICE OF THE CORPORATION AS SET FORTH IN THE ARTICLES OF INCORPORATION, OR, IF NOT PRACTICABLE, 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 purposes of this section, be considered a city or municipality.

WHEN ALLOWED BY THE BY-LAWS OR BY A MAJORITY OF THE BOARD OF DIRECTORS OR TRUSTEES, ATTENDANCE AT REGULAR OR SPECIAL MEETINGS MAY BE BY REMOTE COMMUNICATION AND VOTING MAY BE MADE *IN ABSENTIA*. WHEN ATTENDANCE BY REMOTE COMMUNICATION IS ALLOWED, THE CORPORATION SHALL PROVIDE THE STOCKHOLDER OR MEMBER, OR PROXY-HOLDER, A REASONABLE OPPORTUNITY TO PARTICIPATE IN THE MEETING, TO HEAR OR SEE THE PROCEEDINGS AS WELL AS BE HEARD OR SEEN BY OTHER STOCKHOLDERS OR MEMBERS, AND TO CAST THEIR VOTE

SUBSTANTIALLY CONCURRENTLY WITH SUCH PROCEEDINGS. WHEN VOTING *IN ABSENTIA*, IS ALLOWED, THE CORPORATION SHALL INSTITUTE REASONABLE MEASURES TO TIMELY PROVIDE THE STOCKHOLDER OR MEMBER WITH INFORMATION ON THE MATTERS TO BE TAKEN UP AT THE MEETING AND GIVE THEM A REASONABLE OPPORTUNITY TO ASK QUESTIONS BEFORE CASTING THEIR VOTES. THE COMMISSION SHALL PRESCRIBE THE MINIMUM STANDARDS OR GUIDELINES TO MAKE ATTENDANCE BY REMOTE COMMUNICATION AND VOTING *IN ABSENTIA* EFFICIENT AND ACCESSIBLE FORA FOR STOCKHOLDERS OR MEMBERS.

Notice of meetings shall be in writing, and the time and place thereof stated therein. EACH NOTICE OF MEETING SHALL FURTHER STATE OR BE ACCOMPANIED BY THE FOLLOWING:

- (A) THE AGENDA FOR THE MEETING;
- (B) A PROXY FORM;
- (C) WHEN ATTENDANCE IS ALLOWED BY REMOTE COMMUNICATION, THE FACT THEREOF AND THE REQUIREMENTS AND PROCEDURES TO BE FOLLOWED WHEN A STOCKHOLDER OR MEMBER ELECTS SUCH OPTION;
- (D) WHEN VOTING IS ALLOWED *IN ABSENTIA*, THE FACT THEREOF AND THE REQUIREMENTS AND PROCEDURES TO BE FOLLOWED WHEN A STOCKHOLDER OR MEMBER ELECTS SUCH OPTION;
- (E) WHEN THE MEETING IS FOR THE ELECTION OF DIRECTORS OR TRUSTEES, THE REQUIREMENTS AND PROCEDURE FOR NOMINATING AND THE CURRICULUM VITAE OR OTHER RELEVANT INFORMATION OF THOSE ALREADY NOMINATED INCLUDING, BUT NOT LIMITED TO, SUCH NOMINEES' OTHER EXECUTIVE FUNCTIONS OR MEMBERSHIP IN OTHER BOARDS;
- (F) OTHER EXPLANATORY MATERIALS OR A STATEMENT THAT SUCH EXPLANATORY MATERIALS ARE AVAILABLE FOR INSPECTION DURING OFFICE HOURS AT THE CORPORATION'S PRINCIPAL OFFICE AND/OR ONLINE AT THE CORPORATION'S WEBSITE, OR THAT SOFT COPIES THEREOF MAY BE SENT TO A STOCKHOLDER OR MEMBER UPON HIS REQUEST; AND
- (G) THE PROCEDURE FOR MAKING INQUIRIES OR SOLICITING ADDITIONAL INFORMATION ABOUT THE AGENDA ITEMS BEFORE THE MEETING.

WHEN ALLOWED BY THE BY-LAWS OF THE CORPORATION, NOTICES OF MEETING MAY BE SENT ELECTRONICALLY, PROVIDED THAT THE SAME IS DONE IN ACCORDANCE WITH THE RULES OF THE COMMISSION AND, PROVIDED FURTHER, THAT ANY STOCKHOLDER OR MEMBER MAY, AT ANY TIME, OPT OUT OF RECEIVING NOTICE BY ELECTRONIC COMMUNICATION AND REQUEST THAT WRITTEN NOTICE

1 **BE SENT IN A TRADITIONAL MANNER, I.E. BY PERSONAL SERVICE, BY**
2 **POST OR BY COURIER.**

3 All proceedings had and any business transacted at any meeting of the
4 stockholders or members, if within the powers or authority of the corporation,
5 shall be valid even if the meeting be improperly held or called, provided all the
6 stockholders or members of the corporation are present or duly represented at
7 the meeting **AND NONE OF THEM EXPRESSLY STATE AT THE BEGINNING**
8 **OF THE MEETING THAT THE PURPOSE OF THEIR ATTENDANCE IS TO**
9 **OBJECT TO THE TRANSACTION OF ANY BUSINESS BECAUSE THE**
10 **MEETING IS NOT LAWFULLY CALLED OR CONVENED."**

11 **SECTION 34.** Section 53 of the Code is hereby amended to read as follows:

12 "Sec. 53. *Regular and special meetings of directors or trustees.* - Regular
13 meetings of the board of directors or trustees of every corporation shall be held
14 monthly, unless the by-laws provide otherwise.

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

17 Meetings of directors or trustees of corporations may be held anywhere in
18 or outside of the Philippines, unless the by-laws provide otherwise. Notice of
19 regular or special meetings stating the date, time and place of the meeting must
20 be sent to every director or trustee at least [one (1) day] **FIVE (5) DAYS** prior to
21 the scheduled meeting, unless [otherwise] **A LONGER TIME IS** provided by the
22 by-laws. A director or trustee may waive this requirement, either expressly or
23 impliedly.

24 **DIRECTORS OR TRUSTEES CANNOT ATTEND OR VOTE BY PROXY**
25 **AT BOARD MEETINGS; HOWEVER, WHEN ALLOWED BY THE BY-LAWS,**
26 **THEY CAN ATTEND BOARD MEETINGS THROUGH REMOTE**
27 **COMMUNICATION SUCH AS VIDEOCONFERENCING,**
28 **TELECONFERENCING OR OTHER TECHNOLOGY THAT ALLOWS THEM A**
29 **REASONABLE OPPORTUNITY TO PARTICIPATE.**

30 **SECTION 35.** Section 58 of the Code is hereby amended to read as follows:

31 Sec. 58. ***MANNER OF VOTING; Proxies.*** - Stockholders and members
32 may vote in person, ***IN ABSENTIA*** or by proxy in all meetings of stockholders or
33 members. **VOTING DONE WHEN ATTENDANCE IS BY REMOTE**
34 **COMMUNICATION SHALL BE EQUIVALENT TO VOTING IN PERSON. A**
35 **STOCKHOLDER OR MEMBER MAY VOTE WITHOUT ATTENDING THE**
36 **MEETING FOR AS LONG AS THE VOTE IS CAST AND RECEIVED ON OR**
37 **BEFORE THE TALLY OF VOTES IS COMPLETED AT THE MEETING, AND**
38 **THE VOTE IS MADE IN ACCORDANCE WITH THE CORPORATION'S**
39 **REQUIREMENTS AND PROCEDURES FOR VOTING *IN ABSENTIA*. THE**
40 **COMMISSION SHALL PRESCRIBE THE MINIMUM STANDARDS AND**
41 **GUIDELINES FOR VOTING WHEN ATTENDANCE IS DONE BY REMOTE**
42 **COMMUNICATION OR WHEN VOTING IS *IN ABSENTIA*.**

43 Proxies shall be in writing, signed by the stockholder or member and filed
44 before the scheduled meeting with the corporate secretary. Unless otherwise
45 provided in the proxy, it shall be valid only for the meeting for which it is intended.
46 No proxy shall be valid and effective for a period longer than five (5) years at any
47 one time."

SECTION 36. Section 59 of the Code is hereby amended to read as follows:

Section 59. *Voting Trusts.* —One or more stockholders of a stock corporation may create a voting trust for the purpose of conferring upon a trustee or trustees the right to vote and other rights pertaining to the shares for a period not exceeding five (5) years at any 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 five (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 [Securities and Exchange] Commission [; otherwise, said agreement is ineffective and unenforceable] **AND SHALL BE EFFECTIVE AND ENFORCEABLE ONLY UPON APPROVAL THEREOF BY THE COMMISSION.** The certificate or certificates of stock covered by the voting trust agreement shall be cancelled and new ones 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.

SECTION 37. Section 61 of the Code is hereby amended to delete "Securities and Exchange" from "Securities and Exchange Commission".

SECTION 38. Section 62 of the Code is hereby amended to read as follows:

"Sec.62. *Consideration for stocks.* - Stocks shall not be issued for a consideration less than the par or issued price thereof. Consideration for the issuance of stock may be any or a combination of any two or more of the following:

1. Actual cash paid to the corporation;
2. Property, tangible or intangible, actually received by the corporation and necessary or convenient for its use and lawful purposes at a fair valuation equal to the par or issued value of the stock issued;
3. Labor performed for or services actually rendered to the corporation;
4. Previously incurred indebtedness of the corporation;
5. Amounts transferred from unrestricted retained earnings to stated capital; [and]
6. Outstanding shares exchanged for stocks in the event of reclassification or conversion[.];
7. **SHARES OF STOCK OF ANOTHER CORPORATION; AND**
8. **SUCH OTHER FORM OF CONSIDERATION THAT THE COMMISSION MAY DETERMINE TO BE ACCEPTABLE SUBJECT TO THE PROVISIONS OF THE CODE.**

Where the consideration is other than actual cash, or consists of intangible property such as patents or copyrights, the valuation thereof shall

initially be determined by the incorporators or the board of directors, **WHO SHALL THEN SUBMIT SUCH DETERMINATION, WITH SUPPORTING DOCUMENTS AS THE COMMISSION MAY PRESCRIBE, FOR THE [subject to] approval[by] OF the [Securities and Exchange] Commission.**

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SECTION 39. Section 63 of the Code is hereby amended to read as follows:

"Sec. 63. *Certificate of stock and transfer of shares.* - The capital stock of stock corporations shall be divided into shares for which certificates signed by the president or vice president, countersigned by the secretary or assistant secretary, and sealed with the seal of the corporation shall be issued in accordance with the by-laws. Shares of stock so issued are personal property and may be transferred by delivery of the certificate or certificates indorsed by the owner or his attorney-in-fact or other person legally authorized to make the transfer. No transfer, however, shall be valid, except as between the parties, until the transfer is recorded in the books of the corporation so as to show the names of the parties to the transaction, the date of the transfer, the number of the certificate or certificates and the number of shares transferred; **THE COMMISSION MAY REQUIRE CORPORATIONS WHOSE SECURITIES ARE TRADED IN AN EXCHANGE OR OTHER AUTHORIZED TRADING MARKETS TO ISSUE ITS SECURITIES OR SHARES OF STOCKS IN UNCERTIFICATED OR SCRIPLESS FORM BY VIRTUE OF, AND IN ACCORDANCE WITH, THE RULES OF THE COMMISSION.**

xxx xxx xxx"

SECTION 40. Section 74 of the Code is hereby amended to read as follows:

"Sec. 74. *Books to be kept; stock transfer agent.* - Every corporation shall keep and carefully preserve at its principal office **ALL INFORMATION RELATIVE TO THE CORPORATION INCLUDING, BUT NOT LIMITED TO: (a) THE ARTICLES OF INCORPORATION AND BY-LAWS OF THE CORPORATION AND ALL THEIR AMENDMENTS, (b) THE CURRENT OWNERSHIP STRUCTURE AND VOTING RIGHTS OF THE CORPORATION, INCLUDING LISTS OF STOCKHOLDERS OR MEMBERS, GROUP STRUCTURES, INTRA-GROUP RELATIONS, OWNERSHIP DATA, AND BENEFICIAL OWNERSHIP, (c) THE NAMES AND ADDRESSES OF ALL THE MEMBERS OF THE BOARD OF DIRECTORS OR TRUSTEES AND OF THE EXECUTIVE OFFICERS, (d) a record of all business transactions, (e) A RECORD OF THE RESOLUTIONS OF THE BOARD OF DIRECTORS OR TRUSTEES AND OF THE STOCKHOLDERS OR MEMBERS, (f) COPIES OF THE LATEST REPORTORIAL REQUIREMENTS SUBMITTED TO THE COMMISSION, and (g) THE minutes of all meetings of stockholders or members, or of the board of directors or trustees[.]. SUCH MINUTES [in which] shall [be] set forth in detail, AMONG OTHERS: the time and place of holding the meeting, how authorized, the notice given, THE AGENDA THEREFOR, whether the meeting was regular or special, if special its object, those present and absent, THE VOTING AND VOTE TABULATION PROCEDURES USED AND THE RESULTS OF ALL VOTING DONE, THE OPPORTUNITY GIVEN TO STOCKHOLDERS OR MEMBERS TO ASK QUESTIONS, AS WELL AS A RECORD OF THE QUESTIONS THEY ASKED AND THE ANSWERS RECEIVED,** and every act done or ordered done at the meeting. Upon the demand of any director, trustee, stockholder or member, the time when any director, trustee, stockholder or member entered or left the meeting must be noted in the minutes; and on a

1 similar demand, the yeas and nays must be taken on any motion or proposition,
2 and a record thereof carefully made. The protest of any director, trustee,
3 stockholder or member on any action or proposed action must be recorded in full
4 on his demand.

5 **THE FOREGOING records SHALL BE RETAINED FOR SUCH PERIODS**
6 **AS THE COMMISSION MAY PRESCRIBE BY RULE AND,** [of all business
7 transactions of the corporation and the minutes of any meetings] **REGARDLESS**
8 **OF THE FORM IN WHICH THEY ARE STORED,** shall be open to inspection by
9 any director, trustee, stockholder or member of the corporation, **IN PERSON OR**
10 **BY COUNSEL OR OTHER REPRESENTATIVE POSSESSING AND**
11 **EXHIBITING DUE AUTHORITY,** at reasonable hours on business days and he
12 may demand, in writing, for [a copy of] **COPIES of SUCH RECORDS OR**
13 **excerpts from said records [or minutes,] at his expense.** **THE INSPECTING OR**
14 **REPRODUCING PARTY UNDER THIS SECTION SHALL REMAIN BOUND BY**
15 **CONFIDENTIALITY UNDER PREVAILING LAWS.**

16 **IF A REQUEST FOR INSPECTION AND/OR REPRODUCTION IS**
17 **DENIED, THE AGGRIEVED PARTY MAY REPORT THE DENIAL TO THE**
18 **COMMISSION. WITHIN FIVE (5) DAYS FROM RECEIPT OF SUCH REPORT,**
19 **THE COMMISSION SHALL CONDUCT A SUMMARY INVESTIGATION AND**
20 **ISSUE AN ORDER EITHER DIRECTING THE INSPECTION/REPRODUCTION**
21 **REQUESTED OR FINDING THAT THE REQUESTING PARTY, NOT BEING A**
22 **STOCKHOLDER OR MEMBER OF RECORD, IS NOT ENTITLED TO THE**
23 **RIGHT.**

24 Any officer or agent of the corporation who shall refuse to allow [any
25 director, trustee, stockholder or member of the corporation to examine and/OR
26 copy excerpts from its records or minutes,] **THE INSPECTION AND/OR**
27 **REPRODUCTION OF RECORDS** in accordance with the provisions of this
28 Code, shall be liable to such director, trustee, stockholder or member for
29 damages, and in addition, shall be guilty of an offense which shall be punishable
30 under Section 163 of this Code: Provided, That if such refusal is made pursuant
31 to a resolution or order of the board of directors or trustees, the liability under this
32 section for such action shall be imposed upon the directors or trustees who voted
33 for such refusal: and [Provided, further, That it shall be a defense to any action
34 under this section that the person demanding to examine and copy excerpts from
35 the corporation's records and minutes has improperly used any information
36 secured through any prior examination of the records or minutes of such
37 corporation or of any other corporation, or was not acting in good faith or for a
38 legitimate purpose in making his demand.]

39 **THE DIRECTOR, TRUSTEE, STOCKHOLDER OR MEMBER WHOSE**
40 **RIGHT TO INSPECTION AND/OR REPRODUCTION OF RECORDS WAS**
41 **DENIED MAY FILE, BEFORE A COURT OF COMPETENT JURISDICTION, AN**
42 **ACTION TO COMPEL INSPECTION OF CORPORATE RECORDS SHOWING**
43 **THAT, DESPITE THE LAPSE OF FIVE (5) DAYS FROM RECEIPT OF HIS**
44 **WRITTEN REQUEST OR DEMAND AND DESPITE HAVING BEEN ORDERED**
45 **BY THE COMMISSION TO DO SO, THE CORPORATION, OR AN OFFICER**
46 **OR AGENT THEREOF, REFUSED TO ALLOW THE INSPECTION AND/OR**
47 **REPRODUCTION OR FAILED TO REPLY TO THE WRITTEN REQUEST OR**
48 **DEMAND OR THE ORDER OF THE COMMISSION. THE COURT MAY,**
49 **AFTER SUMMARY PROCEEDINGS, ORDER THE CORPORATION TO**
50 **PERMIT THE INSPECTION AND/OR REPRODUCTION OR ISSUE ANY SUCH**
51 **OTHER OR FURTHER RELIEF AS IT MAY DEEM JUST AND PROPER.**

Stock corporations must also keep a book to be known as the "stock and transfer book", in which must be kept a record of all stocks in the names of the stockholders alphabetically arranged; the installments paid and unpaid on all stock for which subscription has been made, and the date of payment of any installment; a statement of every alienation, sale or transfer of stock made, the date thereof, and by and to whom made; and such other entries as the by-laws may prescribe. The stock and transfer book shall be kept in the principal office of the corporation or in the office of its stock transfer agent and shall be open for inspection by any director or stockholder of the corporation at reasonable hours on business days.

No stock transfer agent or one engaged principally in the business of registering transfers of stocks in behalf of a stock corporation shall be allowed to operate in the Philippines unless he secures a license from the [Securities and Exchange] Commission and pays a fee as may be fixed by the Commission, which shall be renewable annually: Provided, That a stock corporation is not precluded from performing or making transfers of its own stocks, in which case all the rules and regulations imposed on stock transfer agents, except the payment of a license fee herein provided, shall be applicable[.]; **PROVIDED, FURTHER, THAT THE COMMISSION MAY REQUIRE AN INDEPENDENT TRANSFER AGENT IN THE CASE OF STOCK CORPORATIONS WHICH TRANSFER AND/OR TRADE STOCKS IN SECONDARY MARKETS."**

SECTION 41. Section 75 of the Code is hereby amended to read as follows:

"Sec. 75. Right to financial statements. - Within ten (10) days from receipt of a written request of any stockholder or member, the corporation shall furnish to him its most recent financial statement, **IN THE FORM AND SUBSTANCE OF THE FINANCIAL REPORTING REQUIRED BY THE COMMISSION**, [which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the result of its operations.]

At the regular meeting of stockholders or members, the board of directors or trustees shall present to such stockholders or members a financial report of the operation of the corporation for the preceding year, which shall include financial statements, duly signed and certified[by an independent certified public accountant] **IN ACCORDANCE WITH THIS CODE AND THE RULES THE COMMISSION MAY PRESCRIBE.**

However, if the [paid-up capital] **TOTAL ASSETS OR TOTAL LIABILITIES** of the corporation [is] **ARE** less than [P50,000.00] **P500,000.00 OR SUCH HIGHER AMOUNT AS MAY BE LATER SET BY THE COMMISSION**, the financial statements may be certified under oath by the **CORPORATION'S INTERNAL AUDITOR**[treasurer or any responsible officer of the corporation], **AND SHALL BE ACCOMPANIED BY THE FURTHER CERTIFICATION BY THE CORPORATION'S OFFICERS AS REQUIRED UNDER SECTION 180 OF THIS CODE.**

SECTION 42. Section 77 of the Code is hereby amended to read as follows:

Sec. 77. Stockholder's or member's approval. - Upon approval by majority vote of each of the board of directors or trustees of the constituent corporations of the plan of merger or consolidation, the same shall be submitted for approval by the stockholders or members of each of such corporations at separate corporate meetings duly called for the purpose. Notice of such meetings shall be

given to all stockholders or members of the respective corporations **IN THE SAME MANNER AS NOTICE OF REGULAR OR SPECIAL MEETINGS UNDER SECTION 51.** [, at least two (2) weeks prior to the date of the meeting, either personally or by registered mail.] Said notice shall state, **IN ADDITION TO THE REQUIREMENTS FOR NOTICE OF REGULAR OR SPECIAL MEETINGS UNDER SECTION 51,** the purpose of the meeting and shall include a copy or a summary of the plan of merger or consolidation.

xxx xxx xxx"

SECTION 43. Section 78 of the Code is hereby amended to read as follows:

"Sec. 78. *Articles of merger or consolidation.* - After the approval by the stockholders or members as required by the preceding section, articles of merger or articles of consolidation shall be executed by each of the constituent corporations, to be signed by the president or vice-president and certified by the secretary or assistant secretary of each corporation setting forth:

1. The plan of the merger or the plan of consolidation;

2. As to stock corporations, the number of shares outstanding, or in the case of non-stock corporations, the number of members; [and]

3. As to each corporation, the number of shares or members voting for and against such plan, respectively[.];

4. **THE CARRYING AMOUNTS AND FAIR VALUES OF THE ASSETS AND LIABILITIES OF THE RESPECTIVE COMPANIES AS OF CUT-OFF DATE AGREED BY THE PARTIES;**

5. **THE METHOD THAT WILL BE USED IN THE MERGER OR CONSOLIDATION OF ACCOUNTS OF THE COMPANIES;**

6. **THE PROVISIONAL OR PRO-FORMA VALUES, AS MERGED OR CONSOLIDATED, USING THE ACCOUNTING METHOD; AND**

7. **SUCH OTHER INFORMATION AS MAY BE PRESCRIBED BY THE COMMISSION.**

SECTION 44. Section 79 of the Code is hereby amended to read as follows:

"Sec. 79. *Effectivity of merger or consolidation.* - The articles of merger or of consolidation, signed and certified as herein above required, shall be submitted to the [Securities and Exchange] Commission in quadruplicate for its approval: Provided, That in the case of merger or consolidation of banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, educational institutions and other special corporations governed by special laws, the favorable recommendation of the appropriate government agency shall first be obtained[.]; **PROVIDED, FURTHER, THAT THE SUBMISSION OF ARTICLES OF MERGER OR CONSOLIDATION, IN THE FORM OF AN ELECTRONIC DOCUMENT, SHALL BE IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE COMMISSION ON THE USE OF ELECTRONIC DATA MESSAGES.** If the Commission is satisfied that the

merger or consolidation of the corporations concerned is not inconsistent with the provisions of this Code and existing laws, it shall issue a certificate of merger or of consolidation, at which time the merger or consolidation shall be effective.

If, upon investigation, the [Securities and Exchange] Commission has reason to believe that the proposed merger or consolidation is contrary to or inconsistent with the provisions of this Code or existing laws, it shall set a hearing to give the corporations concerned the opportunity to be heard. Written notice of the date, time and place of hearing shall be given to each constituent corporation at least two (2) weeks before said hearing. The Commission shall thereafter proceed as provided in this Code."

SECTION 45. A new provision is inserted in the Code as Section 81 as follows:

SEC. 81. DE FACTO MERGERS. – A SALE OF THE ASSETS OF A CORPORATION, WHETHER EFFECTUATED THROUGH A SINGLE OR A SERIES OF TRANSACTIONS, SHALL BE DEEMED A DE FACTO MERGER AND TREATED AS A MERGER OR CONSOLIDATION UNDER THIS CODE WHEN THE BUYER AND SELLER CORPORATIONS ENGAGE IN THE SAME OR SIMILAR BUSINESS, WHETHER WHOLE OR IN PART, AND THE TRANSACTION IS COUPLED WITH OR RESULTS IN ANY, SOME, OR ALL OF THE FOLLOWING OR OTHER SIMILAR CIRCUMSTANCES:

1. THE SALE IS OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF THE CORPORATION. A SALE SHALL BE DEEMED TO BE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF THE CORPORATION WHEN:

- a. AT LEAST EIGHTY PERCENT (80%) OF THE SELLER CORPORATION'S ASSETS ARE INCLUDED IN THE SALE,**
- b. THE SELLER CORPORATION IS LEFT WITH ONLY BAD OR TOXIC ASSETS OR MASSIVE LIABILITIES,**
- c. THE REMAINING ASSETS ARE NOT SUFFICIENT FOR THE CONTINUATION OF THE SELLER CORPORATION'S ORDINARY OPERATIONS, OR**
- d. UNDER CIRCUMSTANCES CONGRUOUS TO THE FOREGOING.**

2. THE TRANSACTION RESULTS IN THE CESSATION OF THE ORDINARY BUSINESS OF THE SELLER CORPORATION. SUCH CESSATION SHALL BE DEEMED TO EXIST DESPITE THE NON-DISSOLUTION OF THE SELLER CORPORATION WHEN:

- a. THE SELLER CORPORATION BECOMES MERELY A SHELL CORPORATION,**
- b. THE SELLER CORPORATION HAS NO OPERATIONS WHICH ARE BY THEMSELVES ECONOMICALLY VIABLE,**
- c. THE SELLER CORPORATION IS RENDERED INCAPABLE OF DOING BUSINESS EXCEPT THROUGH THE BUYER CORPORATION, OR**
- d. UNDER CIRCUMSTANCES CONGRUOUS TO THE FOREGOING.**

3. THERE IS AN INTEGRATION OF THE SELLER CORPORATION'S PRODUCTIVE ASSETS AND OPERATIONS INTO THE BUYER CORPORATION'S OWN BUSINESS OR A CONTINUITY OF THE SELLER CORPORATION'S BUSINESS IN THE BUSINESS OF THE BUYER

CORPORATION. SUCH INTEGRATION OR CONTINUITY SHALL BE DEEMED TO EXIST WHEN THE BUYER CORPORATION, WHETHER WHOLLY OR IN PART, CONTINUES THE SELLER CORPORATION'S BUSINESS IN TERMS OF MANAGEMENT, PERSONNEL, PHYSICAL LOCATION, ASSETS, PROCESS, TECHNOLOGY ACTIVITIES, OR GENERAL BUSINESS OPERATIONS, OR INTEGRATES AND COMBINES THESE ASPECTS WITH ITS OWN BUSINESS MODEL, WHETHER OR NOT THERE IS A COMPLETE IDENTITY OR UNIFORMITY IN EVERY MATERIAL CHARACTERISTIC.

4. THERE IS AN ASSUMPTION BY THE BUYER CORPORATION OF THE SELLER CORPORATION'S LIABILITIES WHICH WOULD ORDINARILY BE NECESSARY TO CONTINUE THE SELLER CORPORATION'S BUSINESS OPERATIONS WITHOUT INTERRUPTION.

5. THE BUYER CORPORATION PAYS FOR THE SELLER CORPORATION'S ASSETS WITH SHARES OF ITS OWN STOCK.

6. UNDER THE TERMS OF THE SALE OF THE ASSETS, THE SELLER CORPORATION IS PROHIBITED BY THE BUYER CORPORATION FROM CONTINUING OR ENGAGING IN THE SAME OR SIMILAR BUSINESS.

THIS PROVISION SHALL APPLY WHETHER THE BUYER CORPORATION CARRIES OUT THE WHOLE OR A PART OF THE TRANSACTION OR SERIES OF TRANSACTIONS IN ITS OWN NAME OR THROUGH ANY OF ITS WHOLLY OWNED AND CONTROLLED SUBSIDIARIES OR OTHER RELATED PARTIES.

SECTION 46. Section 81 of the Code is hereby Section 82 and amended to read as follows:

Sec.[81]82. *Instances of appraisal right; REMEDY AGAINST OPPRESSIVE ACTS.* - Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code; [and]

3. In case of merger or consolidation **WHETHER DE JURE OR DE FACTO[.]**;

4. **WHEN THE CORPORATION SUBMITS FALSE OR INACCURATE FINANCIAL STATEMENTS AND/OR REPORTORIAL REQUIREMENTS OR WHEN THEY CONTAIN MISSTATEMENTS OR MISREPRESENTATIONS;**

5. **WHEN THE CORPORATION REFUSES TO HOLD THE REGULAR MEETINGS OF STOCKHOLDERS OR UNDULY PREVENTS ANY STOCKHOLDER FROM PARTICIPATING IN MEETINGS HELD;**

6. WHEN STOCKHOLDERS REPRESENTING A
MAJORITY APPOINT THEIR NOMINEES AS DIRECTORS, WITHOUT
HOLDING ELECTIONS;

7. WHEN DIRECTORS AUTHORIZE PAYMENTS TO
ENTITIES RELATED TO THEM OR OTHERWISE ENGAGE IN
RELATED PARTY TRANSACTIONS; AND

8. IN INSTANCES WHEN THE CORPORATION IS
VIOLATING THE PROVISIONS OF THIS CODE, ITS RULES, OR
OTHER LAWS."

SECTION 47. Sections 82 and 83 of the Code are hereby renumbered as Sections
83 and 84, respectively.

SECTION 48. Section 84 of the Code is hereby renumbered as Section 85 and
amended to delete "Securities and Exchange" from "Securities and Exchange Commission" in
each instance.

SECTION 49. Sections 85 to 88 of the Code are hereby renumbered as Sections 86
to 89 accordingly.

SECTION 50. Section 89 of the Code is hereby renumbered as Section 90 and
amended to read as follows:

"Sec. [89]90. *Right to vote.* -**EXCEPT AS OTHERWISE PROVIDED IN
THIS CODE**, the right of the members of any class or classes to vote may be
limited, broadened or denied to the extent specified in the articles of
incorporation or the by-laws. Unless so limited, broadened or denied, each
member, regardless of class, shall be entitled to one vote.

[Unless otherwise provided in the articles of incorporation or the by-laws,]
A member may vote **IN PERSON, IN ABSENTIA, OR** by proxy in accordance
with the provisions of this Code.

[Voting by mail or other similar means by members of non-stock
corporations may be authorized by the by-laws of non-stock corporations with the
approval of, and under such conditions which may be prescribed by, the
Securities and Exchange Commission.]"

SECTION 51. Sections 90 and 91 of the Code are hereby renumbered as Sections
91 and 92, respectively.

SECTION 52. Section 92 of the Code is hereby renumbered as Section 93 and
amended to read as follows:

"Sec. [92]93. *Election and term of trustees.* -[Unless otherwise provided
in the articles of incorporation or the by-laws,]The board of trustees of non-stock
corporations**SHALL BE IN SUCH NUMBER AS MAY BE FIXED IN THE
ARTICLES OF INCORPORATION OR BY-LAWS** [, which may be more
than]NOT EXCEEDING fifteen (15) [in number as may be fixed in their articles of
incorporation or by-laws, shall]. **THEY SHALL HOLD OFFICE FOR ONE
YEARUNTIL THEIR SUCCESSORS ARE ELECTED AND QUALIFIED.**[as soon
as organized, so classify themselves that the term of officeof one-third (1/3) of
their number shall expire everyyear; and subsequent elections of trustees

comprising one-third (1/3) of the board of trustees shall be held annually and trustees so elected shall have a term of three (3) years.] Trustees [thereafter] elected to fill vacancies occurring before the expiration of a particular term shall hold office only for the unexpired period.

EXCEPT WITH RESPECT TO INDEPENDENT TRUSTEES UNDER SECTION 23, no person shall be elected as trustee unless he is a member of the corporation.

Unless otherwise provided in the articles of incorporation or the by-laws, officers of a non-stock corporation may be directly elected by the members."

SECTION 53. Section 93 of the Code is hereby renumbered as Section 94 and amended to read as follows:

"Sec. [93]94. *[Place of meetings]* **LIST OF MEMBERS AND PROXIES.** – THE CORPORATION SHALL, AT ALL TIMES, KEEP A LIST OF ITS MEMBERS AND THEIR PROXIES ON SITE AT ITS PRINCIPAL OFFICE, IN THE FORM THE COMMISSION MAY REQUIRE, WHICH LIST SHALL BE UPDATED IN A MANNER AS TO REFLECT THE MEMBERS AND PROXIES OF RECORD AS OF TWENTY DAYS PRIOR TO ANY SCHEDULED ELECTION. [The by-laws may provide that the members of a non-stock corporation may hold their regular or special meetings at any place even outside the place where the principal office of the corporation is located: Provided, That proper notice is sent to all members indicating the date, time and place of the meeting: and Provided, further, That the place of meeting shall be within the Philippines.]

SECTION 54. Section 94 of the Code is hereby renumbered as Section 95 and amended to read as follows:

"Sec. [94]95. *Rules of distribution.* - In case of dissolution of a non-stock corporation in accordance with the provisions of this Code **FOR REASONS OTHER THAN THOSE SET FORTH IN SECTION 136 (4) (B) to (I),** its assets shall be applied and distributed as follows:

xxx xxx xxx"

SECTION 55. Sections 95 to 103 of the Code are hereby renumbered as Sections 96 to 104 accordingly.

SECTION 56. Sections 104, 105, and 107 of the Code are hereby amended by deleting "Securities and Exchange" from "Securities Exchange Commission" in each instance and, in Section 107, changing "Ministry of Education and Culture" to "Department of Education Culture and Sports". Further Sections 104 to 107 are renumbered as Sections 105 to 108 accordingly.

SECTION 57. Section 108 of the Code is hereby deleted.

SECTION 58. Sections 111, 112, 113, 114, 115, and 116 of the Code are hereby amended by deleting "Securities and Exchange" from "Securities Exchange Commission" in each instance.

SECTION 59. A new chapter is hereby added to Title XIII on Special Corporations and the succeeding provisions are renumbered accordingly.

CHAPTER III

ONE PERSON CORPORATIONS

SEC. 117. *APPLICABILITY OF PROVISIONS TO ONE PERSON CORPORATIONS.* –THE PROVISIONS OF THIS CODE ARE APPLICABLE TO ONE PERSON CORPORATIONS EXCEPT AS OTHERWISE PROVIDED IN THIS TITLE AND IN THE OTHER SPECIFIC PROVISIONS OF THIS CODE.

SEC. 118. *ONE PERSON CORPORATION.* –A ONE PERSON CORPORATION IS A CORPORATION WITH ONLY A SINGLE STOCKHOLDER WHO IS A NATURAL PERSON OR A JURIDICAL PERSON.

SEC. 119. *SINGLE STOCKHOLDER.* – FOR PURPOSES OF THIS CODE, THE FOLLOWING SHALL BE DEEMED A SINGLE STOCKHOLDER:

a. A NATURAL PERSON WHO WHOLLY OWNS THE SHARES IN THE ONE PERSON CORPORATION;

b. A JURIDICAL PERSON WHO WHOLLY OWNS THE SHARES IN THE ONE PERSON CORPORATION AND WHO ACTS AS SINGLE STOCKHOLDER THROUGH A DULY AUTHORIZED REPRESENTATIVE; AND

c. A TRUST, ESTATE OR ACCOUNT WHO WHOLLY OWNS THE SHARES IN THE ONE PERSON CORPORATION AND WHO SHALL ACT AS STOCKHOLDER THROUGH ITS TRUSTEE, ADMINISTRATOR, EXECUTOR, GUARDIAN, CONSERVATOR, CUSTODIAN OR OTHER PERSON EXERCISING FIDUCIARY CAPACITIES AND DULY AUTHORIZED AS SUCH.

SEC. 120. *MINIMUM AMOUNT OF CAPITAL STOCK TO BE PAID FOR PURPOSES OF INCORPORATION.* – THE MINIMUM AMOUNT OF AUTHORIZED CAPITAL STOCK FOR A ONE PERSON CORPORATION IS ONE MILLION PESOS (PHP1,000,000.00), THE PAYMENT OF WHICH SHALL BE MADE BY THE SINGLE STOCKHOLDER IN ONE LUMP SUM AT THE TIME OF INCORPORATION AND PHYSICALLY SEPARATED FROM THE PERSONAL FUNDS OF THE SINGLE STOCKHOLDER.

SEC. 121. *ARTICLES OF INCORPORATION; BY-LAWS NOT REQUIRED.* – INSOFAR AS APPLICABLE, A ONE PERSON CORPORATION SHALL FILE ARTICLES OF INCORPORATION IN ACCORDANCE WITH THE REQUIREMENTS UNDER SECTION 14 OF THIS CODE, SUBJECT TO THE FOLLOWING:

(1) THERE SHALL BE A STATEMENT AS TO WHETHER THE CAPITAL STOCK IS THE SOLE INVESTMENT OF A NATURAL OR OF A JURIDICAL PERSON, OR OF A TRUST, ESTATE OR ACCOUNT;

(2) IF THE SINGLE STOCKHOLDER IS A JURIDICAL PERSON, IT SHALL CLEARLY INDICATE THE NAME, NATIONALITY AND RESIDENCE OF THE NATURAL PERSON AUTHORIZED TO ACT ON ITS BEHALF AND ATTACH PROOF OF SUCH AUTHORITY;

1 (3) IF THE SINGLE STOCKHOLDER IS A TRUST,
2 ESTATE OR ACCOUNT, IT SHALL CLEARLY INDICATE THE
3 NAME, NATIONALITY AND RESIDENCE¹ OF THE TRUSTEE,
4 ADMINISTRATOR, EXECUTOR, GUARDIAN, CONSERVATOR,
5 CUSTODIAN OR OTHER PERSON EXERCISING FIDUCIARY
6 CAPACITIES AND ATTACH PROOF OF SUCH AUTHORITY
7 TO ACT ON BEHALF OF THE TRUST, ESTATE OR ACCOUNT;

8 (4) IN ACCORDANCE WITH SECTION 127, IT
9 SHALL DESIGNATE A NOMINEE AND ALTERNATE NOMINEE
10 AND ATTACH THERETO THEIR PRIOR WRITTEN CONSENT,
11 AS WELL AS STATE THE COMPENSATION THEY SHALL
12 RECEIVE AND THE EXTENT OF OR LIMITATIONS ON THEIR
13 AUTHORITY;

14 (5) THE ARTICLES OF INCORPORATION SHALL
15 BE ACCOMPANIED BY A SWORN STATEMENT BY THE
16 STOCKHOLDER AS TO THE AMOUNT OF THE CAPITAL
17 STOCK AND THAT THE SAME HAS BEEN PAID IN FULL AND
18 MAINTAINED IN AN ACCOUNT SEPARATE FROM THAT OF
19 THE STOCKHOLDER;

20 (6) THERE SHALL BE ATTACHED TO THE
21 ARTICLES OF INCORPORATION A CODE OF ETHICS OR
22 STANDARDS OF CONDUCT AS SET FORTH IN SECTION 47,
23 SUBPARAGRAPH 11 OF THIS CODE; AND

24 (7) THERE SHALL BE ATTACHED TO THE
25 ARTICLES OF INCORPORATION INTERNAL PROCEDURES
26 FOR WHISTLEBLOWERS AS SET FORTH IN SECTION 47,
27 SUBPARAGRAPH 12 OF THIS CODE.

28 THE ONE PERSON CORPORATION SHALL BE EXEMPT FROM THE
29 FILING OF BY-LAWS.

30 **SEC. 122. PROHIBITION AGAINST MULTIPLE ONE PERSON**
31 **CORPORATIONS.** – ANY PERSON, TRUST, ESTATE OR ACCOUNT MAY
32 ONLY INCORPORATE AND MAINTAIN ONE ONE PERSON CORPORATION
33 AT ANY GIVEN INSTANCE. A ONE PERSON CORPORATION MAY NOT
34 INCORPORATE A NEW ONE PERSON CORPORATION.

35 **SEC. 123. DISPLAY OF CORPORATE NAME.** – A ONE PERSON
36 CORPORATION SHALL INDICATE EITHER BELOW OR AT THE END OF ITS
37 CORPORATE NAME, THE WORDS “ONE PERSON CORPORATION” OR
38 THE LETTERS “OPC”, WHEREVER ITS NAME IS PRINTED, AFFIXED,
39 ENGRAVED OR OTHERWISE PRESENTED.

40 **SEC. 124. SINGLE STOCKHOLDER AS DIRECTOR, PRESIDENT AND**
41 **TREASURER.** – THE SINGLE STOCKHOLDER SHALL BE THE SOLE
42 DIRECTOR, PRESIDENT (OR CHIEF EXECUTIVE OFFICER) AND
43 TREASURER (OR CHIEF FINANCE OFFICER) OF THE ONE PERSON
44 CORPORATION.

45 **SEC. 125. CORPORATE SECRETARY AND OTHER OFFICERS.** –
46 WITHIN FIFTEEN DAYS FROM THE ISSUANCE OF ITS CERTIFICATE OF
47 INCORPORATION, THE ONE PERSON CORPORATION SHALL APPOINT A
48 CORPORATE SECRETARY, WHO SHALL BE OTHER THAN THE SINGLE
49 STOCKHOLDER, AND NOTIFY THE COMMISSION THEREOF WITHIN FIVE
50 DAYS FROM APPOINTMENT.

1 THE ONE PERSON CORPORATION MAY APPOINT SUCH OTHER
2 OFFICERS AS IT MAY DEEM NECESSARY.

3 SEC. 126. *SPECIAL FUNCTIONS OF THE CORPORATE SECRETARY.*
4 – IN ADDITION TO THE FUNCTIONS DESIGNATED BY THE ONE PERSON
5 CORPORATION AND REQUIRED ELSEWHERE IN THIS CODE, THE
6 CORPORATE SECRETARY SHALL:

- 7 (a) BE RESPONSIBLE FOR MAINTAINING THE MINUTES-BOOK
8 OF THE CORPORATION;
- 9 (b) NOTIFY THE NOMINEE, OR ALTERNATE NOMINEE AS THE
10 CASE MAY BE, OF THE DEATH OR INCAPACITY OF THE
11 SINGLE STOCKHOLDER, WHICH NOTICE SHALL BE GIVEN
12 NOT LATER THAN FIVE (5) DAYS FROM THE SINGLE
13 STOCKHOLDER'S DEATH OR INCAPACITY;
- 14 (c) NOTIFY THE COMMISSION OF THE DEATH OF THE SINGLE
15 STOCKHOLDER WITHIN A PERIOD OF FIVE (5) DAYS FROM
16 SUCH DEATH AND STATING IN SUCH NOTICE THE NAMES,
17 RESIDENCES AND CONTACT DETAILS OF ALL KNOWN
18 LEGAL HEIRS; AND
- 19 (d) CALL THE NOMINEE OR ALTERNATIVE NOMINEE TO A
20 MEETING WITH THE KNOWN LEGAL HEIRS AND GIVE
21 GUIDANCE ON THE OPTIONS OF THE LEGAL HEIRS WITH
22 REGARD TO THE ONE PERSON CORPORATION, INCLUDING
23 THE ELECTION OF A NEW DIRECTOR, AMENDING THE
24 ARTICLES OF INCORPORATION AND OTHER ANCILLARY
25 AND/OR CONSEQUENTIAL MATTERS.

26 SEC. 127. *NOMINEE AND ALTERNATE NOMINEE.* – THE SINGLE
27 STOCKHOLDER SHALL DESIGNATE A NOMINEE AND AN ALTERNATE
28 NOMINEE WHO SHALL, IN THE EVENT OF THE SINGLE STOCKHOLDER'S
29 DEATH OR INCAPACITY AND AFTER RECEIVING DUE NOTICE THEREOF
30 FROM THE CORPORATE SECRETARY, TAKE THE PLACE OF THE SINGLE
31 STOCKHOLDER AS DIRECTOR AND MANAGE THE AFFAIRS OF THE
32 CORPORATION AS PROVIDED IN THE ARTICLES OF INCORPORATION.

33 THE ARTICLES OF INCORPORATION SHALL STATE THE NAMES,
34 RESIDENCES AND CONTACT DETAILS OF THE NOMINEE AND
35 ALTERNATE NOMINEE, THE COMPENSATION THEY SHALL BE ENTITLED
36 TO RECEIVE, AS WELL AS THE EXTENT OF AND LIMITATIONS ON THEIR
37 AUTHORITY IN MANAGING THE AFFAIRS OF THE ONE PERSON
38 CORPORATION.

39 THE WRITTEN CONSENT OF THE NOMINEE AND ALTERNATE
40 NOMINEE SHALL BE SUBMITTED TO THE COMMISSION TOGETHER WITH
41 THE FILING OF THE ONE PERSON CORPORATION'S ARTICLES OF
42 INCORPORATION. SUCH CONSENT MAY BE WITHDRAWN IN WRITING BY
43 FURNISHING COPIES THEREOF TO THE SINGLE STOCKHOLDER AND
44 THE COMMISSION ANYTIME BEFORE THE DEATH OR INCAPACITY OF
45 THE SINGLE STOCKHOLDER.

46 THE NOMINEE SHALL, IN THE EVENT OF THE SINGLE
47 STOCKHOLDER'S DEATH OR INCAPACITY AND AFTER RECEIVING DUE
48 NOTICE THEREOF FROM THE CORPORATE SECRETARY, TAKE THE

1 PLACE OF THE SINGLE STOCKHOLDER AS DIRECTOR AND MANAGE
2 THE AFFAIRS OF THE ONE PERSON CORPORATION.

3 SEC. 128. *TERM OF NOMINEE AND ALTERNATE NOMINEE.* –
4 WHEN THE INCAPACITY OF THE SINGLE STOCKHOLDER IS TEMPORARY,
5 THE NOMINEE SHALL SIT AS DIRECTOR AND MANAGE THE AFFAIRS OF
6 THE ONE PERSON CORPORATION ONLY UNTIL THE SINGLE
7 STOCKHOLDER, BY HIS OWN DETERMINATION, REGAINS HIS CAPACITY.
8 IN CASE OF DEATH OR PERMANENT INCAPACITY OF THE SINGLE
9 STOCKHOLDER, THE NOMINEE SHALL SIT AS DIRECTOR AND MANAGE
10 THE AFFAIRS OF THE ONE PERSON CORPORATION ONLY UNTIL THE
11 LEGAL HEIRS OF THE SINGLE STOCKHOLDER HAVE BEEN LAWFULLY
12 DETERMINED, THE SHARES ARE TRANSFERRED IN THEIR NAME,
13 AND/OR THEY HAVE DESIGNATED ONE OF THEM TO ACT ON THEIR
14 BEHALF AS THE SINGLE STOCKHOLDER OF THE ONE PERSON
15 CORPORATION.

16 THE ALTERNATE NOMINEE SHALL SIT AS DIRECTOR AND
17 MANAGE THE ONE PERSON CORPORATION IN CASE OF THE NOMINEE'S
18 INABILITY, INCAPACITY OR DEATH AND ONLY FOR THE SAME TERM
19 AND UNDER THE SAME CONDITIONS APPLICABLE TO THE NOMINEE.

20 SEC. 129. *CHANGE OF NOMINEE OR ALTERNATE NOMINEE.*– THE
21 SINGLE STOCKHOLDER MAY, AT ANY TIME, CHANGE THE NAME OF THE
22 NOMINEE OR ALTERNATE NOMINEE BY SUBMITTING NEW NAMES AND
23 NEW WRITTEN CONSENTS TO THE COMMISSION, WHICH SHALL BE
24 APPENDED TO THE ONE PERSON CORPORATION'S ARTICLES OF
25 INCORPORATION. THE ARTICLES OF INCORPORATION NEED NOT BE
26 AMENDED FOR SUCH CHANGE IN NOMINEE OR ALTERNATE NOMINEE.

27 SEC. 130. *RECORDS IN LIEU OF MEETINGS.* – NO STOCKHOLDERS
28 MEETING NEED BE HELD IN A ONE PERSON CORPORATION. WHEN
29 ACTION IS NEEDED ON ANY MATTER, IT SHALL BE SUFFICIENT, FOR
30 PURPOSES OF VALIDITY, IF THE RESOLUTION THEREON IS MADE IN
31 WRITING, SIGNED AND DATED BY THE SINGLE
32 STOCKHOLDER/DIRECTOR, AND RECORDED IN THE MINUTES-BOOK OF
33 THE ONE PERSON CORPORATION. THE DATE RECORDED IN THE
34 MINUTES-BOOK SHALL BE DEEMED TO BE THE DATE OF THE MEETING
35 FOR ALL PURPOSES UNDER THIS CODE.

36 SEC. 131. *MINUTES-BOOK.* – EACH ONE PERSON CORPORATION
37 SHALL MAINTAIN A MINUTES-BOOK IN WHICH SHALL BE ENTERED IN
38 WRITING ALL ACTIONS, DECISIONS, RESOLUTIONS TAKEN BY THE ONE
39 PERSON CORPORATION, SIGNED AND DATED BY THE SINGLE
40 STOCKHOLDER/DIRECTOR, AT THE TIME THE ACTION, DECISION OR
41 RESOLUTION IS MADE.

42 SEC. 132. *CO-MINGLING OF PROPERTY.* – WHERE THE
43 SINGLE STOCKHOLDER CANNOT PROVE THAT THE PROPERTY OF THE
44 ONE PERSON CORPORATION IS INDEPENDENT OF HIS OWN PROPERTY,
45 HE SHALL ASSUME THE JOINT AND SEVERAL LIABILITY FOR THE DEBTS
46 AND OTHER LIABILITIES OF THE ONE PERSON CORPORATION.

47 SEC. 133. *REPORTORIAL SUBMISSIONS.* – THE ONE PERSON
48 CORPORATION SHALL SUBMIT THE FOLLOWING TO THE COMMISSION

1 ANNUALLY AND WITHIN SUCH PERIODS AS THE COMMISSION MAY
2 PRESCRIBE:

3 1. FINANCIAL STATEMENTS CERTIFIED BY THE CHIEF EXECUTIVE OFFICER
4 AND CORPORATE SECRETARY AND DULY AUDITED BY AN INDEPENDENT
5 CERTIFIED PUBLIC ACCOUNTANT ACCREDITED BY THE BOARD OF
6 ACCOUNTANCY;

7 2. A REPORT CONTAINING EXPLANATIONS OR COMMENTS BY THE CHIEF
8 EXECUTIVE DIRECTOR ON EVERY QUALIFICATION, RESERVATION OR
9 ADVERSE REMARK OR DISCLAIMER MADE BY THE AUDITOR IN HIS REPORT;
10 AND

11 3. A DISCLOSURE OF ALL SELF-DEALINGS AND RELATED PARTY
12 TRANSACTIONS ENTERED INTO BETWEEN THE ONE PERSON CORPORATION
13 AND THE SINGLE STOCKHOLDER.

14 FOR PURPOSES OF THIS PROVISION, THE FISCAL YEAR OF A ONE
15 PERSON CORPORATION SHALL BE THAT SET FORTH IN ITS ARTICLES
16 OF INCORPORATION OR, IN THE ABSENCE THEREOF, THE CALENDAR
17 YEAR.

18 SEC. 134. *CHANGE OF STATUS FROM A REGULAR STOCK*
19 *CORPORATION TO A ONE PERSON CORPORATION.* – WHEN A SINGLE
20 STOCKHOLDER, AS DEFINED UNDER THIS TITLE, ACQUIRES ALL THE
21 STOCKS OF A REGULAR STOCK CORPORATION, THE LATTER MAY
22 APPLY FOR CONVERSION INTO A ONE PERSON CORPORATION,
23 SUBJECT TO THE SUBMISSION OF SUCH DOCUMENTS THE SEC MAY
24 REQUIRE. IF THE APPLICATION FOR CONVERSION IS APPROVED, THE
25 SEC SHALL FORTHWITH ISSUE AN AMENDED CERTIFICATE OF
26 INCORPORATION REFLECTING THE CONVERSION. THE ONE PERSON
27 CORPORATION CONVERTED FROM A REGULAR STOCK CORPORATION
28 SHALL SUCCEED TO AND BE LEGALLY RESPONSIBLE FOR ALL THE
29 LATTER'S OUTSTANDING LIABILITIES AS OF THE DATE OF
30 CONVERSION.

31 SEC. 135. *CHANGE IN STATUS OF A ONE PERSON*
32 *CORPORATION.* – A ONE PERSON CORPORATION MAY BE CONVERTED
33 INTO A REGULAR STOCK CORPORATION AFTER DUE NOTICE TO THE
34 SEC OF SUCH FACT, OF THE CIRCUMSTANCES LEADING TO THE
35 CONVERSION, AND OF COMPLIANCE WITH ALL OTHER REQUIREMENTS
36 FOR STOCK CORPORATIONS UNDER THIS CODE AND APPLICABLE
37 RULES. SUCH NOTICE SHALL BE FILED WITH THE SEC WITHIN SIXTY
38 (60) DAYS FROM THE OCCURRENCE OF THE CIRCUMSTANCES LEADING
39 TO THE CONVERSION INTO A REGULAR STOCK CORPORATION. IF ALL
40 REQUIREMENTS HAVE BEEN DULY COMPLIED WITH, THE SEC SHALL
41 FORTHWITH ISSUE AN AMENDED CERTIFICATE OF INCORPORATION
42 REFLECTING THE CONVERSION.

43 IN CASE OF DEATH OF THE SINGLE STOCKHOLDER, THE
44 NOMINEE OR ALTERNATE NOMINEE, AS THE CASE MAY BE, SHALL
45 TRANSFER THE SHARES IN THE NAME OF THE SINGLE STOCKHOLDERS'
46 LEGAL HEIRS WITHIN SEVEN (7) DAYS FROM RECEIPT OF EITHER AN
47 AFFIDAVIT OF HEIRSHIP OR OF SELF-ADJUDICATION BY A SOLE HEIR,
48 OR ANY OTHER LEGAL DOCUMENT DECLARING THE LEGAL HEIRS OF
49 THE SINGLE STOCKHOLDER AND, WITHIN THE SAME PERIOD, NOTIFY
50 THE SEC OF THE TRANSFER. WITHIN SIXTY (60) DAYS FROM THE

TRANSFER OF THE SHARES IN THEIR NAME, THE LEGAL HEIRS SHALL NOTIFY THE SEC IF THEY DECIDE TO WIND UP AND DISSOLVE THE ONE PERSON CORPORATION OR CONVERT IT INTO A REGULAR STOCK CORPORATION.

THE REGULAR STOCK CORPORATION CONVERTED FROM A ONE PERSON CORPORATION SHALL SUCCEED TO AND BE LEGALLY RESPONSIBLE FOR ALL THE LATTER'S OUTSTANDING LIABILITIES AS OF THE DATE OF CONVERSION.

SECTION 60. Section 117 of the Code is hereby renumbered as Section 136 and amended to read as follows:

"TITLE XIV – DISSOLUTION"

"Sec. [117]**136.** *Methods of dissolution; EFFECTIVE DATE OF DISSOLUTION.* - A corporation formed or organized under the provisions of this Code may be dissolved **IN ANY OF THE FOLLOWING WAYS:**[voluntarily or involuntarily.]

1. **AUTOMATICALLY BY EXPIRATION OF THE CORPORATE TERM STATED IN THE ARTICLES OF INCORPORATION, AS ORIGINALLY STATED, OR AS LENGTHENED OR SHORTENED IN ACCORDANCE WITH THE PROVISIONS OF THIS CODE.**

2. **BY ACTION OF A MAJORITY OF THE INCORPORATORS OR A MAJORITY OF THE DIRECTORS OR TRUSTEES WHEN THE CORPORATION:**

- a. **HAS NOT COMMENCED BUSINESS,**
- b. **BEING A STOCK CORPORATION, HAS NOT ISSUED SHARES,**
- c. **HAS NO DEBTS OR OTHER LIABILITIES, AND**
- d. **HAS RECEIVED NO PAYMENTS ON SUBSCRIPTIONS FOR SHARES IN THE CASE OF STOCK CORPORATIONS, OR CONTRIBUTIONS IN THE CASE OF NON-STOCK CORPORATIONS, OR, HAVING RECEIVED THEM, HAS RETURNED THEM TO THOSE ENTITLED THERETO, LESS AMOUNTS DISBURSED FOR LAWFUL EXPENSES.**

3. **BY ACTION OF THE BOARD OF DIRECTORS AND STOCKHOLDERS, OR THE BOARD OF TRUSTEES AND MEMBERS AS THE CASE MAY BE, WHEN:**

- a. **NOT QUALIFYING UNDER SECTION 136 (2) ABOVE, THE CORPORATION FAILS TO COMMENCE OR CONTINUE ITS BUSINESS OR THE CONSTRUCTION OF ITS WORKS AND ITS CERTIFICATE OF INCORPORATION HAS NOT YET BEEN REVOKED IN ACCORDANCE WITH SECTION 22 OF THIS CODE, OR**

b. FOR ANY OTHER REASON PROPOSED AND VOTED UPON BY THEM AT A MEETING CALLED SPECIFICALLY FOR THAT PURPOSE.

4. BY ORDER OF THE COMMISSION WHEN THE CORPORATION:

a. FAILED TO COMMENCE OR CONTINUE ITS BUSINESS OR THE CONSTRUCTION OF ITS WORKS AND THE REVOCATION OF ITS CERTIFICATE OF INCORPORATION HAS ATTAINED FINALITY IN ACCORDANCE WITH SECTION 22 OF THIS CODE;

b. HAS BEEN FOUND TO HAVE PROCURED ITS ORGANIZATION THROUGH FRAUD;

c. HAS BEEN FOUND TO HAVE BEEN CREATED FOR THE PURPOSE OF COMMITTING OR CONCEALING, OR AIDING IN THE COMMISSION OR CONCEALMENT OF, SECURITIES VIOLATIONS, SMUGGLING, TAX EVASION, MONEY LAUNDERING, OR GRAFT AND CORRUPT PRACTICES;

d. HAS BEEN FOUND TO HAVE COMMITTED OR AIDED IN THE COMMISSION OF SECURITIES VIOLATIONS, SMUGGLING, TAX EVASION, MONEY LAUNDERING, OR GRAFT AND CORRUPT PRACTICES, AND ITS STOCKHOLDERS KNEW OR WERE IN A POSITION TO KNOW ABOUT SUCH ILLEGAL ACTS;

e. FOR THE PURPOSE OF SHIELDING ITSELF FROM LIABILITY FOR GRAFT AND CORRUPT PRACTICES, HAS BEEN FOUND TO HAVE ENGAGED THE SERVICES OF AN INTERMEDIARY WHO COMMITS GRAFT AND CORRUPT PRACTICES FOR THE CORPORATION'S BENEFIT OR IN ITS INTEREST, AND ITS STOCKHOLDERS KNEW OR WERE IN A POSITION TO KNOW ABOUT THE ENGAGEMENT;

f. HAS BEEN FOUND TO HAVE REPEATEDLY AND KNOWINGLY TOLERATED THE COMMISSION OF GRAFT AND CORRUPT PRACTICES OR OTHER FRAUDULENT OR ILLEGAL ACTS BY ITS DIRECTORS, TRUSTEES, OFFICERS, OR EMPLOYEES, FAILING TO SANCTION THEM, REPORT THEIR ACTIONS TO THE PROPER AGENCIES, AND/OR FILE THE APPROPRIATE ACTION AGAINST THEM;

g. HAS BEEN FOUND TO HAVE REPEATEDLY AND WILLFULLY EXCEEDED THE AUTHORITY CONFERRED UPON IT BY LAW;

h. HAS BEEN FOUND TO HAVE REPEATEDLY AND WILLFULLY FALSIFIED, MISSTATED OR OTHERWISE MISREPRESENTED INFORMATION CONTAINED IN ITS REPORTORIAL REQUIREMENTS;

i. HAS BEEN FOUND TO HAVE REPEATEDLY AND WILLFULLY CONDUCTED ITS BUSINESS IN A FRAUDULENT OR OTHERWISE UNLAWFUL MANNER; OR

j. HAS BEEN FOUND TO HAVE OTHERWISE VIOLATED THE PROVISIONS OF THIS CODE.

5. BY ORDER OF THE COMMISSION WHEN, BY FINAL JUDGMENT, A COURT ORDERS THE DISSOLUTION OF THE CORPORATION.

IN THE CASE OF EXPIRATION OF CORPORATE TERM UNDER SECTION 136 (1) ABOVE, DISSOLUTION SHALL AUTOMATICALLY TAKE EFFECT ON THE DAY FOLLOWING THE LAST DAY OF THE CORPORATE TERM STATED IN THE ARTICLES OF INCORPORATION, WITHOUT NEED FOR THE ISSUANCE BY THE COMMISSION OF A CERTIFICATE OF DISSOLUTION. IN ALL OTHER CASES, THE DISSOLUTION SHALL TAKE EFFECT ONLY UPON AND AS OF THE ISSUANCE BY THE COMMISSION OF A CERTIFICATE OF DISSOLUTION, AND SHALL BE WITHOUT PREJUDICE TO SECTION 141 OF THIS CODE."

SECTION 61. Section 118 of the Code is hereby renumbered as Section 137 and amended to read as follows:

"Sec. [118]137. *[Voluntary dissolution]* **DISSOLUTION** where no creditors are affected; **PROCEDURE.** – DISSOLUTION PURSUANT TO SECTION 136 (2) OF THIS CODE MAY BE MADE BY FILING A VERIFIED REQUEST FOR DISSOLUTION WITH THE COMMISSION:

a. STATING THE NAME OF THE CORPORATION AND THE NAMES AND ADDRESSES OF THE INCORPORATORS AND DIRECTORS OR TRUSTEES;

b. STATING THE REASON FOR THE DISSOLUTION OF THE CORPORATION;

c. ATTESTING TO THE EXISTENCE AND CONCURRENCE OF ALL THE CONDITIONS SET FORTH IN SECTION 136 (2) (A) TO (D) OF THIS CODE;

d. STATING THE NAMES OF THE INCORPORATORS, OR OF THE DIRECTORS OR TRUSTEES, CONSTITUTING A MAJORITY, WHO APPROVED THE DISSOLUTION AND THE DATE, PLACE, AND TIME OF THE MEETING IN WHICH THE VOTE WAS MADE, WHICH REQUIREMENT MAY BE DISPENSED WITH IF THE REQUEST ITSELF IS DULY VERIFIED BY SUCH MAJORITY; AND

e. WHEN APPLICABLE, ATTACHING: (i) A LIST OF THE NAMES AND ADDRESSES OF THE PERSONS ENTITLED TO A RETURN OF PAID SUBSCRIPTIONS OR CONTRIBUTIONS AS SET FORTH IN SECTION 136 (2) (D), (ii) A SUMMARY OF THE AMOUNTS OF THEIR PAID SUBSCRIPTIONS OR CONTRIBUTIONS, (iii) A SUMMARY OF THE AMOUNTS DISBURSED FOR LAWFUL EXPENSES WITH COPIES OF THE OFFICIAL RECEIPTS THEREFOR, AND (iv) A SUMMARY OF THE AMOUNTS RETURNED WITH PROOF THAT THEY WERE DULY RECEIVED BY THOSE ENTITLED THERETO.

If dissolution of a corporation **PURSUANT TO SECTION 136 (3) OF THIS CODE** does not prejudice the rights of any creditor having a claim against it, the dissolution may be effected by majority vote of the board of directors or trustees, and by a resolution duly adopted by the affirmative vote of the stockholders owning at least two-thirds (2/3) of the outstanding capital stock or of at least two-thirds (2/3) of the members of a meeting to be held upon call of the directors or trustees.

AT LEAST THIRTY (30) DAYS PRIOR TO THE MEETING, NOTICE SHALL BE GIVEN TO EACH SHAREHOLDER OR MEMBER OF RECORD, WHETHER OR NOT ENTITLED TO VOTE AT THE MEETING, IN THE MANNER PROVIDED IN SECTION 50 OF THIS CODE AND SHALL STATE THAT THE PURPOSE OF THE MEETING IS TO VOTE ON THE DISSOLUTION OF THE CORPORATION. [after publication of the notice] **NOTICE** of the time, place and object of the meeting **SHALL LIKEWISE BE MADE BY PUBLICATION** for three (3) consecutive weeks **PRIOR TO THE DATE OF THE MEETING** in a newspaper published in the place where the principal office of said corporation is located; and if no newspaper is published in such place, then in a newspaper of general circulation in the Philippines.

[, after sending such notice to each stockholder or member [either] by registered mail or by personal delivery at least thirty (30) days prior to said meeting.]

ONCE THE REQUIRED VOTES OF THE BOARD AND SHAREHOLDERS OR MEMBERS ARE ACHIEVED, A VERIFIED REQUEST FOR DISSOLUTION SHALL BE FILED WITH THE COMMISSION

a. **STATING THE NAME OF THE CORPORATION AND THE NAMES AND ADDRESSES OF THE DIRECTORS OR TRUSTEES;**

b. **STATING THE REASON FOR THE DISSOLUTION OF THE CORPORATION;**

c. **CERTIFYING THAT NO CREDITOR SHALL BE PREJUDICED BY THE DISSOLUTION AND SUBSTANTIATING THE SAME WITH FINANCIAL STATEMENTS AND OTHER RECORDS;**

d. **STATING THE NAMES OF THE DIRECTORS OR TRUSTEES, CONSTITUTING A MAJORITY, WHO APPROVED THE DISSOLUTION AND THE DATE, PLACE, AND TIME OF THE MEETING IN WHICH THE VOTE WAS MADE;**

e. **STATING WHEN THE NOTICES TO SHAREHOLDERS OR MEMBERS WERE GIVEN, THE MANNER AND FORM IN WHICH THEY WERE GIVEN, THE DETAILS OF PUBLICATION AND ATTACHING PROOF THEREOF, AND THE DATE, PLACE, AND TIME OF THE MEETING IN WHICH THE VOTE WAS MADE; AND**

f. **ATTACHING THERETO**a copy of the resolution authorizing the dissolution **WHICH** shall **HAVE BEEN** certified by a majority of the board of directors or trustees and countersigned by the secretary of the corporation.

1 **WITHIN FIFTEEN (15) DAYS FROM RECEIPT OF THE VERIFIED REQUEST**
 2 **FOR DISSOLUTION, AND IN THE ABSENCE OF ANY WITHDRAWAL WITHIN**
 3 **SAID PERIOD, [The Securities and Exchange] THE Commission**
 4 **shallAPPROVE THE REQUEST AND** thereupon issue the certificate of
 5 **dissolution."**

6 **SECTION 62.** Section 119 of the Code is hereby renumbered as Section 138 and
 7 amended to read as follows:

8 "Sec. [119]**138. [Voluntary dissolution]DISSOLUTION** where creditors
 9 **are affected; PROCEDURE AND CONTENTS OF PETITION.** - Where the
 10 dissolution of a corporation may prejudice the rights of any creditor, [the petition]
 11 **A VERIFIED PETITION** for dissolution shall be filed with the [Securities and
 12 Exchange] Commission. The petition shall be signed by a majority of [its] **THE**
 13 **CORPORATION'S** board of directors or trustees or other officers having the
 14 management of its affairs, verified by its president or secretary or one of its
 15 directors or trustees, and shall set forth all claims and demands against it, and
 16 that its dissolution was resolved upon by the affirmative vote of the stockholders
 17 representing at least two-thirds (2/3) of the outstanding capital stock or by at
 18 least two-thirds (2/3) of the members at a meeting of its stockholders or members
 19 called for that purpose. **THE PETITION SHALL LIKEWISE STATE: (a) THE**
 20 **REASON FOR THE DISSOLUTION; (b) THE FORM, MANNER AND TIME**
 21 **WHEN THE NOTICES WERE GIVEN; AND (c) THE DATE, PLACE, AND TIME**
 22 **OF THE MEETING IN WHICH THE VOTE WAS MADE. THE PETITION SHALL**
 23 **HAVE AS ANNEXES (a) A COPY OF THE RESOLUTION AUTHORIZING THE**
 24 **DISSOLUTION, WHICH SHALL HAVE BEEN CERTIFIED BY A MAJORITY OF**
 25 **THE BOARD OF DIRECTORS OR TRUSTEES AND COUNTERSIGNEDBY**
 26 **THE SECRETARY OF THE CORPORATION; AND (b) A LIST OF ALL ITS**
 27 **CREDITORS.**

28 If the petition is sufficient in form and substance, the Commission shall,
 29 by an order reciting the purpose of the petition, fix a date on or before which
 30 objections thereto may be filed by any person, which date shall not be less than
 31 thirty (30) days nor more than sixty (60) days after the entry of the order. Before
 32 such date, a copy of the order shall be published at least once a week for three
 33 (3) consecutive weeks in a newspaper of general circulation published in the
 34 municipality or city where the principal office of the corporation is situated, or if
 35 there be no such newspaper, then in a newspaper of general circulation in the
 36 Philippines, and a similar copy shall be posted for three (3) consecutive weeks in
 37 three (3) public places in such municipality or city.

38 Upon five (5) day's notice, given after the date on which the right to file
 39 objections as fixed in the order has expired, the Commission shall proceed to
 40 hear the petition and try any issue made by the objections filed; and if no such
 41 objection is sufficient, and the material allegations of the petition are true, it shall
 42 render judgment dissolving the corporation and directing such disposition of its
 43 assets as justice requires, and may appoint a receiver to collect such assets and
 44 pay the debts of the corporation."

45 **SECTION 63.** Section 120 of the Code is hereby renumbered as Section 139 and
 46 amended to read as follows:

47 "Sec. [120]**139. WITHDRAWAL OF REQUEST FOR**Dissolution [by
 48 shortening corporate term] **AND WITHDRAWAL OF PETITION FOR**
 49 **DISSOLUTION.** - [A voluntary dissolution may be effected by amending the
 50 articles of incorporation to shorten the corporate term pursuant to the provisions

1 of this Code. A copy of the amended articles of incorporation shall be submitted
2 to the Securities and Exchange Commission in accordance with this Code. Upon
3 approval of the amended articles of incorporation of the expiration of the
4 shortened term, as the case may be, the corporation shall be deemed dissolved
5 without any further proceedings, subject to the provisions of this Code on
6 liquidation.]

7 **A WITHDRAWAL OF THE REQUEST FOR DISSOLUTION SHALL:**

8 **a. BE MADE IN WRITING;**

9 **b. BE DULY VERIFIED BY ANY INCORPORATOR,**
10 **DIRECTOR, SHAREHOLDER OR MEMBER;**

11 **c. HAVE THE SIGNATURES OF THE SAME NUMBER OF**
12 **INCORPORATORS, DIRECTORS, SHAREHOLDERS OR MEMBERS**
13 **NECESSARY TO REQUEST FOR A DISSOLUTION AS SET FORTH IN**
14 **THE FOREGOING SECTIONS; AND**

15 **d. BE SUBMITTED WITHIN FIFTEEN (15) DAYS FROM**
16 **THE RECEIPT BY THE COMMISSION OF THE REQUEST FOR**
17 **DISSOLUTION.**

18 **UPON RECEIPT OF A DULY SUBMITTED WITHDRAWAL OF**
19 **REQUEST FOR DISSOLUTION, THE COMMISSION SHALL WITHHOLD**
20 **ACTION ON THE REQUEST FOR DISSOLUTION AND SHALL, AFTER**
21 **INVESTIGATION, ISSUE AN ORDER:**

22 **a. WITHHOLDING THE ISSUANCE OF THE CERTIFICATE**
23 **OF DISSOLUTION AND DEEMING THE REQUEST FOR**
24 **DISSOLUTION WITHDRAWN; OR**

25 **b. DIRECTING THAT A JOINT MEETING OF THE BOARD**
26 **AND OF THE STOCKHOLDERS BE HELD FOR THE PURPOSE OF**
27 **ASCERTAINING WHETHER OR NOT TO PROCEED WITH**
28 **DISSOLUTION.**

29 **THE COMMISSION SHALL HAVE THE POWER TO ISSUE SUCH**
30 **ORDERS AS MAY BE APPROPRIATE, INCLUDING, WITHOUT LIMITATION,**
31 **ORDERS DESIGNATING THE TIME AND PLACE OF THE JOINT MEETING,**
32 **DIRECTING THE SENDING OF NOTICES, AND SPECIFYING THE FORM OF**
33 **SUCH NOTICE. THE CONDUCT OF THE JOINT MEETING SHALL BE**
34 **SUPERVISED BY THE COMMISSION THROUGH A DULY AUTHORIZED**
35 **REPRESENTATIVE WHO SHALL, IMMEDIATELY AFTER THE JOINT**
36 **MEETING, CERTIFY ITS OUTCOME WITH A RECOMMENDATION AS TO**
37 **WHETHER THE CERTIFICATE OF DISSOLUTION SHOULD BE ISSUED OR**
38 **THE REQUEST FOR DISSOLUTION BE DEEMED ABANDONED.**
39 **THEREAFTER, THE COMMISSION SHALL ISSUE AN ORDER EITHER**
40 **APPROVING THE WITHDRAWAL OF THE REQUEST OR A CERTIFICATE OF**
41 **DISSOLUTION OR PROCEEDING TO ACT ON SUCH REQUEST.**

42 **A MOTION FOR THE WITHDRAWAL OF THE PETITION FOR**
43 **DISSOLUTION SHALL BE SIMILAR IN SUBSTANCE AS A WITHDRAWAL OF**
44 **REQUEST FOR DISSOLUTION BUT SHALL BE VERIFIED AND FILED PRIOR**
45 **TO PUBLICATION OF THE ORDER SETTING THE DATE FOR OBJECTIONS**

1 TO THE PETITION. THE COMMISSION SHALL RESOLVE THE MOTION
2 WITHIN THE SAME PROCEEDINGS AS THE PETITION AND ISSUE AN
3 ORDER DEEMING THE PETITION WITHDRAWN OR DENYING THE
4 WITHDRAWAL AND PROCEEDING TO HEAR OBJECTIONS ON THE
5 PETITION."

6 **SECTION 64.** Section 121 of the Code is hereby renumbered as Section 140 and
7 amended to read as follows:

8 "Sec. [121]**140.** [Involuntary dissolution] **DISSOLUTION BY THE COMMISSION.**
9 – [A corporation may be dissolved by the Securities and
10 Exchange]**DISSOLUTION PROCEEDINGS PURSUANT TO THE GROUNDS**
11 **SET FORTH IN SECTION 136 (4) AND (5), SECTION 173, OR WHEN**
12 **PROVIDED IN OTHER LAWS, RULES AND REGULATIONS, MAY BE**
13 **COMMENCED BY THE Commission** *MOTU PROPRIO* **OR** upon filing of a
14 verified complaint **BY ANY INTERESTED PARTY.** [and after]

15 AFTER proper notice and hearing, **THE COMMISSION MAY DISSOLVE**
16 **THE CORPORATION OR ISSUE SUCH OTHER ORDER AS IT MAY DEEM**
17 **APPROPRIATE IN ACCORDANCE WITH THE PROVISIONS OF THIS CODE**
18 **OR THE RULES AND REGULATIONS OF THE COMMISSION.**

19 IF THE CORPORATION IS DISSOLVED BY THE COMMISSION
20 PURSUANT TO ANY OF THE GROUNDS SET FORTH IN SECTION 136 (4)
21 (B) TO (I), ITS ASSETS, AFTER PAYMENT OF ITS OUTSTANDING
22 LIABILITIES, SHALL BE FORFEITED IN FAVOR OF THE COMMISSION.
23 SUCH FORFEITURE SHALL BE WITHOUT PREJUDICE TO ANY OTHER
24 PENALTY OR SANCTION FOR THOSE LIABLE UNDER THIS CODE OR
25 OTHER LAWS.[on the grounds provided by existing laws, rules and
26 regulations]."

27 **SECTION 65.** Section 122 of the Code is hereby renumbered as Section 141 and
28 amended to read as follows:

29 "Sec. [122]**141.** *Corporate liquidation.*- Every corporation whose charter
30 expires by its own limitation or is annulled by forfeiture or otherwise, or whose
31 corporate existence for other purposes is terminated in any other manner, shall
32 nevertheless be continued as a body corporate for three (3) years after the [time
33 when it would have been so dissolved] **EFFECTIVE DATE OF DISSOLUTION**
34 **AS PROVIDED IN SECTION 136 OF THIS CODE,** for the purpose of
35 prosecuting and defending suits by or against it and enabling it to settle and
36 close its affairs, to dispose of and convey its property and to distribute its assets,
37 but not for the purpose of continuing the business for which it was established.

38 xxx xxxxxx

39 **EXCEPT AS OTHERWISE PROVIDED FOR IN SECTIONS 95 AND**
40 **96 OF THIS CODE,** upon the winding up of corporate affairs, any asset
41 distributable to any creditor or stockholder or member who is unknown or cannot
42 be found shall be escheated [to the city or municipality where such assets are
43 located] **IN FAVOR OF THE NATIONAL GOVERNMENT.**

44 xxx xxx xxx"

SECTION 66. Section 125 is amended to delete "Securities and Exchange" from "Securities and Exchange Commission" in each instance. Further, Sections 123, 124 and 125 of the Code are hereby renumbered as Sections 142, 143 and 144, respectively.

SECTION 67. Section 126 of the Code is hereby renumbered as Section 145 and amended to read as follows:

"Sec. ~~[126]~~**145. Issuance of a license.**- If the [Securities and Exchange] Commission is satisfied that the applicant has complied with all the requirements of this Code and other special laws, rules and regulations, the Commission shall issue a license to the applicant to transact business in the Philippines for the purpose or purposes specified in such license. Upon issuance of the license, such foreign corporation may commence to transact business in the Philippines and continue to do so for as long as it retains its authority to act as a corporation under the laws of the country or state of its incorporation, unless such license is sooner surrendered, revoked, suspended or annulled in accordance with this Code or other special laws.

Within sixty (60) days after the issuance of the license to transact business in the Philippines, the licensee, except foreign banking or insurance corporations, shall deposit with the [Securities and Exchange] Commission for the benefit of present and future creditors of the licensee in the Philippines, securities satisfactory to the [Securities and Exchange] Commission, consisting of bonds or other evidence of indebtedness of the Government of the Philippines, its political subdivisions and instrumentalities, or of government-owned or controlled corporations and entities, shares of stock **OR DEBT SECURITIES THAT ARE REGISTERED UNDER THE SECURITIES REGULATION CODE** [in "registered enterprises" as this term is defined in Republic Act No. 5186], shares of stock in domestic corporations [registered] **LISTED** in the stock exchange, [or] shares of stock in domestic insurance companies and banks, **OR ANY FINANCIAL INSTRUMENT DETERMINED SUITABLE BY THE COMMISSION**, or any combination **THEREOF** [of these kinds of securities,] in the actual market value of at least [one] **FIVE** hundred thousand [(P100,000.00)] **(P500,000)** pesos **OR SUCH OTHER AMOUNT THAT MAY BE SET BY THE COMMISSION**; Provided, however, That within six (6) months after each fiscal year of the licensee, the [Securities and Exchange] Commission shall require the licensee to deposit additional securities **OR FINANCIAL INSTRUMENTS** equivalent in actual market value to two (2%) percent of the amount by which the licensee's gross income for that fiscal year exceeds [five] **TEN** million [(P5,000,000.00)] **(P10,000,000.00)** pesos. The [Securities and Exchange] Commission shall also require **THE** deposit of additional securities **OR FINANCIAL INSTRUMENTS** if the actual market value of the securities **OR FINANCIAL INSTRUMENTS** on deposit has decreased by at least ten (10%) percent of their actual market value at the time they were deposited. The [Securities and Exchange] Commission may at its discretion release part of the additional [securities] deposit[ed with it] if the gross income of the licensee has decreased, or if the actual market value of the total [securities on] deposit has increased, by more than ten (10%) percent of their actual market value [of the securities] at the time they were deposited. The [Securities and Exchange] Commission may, from time to time, allow the licensee to **MAKE** substitute **DEPOSITS**[other securities] for those already on deposit as long as the licensee is solvent. Such licensee shall be entitled to collect the interest or dividends on [the] **SUCH**[securities]deposit[ed]. In the event the licensee ceases to do business in the Philippines, **ITS** [the securities]deposit[ed as aforesaid] shall be returned, upon the licensee's application therefor and upon proof to the satisfaction of the [Securities and Exchange] Commission that the licensee has no liability to Philippine residents, including the Government of the Republic of the Philippines. **FOR PURPOSES OF COMPUTING THE**

1 **SECURITIES DEPOSIT, THE COMPOSITION OF GROSS INCOME AND**
 2 **ALLOWABLE DEDUCTIONS THEREFROM SHALL BE IN ACCORDANCE**
 3 **WITH THE RULES OF THE COMMISSION."**

4 **SECTION 68.** Sections 128, 130, 131, 132, 134, 135, and 136 of the Code are
 5 hereby amended to delete "Securities and Exchange" from "Securities and Exchange
 6 Commission" in each instance. Further, Sections 127 to 136 are hereby renumbered as
 7 Sections 146 to 155 accordingly.

8 **SECTION 69.** A new title is inserted in the Code containing Sections 156 to 175,
 9 thus:

10 **TITLE XVI – INVESTIGATIONS, OFFENSES**
 11 **AND PENALTIES**

12 **"Sec. 156. INVESTIGATION AND PROSECUTION OF OFFENSES. –**
 13 **THE COMMISSION MAY, UPON COMPLAINT OR *MOTU PROPRIO*, MAKE**
 14 **SUCH INVESTIGATIONS AS IT DEEMS NECESSARY TO DETERMINE**
 15 **WHETHER ANY PERSON HAS VIOLATED OR IS ABOUT TO VIOLATE ANY**
 16 **PROVISION OF THIS CODE, ANY RULE, REGULATION OR ORDER**
 17 **THEREUNDER, AND MAY REQUIRE OR PERMIT ANY PERSON TO FILE**
 18 **WITH IT A STATEMENT IN WRITING, UNDER OATH OR OTHERWISE, AS**
 19 **THE COMMISSION SHALL DETERMINE, AS TO ALL FACTS AND**
 20 **CIRCUMSTANCES CONCERNING THE MATTER TO BE INVESTIGATED.**

21 **THE COMMISSION MAY PUBLISH INFORMATION CONCERNING ANY**
 22 **SUCH VIOLATIONS, AND TO INVESTIGATE ANY FACT, CONDITION,**
 23 **PRACTICE OR MATTER WHICH IT MAY DEEM NECESSARY OR PROPER TO**
 24 **AID IN THE ENFORCEMENT OF THE PROVISIONS OF THIS CODE, IN THE**
 25 **PRESCRIBING OF RULES AND REGULATIONS THEREUNDER, OR IN**
 26 **SECURING INFORMATION TO SERVE AS A BASIS FOR RECOMMENDING**
 27 **FURTHER LEGISLATION CONCERNING THE MATTERS TO WHICH THIS**
 28 **CODE RELATES: *PROVIDED, HOWEVER*, THAT ANY PERSON REQUESTED**
 29 **OR SUBPOENAED TO PRODUCE DOCUMENTS OR TESTIFY IN ANY**
 30 **INVESTIGATION SHALL SIMULTANEOUSLY BE NOTIFIED IN WRITING OF**
 31 **THE PURPOSE OF SUCH INVESTIGATION: *PROVIDED, FURTHER*, THAT**
 32 **ALL CRIMINAL COMPLAINTS FOR VIOLATION OF THIS CODE, AND THE**
 33 **IMPLEMENTING RULES AND REGULATIONS ENFORCED OR**
 34 **ADMINISTERED BY THE COMMISSION SHALL BE REFERRED TO THE**
 35 **DEPARTMENT OF JUSTICE FOR PRELIMINARY INVESTIGATION AND**
 36 **PROSECUTION BEFORE THE PROPER COURT: *PROVIDED,***
 37 ***FURTHERMORE*, THAT IN INSTANCES WHERE THE LAW ALLOWS**
 38 **INDEPENDENT CIVIL OR CRIMINAL PROCEEDINGS OF VIOLATIONS**
 39 **ARISING FROM THE SAME ACT, THE COMMISSION SHALL TAKE**
 40 **APPROPRIATE ACTION TO IMPLEMENT THE SAME.**

41 **SEC. 157. ADMINISTRATION OF OATHS, AND SUBPOENA OF**
 42 **WITNESSES AND DOCUMENTS. – FOR THE PURPOSE OF THE**
 43 **INVESTIGATIONS IN THE PRECEDING SECTION, OR ANY OTHER**
 44 **PROCEEDING UNDER THIS CODE, THE COMMISSION OR ANY OFFICER**
 45 **DESIGNATED BY IT IS EMPOWERED TO ADMINISTER OATHS AND**
 46 **AFFIRMATIONS, SUBPOENA WITNESSES, COMPEL ATTENDANCE, TAKE**
 47 **EVIDENCE, REQUIRE THE PRODUCTION OF ANY BOOK, PAPER,**
 48 **CORRESPONDENCE, MEMORANDUM, OR OTHER RECORD WHICH THE**
 49 **COMMISSION DEEMS RELEVANT OR MATERIAL TO THE INQUIRY, AND TO**

1 PERFORM SUCH OTHER ACTS NECESSARY IN THE CONDUCT OF SUCH
2 INVESTIGATION OR PROCEEDINGS.

3 **SECTION 158. CEASE AND DESIST ORDERS.** – WHENEVER IT
4 SHALL APPEAR TO THE COMMISSION THAT ANY PERSON HAS ENGAGED
5 OR IS ABOUT TO ENGAGE IN ANY ACT OR PRACTICE CONSTITUTING A
6 VIOLATION OF ANY PROVISION OF THIS CODE, ANY RULE, REGULATION
7 OR ORDER THEREUNDER, IT MAY ISSUE AN ORDER FOR SUCH PERSON
8 TO DESIST FROM COMMITTING SUCH ACT OR PRACTICE. AFTER
9 FINDING THAT SUCH PERSON HAS ENGAGED IN ANY SUCH ACT OR
10 PRACTICE AND THAT THERE IS A REASONABLE LIKELIHOOD OF SUCH
11 PERSON CONTINUING FURTHER OR FUTURE VIOLATIONS, THE
12 COMMISSION MAY ISSUE, *EX PARTE* A CEASE AND DESIST ORDER
13 ENJOINING SUCH PERSON FROM FURTHER OR FUTURE VIOLATIONS FOR
14 A MAXIMUM PERIOD OF TWENTY (20) DAYS.

15 THEREAFTER, THE COMMISSION MAY PROCEED
16 ADMINISTRATIVELY AGAINST SUCH PERSON IN ACCORDANCE WITH
17 SECTION 160, AND/OR TRANSMIT SUCH EVIDENCE AS MAY BE
18 AVAILABLE CONCERNING ANY VIOLATION OF ANY PROVISION OF THIS
19 CODE, OR ANY RULE, REGULATION OR ORDER THEREUNDER, TO THE
20 DEPARTMENT OF JUSTICE, WHICH MAY INSTITUTE THE APPROPRIATE
21 CRIMINAL PROCEEDINGS UNDER THIS CODE, AND/OR TO THE PROPER
22 COURT, TRIBUNAL, OR QUASI-JUDICIAL AGENCY IN INSTANCES WHERE
23 THE LAW ALLOWS INDEPENDENT CIVIL OR CRIMINAL PROCEEDINGS OF
24 VIOLATIONS ARISING FROM THE SAME ACT.

25 **SEC. 159. CONTEMPT.** – ANY PERSON WHO, WITHIN HIS POWER
26 BUT WITHOUT JUSTIFIABLE OR LAWFUL CAUSE, FAILS OR REFUSES TO
27 COMPLY WITH ANY LAWFUL ORDER, DECISION OR SUBPOENA ISSUED
28 BY THE COMMISSION SHALL, AFTER DUE NOTICE AND HEARING, BE
29 GUILTY OF CONTEMPT OF THE COMMISSION. SUCH PERSON SHALL BE
30 FINED IN SUCH AMOUNT AS THE COMMISSION MAY DETERMINE. WHEN
31 THE FAILURE OR REFUSAL IS A CLEAR AND OPEN DEFIANCE OF THE
32 COMMISSION'S ORDER, DECISION OR SUBPOENA, THE PERSON SHALL
33 BE FINED ON A DAILY BASIS IN AN AMOUNT THE COMMISSION MAY
34 DETERMINE AND DETAINED UNDER AN ARREST ORDER ISSUED BY THE
35 COMMISSION UNTIL SUCH ORDER, DECISION OR SUBPOENA IS
36 COMPLIED WITH.

37 **SEC. 160. ADMINISTRATIVE SANCTIONS.** – IF, AFTER DUE NOTICE
38 AND HEARING INITIATED EITHER BY COMPLAINT OR *MOTU PROPRIO*,
39 THE COMMISSION FINDS THAT ANY PROVISION OF THIS CODE, OR ANY
40 OF THE COMMISSION'S RULES OR ORDERS HAS BEEN VIOLATED, THE
41 COMMISSION MAY IMPOSE ANY OR ALL OF THE FOLLOWING SANCTIONS
42 ON THOSE FOUND RESPONSIBLE FOR THE VIOLATION:

43 (A) A FINE RANGING FROM FIVE THOUSAND PESOS
44 (PHP5,000.00) TO TWO MILLION PESOS (PHP2,000,000.00) PLUS
45 NOT MORE THAN ONE THOUSAND PESOS (PHP1,000.00) FOR
46 EACH DAY OF CONTINUING VIOLATION, IN NO CASE TO EXCEED
47 TWO MILLION PESOS (PHP2,000,000.00);

48 (B) ARREST AND DETENTION IN CONNECTION WITH ITS
49 CONTEMPT POWER UNDER SECTION 159;

(C) SUSPENSION OR REVOCATION OF THE CERTIFICATE OF INCORPORATION;

(D) DISSOLUTION OF THE CORPORATION AND FORFEITURE OF ITS ASSETS UNDER THE CONDITIONS IN TITLE XV OF THIS CODE; AND

(E) OTHER PENALTIES WITHIN THE POWER OF THE COMMISSION TO IMPOSE OR AS PRESCRIBED IN ITS RULES AND REGULATIONS.

THE IMPOSITION OF THE FOREGOING ADMINISTRATIVE SANCTIONS SHALL BE WITHOUT PREJUDICE TO THE FILING OF CIVIL COMPLAINTS AND/OR CRIMINAL CHARGES UNDER THIS CODE AND OTHER LAWS AGAINST THE CORPORATION AND/OR THOSE RESPONSIBLE FOR THE VIOLATION, IN INSTANCES WHERE THE LAW ALLOWS INDEPENDENT CIVIL OR CRIMINAL PROCEEDINGS OF VIOLATIONS ARISING FROM THE SAME ACT.

SEC. 161. CONTINUED AND UNJUSTIFIED USE OF FORMER CORPORATE NAME; PENALTIES. – A CORPORATION THAT CONTINUES TO USE A CORPORATE NAME ALREADY PREVIOUSLY REMOVED FROM REGISTRATION OR RESERVATION SHALL BE PUNISHED WITH A FINE RANGING FROM FIFTY THOUSAND PESOS (PHP50,000.00) TO TWO HUNDRED THOUSAND PESOS (PHP200,000.00) AND/OR IMPRISONMENT OF SIX (6) MONTHS TO TWO (2) YEARS AT THE DISCRETION OF THE COURT; PROVIDED THAT THE CORPORATION MAY CLAIM THE DEFENSE THAT IT, OR ANY OF ITS STOCKHOLDERS OR OTHER DIRECTORS/OFFICERS EXERTED REASONABLE EFFORTS AGAINST THE CONTINUED AND UNJUSTIFIED USE OF THE FORMER CORPORATE NAME, IN WHICH CASE ONLY THE RESPONSIBLE DIRECTORS/OFFICERS SHALL BE HELD CRIMINALLY LIABLE UNDER THIS PROVISION.

Sec. 162. CONCEALMENT OF DISQUALIFICATION; PENALTIES. – EACH WILLFUL OR DELIBERATE CONCEALMENT BY A DIRECTOR OR TRUSTEE OF ANY DISQUALIFICATION UNDER SECTION 27 ALREADY EXISTING AT THE TIME HE ACCEPTED THE POST, SHALL BE PUNISHED BY A FINE RANGING FROM FIFTY THOUSAND PESOS (PHP50,000.00) TO TWO HUNDRED THOUSAND PESOS (PHP200,000.00) AND/OR IMPRISONMENT OF SIX (6) MONTHS TO TWO (2) YEARS AT THE DISCRETION OF THE COURT, AND BY A PERMANENT DISQUALIFICATION FROM FURTHER ACTING AS DIRECTOR OF ANY CORPORATION. FOR PURPOSES OF THIS SECTION, CONCEALMENT SHALL BE WILLFUL OR DELIBERATE WHEN, DESPITE HAVING KNOWLEDGE OF THE EXISTENCE OF THE DISQUALIFICATION, THE DIRECTOR OR TRUSTEE ACCEPTS THE POST.

Sec. 163. VIOLATION OF DUTY TO KEEP OR MAINTAIN RECORDS AND/OR ALLOW THEIR INSPECTION OR REPRODUCTION; PENALTIES. – THE UNJUSTIFIED FAILURE OR REFUSAL BY THE CORPORATION, OR BY THOSE RESPONSIBLE FOR KEEPING AND MAINTAINING THE CORPORATION'S RECORDS, TO COMPLY WITH SECTIONS 46, 74, 93, 180 AND OTHER PROVISIONS OF THIS CODE AND THE RULES OF THE COMMISSION WITH RESPECT TO THE RETENTION, MAINTENANCE AND KEEPING OF RECORDS AND ALLOWING THEIR INSPECTION OR REPRODUCTION, AS THE CASE MAY BE, SHALL BE PUNISHED WITH A

1 FINE RANGING FROM FIFTY THOUSAND PESOS (PHP50,000.00) TO FIVE
2 HUNDRED THOUSAND PESOS (PHP500,000.00) AND IMPRISONMENT OF
3 THIRTY (30) DAYS TO TWO (2) YEARS AT THE DISCRETION OF THE
4 COURT.

5 THE PENALTIES IMPOSED UNDER THIS SECTION SHALL BE IN
6 ADDITION TO THE SANCTIONS IMPOSED BY THE COMMISSION IN THE
7 EXERCISE OF ITS CONTEMPT POWERS UNDER SECTION 159 TO COMPEL
8 COMPLIANCE WITH THE DUTIES UNDER THE MENTIONED PROVISIONS.

9 SEC. 164. *KNOWING OR WILLFUL CERTIFICATION OF*
10 *INCOMPLETE, INACCURATE, FALSE OR MISLEADING STATEMENTS OR*
11 *REPORTS; PENALTIES.* – ANY PERSON WHO CERTIFIES ANY REPORT OR
12 MATTER AS SET FORTH IN THIS CODE KNOWING, OR BEING IN A
13 POSITION TO KNOW, THAT THE SAME IS INCOMPLETE, INACCURATE, OR
14 CONTAINS FALSE OR MISLEADING INFORMATION OR STATEMENTS
15 SHALL BE PUNISHED WITH A FINE RANGING FROM TWO HUNDRED
16 THOUSAND PESOS (PHP200,000.00) TO TWO MILLION PESOS
17 (PHP2,000,000.00) AND/OR IMPRISONMENT OF TWO (2) TO TEN (10)
18 YEARS. WHEN THE VIOLATION IS WILLFUL, THE PENALTY SHALL BE A
19 FINE RANGING FROM FOUR HUNDRED THOUSAND PESOS
20 (PHP400,000.00) TO FOUR MILLION PESOS (PHP4,000,000.00) AND/OR
21 IMPRISONMENT OF FOUR (4) TO TWENTY (20) YEARS.

22 SEC. 165. *INDEPENDENT AUDITOR COLLUSION; PENALTIES.* –
23 WHEN AN INDEPENDENT AUDITOR COLLUDES WITH A CORPORATION OR
24 ITS REPRESENTATIVES AND CERTIFIES THE CORPORATION'S FINANCIAL
25 STATEMENTS WHICH ARE EITHER INCOMPLETE OR WHICH CONTAIN
26 INACCURATE, FALSE OR MISLEADING STATEMENTS OR REPORTS, OR
27 WHICH DO NOT GIVE A FAIR AND ACCURATE PRESENTATION OF THE
28 CORPORATION'S CONDITION, SUCH AUDITOR SHALL BE PUNISHED WITH
29 A FINE RANGING FROM FOUR HUNDRED THOUSAND PESOS
30 (PHP400,000.00) TO FOUR MILLION PESOS (PHP4,000,000.00) AND/OR
31 IMPRISONMENT OF FOUR (4) TO TWENTY (20) YEARS.

32 SEC. 166. *PROCURING THE ORGANIZATION OF A CORPORATION*
33 *THROUGH FRAUD; PENALTIES.* – THOSE RESPONSIBLE FOR
34 PROCURING THE ORGANIZATION OF A CORPORATION THROUGH FRAUD,
35 OR ASSISTING DIRECTLY OR INDIRECTLY THEREIN, SHALL BE PUNISHED
36 WITH A FINE RANGING FROM FIVE HUNDRED THOUSAND PESOS
37 (PHP500,000.00) TO TWO MILLION PESOS (PHP2,000,000.00) AND/OR
38 IMPRISONMENT OF TWO (2) TO TEN (10) YEARS AT THE DISCRETION OF
39 THE COURT.

40 Sec. 167. *FRAUDULENT OR UNLAWFUL CONDUCT OF BUSINESS;*
41 *PENALTIES.* – A CORPORATION THAT WILLFULLY CONDUCTS ITS
42 BUSINESS IN A FRAUDULENT OR OTHERWISE UNLAWFUL MANNER
43 SHALL BE PUNISHED WITH A FINE RANGING FROM FIVE HUNDRED
44 THOUSAND PESOS (PHP500,000.00) TO TWO MILLION PESOS
45 (PHP2,000,000.00) AND/OR IMPRISONMENT OF FIVE (5) TO TEN (10) YEARS
46 AT THE DISCRETION OF THE COURT.

47 Sec. 168. *THEFT OF IDENTITY; PENALTIES.* – ANY CORPORATION
48 WHO WILLFULLY OBTAINS ANY IDENTIFYING INFORMATION OF A
49 PERSON, WHETHER NATURAL OR JURIDICAL, AND USES THAT
50 INFORMATION FOR ANY UNLAWFUL PURPOSE, INCLUDING BUT NOT

1 LIMITED TO OBTAINING, OR ATTEMPTING TO OBTAIN, CREDIT, GOODS,
2 SERVICES, OR REAL PROPERTY WITHOUT THE CONSENT OF THAT
3 PERSON, SHALL BE PUNISHED WITH A FINE RANGING FROM ONE
4 MILLION PESOS (PHP1,000,000.00) TO FIVE MILLION PESOS
5 (PHP5,000,000.00) AND IMPRISONMENT OF TEN (10) YEARS. THE SAME
6 PENALTY SHALL BE IMPOSED WHEN THE OFFENDER IS A NATURAL
7 PERSON, OR A GROUP THEREOF, AND THE IDENTITY STOLEN IS THAT OF
8 A CORPORATION.

9 **Sec. 169. ACTING AS INTERMEDIARIES FOR GRAFT AND CORRUPT**
10 **PRACTICES; PENALTIES.** – A CORPORATION CREATED FOR THE
11 PURPOSE OF COMMITTING, OR AIDING IN THE COMMISSION OF, GRAFT
12 AND CORRUPT PRACTICES OR IN THE CONCEALMENT THEREOF SHALL
13 BE PUNISHED BY A FINE RANGING FROM ONE MILLION (PHP1,000,000.00)
14 TO FIVE MILLION (PHP5,000,000.00) PESOS AND IMPRISONMENT OF TEN
15 (10) YEARS.

16 THE CORPORATION'S FAILURE TO SHOW THAT IT HAS INSTALLED
17 SAFEGUARDS TO ENSURE THAT IT IS CARRYING OUT ITS SERVICES IN A
18 TRANSPARENT AND LAWFUL MANNER, AND THAT IT HAS INSTALLED
19 POLICIES, CODES OF ETHICS AND PROCEDURES AGAINST GRAFT AND
20 CORRUPTION, WHEN COUPLED WITH A FINDING OF GRAFT AND
21 CORRUPT PRACTICES AGAINST ANY OF THEIR DIRECTORS, OFFICER,
22 EMPLOYEES, AGENTS, OR REPRESENTATIVES, SHALL BE PRIMA FACIE
23 EVIDENCE OF LIABILITY UNDER THIS SECTION.

24 **Sec. 170. ENGAGING INTERMEDIARIES FOR GRAFT AND CORRUPT**
25 **PRACTICES; PENALTIES.** – A CORPORATION THAT, FOR THE PURPOSE
26 OF SHIELDING ITSELF FROM LIABILITY FOR GRAFT AND CORRUPT
27 PRACTICES, ENGAGES THE SERVICES OF AN INTERMEDIARY WHO
28 COMMITS GRAFT AND CORRUPT PRACTICES FOR THE CORPORATION'S
29 BENEFIT OR IN ITS INTEREST, SHALL BE PUNISHED BY A FINE OF ONE
30 MILLION PESOS (PHP1,000,000.00) AND IMPRISONMENT OF TEN (10)
31 YEARS.

32 THE CORPORATION'S FAILURE TO SHOW THAT IT HAS USED THE
33 HIGHEST DEGREE OF DILIGENCE AND CARE WHEN ACQUIRING THE
34 SERVICES OF AN INTERMEDIARY, THAT IT HAS SUFFICIENT KNOWLEDGE
35 AND HAS INSTALLED SAFEGUARDS TO ENSURE THAT THE
36 INTERMEDIARY IS CARRYING OUT THE CONTRACTED SERVICES IN A
37 TRANSPARENT AND LAWFUL MANNER, AND THAT IT HAS INSTALLED
38 POLICIES, CODES OF ETHICS AND PROCEDURES DESIGNED TO
39 PREVENT GRAFT AND CORRUPTION, WHEN COUPLED WITH A FINDING
40 OF GRAFT AND CORRUPT PRACTICES AGAINST THE INTERMEDIARY,
41 SHALL BE PRIMA FACIE EVIDENCE OF LIABILITY UNDER THIS SECTION.

42 **Sec. 171. TOLERATING GRAFT AND CORRUPT PRACTICES;**
43 **PENALTIES.** – A DIRECTOR, TRUSTEE, OR OFFICER OF THE
44 CORPORATION WHO KNOWINGLY ALLOWS OR TOLERATES THE
45 COMMISSION OF GRAFT AND CORRUPT PRACTICES OR OTHER
46 FRAUDULENT ACTS BY ITS DIRECTORS, TRUSTEES, OFFICERS, OR
47 EMPLOYEES, FAILING TO SANCTION THEM, REPORT THEIR ACTIONS TO
48 THE PROPER AGENCIES, AND/OR FILE THE APPROPRIATE ACTION
49 AGAINST THEM, SHALL BE PUNISHED BY A FINE OF ONE MILLION PESOS
50 (PHP1,000,000.00) AND IMPRISONMENT TEN (10) YEARS.

1 **SEC. 172. RETALIATION AGAINST WHISTLEBLOWERS. –ANY**
2 **PERSON WHO, KNOWINGLY AND WITH THE INTENT TO RETALIATE,**
3 **TAKES ANY ACTION HARMFUL TO ANOTHER PERSON, INCLUDING BUT**
4 **NOT LIMITED TO INTERFERENCE WITH THE LAWFUL EMPLOYMENT OR**
5 **LIVELIHOOD OF ANY PERSON, FOR PROVIDING ANY TRUTHFUL**
6 **INFORMATION RELATING TO THE COMMISSION OR POSSIBLE**
7 **COMMISSION OF ANY OFFENSE OR VIOLATION UNDER THIS CODE,**
8 **SHALL BE PUNISHED WITH A FINE RANGING FROM FIVE HUNDRED**
9 **THOUSAND PESOS (PHP500,000.00) TO ONE MILLION PESOS**
10 **(PHP1,000,000.00) AND/OR IMPRISONMENT OF FIVE (5) TO TEN (10)**
11 **YEARS, AT THE DISCRETION OF THE COURT.**

12 **“Sec.[141]173.OTHER Violations of the Code; SEPARATE LIABILITY. –**
13 **Violations of any of the other provisions of this Code or its amendments not**
14 **otherwise specifically penalized herein shall be punished by a fine of not less than**
15 **[one] FIFTY thousand [P1,000.00] (P50,000.00) pesos but not more than ONE**
16 **MILLION (P1,000,000.00) [ten thousand (P10,000.00)] pesos AND/or by**
17 **imprisonment [for] OF not less than thirty (30) days but not more than five (5)**
18 **years, or both, [in] AT the discretion of the court. If the violation is committed by a**
19 **corporation, the same may, after notice and hearing, be dissolved in appropriate**
20 **proceedings before the [Securities and Exchange] Commission: Provided, That**
21 **such dissolution shall not preclude the institution of appropriate action against the**
22 **director, trustee or officer of the corporation responsible for said violation:**
23 **Provided, further, That nothing in this section shall be construed to repeal the**
24 **other causes for dissolution of a corporation provided in this Code.**

25 **LIABILITY FOR ANY OF THE FOREGOING OFFENSES SHALL BE**
26 **SEPARATE FROM AND WITHOUT PREJUDICE TO ANY OTHER**
27 **ADMINISTRATIVE CIVIL, CRIMINAL LIABILITY UNDER THIS CODE AND**
28 **OTHER LAWS.**

29 **SEC. 174. LIABILITY OF DIRECTORS, TRUSTEES, OFFICERS OR**
30 **OTHER EMPLOYEES. – IF THE OFFENDER IS A CORPORATION THE**
31 **PENALTY MAY, AT THE DISCRETION OF THE COURT, BE IMPOSED UPON**
32 **SUCH CORPORATION AND/OR UPON ITS DIRECTORS, TRUSTEES,**
33 **STOCKHOLDERS, MEMBERS, OFFICERS OR EMPLOYEES RESPONSIBLE**
34 **FOR THE VIOLATION OR INDISPENSABLE TO ITS COMMISSION.**

35 **SEC. 175. LIABILITY OF AIDERS AND ABETTORS AND OTHER**
36 **SECONDARY LIABILITY. – ANYONE WHO SHALL AID, ABET, COUNSEL,**
37 **COMMAND, INDUCE OR PROCURE ANY VIOLATION OF THIS CODE, OR**
38 **ANY RULE, REGULATION OR ORDER OF THE COMMISSION OR WHO**
39 **SHALL ASSIST THE ACT OR OMISSION OF ANY PERSON PRIMARILY**
40 **LIABLE FOR THE VIOLATION, WITH KNOWLEDGE OR IN RECKLESS**
41 **DISREGARD THAT SUCH ACT OR OMISSION IS WRONGFUL SHALL BE**
42 **PUNISHED WITH A FINE AND/OR IMPRISONMENT NOT EXCEEDING THAT**
43 **IMPOSED ON THE PRINCIPAL OFFENDERS, AT THE DISCRETION OF THE**
44 **COURT AFTER TAKING INTO ACCOUNT THEIR PARTICIPATION IN THE**
45 **OFFENSE.**

46 **SECTION 70.** Title XVI on Miscellaneous Provisions is hereby renumbered as Title
47 **XVII.**

48 **SECTION 71.** Sections 137 and 138 of the Code are renumbered as Sections 176
49 **and 177, respectively.**

SECTION 72. Section 140 of the Code is hereby renumbered as Section 179 and amended to read as follows:

"Sec. [140]179. **NATIONALITY** ~~AND~~ *Stock ownership OF [in certain] corporations.* **–THE NATIONALITY OF A CORPORATION SHALL BE DETERMINED BY COMPUTING THE REQUIRED PERCENTAGE OF FILIPINO OWNERSHIP BASED ON BOTH (A) THE ENTIRE OUTSTANDING CAPITAL STOCK, AND (b) THE VOTING STOCKS, TAKING INTO CONSIDERATION THE FULL BENEFICIAL OWNERSHIP OF THE STOCKS.**

EXCEPT WHEN THE CORPORATION IS REQUIRED BY THE CONSTITUTION OR BY STATUTE TO BE WHOLLY NATIONALIZED, OR WHEN THE CORPORATION HAS A CORPORATE STOCKHOLDER OWNING LESS THAN 60% OF BOTH ITS OUTSTANDING CAPITAL STOCK AND VOTING STOCKS, THE CONTROL TEST SHALL BE APPLIED WHEN DETERMINING ITS NATIONALITY.

EXCEPT WHEN A MORE STRINGENT MEASURE IS REQUIRED IN THE CONSTITUTION OR OTHER LAWS, A CORPORATION SHALL BE DEEMED A PHILIPPINE NATIONAL WHEN:

- (A) **IT IS ORGANIZED UNDER THE LAWS OF THE PHILIPPINES AND AT LEAST SIXTY PERCENT (60%) OF THE CAPITAL STOCK OUTSTANDING AND ENTITLED TO VOTE IS OWNED AND HELD BY CITIZENS OF THE PHILIPPINES, PROVIDED, THAT WHERE A CORPORATION AND ITS NON-FILIPINO STOCKHOLDERS OWN STOCKS IN ANOTHER CORPORATION, AT LEAST SIXTY PERCENT (60%) OF THE CAPITAL STOCKS OUTSTANDING AND ENTITLED TO VOTE OF BOTH CORPORATIONS MUST BE OWNED AND HELD BY CITIZENS OF THE PHILIPPINES AND AT LEAST SIXTY PERCENT (60%) OF THE MEMBERS OF THE BOARD OF DIRECTORS OF BOTH CORPORATIONS MUST BE CITIZENS OF THE PHILIPPINES; OR**
- (B) **ALTHOUGH ORGANIZED ABROAD, IT IS REGISTERED AS DOING BUSINESS IN THE PHILIPPINES UNDER THIS CODE AND ONE HUNDRED PERCENT (100%) OF THE CAPITAL STOCK OUTSTANDING AND ENTITLED TO VOTE IS WHOLLY OWNED BY FILIPINOS.**

[Pursuant to the duties specified by Article XIV of the Constitution, the] **THE National Economic and Development Authority** shall, from time to time, **UPON FINDING OR RECOMMENDATION FROM THE COMMISSION OR FROM OTHER APPROPRIATE GOVERNMENT AGENCIES**, make a determination of whether the corporate vehicle has been used by any corporation or by business or industry to frustrate the provisions thereof or of applicable laws, and shall submit to the [Batasang Pambansa] **CONGRESS**, whenever deemed necessary, a report of its findings, including recommendations for their prevention or correction.

Maximum limits may be set by the [Batasang Pambansa] **CONGRESS** for stockholdings in corporations declared by it to be vested with a public interest pursuant to the provisions of this section, belonging to individuals or groups of individuals related to each other by consanguinity or affinity or by close business interests, or whenever it is necessary to achieve national objectives, prevent illegal monopolies or combinations in restraint or trade, or to implement national economic policies declared in laws, rules and regulations designed to promote the general welfare and foster economic development.

In recommending to the [Batasang Pambansa] **CONGRESS** corporations, businesses or industries to be declared vested with a public interest and in formulating proposals for limitations on stock ownership, the National Economic and Development Authority shall consider the type and nature of the industry, the size of the enterprise, the economies of scale, the geographic location, the extent

of Filipino ownership, the labor intensity of the activity, the export potential, as well as other factors which are germane to the realization and promotion of business and industry."

SECTION 73. Section 141 of the Code is hereby renumbered as Section 180 and amended to read as follows:

"Sec. [141]**180.** [Annual report] **REPORTORIAL REQUIREMENTS** of corporations. – **EXCEPT AS OTHERWISE PROVIDED IN THIS CODE**, every corporation, domestic or foreign, [lawfully] doing business in the Philippines shall submit to the [Securities and Exchange] Commission, **IN THE FORM AND SUBSTANCE PRESCRIBED BY IT:**

[an annual report of its operations, together with a financial statement of its assets and liabilities, certified by any independent certified public accountant in appropriate cases, covering the preceding fiscal year and such other requirements as the Securities and Exchange Commission may require.]

1. ANNUAL FINANCIAL STATEMENTS DULY AUDITED BY THE CORPORATION'S INTERNAL AUDITOR AND BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT WHO IS ACCREDITED BY THE BOARD OF ACCOUNTANCY AND WHO POSSESSES SUCH OTHER ACCREDITATION AS THE COMMISSION MAY REQUIRE;

2. A GENERAL INFORMATION SHEET;

3. A DIRECTOR OR TRUSTEE COMPENSATION REPORT WHICH SHALL CONTAIN, AMONG OTHERS, THE FOLLOWING:

a. THE CORPORATION'S POLICY ON DIRECTOR OR TRUSTEE REMUNERATION, INCLUDING THE FRAMEWORK FOR DETERMINING THE REMUNERATION LEVELS FOR INDIVIDUAL DIRECTORS OR TRUSTEES;

b. A CLEAR, CONCISE AND EASILY UNDERSTANDABLE STATEMENT OF ALL FIXED AND VARIABLE COMPENSATION PAID AND ALL INCENTIVES, AWARDS, AND/OR OPTIONS GIVEN, DIRECTLY OR INDIRECTLY, TO DIRECTORS OR TRUSTEES DURING THE PRECEDING FISCAL YEAR; AND

c. A STATEMENT OF OTHER FORMS OF REMUNERATION AND/OR COMPENSATION ARRANGEMENTS NOT COVERED UNDER THE PRECEDING SUB-PARAGRAPHS;

4. A DIRECTOR OR TRUSTEE APPRAISAL OR PERFORMANCE REPORT AND THE STANDARDS OR CRITERIA USED TO ASSESS EACH DIRECTOR OR TRUSTEE;

5. A DIRECTOR OR TRUSTEE ATTENDANCE REPORT, INDICATING THE ATTENDANCE OF EACH DIRECTOR OR TRUSTEE AT EACH OF THE MEETINGS OF THE BOARD AND ITS COMMITTEES;

6. A STATEMENT OF ALL EXTERNAL AUDIT AND NON-AUDIT FEES;

1 7. SUCH OTHER REPORTS THAT THE COMMISSION MAY
2 REQUIRE BY RULE.

3 THE FOREGOING REPORTORIAL REQUIREMENTS SHALL BE
4 ACCOMPANIED BY A CERTIFICATION FROM THE CHAIRMAN OF THE
5 BOARD, THE PRESIDENT, THE TREASURER AND THE CORPORATE
6 SECRETARY (OR THEIR EQUIVALENT) TO WIT:

7 1. AS TO THE ANNUAL FINANCIAL STATEMENTS, THAT
8 THE INFORMATION CONTAINED THEREIN IS COMPLETE,
9 FAIRLY AND ACCURATELY PRESENTS, IN ALL MATERIAL
10 RESPECTS, THE FINANCIAL CONDITION OF THE
11 CORPORATION AND DOES NOT CONTAIN ANY FALSE OR
12 MISLEADING STATEMENT OR MISREPRESENTATION;

13 2. AS TO THE GENERAL INFORMATION SHEET, THAT
14 THE INFORMATION CONTAINED THEREIN IS COMPLETE,
15 ACCURATE AND DOES NOT CONTAIN ANY FALSE OR
16 MISLEADING STATEMENT OR MISREPRESENTATION; AND

17 3. AS TO THE DIRECTOR OR TRUSTEE COMPENSATION
18 REPORT, THAT THE INFORMATION CONTAINED THEREIN IS
19 COMPLETE, FAIRLY AND ACCURATELY PRESENTS, IN ALL
20 MATERIAL RESPECTS, THE CORPORATION'S POLICY ON
21 DIRECTOR OR TRUSTEE REMUNERATION, THE ACTUAL
22 REMUNERATIONS OF SUCH DIRECTORS OR TRUSTEES, AND
23 DOES NOT CONTAIN ANY FALSE OR MISLEADING STATEMENT
24 OR MISREPRESENTATION.

25 Such [report]REPORTORIAL REQUIREMENTS shall be submitted
26 ANNUALLY AND within such period as may be prescribed by the [Securities and
27 Exchange] Commission.

28 IF A CORPORATION FAILS TO SUBMIT ANY OF THE FOREGOING
29 REPORTORIAL REQUIREMENTS THREE TIMES, WHETHER
30 INTERMITTENTLY OR CONSECUTIVELY, WITHIN A PERIOD OF FIVE
31 YEARS, THE COMMISSION MAY, AFTER DUE NOTICE AND HEARING, PUT
32 THE CORPORATION ON DELINQUENCY STATUS OR REVOKE ITS
33 CERTIFICATE OF INCORPORATION IN ACCORDANCE WITH SECTION 22."

34 **SECTION 74.** Section 142 of the Code is hereby renumbered as Section 181 and
35 amended to read as follows:

36 "Sec. [142]181. **VISITORIAL POWER AND** Confidential nature of
37 examination results. – THE COMMISSION SHALL EXERCISE VISITORIAL
38 POWERS OVER ALL CORPORATIONS REGISTERED WITH IT. THESE
39 VISITORIAL POWERS SHALL INCLUDE, BUT NOT BE LIMITED TO
40 EXAMINATION, INVESTIGATION, INSPECTION OF RECORDS
41 REGARDLESS OF THE FORM IN WHICH THE INFORMATION IS
42 CONTAINED, REGULATION AND SUPERVISION OF ACTIVITIES,
43 ENFORCING COMPLIANCE AND IMPOSING SANCTIONS IN ACCORDANCE
44 WITH THIS CODE.

45 ANY UNJUSTIFIED REFUSAL OR OBSTRUCTION BY A
46 CORPORATION, OR ANYONE UNDER ITS EMPLOY, IN THE COMMISSION'S
47 EXERCISE OF THE FOREGOING AUTHORITY SHALL, IN ADDITION TO THE

1 IMPOSITION OF PENALTIES AND SANCTIONS UNDER THIS CODE,
 2 CONSTITUTE A JUSTIFIABLE GROUND FOR THE REVOCATION OF ITS
 3 CERTIFICATE OF INCORPORATION."

4 All interrogatories propounded by the [Securities and Exchange]
 5 Commission and the answers thereto, as well as the results of any examination
 6 made by the Commission or by any other official authorized by law to make an
 7 examination of the operations, books and records of any corporation, shall be
 8 kept strictly confidential, except insofar as the law may require the same to be
 9 made public, **WHEN NECESSARY FOR THE COMMISSION TO TAKE ACTION**
 10 **OR ISSUE ORDERS IN THE EXERCISE OF ITS POWERS UNDER THIS**
 11 **CODE**, or where such interrogatories, answers or results are necessary to be
 12 presented as evidence before any court.

13 **SECTION 75.** Section 143 of Code is hereby renumbered as Section 182 and
 14 amended to read as follows:

15 "Sec. [143]**182.** *[Rule-making power]* **POWERS AND FUNCTIONS** of the
 16 *[Securities and Exchange] Commission AND JURISDICTION OVER ACTIONS.*
 17 – **CONSISTENT WITH AND IN ADDITION TO THE POWERS AND**
 18 **FUNCTIONS PROVIDED IN PRESIDENTIAL DECREE NO. 902-A, THE**
 19 **SECURITIES REGULATION CODE, THE INVESTMENT HOUSES LAW, THE**
 20 **FINANCING COMPANY ACT AND OTHER LAWS, [The Securities and**
 21 **Exchange] Commission shall have [the power and authority], AMONG OTHERS,**
 22 **THE FOLLOWING POWERS AND FUNCTIONS:**

23 1. **HAVE JURISDICTION AND SUPERVISION OVER ALL**
 24 **CORPORATIONS, REGISTERED WITH IT, EXCEPT AS OTHERWISE**
 25 **PROVIDED UNDER THIS CODE;**

26 2. **FORMULATE POLICIES AND RECOMMENDATIONS ON**
 27 **ISSUES PERTAINING TO THE REGULATION AND SUPERVISION OF**
 28 **CORPORATIONS, AND PROPOSE LEGISLATION AND**
 29 **AMENDMENTS THERETO;**

30 3. **APPROVE OR REJECT APPLICATIONS, ISSUE OR**
 31 **REVOKE OTHER CERTIFICATIONS, REQUIRE**
 32 **ADDITIONAL SUBMISSIONS OR AMENDMENTS THERETO;**

33 4. **REGULATE, INVESTIGATE, SUPERVISE THE**
 34 **ACTIVITIES OF PERSONS TO ENSURE COMPLIANCE WITH THIS**
 35 **CODE;**

36 5. **IMPOSE SANCTIONS FOR THE VIOLATIONS OF THIS**
 37 **CODE AND ITS RULES, REGULATIONS AND ORDERS OF THE**
 38 **COMMISSION ISSUED PURSUANT THERETO;**

39 6. **PROMOTE CORPORATE GOVERNANCE AND, IN**
 40 **FURTHERANCE THEREOF, EXPAND OR ADD TO THE**
 41 **REQUIREMENTS WITH RESPECT TO, AMONG OTHERS, THE**
 42 **CONTENTS OF THE BY-LAWS, THE QUALIFICATIONS AND**
 43 **DISQUALIFICATIONS OF DIRECTORS, AND THE RECORDS THAT**
 44 **MUST BE ON HAND AT THE CORPORATION'S ADDRESS OF**
 45 **RECORD AND THE ANNUAL REPORTS THAT MUST BE SUBMITTED**
 46 **TO THE COMMISSION;**

1 7. **PREPARE, APPROVE, AMEND OR REPEAL RULES,**
2 **REGULATIONS AND ORDERS, AND ISSUE OPINIONS AND PROVIDE**
3 **GUIDANCE ON AND SUPERVISE COMPLIANCE WITH SUCH RULES,**
4 **REGULATIONS AND ORDERS**

5 8. [to implement the provisions of this Code, and to
6 promulgate rules and regulations reasonably necessary to enable it to
7 perform its duties hereunder, particularly in the prevention of fraud and
8 abuses on the part of the controlling stockholders, members, directors,
9 trustees or officers.] **ISSUE CEASE AND DESIST ORDERS WITHOUT**
10 **THE NECESSITY OF A HEARING, TO PREVENT FRAUD OR INJURY**
11 **TO THE PUBLIC[.];**

12 9. **PUNISH FOR CONTEMPT OF THE COMMISSION,**
13 **BOTH DIRECT AND INDIRECT;**

14 10. **COMPEL THE OFFICERS OF ANY REGISTERED**
15 **CORPORATION TO CALL MEETINGS OF STOCKHOLDERS OR**
16 **MEMBERS UNDER ITS SUPERVISION AND TO ISSUE SUCH**
17 **ORDERS AS MAY BE APPROPRIATE, INCLUDING, WITHOUT**
18 **LIMITATION, ORDERS DESIGNATING THE TIME AND PLACE OF**
19 **THE ELECTION, THE RECORD DATE OR DATES FOR**
20 **DETERMINATION OF STOCKHOLDERS ENTITLED TO NOTICE OF**
21 **THE ELECTION AND TO VOTE THEREAT, AND THE FORM OF**
22 **NOTICE OF SUCH ELECTION;**

23 11. **ISSUE SUBPOENA DUCES TECUM AND SUMMON**
24 **WITNESSES TO APPEAR IN PROCEEDINGS BEFORE THE**
25 **COMMISSION AND IN APPROPRIATE CASES ORDER THE**
26 **EXAMINATION, SEARCH AND SEIZURE OF ALL DOCUMENTS,**
27 **PAPERS, FILES AND RECORDS, TAX RETURNS, AND BOOKS OF**
28 **ACCOUNTS OF ANY ENTITY OR PERSON UNDER INVESTIGATION**
29 **AS MAY BE NECESSARY FOR THE PROPER DISPOSITION OF THE**
30 **CASES BEFORE IT, SUBJECT TO THE PROVISIONS OF EXISTING**
31 **LAWS;**

32 12. **SUSPEND OR REVOKE, AFTER PROPER NOTICE AND**
33 **HEARING, THE CERTIFICATE OF INCORPORATION OF**
34 **CORPORATIONS UPON ANY OF THE GROUNDS PROVIDED UNDER**
35 **THIS CODE OR WHEN DIRECTED BY FINAL JUDGMENT OF A**
36 **COURT OF COMPETENT JURISDICTION;**

37 13. **DISSOLVE OR OTHERWISE SANCTION**
38 **CORPORATIONS CREATED FOR, COMMITTING, AIDING IN THE**
39 **COMMISSION OF, OR IN ANY MANNER FURTHERING SECURITIES**
40 **VIOLATIONS, SMUGGLING, TAX EVASION, MONEY**
41 **LAUNDERING, GRAFT AND CORRUPT PRACTICES OR OTHER**
42 **FRAUDULENT OR ILLEGAL ACTS;**

43 14. **ISSUE WRITS OF EXECUTION AND OF ATTACHMENT**
44 **TO ENFORCE PAYMENT OF THE FEES, ADMINISTRATIVE FINES**
45 **AND OTHER DUES COLLECTIBLE UNDER THIS CODE;**

46 15. **EXERCISE SUCH OTHER POWERS AS MAY BE**
47 **PROVIDED BY LAW AS WELL AS THOSE WHICH MAY BE IMPLIED**
48 **FROM, OR WHICH ARE NECESSARY OR INCIDENTAL TO**

CARRYING OUT THE EXPRESS POWERS GRANTED TO THE COMMISSION TO ACHIEVE THE OBJECTIVES AND PURPOSES OF THIS CODE AND SUCH OTHER LAWS.

NO COURT BELOW THE COURT OF APPEALS SHALL HAVE JURISDICTION TO ISSUE ANY RESTRAINING ORDER, PRELIMINARY INJUNCTION OR PRELIMINARY MANDATORY INJUNCTION IN ANY CASE, DISPUTE OR CONTROVERSY THAT, DIRECTLY OR INDIRECTLY, INTERFERES WITH THE PERFORMANCE BY THE COMMISSION OF ITS DUTIES AND RESPONSIBILITIES UNDER THIS CODE."

SECTION 76. Section 144 of the Code is hereby deleted, amended and transferred to Section 173.

SECTION 77. A new provision is inserted in the Code as Section 184:

SECTION 184. DEVELOPMENT OF OTHER SYSTEMS. – THE COMMISSION SHALL, CONSIDERING ADVANCES IN TECHNOLOGY, DEVELOP SUCH SYSTEMS AS IT MAY DEEM NECESSARY TO FACILITATE AND EXPEDITE, AMONG OTHERS, CORPORATE NAME RESERVATION AND REGISTRATION, INCORPORATION, AND THE SUBMISSION OF REPORTS, NOTICES, DOCUMENTS AND OTHER PAPERS REQUIRED UNDER THIS CODE, AND PRESCRIBE THE CORRESPONDING RULES AND REGULATIONS THEREFOR. THE COMMISSION SHALL HAVE FULL DISCRETION TO DETERMINE WHICH SYSTEM OR SYSTEMS ALLOW THE MOST EFFECTIVE IMPLEMENTATION AND ENFORCEMENT OF THE PROVISIONS OF THIS CODE

SECTION 78. A new provision is inserted in the Code as Section 185:

"SEC. 185. ARBITRATION. – WHEN THE ARTICLES OF INCORPORATION OR BY-LAWS OF A DOMESTIC UNLISTED CORPORATION SO PROVIDE, ANY OR ALL DISPUTES BETWEEN OR AMONG THE CORPORATION, ITS STOCKHOLDERS OR MEMBERS, AND DIRECTORS ARISING OUT OF THE IMPLEMENTATION OF THEIR ARTICLES OF INCORPORATION OR BY-LAWS, AS WELL AS OTHER CONTROVERSIES ARISING OUT OF THEIR INTRACORPORATE RELATIONS, INCLUDING BUT NOT LIMITED TO CONTROVERSIES IN THE ELECTION OR APPOINTMENT OF THE CORPORATION'S DIRECTORS, TRUSTEES, OFFICERS OR MANAGERS, SHALL BE REFERRED TO ARBITRATION. HOWEVER, A DISPUTE SHALL NOT BE SUBMITTED TO ARBITRATION WHEN SUCH WILL LIMIT OR PRECLUDE ANY RIGHT, ACTION OR DETERMINATION BY THE COMMISSION THAT IT WOULD OTHERWISE BE AUTHORIZED TO ADOPT, ADMINISTER OR ENFORCE UNDER THIS CODE AND EXISTING LAWS. SUCH DISPUTE SHALL BE DEEMED EXCLUDED FROM THE AGREEMENT TO ARBITRATE, WHICH SHALL OTHERWISE REMAIN VALID AND BINDING.

THE ARBITRATION AGREEMENT SHALL BE BINDING AGAINST THE CORPORATION'S DIRECTORS, TRUSTEES, OFFICERS OR MANAGERS, UPON ACCEPTANCE OF THEIR POST.

TO BE VALID, THE AGREEMENT TO ARBITRATE IN THE ARTICLES OF INCORPORATION OR THE BY-LAWS SHOULD INDICATE THE NUMBER AND PROCEDURE FOR THE APPOINTMENT OF ARBITRATORS AND GRANT TO A DESIGNATED THIRD, INDEPENDENT, AND EXTERNAL PARTY OR BODY

1 THE POWER TO APPOINT THE ARBITRATORS. IF THE THIRD PARTY OR
 2 BODY FAILS TO APPOINT THE ARBITRATORS IN THE MANNER AND
 3 WITHIN THE PERIOD SPECIFIED IN THE AGREEMENT TO ARBITRATE,
 4 EACH PARTY TO THE ARBITRATION MAY REQUEST THAT THE
 5 APPOINTMENT OF THE ARBITRATORS BE MADE BY THE COMMISSION.
 6 ARBITRATORS SHALL BE THOSE WHO ARE EITHER DULY ACCREDITED
 7 BY THE COMMISSION OR MEMBERS OF ORGANIZATIONS DULY-
 8 ACCREDITED BY THE COMMISSION.

9 THE ARBITRAL TRIBUNAL SHALL HAVE FULL AUTHORITY TO
 10 RESOLVE ALL ISSUES RELATING TO ITS JURISDICTION AND/OR THE
 11 VALIDITY OR EFFECTIVITY OF THE ARBITRATION AGREEMENT. A
 12 REGIONAL TRIAL COURT BEFORE WHICH AN INTRACORPORATE DISPUTE
 13 IS FILED SHALL, BEFORE THE TERMINATION OF THE PRETRIAL
 14 CONFERENCE, DISMISS THE CASE UPON DETERMINING THE EXISTENCE
 15 OF AN AGREEMENT TO ARBITRATE IN THE ARTICLES OF
 16 INCORPORATION OR BY-LAWS OF THE CORPORATION, ANY AMENDMENT
 17 THEREOF, OR IN A SEPARATE AGREEMENT.

18 THE ARBITRAL TRIBUNAL SHALL HAVE THE POWER TO GRANT
 19 INTERIM MEASURES NECESSARY TO ENSURE ENFORCEMENT OF THE
 20 AWARD, TO PREVENT A MISCARRIAGE OF JUSTICE, OR TO OTHERWISE
 21 PROTECT THE RIGHTS OF THE PARTIES.

22 A FINAL ARBITRAL AWARD UNDER THIS SECTION SHALL BE
 23 EXECUTORY UPON THE LAPSE OF FIFTEEN (15) DAYS FROM RECEIPT
 24 THEREOF BY THE PARTIES AND SHALL BE STAYED ONLY BY THE FILING
 25 OF A BOND OR THE ISSUANCE BY THE APPELLATE COURT OF AN
 26 INJUNCTIVE WRIT.

27 THE COMMISSION SHALL FORMULATE THE RULES AND
 28 REGULATIONS WHICH SHALL GOVERN ARBITRATION UNDER THIS
 29 SECTION."

30 **SECTION 79.** A new provision is inserted in the Code as Section 186 and the
 31 succeeding provisions are re-numbered accordingly and amended as follows:

32 "SEC.186. JURISDICTION OVER CORPORATIONS OF SPECIAL
 33 CHARACTER. – THE POWERS, AUTHORITIES AND RESPONSIBILITIES THAT
 34 ARE VESTED IN THE COMMISSION UNDER THIS CODE AND PRESIDENTIAL
 35 DECREE 902-A INVOLVING CORPORATIONS OF A SPECIAL CHARACTER
 36 ARE TRANSFERRED TO THE COMMISSION ON ELECTIONS (COMELEC)
 37 WITH RESPECT TO PARTY-LIST ORGANIZATIONS, TO THE HOUSING AND
 38 LAND USE REGULATORY BOARD (HLURB) WITH RESPECT TO
 39 NEIGHBORHOOD ASSOCIATIONS AND HOMEOWNERS' ASSOCIATIONS,
 40 AND TO THE DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS
 41 (DOTC) WITH RESPECT TO THE ASSOCIATIONS OF OPERATORS AND
 42 DRIVERS OF PUBLIC TRANSPORT.

43 THE MONITORING, SUPERVISION AND REGULATION OF
 44 CORPORATIONS OF SUCH CHARACTER ABOVE-DESCRIBED PREVIOUSLY
 45 REGISTERED WITH THE COMMISSION SHALL LIKEWISE BE TRANSFERRED
 46 TO THE SAID PERTINENT GOVERNMENT AGENCIES, RESPECTIVELY.

47 FOR THIS PURPOSE, THE COMELEC, HLURB, AND DOTC, IN
 48 COORDINATION WITH THE COMMISSION, SHALL PROMULGATE THE

1 CORRESPONDING IMPLEMENTING RULES AND/OR ENTER INTO INTER-
2 AGENCY AGREEMENTS.”

3 **SECTION 80.** *Implementing Rules and Regulations.* – The Commission shall
4 promulgate and/or amend the necessary rules and regulations for the effective implementation
5 of this Act.

6 **SECTION 81.** *Separability Clause.* – If any provision of this Act is declared invalid or
7 unconstitutional, other provisions hereof which are not affected thereby shall continue to be in
8 full force and effect.

9 **SECTION 82.** *Repealing Clause.* – Any law, presidential decree or issuance,
10 executive order, letter of instruction, administrative order, rule or regulation contrary to or
11 inconsistent with any provision of this Act is hereby repealed or modified accordingly.

12 **SECTION 83.** *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its
13 publication in the *Official Gazette* or in at least two (2) newspapers of general circulation,