

CONGRESS OF THE PHILIPPINES
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}

SENATE

S. No. 1280

PREPARED BY THE COMMITTEES ON CONSTITUTIONAL AMENDMENTS AND REVISION OF CODES; AND TRADE COMMERCE AND ENTREPRENEURSHIP, WITH SENATORS ESCUDERO, DRILON, AQUINO IV, ANGARA, ZUBIRI, VILLAR, SOTTO III, VILLANUEVA, BINAY, EJERCITO, GATCHALIAN, GORDON, HONASAN II, HONTIVEROS, LACSON, PACQUIAO, PANGILINAN, PIMENTEL III, POE AND TRILLANES IV AS AUTHORS THEREOF

AN ACT PROVIDING FOR THE REVISED CORPORATION CODE OF THE PHILIPPINES

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

1 TITLE I

2 GENERAL PROVISIONS

3 DEFINITIONS AND CLASSIFICATIONS

4 SECTION 1. *Title of the Code.* – This Code shall be
5 known as “The Revised Corporation Code of the
6 Philippines”.

1 SEC. 2. *Corporation Defined.* – A corporation is an
2 artificial being created by operation of law, having the
3 right of succession and the powers, attributes and
4 properties expressly authorized by law or incident to its
5 existence.

6 SEC. 3 *Classes of Corporations.* – Corporations
7 formed or organized under this Code may be stock or non-
8 stock corporations. Stock corporations are those which
9 have capital stock divided into shares and are authorized
10 to distribute to the holders of such shares dividends or
11 allotments of the surplus profits on the basis of the shares
12 held. All other corporations are non-stock corporations.

13 SEC. 4. *Corporations Created by Special Laws or*
14 *Charters.* – Corporations created by special laws or
15 charters shall be governed primarily by the provisions of
16 the special law or charter creating them or applicable to
17 them, supplemented by the provisions of this Code, insofar
18 as they are applicable.

19 SEC. 5. *Corporators and Incorporators, Stockholders*
20 *and Members.* – Corporators are those who compose a

1 corporation, whether as stockholders or shareholders in a
2 stock corporation or as members in a non-stock corporation.
3 Incorporators are those stockholders or members mentioned
4 in the articles of incorporation as originally forming and
5 composing the corporation and who are signatories thereof.

6 SEC. 6. *Classification of Shares.* – The classification
7 of shares, their corresponding rights, privileges, or
8 restrictions, and their stated par value, if any, must be
9 indicated in the articles of incorporation. Each share shall
10 be equal in all respects to every other share, except as
11 otherwise provided in the articles of incorporation and in
12 the certificate of stock.

13 The shares in stock corporations may be divided into
14 classes or series of shares, or both. No share may be
15 deprived of voting rights except those classified and issued
16 as “preferred” or “redeemable” shares, unless otherwise
17 provided in this Code: *Provided*, That there shall always be
18 a class or series of shares with complete voting rights.

19 Holders of non-voting shares shall nevertheless be
20 entitled to vote on the following matters:

1 1) Amendment of the articles of incorporation;

2 2) Adoption and amendment of by-laws;

3 3) Sale, lease, exchange, mortgage, pledge, or other
4 disposition of all or substantially all of the corporate
5 property;

6 4) Incurring, creating or increasing bonded
7 indebtedness;

8 5) Increase or decrease of capital stock;

9 6) Merger or consolidation of the corporation with
10 another corporation or other corporations;

11 7) Investment of corporate funds in another
12 corporation or business in accordance with this Code; and

13 8) Dissolution of the corporation.

14 Except as provided in the immediately preceding
15 paragraph, the vote required under the Code to approve a
16 particular corporate act shall be deemed to refer only to
17 stocks with voting rights.

18 The shares or series of shares may or may not have
19 a par value except that banks, trust, insurance, and pre-
20 need companies, public utilities, building and loan

1 associations, and other corporations authorized to obtain or
2 access funds from the public, whether publicly listed or
3 not, shall not be permitted to issue no-par value shares of
4 stock.

5 Preferred shares of stock issued by a corporation may
6 be given preference in the distribution of dividends and in
7 the distribution of corporate assets in case of liquidation,
8 or such other preferences: *Provided*, That preferred shares
9 of stock may be issued only with a stated par value. The
10 board of directors, where authorized in the articles of
11 incorporation, may fix the terms and conditions of
12 preferred shares of stock or any series thereof: *Provided*,
13 *further*, That such terms and conditions shall be effective
14 upon filing of a certificate thereof with the Securities and
15 Exchange (hereinafter referred to as "Commission").

16 Shares of capital stock issued without par value shall
17 be deemed fully paid and non-assessable and the holder of
18 such shares shall not be liable to the corporation or to its
19 creditors in respect thereto: *Provided*, That no-par value
20 shares must be issued for a consideration of at least Five

1 pesos (P5.00.00) per share: *Provided, further,* That the
2 entire consideration received by the corporation for its no-
3 par value shares shall be treated as capital and shall not
4 be available for distribution as dividends.

5 A corporation may further classify its shares for the
6 purpose of ensuring compliance with constitutional or legal
7 requirements.

8 SEC. 7. *Founders' Shares.* – Founders' shares may be
9 given certain rights and privileges not enjoyed by the
10 owners of other stocks.

11 Where the exclusive right to vote and be voted for in
12 the election of directors is granted, it must be for a limited
13 period not to exceed five (5) years from the date of
14 incorporation or approval of increase of additional
15 authorized capital stock: *Provided,* That such exclusive
16 right shall not be allowed if its exercise will violate
17 Commonwealth Act No. 108 or the Anti-Dummy Law;
18 Republic Act No. 7042 or the Foreign Investments Act, and
19 other pertinent laws.

1 SEC. 8. *Redeemable Shares.* — Redeemable shares
2 are shares which may be purchased by the corporation
3 from the holders of such shares upon the expiration of a
4 fixed period, regardless of the existence of unrestricted
5 retained earnings in the books of the corporation, and upon
6 such other terms and conditions stated in the articles of
7 incorporation and the certificate of stock representing said
8 shares, subject to rules and regulations issued by the
9 Commission.

10 SEC. 9. *Treasury Shares.* — Treasury shares are
11 shares of stock which have been issued and fully paid for,
12 but subsequently reacquired by the issuing corporation
13 through purchase, redemption, donation or some other
14 lawful means. Such shares may again be disposed of for a
15 reasonable price fixed by the board of directors.

TITLE II

17 INCORPORATION AND ORGANIZATION OF PRIVATE
18 CORPORATIONS

19 SEC. 10. *Number and Qualifications of Incorporators.*

20 - Any person, partnership, association or corporation

1 singly or jointly with others but not more than fifteen (15)
2 in number, may organize a corporation for any lawful
3 purpose or purposes: *Provided*, That natural persons who
4 are licensed to practice a profession, and partnerships or
5 associations organized for the purpose of practicing a
6 profession shall not be allowed to organize as a
7 corporation. Incorporators who are natural persons must
8 be of legal age.

9 Each incorporator of a stock corporation must own or
10 be a subscriber to at least one (1) share of the capital stock.

11 A corporation with a single stockholder is considered
12 a One Person Corporation covered by Title XIII, Chapter
13 III.

14 SEC. 11. *Corporate Term.* – A corporation shall have
15 perpetual existence unless its certificate of incorporation
16 provides otherwise. A corporate term for a specific period
17 may be extended or shortened by amending the articles of
18 incorporation: *Provided*, That no extension may be made
19 earlier than three (3) years prior to the original or
20 subsequent expiry date(s) unless there are justifiable

1 reasons for an earlier extension as may be determined by
2 the Commission: *Provided, further,* That such extension of
3 the corporate term shall take effect only on the day
4 following the original or subsequent expiry date(s).

5 A corporation whose term has expired may, at any
6 time, apply for a revival of its corporate existence, together
7 with all the rights and privileges under its certificate of
8 incorporation and subject to all of its duties, debts and
9 liabilities existing prior to the expiration of its corporate
10 term. Upon approval by the Commission, the corporation
11 shall be deemed revived and an amended certificate of
12 incorporation shall be issued, giving it perpetual existence
13 unless its application for revival provides otherwise.

14 SEC. 12. *Minimum Capital Stock Required of Stock*
15 *Corporations.* – Stock corporations shall not be required to
16 have a minimum authorized capital stock, except as
17 otherwise specifically provided by special law, and subject
18 to the provisions of the following section.

19 SEC. 13. *Amount of Capital Stock to be Subscribed*
20 *and Paid for Purposes of Incorporation.* – At least twenty-

1 five percent (25%) of the number of shares of the
2 authorized capital stock stated in the articles of
3 incorporation must be subscribed at the time of
4 incorporation, and at least twenty-five percent (25%) of the
5 value of the total subscription must be paid upon
6 subscription, the balance to be payable on a date or dates
7 fixed in the contract of subscription without need of call, or
8 in the absence of a fixed date or dates, upon call for
9 payment by the board of directors: *Provided, however,* That
10 the paid-up capital shall not be less than Five thousand
11 pesos (P5,000.00).

12 SEC. 14. *Contents of the Articles of Incorporation.* –
13 All corporations shall file with the Commission, articles of
14 incorporation in any of the official languages, duly signed
15 and acknowledged or authenticated, in such form and
16 manner as may be allowed by the Commission, containing
17 substantially the following matters, except as otherwise
18 prescribed by this Code or by special law:
19 1) The name of the corporation;

1 2) The specific purpose or purposes for which the
2 corporation is being formed. Where a corporation has more
3 than one stated purpose, the articles of incorporation shall
4 indicate the primary purpose and the secondary purpose or
5 purposes: *Provided*, That a non-stock corporation may not
6 include a purpose which would change or contradict its
7 nature as such;

8 3) The place where the principal office of the
9 corporation is to be located, which must be within the
10 Philippines;

11 4) The term for which the corporation is to exist, if
12 the corporation has not elected perpetual existence;

13 5) The names, nationalities and residence addresses
14 of the incorporators;

15 6) The number of directors or trustees, which shall
16 not be more than fifteen (15);

17 7) The names, nationalities and residence addresses
18 of persons who shall act as directors or trustees until the
19 first regular directors or trustees are duly elected and
20 qualified in accordance with this Code;

1 8) If it be a stock corporation, the amount of its
2 authorized capital stock, number of shares into which it is
3 divided, the par value of each, names, nationalities and
4 residence addresses of the original subscribers, amount
5 subscribed and paid by each on his or her subscription, and
6 a statement that some or all of the shares are without par
7 value, if applicable;

8 9) If it be a non-stock corporation, the amount of its
9 capital, the names, nationalities and residence addresses of
10 the contributors, and amount contributed by each;

11 10) If it be a stock corporation, a certification of the
12 treasurer, who shall be an incorporator, that at least
13 twenty-five percent (25%) of the number of shares in the
14 corporation's authorized capital stock has been subscribed,
15 and at least twenty-five percent (25%) of the value of the
16 total subscription has been fully paid in actual cash and/or
17 in property, the fair valuation of which is equal to at least
18 twenty-five percent (25%) of the value of the said
19 subscription, the paid-up capital being at least Five
20 thousand pesos (P5,000.00); and

1 11) Such other matters consistent with law and which
2 the incorporators may deem necessary and convenient.

3 The articles of incorporation and applications for
4 amendments thereto may be filed with the Commission in
5 the form of an electronic document, in accordance with the
6 Commission's rules and regulations on electronic filing.

7 SEC. 15. *Form of Articles of Incorporation.* – Unless
8 otherwise prescribed by special law, the articles of
9 incorporation of all domestic corporations shall comply
10 substantially with the following form:

11 ARTICLES OF INCORPORATION

12 OF

13 _____

14 (Name of Corporation)

15 The undersigned incorporators, all of legal age and
16 have this day voluntarily agreed to form a (stock) (non-
17 stock) corporation under the laws of the Republic of the
18 Philippines and certify the following:

19 FIRST: That the name of said corporation shall be
20 “_____ INC., CORPORATION or OPC”;

1 SECOND: That the purpose or purposes for which
2 such corporation is incorporated are: (If there is more than
3 one purpose, indicate primary and secondary purposes);

4 THIRD: That the principal office of the corporation is
5 located in the City/Municipality of _____,
6 Province of _____, Philippines;

7 FOURTH: That the corporation shall have perpetual
8 existence or a term of _____ years from the date
9 of issuance of the certificate of incorporation;

10 FIFTH: That the names, nationalities and residence
11 addresses of the incorporators of the corporation are as
12 follows:

	NAME	NATIONALITY	RESIDENCE
14	_____	_____	_____
15	_____	_____	_____
16	_____	_____	_____
17	_____	_____	_____
18	_____	_____	_____

19 SIXTH: That the number of directors or trustees of
20 the corporation shall be _____; and the names,

1 nationalities and residence addresses of the first directors
2 or trustees of the corporation are as follows:

	NAME	NATIONALITY	RESIDENCE
4	_____	_____	_____
5	_____	_____	_____
6	_____	_____	_____
7	_____	_____	_____
8	_____	_____	_____

9 SEVENTH: That the authorized capital stock of the
10 corporation is _____ (P_____) pesos, divided
11 into ____ shares with the par value of _____
12 (P_____) pesos per share.

13 (In case all the shares are without par value): That
14 the capital stock of the corporation is
15 _____ shares without par value.

16 (In case some shares have par value and some are
17 without par value): That the capital stock of said
18 corporation consists of _____ shares,
19 of which _____ shares have a par value
20 of _____ pesos (P_____) each, and of
21 which _____ shares are without par
22 value.

1 EIGHTH: That at least twenty five percent (25%) of
2 the number of shares of the authorized capital stock above
3 stated has been subscribed as follows:

4 Name of Subscriber Nationality No. of Shares Subscribed Amount Subscribed
5 _____ _____ _____ _____
6 _____ _____ _____ _____
7 _____ _____ _____ _____
8 _____ _____ _____ _____
9 _____ _____ _____ _____

10 NINTH: That the above-named subscribers have paid
11 at least twenty five percent (25%) of the value of the total
12 subscription as follows:

13 Name of Subscriber Amount Subscribed Total Paid-In
14 _____ _____ _____
15 _____ _____ _____
16 _____ _____ _____
17 _____ _____ _____
18 _____ _____ _____

19 (Modify Nos. 8 and 9 if shares are with no par value.
20 In case the corporation is non-stock, Nos. 7, 8 and 9 of the
21 above articles may be modified accordingly, and it is
22 sufficient if the articles state the amount of capital or
23 money contributed or donated by specified persons, stating

1 the names, nationalities and residence addresses of the
2 contributors or donors and the respective amount given by
3 each.)

4 TENTH: That _____ has been
5 elected by the subscribers as Treasurer of the Corporation
6 to act as such until his or her successor is duly elected and
7 qualified in accordance with the by-laws, that as
8 Treasurer, he or she has been authorized to receive in the
9 name and for the benefit of the corporation, all
10 subscriptions, contributions or donations paid or given by
11 the subscribers or members, that he or she certifies the
12 information set forth in the seventh, eighth and ninth
13 clauses above, and that he or she has received the paid-up
14 portion of the subscription in cash and/or property for the
15 benefit and credit of the corporation.

16 ELEVENTH: That the incorporators undertake to
17 change the name of the corporation immediately upon
18 receipt of notice from the Commission that another
19 corporation, partnership or person has acquired a prior
20 right to the use of such name, that the name has been

1 declared not distinguishable from a name already registered
2 or reserved for the use of another corporation, or that it is
3 contrary to law, public morals, good customs or public
4 policy.

5 TWELFTH: (Corporations which will engage in any
6 business or activity reserved for Filipino citizens shall
7 provide the following):

8 "No transfer of stock or interest which shall reduce
9 the ownership of Filipino citizens to less than the required
10 percentage of capital stock as provided by existing laws
11 shall be allowed or permitted to be recorded in the proper
12 books of the corporation and this restriction shall be
13 indicated in all stock certificates issued by the
14 corporation."

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

20 _____

1 _____
2 _____
3 _____
4 _____

5 (Names and signatures of the incorporators)

6 (Name and Signature of Treasurer)

7 SEC. 16. *Amendment of Articles of Incorporation.* —

8 Unless otherwise prescribed by this Code or by special law,
9 and for legitimate purposes, any provision or matter stated
10 in the articles of incorporation may be amended by a
11 majority vote of the board of directors or trustees and the
12 vote or written assent of the stockholders representing at
13 least two-thirds (2/3) of the outstanding capital stock,
14 without prejudice to the appraisal right of dissenting
15 stockholders in accordance with the provisions of this
16 Code. The articles of incorporation of a non-stock
17 corporation may be amended by the vote or written assent
18 of at least two-thirds (2/3) of the members.

19 The original and amended articles together shall
20 contain all provisions required by law to be set out in the

1 articles of incorporation. Amendments to the articles shall
2 be indicated by underscoring the change or changes made,
3 and a copy thereof duly certified under oath by the
4 corporate secretary and a majority of the directors or
5 trustees, with a statement that the amendments have been
6 duly approved by the required vote of the stockholders or
7 members, shall be submitted to the Commission.

8 The amendments shall take effect upon their
9 approval by the Commission or from the date of filing with
10 the said Commission if not acted upon within six (6)
11 months from the date of filing for a cause not attributable
12 to the corporation.

13 *SEC. 17. Grounds When Articles of Incorporation or*
14 *Amendment May Be Disapproved.* – The Commission may
15 disapprove the articles of incorporation or any amendment
16 thereto if the same is not compliant with the requirements
17 of this Code: *Provided*, That the Commission shall give the
18 incorporators, directors, trustees or officers a reasonable
19 time from receipt of the disapproval within which to
20 modify the objectionable portions of the articles or

1 amendment. The following are grounds for such
2 disapproval:

3 1) The articles of incorporation or any amendment
4 thereto is not substantially in accordance with the form
5 prescribed herein;

6 2) The purpose or purposes of the corporation are
7 patently unconstitutional, illegal, immoral or contrary to
8 government rules and regulations;

9 3) The certification concerning the amount of
10 capital stock subscribed and/or paid is false; and

11 4) The required percentage of Filipino ownership of
12 the capital stock under existing laws or the Constitution
13 has not been complied with.

14 No articles of incorporation or amendment to articles
15 of incorporation of banks, banking and quasi-banking
16 institutions, pre-need, insurance and trust companies, non-
17 stock savings and loan associations (NSSLAS), pawnshops,
18 and other financial intermediaries shall be approved by the
19 Commission unless accompanied by a favorable
20 recommendation of the appropriate government agency to

1 the effect that such articles or amendment is in accordance
2 with law.

3 SEC. 18. *Corporate Name.* – No corporate name shall
4 be allowed by the Commission if it is not distinguishable from
5 that already reserved or registered for the use of another
6 corporation, or if such name is already protected by law, or
7 when its use is contrary to existing law, rules and
8 regulations.

9 A name is not distinguishable even if it contains one
10 or more of the following:

11 1) The word “corporation”, “company”, “incorporated”,
12 “limited”, “limited liability”, or an abbreviation of one of such
13 words; and

14 2) Punctuations, articles, conjunctions, contractions,
15 prepositions, abbreviations, different tenses, spacing, or
16 number of the same word or phrase.

17 The Commission, upon determination that the
18 corporate name is: a) not distinguishable from a name
19 already reserved or registered for the use another
20 corporation; b) already protected by law, c) or contrary to

1 law, rules and regulations, may summarily order the
2 corporation to immediately cease and desist from using
3 such name and require the corporation to register a new
4 one. The Commission shall also cause the removal of all
5 visible signages, marks, advertisements, labels, prints and
6 other effects bearing such corporate name. Upon approval
7 of the new corporate name, the Commission shall issue a
8 certificate of incorporation under the amended name.

9 If the corporation fails to comply with the
10 Commission's order, the Commission may hold the
11 corporation and its responsible directors or officers in
12 contempt and/or hold them administratively, civilly and/or
13 criminally liable under this Code and other applicable laws
14 and/or revoke the registration of the corporation.

15 *SEC.19. Registration, Incorporation and Commencement*
16 *of Corporate Existence.* – A person or group of persons
17 desiring to incorporate shall submit the intended corporate
18 name to the Commission for verification. If the
19 Commission finds that the name is distinguishable from a
20 name already reserved or registered for the use of another

1 corporation, not protected by law and not contrary to law,
2 rules and regulations, the name shall be reserved in favor
3 of the incorporators. The incorporators shall then submit
4 their articles of incorporation and by-laws to the Commission.

5 If the Commission finds that the submitted
6 documents and information are fully compliant with the
7 requirements of this Code, other relevant laws, rules and
8 regulations, the Commission shall issue the certificate of
9 incorporation.

10 A private corporation organized under this Code
11 commences its corporate existence and juridical personality
12 from the date the Commission issues the certificate of
13 incorporation under its official seal and thereupon the
14 incorporators, stockholders/members and their successors
15 shall constitute a body corporate under the name stated in
16 the articles of incorporation for the period of time
17 mentioned therein, unless said period is extended or the
18 corporation is sooner dissolved in accordance with law.

19 SEC. 20. *De Facto Corporations.* – The due incorporation
20 of any corporation claiming in good faith to be a

1 corporation under this Code, and its right to exercise
2 corporate powers, shall not be inquired into collaterally in
3 any private suit to which such corporation may be a party.
4 Such inquiry may be made by the Solicitor General in a
5 *quo warranto* proceeding.

6 SEC. 21. *Corporation by Estoppel.* – All persons who
7 assume to act as a corporation knowing it to be without
8 authority to do so shall be liable as general partners for all
9 debts, liabilities and damages incurred or arising as a
10 result thereof: *Provided, however,* That when any such
11 ostensible corporation is sued on any transaction entered
12 by it as a corporation or on any tort committed by it as
13 such, it shall not be allowed to use its lack of corporate
14 personality as a defense.

15 One who assumes an obligation to an ostensible
16 corporation as such, cannot resist performance thereof on
17 the ground that there was in fact no corporation.

18 SEC. 22. *Effects of Non-Use of Corporate Charter*
19 *and Continuous Inoperation.* – If a corporation does not
20 formally organize and commence its business within five

1 (5) years from the date of its incorporation, its certificate of
2 incorporation shall be deemed revoked as of the day
3 following the end of said five (5)-year period.

4 However, if a corporation has commenced its
5 business but subsequently becomes inoperative for a period
6 of at least five (5) consecutive years, the Commission may,
7 after due notice and hearing, place the corporation under
8 delinquent status.

9 The Commission shall give a delinquent corporation a
10 period of two (2) years to resume operations and comply
11 with all requirements that the Commission shall prescribe.
12 Upon compliance by the corporation, the Commission shall
13 issue an order lifting the delinquent status. Failure to
14 comply with the requirements and resume operations
15 within the period given by the Commission shall cause the
16 revocation of the corporation's certificate of incorporation.

17 The Commission shall give reasonable notice to, and
18 coordinate with the appropriate regulatory agency prior to
19 the suspension or revocation of the certificate of

1 incorporation of companies under their special regulatory
2 jurisdiction.

TITLE III

BOARD OF DIRECTORS, TRUSTEES, OFFICERS

5 SEC. 23. *The Board of Directors or Trustees;*
6 *Qualification and Term.* – Unless otherwise provided in
7 this Code, the board of directors or trustees shall exercise
8 the corporate powers, conduct all business, and control all
9 properties of the corporation.

10 Directors shall be elected for a term of one (1) year
11 from among the holders of stocks registered in the
12 corporation's books, while trustees shall be elected for a
13 term not exceeding three (3) years from among the
14 members of the corporation. Each director and trustee
15 shall hold office until his or her successor is elected and
16 qualified. A director who ceases to own at least one (1)
17 share of stock or a trustee who ceases to be a member of
18 the corporation shall cease to be such.

19 The board of the following corporations vested with
20 public interest shall have at least two (2) independent

1 directors or the number of the independent directors must
2 constitute at least twenty percent (20%) of such board,
3 whichever is less:

4 a) Corporations covered by Section 17.2 of the
5 Securities Regulation Code, namely those whose securities
6 are registered with the Commission, corporations listed
7 with an exchange or with assets of at least Fifty million
8 pesos (P50,000,000.00) and having two hundred (200) or
9 more holders of shares, with at least one hundred (100)
10 shares of a class of its equity shares;

11 b) Banks and quasi-banks, pre-need, trust and
12 insurance companies, and other financial intermediaries;
13 and

14 c) Other corporations vested with public interest as
15 may be determined by the Commission.

16 An independent director is a person who, apart from
17 his or her fees and shareholdings, is independent of
18 management and free from any business or other
19 relationship which could, or could reasonably be perceived
20 to, materially interfere with his or her exercise of

1 independent judgment in carrying out his or her
2 responsibilities as a director.

3 These directors must be elected by a majority of the
4 shareholders present or entitled to vote *in absentia* during
5 the stockholders' meeting. Independent directors shall be
6 subject to rules and regulations governing their
7 qualifications, disqualifications, voting requirements,
8 duration of term and term limit, maximum number of board
9 membership and other requirements that the Commission
10 will prescribe to strengthen their independence and align
11 with international best practices.

12 SEC. 24. *Election of Directors or Trustees.* – Except
13 when the exclusive right is reserved for holders of
14 Founders' shares under Section 7, each stockholder or
15 member shall have the right to nominate any director or
16 trustee who possesses all of the qualifications and none of
17 the disqualifications set forth in this Code.

18 At all elections of directors or trustees, there must be
19 present, either in person or through a representative
20 authorized to act by proxy, the owners of majority of the

1 outstanding capital stock, or if there be no capital stock, a
2 majority of the members entitled to vote. When so
3 authorized in the by-laws or by a majority of the board of
4 directors, the stockholders or members may also vote
5 through remote communication or *in absentia*: *Provided*,
6 That the right to vote through such modes may be
7 exercised in corporations vested with public interest,
8 notwithstanding the absence of a provision in the by-laws
9 of such corporations.

10 When a stockholder or member participates through
11 remote communication or *in absentia*, he or she shall be
12 deemed present for purposes of quorum.

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

15 In stock corporations, every stockholder entitled to
16 vote shall have the right to vote the number of shares of
17 stock standing in his or her own name in the stock books of
18 the corporation, at the time fixed in the by-laws or where
19 the by-laws are silent, at the time of the election. The said
20 stockholder may: a) vote such number of shares for as

1 many persons as there are directors to be elected; b)
2 cumulate said shares and give one candidate as many
3 votes as the number of directors to be elected multiplied by
4 the number of his or her shares, or c) distribute them on
5 the same principle among as many candidates as he or she
6 shall see fit: *Provided*, That the total number of votes cast
7 by him or her shall not exceed the number of shares owned
8 by him or her as shown in the books of the corporation
9 multiplied by the whole number of directors to be elected:
10 *Provided, however*, That no delinquent stock shall be voted.
11 Unless otherwise provided in the articles of incorporation
12 or in the by-laws, members of non-stock corporations may
13 cast as many votes as there are trustees to be elected but
14 may not cast more than one (1) vote for one (1) candidate.
15 Nominees for directors or trustees receiving the highest
16 number of votes shall be declared elected.

17 If no election is held, or the owners of majority of the
18 outstanding capital stock or majority of the members
19 entitled to vote are not present in person, by proxy, or
20 through remote communication or not voting *in absentia* at

1 the meeting, such meeting may be adjourned and the
2 corporation shall proceed in accordance with Section 26 of
3 this Code.

4 The directors or trustees elected shall perform their
5 duties as prescribed by law, rules of good corporate
6 governance, and by-laws of the corporation.

7 In the discharge of their duties, the board of directors
8 should take into account the effects of any action upon
9 employees, suppliers and customers of the corporation and
10 communities in which offices or other establishments of the
11 corporation are located, and all other pertinent factors.

12 SEC. 25. *Corporate Officers.* – Immediately after
13 their election, the directors of a corporation must formally
14 organize and elect a president, treasurer, secretary, and
15 such other officers as may be provided in the by-laws. If
16 the corporation is vested with public interest, the board
17 shall also elect a compliance officer. The same person may
18 hold two (2) or more positions concurrently, except that no
19 one shall act as president and secretary or as president

1 and treasurer at the same time unless otherwise allowed in
2 this Code.

3 The president and the treasurer must be directors
4 and at least one (1) of them must be a resident of the
5 Philippines. The corporate secretary must be a resident of
6 the Philippines.

7 The officers shall manage the corporation and
8 perform such duties as may be provided in the by-laws
9 and/or, as resolved, by the board of directors.

10 SEC. 26. *Report of Election of Directors, Trustees and*
11 *Officers, Non-holding of Election and Cessation from Office.*

12 – Within thirty (30) days after the election of the directors,
13 trustees and officers of the corporation, the secretary, or
14 any other officer of the corporation, shall submit to the
15 Commission, the names, nationalities, shareholdings and
16 residence addresses of the directors, trustees, and officers
17 elected.

18 The non-holding of elections and the reasons
19 therefor shall be reported to the Commission within thirty
20 (30) days from the date of the scheduled election. The

1 report shall specify a new date for the election, which shall
2 not be later than sixty (60) days from the scheduled date.

3 If no new date has been designated, or if the
4 rescheduled election is likewise not held, the Commission
5 may, upon the application of a stockholder, member,
6 director or trustee, and after verification of the unjustified
7 non-holding of the election, summarily order that an
8 election be held. The Commission shall have the power to
9 issue such orders as may be appropriate, including orders
10 directing the issuance of a notice stating the time and
11 place of the election, designated presiding officer, and the
12 record date or dates for the determination of stockholders
13 or members entitled to vote.

14 Notwithstanding any provision of the articles of
15 incorporation or by-laws to the contrary, the shares of
16 stock or membership represented at such meeting and
17 entitled to vote shall constitute a quorum for purposes of
18 conducting an election under this section.

19 Should a director, trustee or officer die, resign or in
20 any manner cease to hold office, the secretary, any other

1 officer of the corporation, or the director, trustee or officer
2 himself or herself, or in case of the latter's death, his or her
3 heirs, shall within seven (7) days from knowledge thereof,
4 report in writing such fact to the Commission.

5 *SEC. 27. Disqualification of Directors, Trustees or*
6 *Officers.* – A person shall be disqualified from being a
7 director, trustee, or officer of any corporation if within five
8 (5) years prior to his or her election or appointment he or
9 she was convicted by final judgment:

- 10 1) Of an offense punishable by imprisonment for a
11 period exceeding six (6) years;
- 12 2) For violating this Code;
- 13 3) For violating Republic Act No. 8799 otherwise
14 known as the Securities Regulation Code;
- 15 4) Or found administratively liable for any offense
16 involving fraud, theft, estafa, counterfeiting, misappropriation,
17 forgery, bribery, false oath, perjury and other fraudulent
18 acts; and

1 5) Of a foreign court or equivalent foreign regulatory
2 authority of acts, violations or misconduct similar to those
3 enumerated in paragraphs (1), (2) and (3) above.

4 The foregoing is without prejudice to qualifications or
5 other disqualifications, which the Commission may impose
6 in its promotion of good corporate governance or as a
7 sanction in its administrative proceedings.

8 SEC. 28. *Removal of Directors or Trustees.* – Any
9 director or trustee of a corporation may be removed from
10 office by a vote of the stockholders holding or representing
11 at least two-thirds (2/3) of the outstanding capital stock, or
12 in a non-stock corporation, by a vote of at least two-thirds
13 (2/3) of the members entitled to vote: *Provided*, That such
14 removal shall take place either at a regular meeting of the
15 corporation or at a special meeting called for the purpose,
16 and in either case, after previous notice to stockholders or
17 members of the corporation of the intention to propose
18 such removal at the meeting. A special meeting of the
19 stockholders or members for the purpose of removing any
20 director or trustee must be called by the secretary on order

1 of the president or upon written demand of the
2 stockholders representing or holding at least a majority of
3 the outstanding capital stock or a majority of the members
4 entitled to vote. If there is no secretary, or if the secretary,
5 despite demand, fails or refuses to call the special meeting
6 or to give notice thereof, the stockholder or member of the
7 corporation signing the demand may call for the meeting
8 by directly addressing the stockholders or members. Notice
9 of the time and place of such meeting, as well as of the
10 intention to propose such removal, must be given by
11 publication or by written notice prescribed in this Code.
12 Removal may be with or without cause: *Provided*, That
13 removal without cause may not be used to deprive minority
14 stockholders or members of the right of representation to
15 which they may be entitled under Section 24 of this Code.

16 The Commission shall, *motu proprio* or upon verified
17 complaint, and after due notice and hearing, order the
18 removal of a director or trustee elected despite the
19 disqualification, or whose disqualification arose or is
20 discovered subsequent to election. The removal of a

1 disqualified director shall be without prejudice to other
2 sanctions that the Commission may impose on the board of
3 directors or trustees who, with knowledge of the
4 disqualification, failed to remove such director or trustee.

5 *SEC. 29. Vacancies in the Office of Director or Trustee;*
6 *Emergency Board.* – Any vacancy occurring in the board of
7 directors or trustees other than by removal or by
8 expiration of term, may be filled by the vote of at least a
9 majority of the remaining directors or trustees, if still
10 constituting a quorum; otherwise, said vacancies must be
11 filled by the stockholders in a regular or special meeting
12 called for that purpose.

13 When the vacancy is due to term expiration, the
14 election shall be held no later than the day of such
15 expiration at a meeting called for that purpose. When the
16 vacancy arises as a result of removal by the stockholders or
17 members, the election may be held on the same day of the
18 meeting authorizing the removal and this fact must be so
19 stated in the agenda and notice of said meeting. In all
20 other cases, the election must be held no later than forty-

1 five (45) days from the time vacancy arose. A director or
2 trustee elected to fill a vacancy shall be referred to as
3 replacement director or trustee and shall serve only for the
4 unexpired term of his or her predecessor in office.

5 However, when the vacancy prevents the remaining
6 directors from constituting a quorum and emergency action
7 is required to prevent grave, substantial, and irreparable
8 loss or damage to the corporation, the vacancy may be
9 temporarily filled from among the officers of the
10 corporation by unanimous vote of the remaining directors
11 or trustees. The action by the designated director or
12 trustee shall be limited to the emergency action necessary,
13 and his or her term shall cease within a reasonable time
14 from the termination of the emergency or upon election of
15 the replacement director or trustee, whichever comes
16 earlier. The corporation must notify the Commission
17 within three (3) days from the creation of the emergency
18 board, stating therein the reason for its creation.

19 Any directorship or trusteeship to be filled by reason
20 of an increase in the number of directors or trustees shall

1 be filled only by an election at a regular or at a special
2 meeting of stockholders or members duly called for the
3 purpose, or in the same meeting authorizing the increase
4 of directors or trustees if so stated in the notice of the
5 meeting.

6 In all elections to fill vacancies under this section, the
7 procedure set forth in Sections 24 and 26 shall apply.

8 SEC. 30. *Compensation of Directors or Trustees.* – In
9 the absence of any provision in the by-laws fixing their
10 compensation, the directors or trustees shall not receive any
11 compensation in their capacity as such, except for reasonable
12 *per diems:* *Provided, however,* That the stockholders
13 representing at least a majority of the outstanding capital
14 stock or majority of the members may grant directors or
15 trustees with compensation and approve the amount
16 thereof at a regular or special meeting.

17 No director or trustee shall participate in the
18 determination of his or her own per diems or
19 compensation.

1 Corporations vested with public interest shall submit
2 to its shareholders and the Commission, an annual report
3 of the total compensation of each of its directors or
4 trustees.

5 *SEC. 31. Liability of Directors, Trustees or Officers.* –
6 Directors or trustees who willfully and knowingly vote for
7 or assent to patently unlawful acts of the corporation or
8 who are guilty of gross negligence or bad faith in directing
9 the affairs of the corporation or acquire any personal or
10 pecuniary interest in conflict with their duty as such
11 directors or trustees shall be liable jointly and severally for
12 all damages resulting therefrom suffered by the
13 corporation, its stockholders or members and other
14 persons.

15 When a director, trustee or officer attempts to
16 acquire or acquires, in violation of his or her duty, any
17 interest adverse to the corporation in respect of any matter
18 which has been reposed in him or her in confidence, as to
19 which, equity imposes a disability upon him or her to deal
20 in his or her own behalf, he or she shall be liable as a

1 trustee for the corporation and must account for the profits
2 which otherwise would have accrued to the corporation.

3 *SEC. 32. Dealings of Directors, Trustees or Officers*

4 *With the Corporation.* – A contract of the corporation with
5 one (1) or more of its directors, trustees, officers or their
6 spouses and relatives within the fourth civil degree of
7 consanguinity or affinity is voidable, at the option of such
8 corporation, unless all the following conditions are present:

9 1) The presence of such director or trustee in the
10 board meeting in which the contract was approved was not
11 necessary to constitute a quorum for such meeting;

12 2) The vote of such director or trustee was not
13 necessary for the approval of the contract;

14 3) The contract is fair and reasonable under the
15 circumstances;

16 4) In case of corporations vested with public interest,
17 material contracts are approved by at least two-thirds (2/3)
18 of the entire membership of the board, with at least a
19 majority of the independent directors voting to approve the
20 material contract; and

1 5) In case of an officer, the contract has been
2 previously authorized by the board of directors.

3 Where any of the first three (3) conditions set forth in
4 the preceding paragraph is absent, in the case of a contract
5 with a director or trustee, such contract may be ratified by
6 the vote of the stockholders representing at least two-
7 thirds (2/3) of the outstanding capital stock or of at least
8 two-thirds (2/3) of the members in a meeting called for the
9 purpose: *Provided*, That full disclosure of the adverse
10 interest of the directors or trustees involved is made at
11 such meeting and the contract is fair and reasonable under
12 the circumstances.

13 SEC. 33. *Contracts Between Corporations With*
14 *Interlocking Directors.* — Except in cases of fraud, and
15 provided the contract is fair and reasonable under the
16 circumstances, a contract between two (2) or more
17 corporations having interlocking directors shall not be
18 invalidated on that ground alone: *Provided*, That if the
19 interest of the interlocking director in one (1) corporation is
20 substantial and his or her interest in the other corporation

1 or corporations is merely nominal, the contract shall be
2 subject to the provisions of the preceding section insofar as
3 the latter corporation or corporations are concerned.

4 Stockholdings exceeding twenty percent (20%) of the
5 outstanding capital stock shall be considered substantial
6 for purposes of interlocking directors.

7 SEC. 34. *Disloyalty of a Director.* – Where a director,
8 by virtue of his or her office, acquires for himself or herself
9 a business opportunity which should belong to the
10 corporation, thereby obtaining profits to the prejudice of
11 such corporation, he or she must account for and refund to
12 the latter all such profits, unless his or her act has been
13 ratified by a vote of the stockholders owning or representing
14 at least two-thirds (2/3) of the outstanding capital stock. This
15 provision shall be applicable, notwithstanding the fact that
16 the director risked his or her own funds in the venture.

17 SEC. 35. *Executive, Management and Other Special*
18 *Committees.* – If the by-laws so provide, the board may
19 create an executive committee composed of at least three
20 (3) directors. Said committee may act, by majority vote of

1 all its members, on such specific matters within the
2 competence of the board, as may be delegated to it in the
3 by-laws or by majority vote of the board, except with
4 respect to the: 1) approval of any action for which
5 shareholders' approval is also required; 2) filling of
6 vacancies in the board; 3) amendment or repeal of by-laws
7 or the adoption of new by-laws; 4) amendment or repeal of
8 any resolution of the board which by its express terms is
9 not amendable or repealable; and 5) distribution of cash
10 dividends to the shareholders.

11 The by-laws may authorize the board of directors to
12 create special committees of temporary or permanent
13 nature and to determine the members' term, composition,
14 compensation, powers, and responsibilities.

TITLE IV

POWERS OF CORPORATION

17 SEC. 36. *Corporate Powers and Capacity.* – Every
18 corporation incorporated under this Code has the power
19 and capacity:

20 1) To sue and be sued in its corporate name:

- 1 2) To have perpetual existence unless the certificate
- 2 of incorporation provides otherwise;
- 3 3) To adopt and use a corporate seal;
- 4 4) To amend its articles of incorporation in
- 5 accordance with the provisions of this Code;
- 6 5) To adopt by-laws, not contrary to law, morals or
- 7 public policy, and to amend or repeal the same in
- 8 accordance with this Code;
- 9 6) In case of stock corporations, to issue or sell
- 10 stocks to subscribers and to sell treasury stocks in
- 11 accordance with the provisions of this Code; and to admit
- 12 members to the corporation if it be a non-stock corporation;
- 13 7) To purchase, receive, take or grant, hold, convey,
- 14 sell, lease, pledge, mortgage and otherwise deal with such
- 15 real and personal property, including securities and bonds
- 16 of other corporations, as the transaction of the lawful
- 17 business of the corporation may reasonably and necessarily
- 18 require, subject to the limitations prescribed by law and
- 19 the Constitution;

1 8) To enter into a partnership, joint venture, merger,
2 consolidation, or any other commercial agreement with
3 natural and juridical persons;

4 9) To make reasonable donations, including those
5 for the public welfare or for hospital, charitable, cultural,
6 scientific, civic, or similar purposes: *Provided*, That no
7 foreign corporation, shall give donations in aid of any
8 political party or candidate or for purposes of partisan
9 political activity;

10 10) To establish pension, retirement, and other plans
11 for the benefit of its directors, trustees, officers, and
12 employees; and

13 11) To exercise such other powers as may be
14 essential or necessary to carry out its purpose or purposes
15 as stated in the articles of incorporation.

16 SEC. 37. *Power to Extend or Shorten Corporate Term.*
17 – A private corporation may extend or shorten its term as
18 stated in the articles of incorporation when approved by a
19 majority vote of the board of directors or trustees, and
20 ratified at a meeting by the stockholders or members

1 representing at least two-thirds (2/3) of the outstanding
2 capital stock or of its members. Written notice of the
3 proposed action and the time and place of the meeting
4 shall be sent to each stockholder or member at his or her
5 place of residence as shown in the books of the corporation,
6 and must either be deposited to the addressee in the post
7 office with postage prepaid, served personally, or when
8 allowed in the by-laws or done with the consent of the
9 stockholder, sent electronically in accordance with the
10 rules and regulations of the Commission on the use of
11 electronic data messages.

12 In case of extension of corporate term, a dissenting
13 stockholder may exercise his or her appraisal right under
14 the conditions provided in this Code.

15 *SEC. 38. Power to Increase or Decrease Capital Stock;*
16 *Incur, Create or Increase Bonded Indebtedness.* – No
17 corporation shall increase or decrease its capital stock or
18 incur, create or increase any bonded indebtedness unless
19 approved by a majority vote of the board of directors and
20 by two-thirds (2/3) of the outstanding capital stock at a

1 stockholders' meeting duly called for the purpose. Written
2 notice of the time and place of the stockholders' meeting
3 and the purpose for said meeting must be sent to each
4 stockholder at his or her place of residence as shown in the
5 books of the corporation and served on the stockholder
6 personally, or through electronic means recognized in the
7 corporation's by-laws and/or the Commission's rules as a
8 valid mode for service of notices.

9 A certificate in duplicate must be signed by a majority
10 of the directors of the corporation and countersigned by the
11 chairman and secretary of the stockholders' meeting, setting
12 forth:

13 1) That the requirements of this section have been
14 complied with;

15 2) The amount of the increase or diminution of the
16 capital stock;

17 3) If an increase of the capital stock, the amount of
18 capital stock or number of shares of no-par stock thereof
19 actually subscribed, the names, nationalities and addresses of
20 the persons subscribing, the amount of capital stock or

1 number of no-par stock subscribed by each, and the
2 amount paid by each on his or her subscription in cash or
3 property, or the amount of capital stock or number of
4 shares of no-par stock allotted to each stockholder if such
5 increase is for the purpose of making effective stock
6 dividend therefor authorized;

7 4) Any bonded indebtedness to be incurred, created or
8 increased;

9 5) The amount of stock represented at the meeting;
10 and

11 6) The vote authorizing the increase or diminution of
12 the capital stock, or the incurring, creating or increasing of
13 any bonded indebtedness.

14 Any increase or decrease in the capital stock or the
15 incurring, creating or increasing of any bonded indebtedness
16 shall require prior approval of the Commission. The
17 application with the Commission shall be made within six
18 (6) months from the date of approval of the board of
19 directors and stockholders, which period may be extended
20 for justifiable reasons.

1 One of the duplicate certificates shall be kept on file
2 in the office of the corporation and the other shall be filed
3 with the Commission and attached to the original articles
4 of incorporation. After approval by the Commission and
5 the issuance by the Commission of its certificate of filing,
6 the capital stock shall be deemed increased or decreased
7 and the incurring, creating or increasing of any bonded
8 indebtedness authorized, as the certificate of filing may
9 declare: *Provided*, That the Commission shall not accept
10 for filing any certificate of increase of capital stock unless
11 accompanied by a sworn statement of the treasurer of the
12 corporation lawfully holding office at the time of the filing
13 of the certificate, showing that at least twenty-five percent
14 (25%) of the increase in capital stock has been subscribed
15 and that at least twenty-five percent (25%) of the amount
16 subscribed has been paid in actual cash to the corporation
17 or that property, the valuation of which is equal to twenty-
18 five percent (25%) of the subscription, has been transferred
19 to the corporation: *Provided, further*, That no decrease in

1 capital stock shall be approved by the Commission if its
2 effect shall prejudice the rights of corporate creditors.

3 Non-stock corporations may incur, create, or increase
4 bonded indebtedness when approved by a majority of the
5 board of trustees and of at least two-thirds (2/3) of the
6 members in a meeting duly called for the purpose.

7 Bonds issued by a corporation shall be registered
8 with the Commission, which shall have the authority to
9 determine the sufficiency of the terms thereof.

10 SEC. 39. *Power to Deny Pre-Emptive Right.* – All
11 stockholders of a stock corporation shall enjoy pre-emptive
12 right to subscribe to all issues or disposition of shares of
13 any class, in proportion to their respective shareholdings,
14 unless such right is denied by the articles of incorporation
15 or an amendment thereto: *Provided*, That such pre-
16 emptive right shall not extend to shares issued in
17 compliance with laws requiring stock offerings or
18 minimum stock ownership by the public; or to shares
19 issued in good faith with the approval of the stockholders
20 representing two-thirds (2/3) of the outstanding capital

1 stock, in exchange for property needed for corporate
2 purposes or in payment of a previously contracted debt.

3 SEC. 40. *Sale or Other Disposition of Assets.* – Subject
4 to the provisions of Republic Act No. 10667 or the
5 Philippine Competition Act and other related laws, a
6 corporation may, by a majority vote of its board of directors
7 or trustees, sell, lease, exchange, mortgage, pledge, or
8 otherwise dispose of its property and assets, upon such
9 terms and conditions and for such consideration, which
10 may be money, stocks, bonds or other instruments for the
11 payment of money or other property or consideration, as its
12 board of directors or trustees may deem expedient.

13 A sale of all or substantially all of the corporation's
14 properties and assets, including its goodwill must be
15 authorized by the vote of the stockholders representing at
16 least two-thirds (2/3) of the outstanding capital stock, or at
17 least to two-thirds (2/3) of the members, in a stockholders'
18 or members' meeting duly called for the purpose.

19 In non-stock corporations where there are no members
20 with voting rights, the vote of at least a majority of the

1 trustees in office will be sufficient authorization for the
2 corporation to enter into any transaction authorized by this
3 section.

4 The determination of whether or not the sale involves
5 all or substantially all of the corporation's properties and
6 assets must be computed based on its net asset value, as
7 shown in its latest financial statements. A sale or other
8 disposition shall be deemed to cover substantially all the
9 corporate property and assets if thereby the corporation
10 would be rendered incapable of continuing the business or
11 accomplishing the purpose for which it was incorporated.

12 Written notice of the proposed action and of the time
13 and place for the meeting shall be addressed to each
14 stockholder or member at his or her place of residence as
15 shown in the books of the corporation and deposited to the
16 addressee in the post office with postage prepaid, served
17 personally, or when allowed by the by-laws or done with
18 the consent of the stockholder, sent electronically:
19 *Provided*, That any dissenting stockholder may exercise his

1 or her appraisal right under the conditions provided in this
2 Code.

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

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

18 *SEC. 41. Power to Acquire Own Shares.* – Provided
19 that the corporation has unrestricted retained earnings in
20 its books to cover the shares to be purchased or acquired, a

1 stock corporation shall have the power to purchase or
2 acquire its own shares for a legitimate corporate purpose
3 or purposes, including but not limited to the following
4 cases:

5 1) To eliminate fractional shares arising out of stock
6 dividends;

7 2) To collect or compromise an indebtedness to the
8 corporation, arising out of unpaid subscription, in a
9 delinquency sale, and to purchase delinquent shares sold
10 during said sale; and

11 3) To pay dissenting or withdrawing stockholders
12 entitled to payment for their shares under the provisions of
13 this Code.

14 SEC. 42. *Power to Invest Corporate Funds in Another*
15 *Corporation or Business or For Any Other Purpose. -*
16 Subject to the provisions of this Code, a private corporation
17 may invest its funds in any other corporation, business, or
18 for any purpose other than the primary purpose for which
19 it was organized, when approved by a majority of the board
20 of directors or trustees and ratified by the stockholders

1 representing at least two-thirds (2/3) of the outstanding
2 capital stock, or by at least two thirds (2/3) of the members
3 in the case of non-stock corporations, at a meeting duly
4 called for the purpose. Written notice of the proposed
5 investment and the time and place of the meeting shall be
6 addressed to each stockholder or member at his or her
7 place of residence as shown in the books of the corporation
8 and deposited to the addressee in the post office with
9 postage prepaid, served personally, or sent electronically in
10 accordance with the rules and regulations of the
11 Commission on the use of electronic data message, when
12 allowed by the by-laws or done with the consent of the
13 stockholders: *Provided*, That any dissenting stockholder
14 shall have appraisal right as provided in this Code:
15 *Provided, however*, That where the investment by the
16 corporation is reasonably necessary to accomplish its
17 primary purpose as stated in the articles of incorporation,
18 the approval of the stockholders or members shall not be
19 necessary.

1 SEC. 43. *Power to Declare Dividends.* – The board of
2 directors of a stock corporation may declare dividends out
3 of the unrestricted retained earnings which shall be
4 payable in cash, property, or in stock to all stockholders on
5 the basis of outstanding stock held by them: *Provided,*
6 That any cash dividends due on delinquent stock shall first
7 be applied to the unpaid balance on the subscription plus
8 costs and expenses, while stock dividends shall be withheld
9 from the delinquent stockholder until his or her unpaid
10 subscription is fully paid: *Provided, further,* That no stock
11 dividend shall be issued without the approval of
12 stockholders representing at least two-thirds (2/3) of the
13 outstanding capital stock at a regular or special meeting
14 duly called for the purpose.

15 Stock corporations are prohibited from retaining
16 surplus profits in excess of one hundred percent (100%) of
17 their paid-in capital stock, except: 1) when justified by
18 definite corporate expansion projects or programs approved
19 by the board of directors; or 2) when the corporation is
20 prohibited under any loan agreement with any financial

1 institution or creditor, whether local or foreign, from
2 declaring dividends without its/his or her consent, and
3 such consent has not yet been secured; or 3) when it can be
4 clearly shown that such retention is necessary under
5 special circumstances obtaining in the corporation, such as
6 when there is need for special reserve for probable
7 contingencies.

8 *Sec. 44. Power to Enter Into Management Contract.* –
9 No corporation shall conclude a management contract with
10 another corporation unless such contract is approved by
11 the board of directors and by stockholders owning at least
12 the majority of the outstanding capital stock, or by at least
13 a majority of the members in the case of a non-stock
14 corporation, of both the managing and the managed
15 corporation, at a meeting duly called for the purpose:
16 *Provided,* That 1) where a stockholder or stockholders
17 representing the same interest of both the managing and
18 the managed corporations own or control more than one-
19 third (1/3) of the total outstanding capital stock entitled to
20 vote of the managing corporation; or 2) where a majority of

1 the members of the board of directors of the managing
2 corporation also constitute a majority of the members of
3 the board of directors of the managed corporation, then the
4 management contract must be approved by the
5 stockholders of the managed corporation owning at least
6 two-thirds (2/3) of the total outstanding capital stock
7 entitled to vote, or by at least two-thirds (2/3) of the
8 members in the case of a non-stock corporation. No
9 management contract shall be entered into for a period
10 longer than five (5) years for any one (1) term.

11 The provisions of the next preceding paragraph
12 shall apply to any contract whereby a corporation
13 undertakes to manage or operate all or substantially all of
14 the business of another corporation, whether such
15 contracts are called service contracts, operating
16 agreements or otherwise: *Provided, however,* That such
17 service contracts or operating agreements which relate to
18 the exploration, development, exploitation or utilization of
19 natural resources may be entered into for such periods as
20 may be provided by the pertinent laws or regulations.

1 SEC. 45. *Ultra Vires Acts of Corporations.* – No
2 corporation shall possess or exercise corporate powers
3 other than those conferred by this Code or by its articles of
4 incorporation and except as necessary or incidental to the
5 exercise of the powers conferred.

6 TITLE

7 BY-LAWS

8 SEC. 46. *Adoption of By-Laws.* – For the adoption of
9 by-laws by the corporation, the affirmative vote of the
10 stockholders representing at least a majority of the
11 outstanding capital stock, or of at least a majority of the
12 members in case of non-stock corporations, shall be
13 necessary. The by-laws shall be signed by the stockholders
14 or members voting for them and shall be kept in the
15 principal office of the corporation, subject to the inspection
16 of the stockholders or members during office hours. A copy
17 thereof, duly certified by a majority of the directors or
18 trustees and countersigned by the secretary of the
19 corporation, shall be filed with the Commission and
20 attached to the original articles of incorporation.

1 Notwithstanding the provisions of the preceding
2 paragraph, by-laws may be adopted and filed prior to
3 incorporation; in such case, such by-laws shall be approved
4 and signed by all the incorporators and submitted to the
5 Commission, together with the articles of incorporation.

6 In all cases, by-laws shall be effective only upon the
7 issuance by the Commission of a certification that the by-
8 laws are in accordance with this Code.

9 The Commission shall not accept for filing the by-
10 laws or any amendment thereto of any bank, banking
11 institution, building and loan association, trust company,
12 insurance company, public utility, educational institution,
13 or other special corporations governed by special laws,
14 unless accompanied by a certificate of the appropriate
15 government agency to the effect that such by-laws or
16 amendments are in accordance with law.

17 SEC. 47. *Contents of By-Laws.* – A private corporation
18 may provide the following in its by-laws:

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

4 2) The time and manner of calling and conducting
5 regular or special meetings and mode of notifying the
6 stockholders or members thereof;

7 3) The required quorum in meetings of stockholders
8 or members and the manner voting therein;

9 4) The modes by which a stockholder, member,
10 director, or trustee may attend meetings and cast their
11 votes;

12 5) The form for proxies of stockholders and members
13 and the manner of voting them;

14 6) The directors' or trustees' qualifications, duties and
15 responsibilities, the guidelines for setting the compensation
16 of directors or trustees and officers, and the maximum
17 number of other board representations that an independent
18 director or trustee may have which shall, in no case, be more
19 than the number prescribed by the Commission;

1 7) The time for holding the annual election of
2 directors or trustees and the mode or manner of giving
3 notice thereof;

4 8) The manner of election or appointment and the
5 term of office of all officers other than directors or trustees;

6 9) The penalties for violation of the by-laws;

7 10) In the case of stock corporations, the manner of
8 issuing stock certificates; and

9 11) Such other matters as may be necessary for the
10 proper or convenient transaction of its corporate affairs for
11 the promotion of good governance and anti-graft and
12 corruption measures.

13 SEC. 48. *Amendment to By-Laws.* – Majority of the
14 board of directors or trustees, and the owners of at least a
15 majority of the outstanding capital stock, or at least a
16 majority of the members of a non-stock corporation, at a
17 regular or special meeting duly called for the purpose, may
18 amend or repeal the by-laws or adopt new by-laws. The
19 owners of two-thirds (2/3) of the outstanding capital stock
20 or two-thirds (2/3) of the members in a non-stock

1 corporation may delegate to the board of directors or
2 trustees the power to amend or repeal the by-laws or adopt
3 new by-laws: *Provided*, That any power delegated to the
4 board of directors or trustees to amend or repeal the by-
5 laws or adopt new by-laws shall be considered as revoked
6 whenever stockholders owning or representing a majority
7 of the outstanding capital stock or majority of the members
8 shall so vote at a regular or special meeting.

9 Whenever the by-laws are amended or new by-laws
10 are adopted, the corporation shall file with the Commission
11 such amended or new by-laws and, if applicable, the
12 stockholders' or members' resolution authorizing the
13 delegation of the power to amend and/or adopt new by-
14 laws, duly certified under oath by the corporate secretary
15 and a majority of the directors or trustees.

16 The amended or new by-laws shall only be effective
17 upon the issuance by the Commission of a certification that
18 the same is in accordance with this Code and other
19 relevant laws.

1 TITLE VI
2 MEETINGS

3 SEC. 49. *Kinds of Meetings.* – Meetings of directors,
4 trustees, stockholders, or members may be regular or
5 special.

6 SEC. 50. *Regular and Special Meetings of Stockholders*
7 *or Members.* – Regular meetings of stockholders or members
8 shall be held annually on a date fixed in the by-laws, or if
9 not so fixed, on any date after April 15 of every year as
10 determined by the board of directors or trustees: *Provided,*
11 That written notice of regular meetings shall be sent to all
12 stockholders or members of record at least twenty (20)
13 days prior to the meeting, unless a longer period is
14 required in the by-laws, law or regulation: *Provided,*
15 *further,* That written notice of regular meetings may be
16 sent to all stockholders or members of record through
17 electronic mail or such other manner as the Commission
18 shall allow under its guidelines.

1 At each regular meeting of stockholders or members,
2 the board of directors or trustees shall endeavor to present
3 to stockholders or members the following:

4 a) The minutes of the most recent regular meeting
5 which shall include, among others:

6 i) A description of the voting and vote tabulation
7 procedures used in the current meeting;

8 ii) A description of the opportunity given to
9 stockholders or members to ask questions and a record of
10 the questions asked and answers given;

11 iii) The matters discussed and resolutions reached;

12 iv) A record of the voting results for each agenda
13 item;

14 v) A list of the directors or trustees, officers and
15 stockholders or members who attended the meeting; and

16 vi) Such other items that the Commission may
17 require in the interest of good corporate governance and
18 the protection of minority stockholders.

- 1 b) A members' list for non-stock corporations and,
2 for stock corporations, material information on the current
3 stockholders and their voting rights;
- 4 c) A detailed, descriptive, balanced and comprehensible
5 assessment of the corporation's performance which shall
6 include information on any material change in the
7 corporation's business, strategy, and other affairs;
- 8 d) A financial report for the preceding year, which
9 shall include financial statements duly signed and certified
10 in accordance with this Code and the rules the Commission
11 may prescribe, a statement on the adequacy of the
12 corporation's internal controls or risk management
13 systems, and a statement of all external audit and non-
14 audit fees;
- 15 e) An explanation of the dividend policy and the
16 fact of payment of dividends or the reasons for non-
17 payment thereof;
- 18 f) Director or trustee profiles which shall include,
19 among others, their qualifications and relevant experience,
20 length of service in the corporation, trainings and continuing

1 education attended, and their board representations in other
2 corporations;

3 g) A director or trustee attendance report,
4 indicating the attendance of each director or trustee at
5 each of the meetings of the board and its committees and
6 in regular or special stockholder meetings;

7 h) Appraisals and performance reports for the board
8 and the criteria and procedure for assessment;

9 i) A director or trustee compensation report
10 prepared in accordance with this Code and the rules the
11 Commission may prescribe;

12 j) Director disclosures on self-dealings and related
13 party transactions and/or;

14 k) The profiles of directors nominated or seeking
15 election or re-election.

16 A director, trustee, stockholder or member may
17 propose any other matter for inclusion in the agenda at
18 any regular meeting of stockholders or members.

19 Special meetings of stockholders or members shall be
20 held at any time deemed necessary or as provided in the

1 by-laws: *Provided, however,* That written notice shall be
2 sent to all stockholders or members at least two (2) weeks
3 prior to the meeting, unless a longer period is provided in
4 the by-laws, law or regulation.

5 A stockholder or member shall have the right to
6 propose the holding of a special meeting and items to be
7 included in the agenda.

8 Notice of any meeting may be waived, expressly or
9 impliedly, by any stockholder or member: *Provided,* That
10 general waivers of notice in the articles of incorporation or
11 the by-laws shall not be allowed: *Provided, further,* That
12 attendance at a meeting shall constitute a waiver of notice
13 of such meeting, except when the person attends a meeting
14 for the express purpose of objecting to the transaction of
15 any business because the meeting is not lawfully called or
16 convened.

17 Whenever for any cause, there is no person authorized
18 to call a meeting, the Commission, upon petition of a
19 stockholder or member on a showing of good cause therefor,
20 may issue an order to the petitioning stockholder or member

1 directing him or her to call a meeting of the corporation by
2 giving proper notice required by this Code or the by-laws.
3 The petitioning stockholder or member shall preside
4 thereat until at least a majority of the stockholders or
5 members present have chosen from among themselves, a
6 presiding officer.

7 Unless the by-laws provide for a longer period, the
8 stock and transfer book or membership book shall be closed
9 at least twenty (20) days before the scheduled date of the
10 meeting.

11 In case of postponement of stockholders' or members'
12 regular meetings, written notice thereof and the reason
13 therefor shall be sent to all stockholders or members of
14 record at least two (2) weeks prior to the date of the
15 meeting, unless a different period is required under the by-
16 laws, law or regulation.

17 The right to vote may be exercised in person, through
18 a proxy, or when so authorized in the by-laws or by a
19 majority of the members of the board of directors, the
20 stockholders or members may also vote through remote

1 communication or *in absentia*. The Commission shall issue
2 the rules and regulations governing participation and
3 voting through remote communication or *in absentia*
4 taking into account the company's scale, number of
5 shareholders or members, structure, and other factors
6 consistent with the protection and promotion of shareholders'
7 or member's meetings.

8 SEC. 51. *Place and Time of Meetings of Stockholders*
9 *or Members.* — Stockholders' or members' meetings,
10 whether regular or special, shall be held in the principal
11 office of the corporation as set forth in the articles of
12 incorporation, or, if not practicable, in the city or
13 municipality where the principal office of the corporation is
14 located: *Provided*, That Metro Manila, Metro Cebu, Metro
15 Davao, and other metropolitan areas shall, for purposes of
16 this section, be considered a city or municipality.

17 Written notice of meetings shall be sent through the
18 means of communication provided in the by-laws, which

1 notice shall state the time, place and purpose of the
2 meetings.

3 Each notice of meeting shall further be accompanied
4 by the following:

5 a) The agenda for the meeting;

6 b) A proxy form which shall be submitted to the
7 corporate secretary within a reasonable time prior to the
8 meeting;

9 c) When attendance, participation and voting are
10 allowed by remote communication or *in absentia*, the
11 requirements and procedures to be followed when a
12 stockholder or member elects either option; and

13 d) When the meeting is for the election of directors or
14 trustees, the requirements and procedure for nomination.

15 All proceedings had and any business transacted at a
16 meeting of the stockholders or members, if within the
17 powers or authority of the corporation, shall be valid even
18 if the meeting is improperly held or called: *Provided*, That
19 all the stockholders or members of the corporation are
20 present or duly represented at the meeting and none of

1 them expressly states at the beginning of the meeting that
2 the purpose of their attendance is to object to the
3 transaction of any business because the meeting is not
4 lawfully called or convened.

5 SEC. 52. *Quorum in Meetings.* – Unless otherwise
6 provided in this Code or in the by-laws, a quorum shall
7 consist of the stockholders representing a majority of the
8 outstanding capital stock or a majority of the members in
9 the case of non-stock corporations.

10 SEC. 53. *Regular and Special Meetings of Directors*
11 *or Trustees; Quorum.* – Unless the articles of incorporation
12 or the by-laws provides for a greater majority, a majority of
13 the directors or trustees as stated in the articles of
14 incorporation shall constitute a quorum to transact
15 corporate business, and every decision reached by at least
16 a majority of the directors or trustees constituting a
17 quorum shall be valid as a corporate act, except for the
18 election of officers which shall require the vote of a
19 majority of all the members of the board.

1 Regular meetings of the board of directors or trustees
2 of every corporation shall be held monthly, unless the by-
3 laws provide otherwise.

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

7 Meetings of directors or trustees of corporations may
8 be held anywhere in or outside of the Philippines, unless
9 the by-laws provide otherwise. Notice of regular or special
10 meetings stating the date, time and place of the meeting
11 must be sent to every director or trustee at least two (2)
12 days prior to the scheduled meeting, unless a longer time
13 is provided in the by-laws. A director or trustee may waive
14 this requirement, either expressly or impliedly.

15 Directors or trustees cannot attend or vote by proxy
16 at board meetings. They can participate and vote through
17 remote communication such as videoconferencing,
18 teleconferencing or other alternative modes of
19 communication that allow them reasonable opportunity to
20 participate.

1 A director or trustee who has a potential interest in
2 any related party transaction must recuse himself or
3 herself from voting on the approval of the related party
4 transaction without prejudice to compliance with the
5 requirements of Section 32 of this Code.

6 SEC. 54. *Who Shall Preside at Meetings.* – The
7 president shall preside at all meetings of the directors or
8 trustees as well as of the stockholders or members, unless
9 the by-laws provide otherwise.

10 SEC. 55. *Right to Vote of Pledgors, Mortgagors, and
11 Administrators.* – In case of pledged or mortgaged shares
12 in stock corporations, the pledgor or mortgagor shall have
13 the right to attend and vote at meetings of stockholders,
14 unless the pledgee or mortgagee is expressly given by the
15 pledgor or mortgagor such right in writing which is
16 recorded in the appropriate corporate books.

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

1 SEC. 56. *Voting in Case of Joint Ownership of Stock.* –
2 The consent of all the co-owners shall be necessary in
3 voting shares of stock owned jointly by two (2) or more
4 persons, unless there is a written proxy, signed by all the
5 co-owners, authorizing one (1) or some of them or any other
6 person to vote such share or shares: *Provided*, That when
7 the shares are owned in an “and/or” capacity by the holders
8 thereof, any one of the joint owners can vote said shares or
9 appoint a proxy therefor.

10 SEC. 57. *Voting Right for Treasury Shares.* – Treasury
11 shares shall have no voting right as long as such shares
12 remain in the Treasury.

13 SEC. 58. *Manner of Voting; Proxies.* – Stockholders
14 and members may vote in person or by proxy in all
15 meetings of stockholders or members.

16 When so authorized in the by-laws or by a majority of
17 the board of directors, the stockholders or members of
18 corporations may also vote through remote communication
19 or *in absentia*: *Provided*, That the right to vote through
20 such modes may be exercised in corporations vested with

1 public interest, notwithstanding the absence of a provision
2 in the by-laws of the corporation: *Provided, further,* That
3 the votes are received before the corporation finishes the
4 tally of votes.

5 When a stockholder or member participates through
6 remote communication or *in absentia*, he or she shall be
7 deemed present for purposes of quorum.

8 The corporation shall establish the appropriate
9 requirements and procedures for voting through remote
10 communication and *in absentia*, taking into account the
11 company's scale, number of shareholders or members,
12 structure and other factors consistent with the basic right
13 corporate suffrage.

14 Proxies shall be signed and filed, by the stockholder
15 or member, in any form authorized in the by-laws and
16 received by the corporate secretary within a reasonable
17 time before the scheduled meeting. Unless otherwise
18 provided in the proxy form, it shall be valid only for the
19 meeting for which it is intended. No proxy shall be valid

1 and effective for a period longer than five (5) years at any
2 one time.

3 SEC. 59. *Voting Trusts.* – One or more stockholders
4 of a stock corporation may create a voting trust for the
5 purpose of conferring upon a trustee or trustees the right
6 to vote and other rights pertaining to the shares for a
7 period not exceeding five (5) years at any time: *Provided,*
8 That in the case of a voting trust specifically required as a
9 condition in a loan agreement, said voting trust may be for
10 a period exceeding five (5) years but shall automatically
11 expire upon full payment of the loan. A voting trust
12 agreement must be in writing and notarized, and shall
13 specify the terms and conditions thereof. A certified copy of
14 such agreement shall be filed with the corporation and
15 with the Commission; otherwise, said agreement is
16 ineffective and unenforceable. The certificate or certificates
17 of stock covered by the voting trust agreement shall be
18 cancelled and new ones shall be issued in the name of the
19 trustee or trustees, stating that they are issued pursuant
20 to said agreement. The books of the corporation shall state

1 that the transfer in the name of the trustee or trustees is
2 made pursuant to said voting trust agreement.

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

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

14 Any other stockholder may transfer his or her shares
15 to the same trustee or trustees upon the terms and
16 conditions stated in the voting trust agreement, and
17 thereupon shall be bound by all the provisions of said
18 agreement.

19 No voting trust agreement shall be entered into for
20 purposes of circumventing the laws against anti-competitive

1 agreements, abuse of dominant position, anti-competitive
2 mergers and acquisitions, violation of nationality and capital
3 requirements, or for the perpetuation of fraud.

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

11 The voting trustee or trustees may vote by proxy or in
12 any manner authorized under the by-laws unless the
13 agreement provides otherwise.

14 SEC. 60. *Subscription Contract.* – Any contract for the
15 acquisition of unissued stock in an existing corporation or a
16 corporation still to be formed shall be deemed a subscription
17 within the meaning of this Title, notwithstanding the fact
18 that the parties refer to it as a purchase or some other
19 contract.

1

TITLE VII

2

STOCKS AND STOCKHOLDERS

3 SEC. 61. *Pre-Incorporation Subscription.* – A subscription
4 of shares in a corporation still to be formed shall be irrevocable
5 for a period of at least six (6) months from the date of
6 subscription, unless all of the other subscribers consent to
7 the revocation, or the corporation fails to incorporate
8 within the same period or within a longer period
9 stipulated in the contract of subscription. No pre-
10 incorporation subscription may be revoked after the
11 articles of incorporation is submitted to the Commission.

12 SEC. 62. *Consideration for Stocks.* – Stocks shall not
13 be issued for a consideration less than the par or issued
14 price thereof. Consideration for the issuance of stock may
15 be:

- 16 1) Actual cash paid to the corporation;
17 2) Property, tangible or intangible, actually received
18 by the corporation and necessary or convenient for its use

1 and lawful purposes at a fair valuation equal to the par or
2 issued value of the stock issued;

3 3) Labor performed for or services actually rendered
4 to the corporation;

5 4) Previously incurred indebtedness of the corporation;

6 5) Amounts transferred from unrestricted retained
7 earnings to stated capital;

8 6) Outstanding shares exchanged for stocks in the
9 event of reclassification or conversion;

10 7) Shares of stock in another corporation; and/or

11 8) Other generally accepted form of consideration.

12 Where the consideration is other than actual cash, or
13 consists of intangible property such as patents or
14 copyrights, the valuation thereof shall initially be
15 determined by the incorporators or the board of directors,
16 subject to the approval of the Commission.

17 Shares of stock shall not be issued in exchange for
18 promissory notes or future service. The same considerations
19 provided in this section, insofar as applicable, may be used
20 for the issuance of bonds by the corporation.

1 The issued price of no-par value shares may be fixed
2 in the articles of incorporation or by the board of directors
3 pursuant to authority conferred by the articles of incorporation
4 or the by-laws, or if not so fixed, by the stockholders
5 representing at least a majority of the outstanding capital
6 stock at a meeting duly called for the purpose.

7 SEC. 63. *Certificate of Stock and Transfer of Shares.* –
8 The capital stock of corporations shall be divided into
9 shares for which certificates signed by the president or vice
10 president, countersigned by the secretary or assistant
11 secretary, and sealed with the seal of the corporation shall
12 be issued in accordance with the by-laws. Shares of stock
13 so issued are personal property and may be transferred by
14 delivery of the certificate or certificates indorsed by the
15 owner, his or her attorney-in-fact, or any other person
16 legally authorized to make the transfer. No transfer,
17 however, shall be valid, except as between the parties,
18 until the transfer is recorded in the books of the
19 corporation showing the names of the parties to the
20 transaction, the date of the transfer, the number of the

1 certificate or certificates, and the number of shares
2 transferred. The Commission may require corporations
3 whose securities are traded in trading markets and which
4 can reasonably demonstrate their capability to do so to
5 issue their securities or shares of stocks in uncertificated
6 or scripless form in accordance with the rules of the
7 Commission.

8 No shares of stock against which the corporation
9 holds any unpaid claim shall be transferable in the books
10 of the corporation.

11 SEC. 64. *Issuance of Stock Certificates.* – No certificate
12 of stock shall be issued to a subscriber until the full
13 amount of his or her subscription together with interest
14 and expenses (in case of delinquent shares), if any is due,
15 has been paid.

16 SEC. 65. *Liability of Directors for Watered Stocks.* – A
17 director or officer of a corporation who: a) consents to the
18 issuance of stocks for a consideration less than its par or
19 issued value; b) consents to the issuance of stocks for a
20 consideration other than cash, valued in excess of its fair

1 value; or c) having knowledge of the insufficient consideration,
2 does not file his or her written objection with the corporate
3 secretary, shall be liable to the corporation or its creditors,
4 solidarily with the stockholder concerned for the difference
5 between the value received at the time of issuance of the
6 stock and the par or issued value of the same.

7 SEC. 66. *Interest on Unpaid Subscriptions.* – Subscribers
8 to stocks shall be liable to the corporation for interest on
9 all unpaid subscriptions from the date of subscription, if so
10 required by, and at the rate of interest fixed in the by-laws.
11 If no rate of interest is fixed in the by-laws, the prevailing
12 legal rate shall apply.

13 SEC. 67. *Payment of Balance of Subscription.* – Subject
14 to the provisions of the subscription contract, the board of
15 directors may at any time, declare due and payable to the
16 corporation unpaid subscriptions and may collect the same
17 or such percentage thereof, in either case, with accrued
18 interest, if any, as it may deem necessary.

19 Payment of unpaid subscription or any percentage
20 thereof, together with any interest accrued shall be made

1 on the date specified in the subscription contract or on the
2 date stated in the call made by the board. Failure to pay on
3 such date shall render the entire balance due and payable
4 and shall make the stockholder liable for interest at the
5 legal rate on such balance, unless a different interest rate
6 is provided in the by-laws. The interest shall be computed
7 from the date specified, until full payment of the
8 subscription. If no payment is made within thirty (30) days
9 from the said date, all stocks covered by said subscription
10 shall thereupon become delinquent and shall be subject to
11 sale as hereinafter provided, unless the board of directors
12 orders otherwise.

13 SEC. 68. *Delinquency Sale.* – The board of directors
14 may, by resolution, order the sale of delinquent stock and
15 shall specifically state the amount due on each
16 subscription plus all accrued interest, and the date, time
17 and place of the sale which shall not be less than thirty
18 (30) days nor more than sixty (60) days from the date the
19 stocks become delinquent.

1 Notice of said sale, with a copy of the resolution, shall
2 be sent to every delinquent stockholder either personally,
3 by registered mail, or through other means provided in the
4 by-laws. The same shall be published once a week for two
5 (2) consecutive weeks in a newspaper of general circulation
6 in the province or city where the principal office of the
7 corporation is located.

8 Unless the delinquent stockholder pays to the
9 corporation, on or before the date specified for the sale of
10 the delinquent stock, the balance due on his or her
11 subscription, plus accrued interest, costs of advertisement
12 and expenses of sale, or unless the board of directors
13 otherwise orders, said delinquent stock shall be sold at a
14 public auction to such bidder who shall offer to pay the full
15 amount of the balance on the subscription together with
16 accrued interest, costs of advertisement and expenses of
17 sale, for the smallest number of shares or fraction of a
18 share. The stock so purchased shall be transferred to such
19 purchaser in the books of the corporation and a certificate
20 for such stock shall be issued in his or her favor. The

1 remaining shares, if any, shall be credited in favor of the
2 delinquent stockholder who shall likewise be entitled to
3 the issuance of a certificate of stock covering such shares.

4 Should there be no bidder at the public auction who
5 offers to pay the full amount of the balance on the
6 subscription together with accrued interest, costs of
7 advertisement and expenses of sale, for the smallest
8 number of shares or fraction of a share, the corporation
9 may, subject to the provisions of this Code, bid for the
10 same, and the total amount due shall be credited as fully
11 paid in the books of the corporation. Title to all the shares
12 of stock covered by the subscription shall be vested in the
13 corporation as treasury shares and may be disposed of by
14 said corporation in accordance with the provisions of this
15 Code.

16 SEC. 69. *When Sale May Be Questioned.* – No action to
17 recover delinquent stock sold can be sustained upon the
18 ground of irregularity or defect in the notice of sale, or in
19 the sale itself of the delinquent stock, unless the party
20 seeking to maintain such action first pays or tenders to the

1 party holding the stock the sum for which the same was
2 sold, with interest from the date of sale at the legal rate;
3 and no such action shall be maintained unless a complaint
4 is filed within six (6) months from the date of sale.

5 *SEC. 70. Court Action to Recover Unpaid Subscription.* –
6 Nothing in this Code shall prevent the corporation from
7 collecting through court action, the amount due on any
8 unpaid subscription, with accrued interest, costs and
9 expenses.

10 *SEC. 71. Effect of Delinquency.* – No delinquent
11 stock shall be voted for, be entitled to vote, or be
12 represented at any stockholder's meeting, nor shall the
13 holder thereof be entitled to any of the rights of a
14 stockholder except the right to dividends in accordance
15 with the provisions of this Code, until and unless he pays
16 the amount due on his or her subscription with accrued
17 interest, and the costs and expenses of advertisement, if
18 any.

1 SEC. 72. *Rights of Unpaid Shares, Non-Delinquent.*

2 – Holders of subscribed shares not fully paid which are not
3 delinquent shall have all the rights of a stockholder.

4 SEC. 73. *Lost or Destroyed Certificates.* – The

5 following procedure shall be followed by a corporation in
6 issuing new certificates of stock in lieu of those which have
7 been lost, stolen or destroyed:

8 1) The registered owner of a certificate of stock in a
9 corporation or his or her legal representative shall file with
10 the corporation an affidavit in triplicate setting forth, if
11 possible, the circumstances as to how the certificate was
12 lost, stolen or destroyed, the number of shares represented
13 by such certificate, the serial number of the certificate and
14 the name of the corporation which issued the same. He or
15 she shall also submit such other information and evidence
16 which he or she may deem necessary;

17 2) After verifying the affidavit and other information
18 and evidence with the books of the corporation, said
19 corporation shall publish a notice in a newspaper of
20 general circulation published in the place where the

1 corporation has its principal office, once a week for three
2 (3) consecutive weeks at the expense of the registered
3 owner of the certificate of stock which has been lost, stolen
4 or destroyed. The notice shall state the name of said
5 corporation, the name of the registered owner, the serial
6 number of said certificate, the number of shares
7 represented by such certificate, and shall state that after
8 the expiration of one (1) year from the date of the last
9 publication, if no contest has been presented to the
10 corporation regarding said certificate of stock, the right to
11 make such contest shall be barred and the corporation
12 shall cancel the lost, destroyed or stolen certificate of stock
13 in its books. In lieu thereof, the corporation shall issue a
14 new certificate of stock, unless the registered owner files a
15 bond or other security as may be required, effective for a
16 period of one (1) year, for such amount and in such form
17 and with such sureties as may be satisfactory to the board
18 of directors, in which case a new certificate may be issued
19 even before the expiration of the one (1) year period
20 provided herein. If a contest has been presented to said

1 corporation or if an action is pending in court regarding the
2 ownership of said certificate of stock which has been lost,
3 stolen or destroyed, the issuance of the new certificate of
4 stock in lieu thereof shall be suspended until the final
5 decision by the court regarding the ownership of said
6 certificate of stock which has been lost, stolen or destroyed.

7 Except in case of fraud, bad faith, or negligence on
8 the part of the corporation and its officers, no action may
9 be brought against any corporation which shall have issued
10 certificate of stock in lieu of those lost, stolen or destroyed
11 pursuant to the procedure above-described.

TITLE VIII

CORPORATE BOOKS AND RECORDS

14 SEC. 74. *Books to be Kept; Stock Transfer Agent.* -

15 Every corporation shall keep and carefully preserve at its

16 principal office all information relating to the corporation

17 including, but not limited to:

18 1) The articles of incorporation and by-laws of the
19 corporation and all their amendments;

- 1 2) The current ownership structure and voting
- 2 rights of the corporation, including lists of stockholders or
- 3 members, group structures, intra-group relations,
- 4 ownership data, and beneficial ownership;
- 5 3) The names and addresses of all the members of
- 6 the board of directors or trustees and the executive officers;
- 7 4) A record of all business transactions;
- 8 5) A record of the resolutions of the board of
- 9 directors or trustees and of the stockholders or members;
- 10 6) Copies of the latest reportorial requirements
- 11 submitted to the Commission; and
- 12 7) The minutes of all meetings of stockholders or
- 13 members, or of the board of directors or trustees. Such
- 14 minutes shall set forth in detail, among others: the time
- 15 and place of the meeting held, how it was authorized, the
- 16 notice given, the agenda therefor, whether the meeting was
- 17 regular or special, its object if special, those present and
- 18 absent, and every act done or ordered done at the meeting.
- 19 Upon the demand of a director, trustee, stockholder or
- 20 member, the time when any director, trustee, stockholder

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

7 Corporate records, regardless of the form in which
8 they are stored, shall be open to inspection by any director,
9 trustee, stockholder or member of the corporation in person
10 or by a representative at reasonable hours on business
11 days, and he or she may demand in writing, at his or her
12 expense, for copies of such records or excerpts from said
13 records. The inspecting or reproducing party shall remain
14 bound by confidentiality rules under prevailing laws such
15 as the data privacy act, rules on trade secrets or processes,
16 Securities Regulation Code, and rules of court.

17 There is no right to inspect and/or reproduce
18 corporate records if the requesting party is not a
19 stockholder or member of record, or is a competitor,

1 director, officer, controlling stockholder or otherwise
2 represents the interests of a competitor.

3 Any stockholder who shall abuse the rights granted
4 under this section shall be penalized under Section 171 of
5 this Code.

6 Any officer or agent of the corporation who shall
7 refuse to allow the inspection and/or reproduction of
8 records in accordance with the provisions of this Code,
9 shall be liable to such director, trustee, stockholder or
10 member for damages, and in addition, shall be guilty of an
11 offense which shall be punishable under Section 162 of this
12 Code: *Provided*, That if such refusal is made pursuant to a
13 resolution or order of the board of directors or trustees, the
14 liability under this section for such action shall be imposed
15 upon the directors or trustees who voted for such refusal:
16 *Provided, further*, That it shall be a defense to any action
17 under this section that the person demanding to examine
18 and copy excerpts from the corporation's records and
19 minutes has improperly used any information secured
20 through any prior examination of the records or minutes of

1 such corporation or of any other corporation, or was not
2 acting in good faith or for a legitimate purpose in making
3 his or her demand, or is a competitor, director, officer,
4 controlling stockholder or otherwise represents the
5 interests of a competitor.

6 If the corporation denies or does not act on a demand
7 for inspection and/or reproduction, the aggrieved party
8 may report such to the Commission. Within five (5) days
9 from receipt of such report, the Commission shall conduct a
10 summary investigation and issue an order directing the
11 inspection or reproduction of the requested records.

12 Stock corporations must also keep a stock and
13 transfer book, which shall contain a record of all stocks in
14 the names of the stockholders alphabetically arranged; the
15 installments paid and unpaid on all stocks for which
16 subscription has been made, and the date of payment of
17 any installment; a statement of every alienation, sale or
18 transfer of stock made, the date thereof, by and to whom
19 made; and such other entries as the by-laws may prescribe.
20 The stock and transfer book shall be kept in the principal

1 office of the corporation or in the office of its stock transfer
2 agent and shall be open for inspection by any director or
3 stockholder of the corporation at reasonable hours on
4 business days.

5 No stock transfer agent or one engaged principally in
6 the business of registering transfers of stocks in behalf of a
7 stock corporation shall be allowed to operate in the
8 Philippines unless he or she secures a license from the
9 Commission and pays a fee as may be fixed by the
10 Commission, which shall be renewable annually: *Provided,*
11 That a stock corporation is not precluded from performing
12 or making transfers of its own stocks, in which case all the
13 rules and regulations imposed on stock transfer agents,
14 except the payment of a license fee herein provided, shall
15 be applicable: *Provided, further,* That the Commission may
16 require stock corporations which transfer and/or trade
17 stocks in secondary markets to have an independent
18 transfer agent.

19 SEC. 75. *Right to Financial Statements.* – Within ten
20 (10) days from receipt of a written request from a

1 stockholder or member, the corporation shall furnish him
2 or her its most recent financial statement, in the form and
3 substance of the financial reporting required by the
4 Commission.

5 At the regular meeting of stockholders or members,
6 the board of directors or trustees shall present to such
7 stockholders or members a financial report of the
8 operations of the corporation for the preceding year, which
9 shall include financial statements, duly signed and
10 certified in accordance with this Code and the rules the
11 Commission may prescribe.

12 However, if the total assets or total liabilities of the
13 corporation is less than Six hundred thousand pesos
14 (P600,000.00), or such other amount as may be determined
15 appropriate by the Department of Finance, the financial
16 statements may be certified under oath by the treasurer
17 and the president.

1 TITLE IX

2 MERGER AND CONSOLIDATION

3 SEC. 76. *Plan of Merger or Consolidation.* – Two (2) or
4 more corporations may merge into a single corporation
5 which shall be one (1) of the constituent corporations or
6 may consolidate into a new single corporation which shall
7 be the consolidated corporation.

8 The board of directors or trustees of each corporation,
9 party to the merger or consolidation, shall approve a plan
10 of merger or consolidation setting forth the following:

11 1) The names of the corporations proposing to
12 merge or consolidate, hereinafter referred to as the
13 constituent corporations;

14 2) The terms of the merger or consolidation and the
15 mode of carrying the same into effect;

16 3) A statement of the changes, if any, in the articles
17 of incorporation of the surviving corporation in case of
18 merger; and, in case of consolidation, all the statements
19 required to be set forth in the articles of incorporation for
20 corporations organized under this Code; and

1 4) Such other provisions with respect to the
2 proposed merger or consolidation as are deemed necessary
3 or desirable.

4 *SEC. 77. Stockholders' or Members' Approval.* – Upon
5 approval by majority vote of each of the board of directors
6 or trustees of the constituent corporations of the plan of
7 merger or consolidation, the same shall be submitted for
8 approval by the stockholders or members of each of such
9 corporations at separate corporate meetings duly called for
10 the purpose. Notice of such meetings shall be given to all
11 stockholders or members of the respective corporations in
12 the same manner as giving notice of regular or special
13 meetings under Section 50. Said notice shall state the
14 purpose of the meeting and include a copy or a summary of
15 the plan of merger or consolidation.

16 The affirmative vote of stockholders representing at
17 least two-thirds (2/3) of the outstanding capital stock of
18 each corporation in the case of stock corporations or at
19 least two-thirds (2/3) of the members in the case of non-
20 stock corporations shall be necessary for the approval of

1 such plan. Any dissenting stockholder may exercise his or
2 her appraisal right in accordance with the Code: *Provided,*
3 That if after the approval by the stockholders of such plan,
4 the board of directors decides to abandon the plan, the
5 appraisal right shall be extinguished.

6 Any amendment to the plan of merger or
7 consolidation may be made, provided such amendment is
8 approved by majority vote of the respective boards of
9 directors or trustees of all the constituent corporations and
10 ratified by the affirmative vote of stockholders
11 representing at least two-thirds (2/3) of the outstanding
12 capital stock or of two-thirds (2/3) of the members of each
13 of the constituent corporations. Such plan, together with
14 any amendment, shall be considered as the agreement of
15 merger or consolidation.

16 SEC. 78. *Articles of Merger or Consolidation.* – After
17 the approval by the stockholders or members as required
18 by the preceding section, articles of merger or articles of
19 consolidation shall be executed by each of the constituent
20 corporations, to be signed by the president or vice-

1 president and certified by the secretary or assistant
2 secretary of each corporation setting forth:

3 1) The plan of the merger or the plan of
4 consolidation;

5 2) As to stock corporations, the number of shares
6 outstanding, or in the case of non-stock corporations, the
7 number of members;

8 3) As to each corporation, the number of shares or
9 members voting for or against such plan, respectively;

10 4) The carrying amounts and fair values of the
11 assets and liabilities of the respective companies as of the
12 agreed cut-off date;

13 5) The method to be used in the merger or
14 consolidation of accounts of the companies;

15 6) The provisional or pro-forma values, as merged
16 or consolidated, using the accounting method; and

17 7) Such other information as may be prescribed by
18 the Commission.

19 SEC. 79. *Effectivity of Merger or Consolidation.* – The
20 articles of merger or of consolidation, signed and certified

1 as required by the Code, shall be submitted to the
2 Commission in quadruplicate for its approval: *Provided,*
3 That in the case of merger or consolidation of banks or
4 banking institutions, loan associations, trust companies,
5 insurance companies, public utilities, educational
6 institutions, and other special corporations governed by
7 special laws, the favorable recommendation of the
8 appropriate government agency shall first be obtained. If
9 the Commission is satisfied that the merger or
10 consolidation of the corporations concerned is not
11 inconsistent with the provisions of this Code and existing
12 laws, it shall issue a certificate approving the articles and
13 plan of merger or of consolidation, at which time the
14 merger or consolidation shall be effective.

15 If, upon investigation, the Commission has reason
16 to believe that the proposed merger or consolidation is
17 contrary to or inconsistent with the provisions of this Code
18 or existing laws, it shall set a hearing to give the
19 corporations concerned the opportunity to be heard.
20 Written notice of the date, time and place of hearing shall

1 be given to each constituent corporation at least two (2)
2 weeks before said hearing. The Commission shall thereafter
3 proceed as provided in this Code.

4 *SEC. 80. Effects of Merger or Consolidation.* – The
5 merger or consolidation shall have the following effects:

6 1) The constituent corporations shall become a
7 single corporation which, in case of merger, shall be the
8 surviving corporation designated in the plan of merger;
9 and, in case of consolidation, shall be the consolidated
10 corporation designated in the plan of consolidation;

11 2) The separate existence of the constituent
12 corporations shall cease, except that of the surviving or the
13 consolidated corporation;

14 3) The surviving or the consolidated corporation
15 shall possess all the rights, privileges, immunities and
16 powers and shall be subject to all the duties and liabilities
17 of a corporation organized under this Code;

18 4) The surviving or the consolidated corporation
19 shall possess all the rights, privileges, immunities and
20 franchises of each constituent corporation; and all real or

1 personal property, all receivables due on whatever account,
2 including subscriptions to shares and other choses in
3 action, and every other interest of, belonging to, or due to
4 each constituent corporation, shall be deemed transferred
5 to and vested in such surviving or consolidated corporation
6 without further act or deed; and

7 5) The surviving or consolidated corporation shall be
8 responsible for all the liabilities and obligations of each
9 constituent corporation as though such surviving or
10 consolidated corporation had itself incurred such liabilities
11 or obligations; and any pending claim, action or proceeding
12 brought by or against any constituent corporation may be
13 prosecuted by or against the surviving or consolidated
14 corporation. The rights of creditors or liens upon the
15 property of such constituent corporations shall not be
16 impaired by the merger or consolidation.

TITLE X

APPRAISAL RIGHT

19 SEC. 81. *Instances of Appraisal Right.* — Any
20 stockholder of a corporation shall have the right to dissent

1 and demand payment of the fair value of his or her shares
2 in the following instances:

3 1) In case an amendment to the articles of
4 incorporation has the effect of changing or restricting the
5 rights of any stockholder or class of shares, or of
6 authorizing preferences in any respect superior to those of
7 outstanding shares of any class, or of extending or
8 shortening the term of corporate existence;

9 2) In case of sale, lease, exchange, transfer,
10 mortgage, pledge or other disposition of all or substantially
11 all of the corporate property and assets as provided in the
12 Code; and

13 3) In case of merger or consolidation.

14 SEC. 82. *How Right is Exercised.* – The dissenting
15 stockholder who votes against a proposed corporate action
16 may exercise his or her appraisal right by making a
17 written demand on the corporation for the payment of the
18 fair value of his or her shares within thirty (30) days from
19 the date on which the vote was taken: *Provided*, That
20 failure to make the demand within such period shall be

1 deemed a waiver of the appraisal right. If the proposed
2 corporate action is implemented, the corporation shall pay
3 the stockholder, upon surrender of the certificate or
4 certificates of stock representing his or her shares, the fair
5 value thereof as of the day before the vote was taken,
6 excluding any appreciation or depreciation in anticipation
7 of such corporate action.

8 If within sixty (60) days from the approval of the
9 corporate action by the stockholders, the withdrawing
10 stockholder and the corporation cannot agree on the fair
11 value of the shares, it shall be determined and appraised
12 by three (3) disinterested persons, one (1) of whom shall be
13 named by the stockholder, another by the corporation, and
14 the third by the two (2) thus chosen. The findings of the
15 majority of the appraisers shall be final, and their award
16 shall be paid by the corporation within thirty (30) days
17 after such award is made: *Provided*, That no payment shall
18 be made to any dissenting stockholder unless the
19 corporation has unrestricted retained earnings in its books
20 to cover such payment: *Provided, further*, That upon

1 payment by the corporation of the agreed or awarded price,
2 the stockholder shall forthwith transfer his or her shares
3 to the corporation.

4 *SEC. 83. Effect of Demand and Termination of Right.*
5 – From the time of demand for payment of the fair value of
6 a stockholder's shares until either the abandonment of the
7 corporate action involved or the purchase of the said shares
8 by the corporation, all rights accruing to such shares,
9 including voting and dividend rights, shall be suspended in
10 accordance with the provisions of this Code, except the
11 right of such stockholder to receive payment of the fair
12 value thereof: *Provided*, That if the dissenting stockholder
13 is not paid the value of his or her shares within thirty (30)
14 days after the award, his or her voting and dividend rights
15 shall immediately be restored.

16 *SEC. 84. When Right to Payment Ceases.* – No demand
17 for payment under this Title may be withdrawn unless the
18 corporation consents thereto. If, however, such demand for
19 payment is withdrawn with the consent of the corporation,
20 or if the proposed corporate action is abandoned or

1 rescinded by the corporation or disapproved by the
2 Commission where such approval is necessary, or if the
3 Commission determines that such stockholder is not
4 entitled to the appraisal right, then the right of said
5 stockholder to be paid the fair value of his or her shares
6 shall cease, his or her status as a stockholder shall be
7 restored, and all dividend distributions which would have
8 accrued on his or her shares shall be paid to him or her.

9 *SEC. 85. Who Bears Costs of Appraisal.* – The costs
10 and expenses of appraisal shall be borne by the
11 corporation, unless the fair value ascertained by the
12 appraisers is approximately the same as the price which
13 the corporation may have offered to pay the stockholder, in
14 which case they shall be borne by the latter. In the case of
15 an action to recover such fair value, all costs and expenses
16 shall be assessed against the corporation, unless the
17 refusal of the stockholder to receive payment was
18 unjustified.

19 *SEC. 86. Notation on Certificates; Rights of Transferee.* –
20 Within ten (10) days after demanding payment for his or her

1 shares, a dissenting stockholder shall submit the
2 certificates of stock representing his or her shares to the
3 corporation for notation that such shares are dissenting
4 shares. His or her failure to do so shall, at the option of the
5 corporation, terminate his or her rights under this Title. If
6 shares represented by the certificates bearing such
7 notation are transferred, and the certificates consequently
8 cancelled, the rights of the transferor as a dissenting
9 stockholder under this Title shall cease and the transferee
10 shall have all the rights of a regular stockholder; and all
11 dividend distributions which would have accrued on such
12 shares shall be paid to the transferee.

TITLE XI

NON-STOCK CORPORATION

15 SEC. 87. *Definition.* — For purposes of this Code and
16 subject to its provisions on dissolution, a non-stock
17 corporation is one where no part of its income is
18 distributable as dividends to its members, trustees, or
19 officers: *Provided*, That any profit which a non-stock
20 corporation may obtain incident to its operations shall,

1 whenever necessary or proper, be used for the furtherance
2 of the purpose or purposes for which the corporation was
3 organized, subject to the provisions of this Title.

4 The provisions governing stock corporations, when
5 pertinent, shall be applicable to non-stock corporations,
6 except as may be covered by specific provisions of this
7 Title.

8 SEC. 88. *Purposes.* – Non-stock corporations may be
9 formed or organized for charitable, religious, educational,
10 professional, cultural, fraternal, literary, scientific, social,
11 civic service, or similar purposes, like trade, industry,
12 agricultural and like chambers, or any combination
13 thereof, subject to the special provisions of this Title
14 governing particular classes of non-stock corporations.

15 CHAPTER I – MEMBERS

16 SEC. 89. *Right to Vote.* – The right of the members of
17 any class or classes to vote may be limited, broadened, or
18 denied to the extent specified in the articles of
19 incorporation or the by-laws. Unless so limited, broadened,

1 or denied, each member, regardless of class, shall be
2 entitled to one (1) vote.

3 Unless otherwise provided in the articles of
4 incorporation or the by-laws, a member may vote by proxy,
5 in accordance with the provisions of this Code. The by-laws
6 may likewise authorize voting through remote
7 communication and/or *in absentia*.

8 SEC. 90. *Non-Transferability of Membership.* –
9 Membership in a non-stock corporation and all rights arising
10 therefrom are personal and non-transferable, unless the
11 articles of incorporation or the by-laws otherwise provide.

12 SEC. 91. *Termination of Membership.* – Membership
13 shall be terminated in the manner and for the causes
14 provided in the articles of incorporation or the by-laws.
15 Termination of membership shall extinguish all rights of a
16 member in the corporation or in its property, unless
17 otherwise provided in the articles of incorporation or the
18 by-laws.

1 CHAPTER II – TRUSTEES AND OFFICERS

2 SEC. 92. *Election and Term of Trustees.* – The
3 number of trustees shall be fixed in the articles of
4 incorporation or by-laws but shall not exceed fifteen (15).
5 They shall hold office for not more than three (3) years
6 until their successors are elected and qualified. Trustees
7 elected to fill vacancies occurring before the expiration of a
8 particular term shall hold office only for the unexpired
9 period.

10 Except with respect to independent trustees of
11 non-stock corporations vested with public interest, no
12 person shall be elected as trustee unless he or she is a
13 member of the corporation.

14 Unless otherwise provided in the articles of
15 incorporation or the by-laws, the members may directly
16 elect officers of a non-stock corporation.

17 SEC. 93. *List of Members and Proxies, Place of Meetings.*

18 – The corporation shall, at all times, keep a list of its
19 members and their proxies in the form the Commission
20 may require. The list shall be updated to reflect the

1 members and proxies of record twenty (20) days prior to
2 any scheduled election. The by-laws may provide that the
3 members of a non-stock corporation may hold their regular
4 or special meetings at any place even outside the place
5 where the principal office of the corporation is located:
6 *Provided*, That proper notice is sent to all members
7 indicating the date, time and place of the meeting;
8 *Provided, further*, That the place of meeting shall be within
9 the Philippines.

10 CHAPTER III – DISTRIBUTION OF ASSETS IN NON-STOCK
11 CORPORATIONS

12 SEC. 94. *Rules of Distribution.* – In case of dissolution
13 of a non-stock corporation in accordance with the
14 provisions of this Code for reasons other than those set
15 forth in Section 139 (5), its assets shall be applied and
16 distributed as follows:

17 1) All liabilities and obligations of the corporation
18 shall be paid, satisfied and discharged, or adequate
19 provision shall be made therefor;

1 2) Assets held by the corporation upon a condition
2 requiring return, transfer or conveyance, and which
3 condition occurs by reason of the dissolution, shall be
4 returned, transferred or conveyed in accordance with such
5 requirements;

6 3) Assets received and held by the corporation
7 subject to limitations permitting their use only for
8 charitable, religious, benevolent, educational or similar
9 purposes, but not held upon a condition requiring return,
10 transfer or conveyance by reason of the dissolution, shall
11 be transferred or conveyed to one (1) or more corporations,
12 societies or organizations engaged in activities in the
13 Philippines substantially similar to those of the dissolving
14 corporation according to a plan of distribution adopted
15 pursuant to this Chapter;

16 4) Assets other than those mentioned in the
17 preceding paragraphs, if any, shall be distributed in
18 accordance with the provisions of the articles of
19 incorporation or the by-laws, to the extent that the articles
20 of incorporation or the by-laws, determine the distributive

1 rights of members, or any class or classes of members, or
2 provide for distribution; and

3 5) In any other case, assets may be distributed to
4 such persons, societies, organizations or corporations,
5 whether or not organized for profit, as may be specified in
6 a plan of distribution adopted pursuant to this Chapter.

7 SEC. 95. *Plan of Distribution of Assets.* – A plan
8 providing for the distribution of assets, consistent with the
9 provisions of this Title, may be adopted by a non-stock
10 corporation in the process of dissolution in the following
11 manner:

12 The board of trustees shall, by majority vote, adopt a
13 resolution recommending a plan of distribution and
14 directing the submission thereof to a vote at a regular or
15 special meeting of members having voting rights. Each
16 member entitled to vote shall be given a written notice
17 setting forth the proposed plan of distribution or a
18 summary thereof and the date, time and place of such
19 meeting within the time and in the manner provided in
20 this Code for the giving of notice of meetings. Such plan of

1 distribution shall be adopted upon approval of at least
2 two-thirds (2/3) of the members having voting rights
3 present or represented by proxy at such meeting.

4 TITLE XII

5 CLOSE CORPORATIONS

6 SEC. 96. *Definition and Applicability of Title.* – A
7 close corporation, within the meaning of this Code, is one
8 whose articles of incorporation provides that: 1) All the
9 corporation's issued stock of all classes, exclusive of
10 treasury shares, shall be held of record by not more than a
11 specified number of persons, not exceeding twenty (20);
12 2) all the issued stock of all classes shall be subject to one
13 (1) or more specified restrictions on transfer permitted by
14 this Title; and 3) The corporation shall not list in any stock
15 exchange or make any public offering of its stocks of any
16 class. Notwithstanding the foregoing, a corporation shall
17 not be deemed a close corporation when at least two-thirds
18 (2/3) of its voting stock or voting rights is owned or
19 controlled by another corporation which is not a close
20 corporation within the meaning of this Code.

1 Any corporation may be incorporated as a close
2 corporation, except mining or oil companies, stock
3 exchanges, banks, insurance companies, public utilities,
4 educational institutions and corporations declared to be
5 vested with public interest in accordance with the
6 provisions of this Code.

7 The provisions of this Title shall primarily govern
8 close corporations: *Provided*, That other Titles in this Code
9 shall apply suppletorily, except as otherwise provided
10 under this Title.

11 SEC. 97. *Articles of Incorporation.* – The articles of
12 incorporation of a close corporation may provide for:

13 1) A classification of shares or rights, the
14 qualifications for owning or holding the same, and
15 restrictions on their transfers, subject to the provisions of
16 the following section;

17 2) A classification of directors into one (1) or more
18 classes, each of whom may be voted for and elected solely
19 by a particular class of stock; and

1 3) Greater quorum or voting requirements in
2 meetings of stockholders or directors than those provided
3 in this Code.

4 The articles of incorporation of a close corporation
5 may provide that the business of the corporation shall be
6 managed by the stockholders of the corporation rather
7 than by a board of directors. So long as this provision
8 continues in effect:

9 1) No meeting of stockholders need be called to elect
10 directors;

11 2) The stockholders of the corporation shall be
12 deemed to be directors for the purpose of applying the
13 provisions of this Code, unless the context clearly requires
14 otherwise; and

15 3) The stockholders of the corporation shall be
16 subject to all liabilities of directors.

17 The articles of incorporation may likewise provide
18 that all officers or employees or that specified officers or
19 employees shall be elected or appointed by the stockholders,
20 instead of by the board of directors.

1 SEC. 98. *Validity of Restrictions on Transfer of*
2 *Shares.* – Restrictions on the right to transfer shares must
3 appear in the articles of incorporation, in the by-laws, as
4 well as in the certificate of stock, otherwise, the same shall
5 not be binding on any purchaser in good faith. Said
6 restrictions shall not be more onerous than granting the
7 existing stockholders or the corporation the option to
8 purchase the shares of the transferring stockholder with
9 such reasonable terms, conditions or period stated. If upon
10 the expiration of said period, the existing stockholders or
11 the corporation fails to exercise the option to purchase, the
12 transferring stockholder may sell his or her shares to any
13 third person.

14 SEC. 99. *Effects of Issuance or Transfer of Stock in*
15 *Breach of Qualifying Conditions.* –

16 1) If a stock of a close corporation is issued or
17 transferred to any person who is not eligible to be a holder
18 thereof under any provision of the articles of incorporation,
19 and if the certificate for such stock conspicuously shows
20 the qualifications of the persons entitled to be holders of

1 record thereof, such person is conclusively presumed to
2 have notice of the fact of his ineligibility to be a
3 stockholder.

4 2) If the articles of incorporation of a close
5 corporation states the number of persons, not exceeding
6 twenty (20), who are entitled to be stockholders of record,
7 and if the certificate for such stock conspicuously states
8 such number, and the issuance or transfer of stock to any
9 person would cause the stock to be held by more than such
10 number of persons, the person to whom such stock is
11 issued or transferred is conclusively presumed to have
12 notice of this fact.

13 3) If a stock certificate of a close corporation
14 conspicuously shows a restriction on transfer of the
15 corporation's stock and the transferee acquires the stock in
16 violation of such restriction, the transferee is conclusively
17 presumed to have notice of the fact that he or she has
18 acquired the stock in violation of the restriction.

19 4) Whenever a person to whom stock of a close
20 corporation has been issued or transferred has, or is

1 conclusively presumed under this section to have, notice
2 either that: (a) he or she is a person ineligible to be a
3 stockholder of the corporation, or (b) transfer of stock to
4 him or her would cause the stock of the corporation to be
5 held by more than the number of persons permitted under
6 its articles of incorporation or (c) the transfer violates a
7 restriction on transfer of stock, the corporation may, at its
8 option, refuse to register the transfer in the name of the
9 transferee.

10 5) The provisions of subsection (4) shall not be
11 applicable if the transfer of stock, though contrary to
12 subsections (1), (2) or (3), has been consented to by all the
13 stockholders of the close corporation, or if the close
14 corporation has amended its articles of incorporation in
15 accordance with this Title.

16 6) The term "transfer", as used in this section, is not
17 limited to a transfer for value.

18 7) The provisions of this section shall not impair
19 any right which the transferee may have to either rescind

1 the transfer or recover the stock under any express or
2 implied warranty.

3 SEC. 100. *Agreements by Stockholders.* –

4 1) Agreements duly signed and executed by and
5 among all stockholders before the formation and
6 organization of a close corporation shall survive the
7 incorporation and shall continue to be valid and binding
8 between such stockholders, if such be their intent, to the
9 extent that such agreements are consistent with the
10 articles of incorporation, irrespective of where the
11 provisions of such agreements are contained, except those
12 required by this Title to be embodied in said articles of
13 incorporation.

14 2) A written agreement signed by two (2) or more
15 stockholders, may provide that in exercising any voting
16 rights, the shares held by them shall be voted as provided
17 as agreed, or in accordance with a procedure agreed upon
18 by them.

19 3) No provision in a written agreement signed by
20 the stockholders, relating to any phase of the corporate

1 affairs, shall be invalidated as between the parties, on the
2 ground that its effect is to make them partners among
3 themselves.

4 4) A written agreement among some or all of the
5 stockholders in a close corporation shall not be invalidated
6 on the ground that it relates to the conduct of the business
7 and affairs of the corporation as to restrict or interfere
8 with the discretion or powers of the board of directors:
9 *Provided*, That such agreement shall impose on the
10 stockholders who are parties thereto the liabilities for
11 managerial acts imposed by this Code on directors.

12 5) Stockholders actively engaged in the management
13 or operation of the business and affairs of a close corporation
14 shall be held to strict fiduciary duties to each other and
15 among themselves. Said stockholders shall be personally
16 liable for corporate torts unless the corporation has
17 obtained reasonably adequate liability insurance.

18 SEC. 101. *When Board Meeting is Unnecessary or*
19 *Improperly Held.* – Unless the by-laws provide otherwise,

1 any action by the directors of a close corporation without a
2 meeting shall nevertheless be deemed valid if:

3 1) Before or after such action is taken, written consent
4 thereto is signed by all the directors; or

5 2) All the stockholders have actual or implied
6 knowledge of the action and make no prompt objection in
7 writing; or

8 3) The directors are accustomed to take informal
9 action with the express or implied acquiescence of all the
10 stockholders; or

11 4) All the directors have express or implied
12 knowledge of the action in question and none of them
13 makes prompt objection in writing.

14 An action within the corporate powers taken at a
15 meeting held without proper call or notice, is deemed
16 ratified by a director who failed to attend, unless after
17 having knowledge thereof, he or she promptly files his
18 written objection with the secretary of the corporation.

19 SEC. 102. *Pre-Emptive Right in Close Corporations.*
20 – The pre-emptive right of stockholders in close

1 corporations shall extend to all stock to be issued,
2 including reissuance of treasury shares, whether for
3 money, property or personal services, or in payment of
4 corporate debts, unless the articles of incorporation provide
5 otherwise.

6 SEC. 103. *Amendment of Articles of Incorporation.* –
7 Any amendment to the articles of incorporation which
8 seeks to delete or remove any provision required by this
9 Title or to reduce a quorum or voting requirement stated
10 in said articles of incorporation shall require the
11 affirmative vote of at least two-thirds (2/3) of the
12 outstanding capital stock, whether with or without voting
13 rights, or of such greater proportion of shares as may be
14 specifically provided in the articles of incorporation for
15 amending, deleting or removing any of the aforesaid
16 provisions, at a meeting duly called for the purpose.

17 SEC. 104. *Deadlocks.* – Notwithstanding any contrary
18 provision in the close corporation's articles of
19 incorporation, by-laws, or stockholders' agreement, if the
20 directors or stockholders are so divided on the

1 management of the corporation's business and affairs that
2 the votes required for a corporate action cannot be
3 obtained, with the consequence that the business and
4 affairs of the corporation can no longer be conducted to the
5 advantage of the stockholders generally, the Commission,
6 upon written petition by any stockholder, shall have the
7 power to arbitrate the dispute. In the exercise of such
8 power, the Commission shall have authority to make
9 appropriate orders, such as: 1) cancelling or altering any
10 provision contained in the articles of incorporation, by-laws,
11 or any stockholder's agreement; 2) cancelling, altering or
12 enjoining a resolution or act of the corporation or its board
13 of directors, stockholders, or officers; 3) directing or
14 prohibiting any act of the corporation or its board of
15 directors, stockholders, officers, or other persons party to
16 the action; 4) requiring the purchase at their fair value of
17 shares of any stockholder, either by the corporation
18 regardless of the availability of unrestricted retained
19 earnings in its books, or by the other stockholders; 5)
20 appointing a provisional director; 6) dissolving the

1 corporation; or 7) granting such other relief as the
2 circumstances may warrant.

3 A provisional director shall be an impartial person
4 who is neither a stockholder nor a creditor of the
5 corporation or any of its subsidiaries or affiliates, and
6 whose further qualifications, if any, may be determined by
7 the Commission. A provisional director is not a receiver of
8 the corporation and does not have the title and powers of a
9 custodian or receiver. A provisional director shall have all
10 the rights and powers of a duly elected director, including
11 the right to be notified of and to vote at meetings of
12 directors, until he or she is removed by order of the
13 Commission or by all the stockholders. The compensation
14 of the provisional director shall be determined by
15 agreement between such director and the corporation,
16 subject to approval of the Commission, which may fix the
17 compensation absent an agreement or in the event of
18 disagreement between the provisional director and the
19 corporation.

1 SEC. 105. *Withdrawal of Stockholder or Dissolution of*
2 *Corporation.* – In addition and without prejudice to other
3 rights and remedies available under this Title, any
4 stockholder of a close corporation may, for any reason,
5 compel the corporation to purchase his or her shares at
6 fair value, which shall not be less than the par or issued
7 value, when the corporation has sufficient assets in its
8 books to cover its debts and liabilities exclusive of capital
9 stock: *Provided*, That any stockholder of a close corporation
10 may, by written petition to the Commission, compel the
11 dissolution of such corporation whenever any of acts of the
12 directors, officers or those in control of the corporation is
13 illegal, fraudulent, dishonest, oppressive or unfairly prejudicial
14 to the corporation or any stockholder, or whenever corporate
15 assets are being misappropriated or wasted.

16 TITLE XIII

17 SPECIAL CORPORATIONS

18 CHAPTER I – EDUCATIONAL CORPORATIONS

1 SEC. 106. *Incorporation.* – Educational corporations
2 shall be governed by special laws and by the general
3 provisions of this Code.

4 SEC. 107. *Board of Trustees.* – Trustees of educational
5 institutions organized as non-stock corporations shall not be
6 less than five (5) nor more than fifteen (15): *Provided,*
7 *however,* That the number of trustees shall be in multiples
8 of five (5).

9 Unless otherwise provided in the articles of
10 incorporation or by-laws, the board of trustees of
11 incorporated schools, colleges, or other institutions of
12 learning shall, as soon as organized, so classify themselves
13 that the term of office of one-fifth (1/5) of their number
14 shall expire every year. Trustees thereafter elected to fill
15 vacancies, occurring before the expiration of a particular
16 term, shall hold office only for the unexpired period.
17 Trustees elected thereafter to fill vacancies caused by
18 expiration of term shall hold office for five (5) years. A
19 majority of the trustees shall constitute a quorum for the

1 transaction of business. The powers and authority of
2 trustees shall be defined in the by-laws.

3 For institutions organized as stock corporations, the
4 number and term of directors shall be governed by the
5 provisions on stock corporations.

6 CHAPTER II – RELIGIOUS CORPORATIONS

7 SEC. 108. *Classes of Religious Corporations.* –
8 Religious corporations may be incorporated by one (1) or
9 more persons. Such corporations may be classified into
10 corporations sole and religious societies.

11 Religious corporations shall be governed by this
12 Chapter and by the general provisions on non-stock
13 corporations insofar as applicable.

14 SEC. 109. *Corporation Sole.* – For the purpose of
15 administering and managing, as trustee, the affairs,
16 property and temporalities of any religious denomination,
17 sect or church, a corporation sole may be formed by the
18 chief archbishop, bishop, priest, minister, rabbi or other
19 presiding elder of such religious denomination, sect or
20 church.

1 SEC. 110. *Articles of Incorporation.* – In order to
2 become a corporation sole, the chief archbishop, bishop,
3 priest, minister, rabbi or presiding elder of any religious
4 denomination, sect or church must file with the
5 Commission articles of incorporation setting forth the
6 following:

7 1) That he or she is the chief archbishop, bishop,
8 priest, minister, rabbi or presiding elder of his or her
9 religious denomination, sect or church and that he or she
10 desires to become a corporation sole;

11 2) That the rules, regulations and discipline of his
12 or her religious denomination, sect or church are consistent
13 with his or her becoming a corporation sole and do not
14 forbid it;

15 3) That as such chief archbishop, bishop, priest,
16 minister, rabbi or presiding elder, he or she is charged with
17 the administration of the temporalities and the
18 management of the affairs, estate and properties of his or
19 her religious denomination, sect or church within his or

1 her territorial jurisdiction, describing such territorial
2 jurisdiction;

3 4) The manner by which any vacancy occurring in
4 the office of chief archbishop, bishop, priest, minister, rabbi
5 of presiding elder is required to be filled, according to the
6 rules, regulations or discipline of the religious
7 denomination, sect or church to which he or she belongs;
8 and

9 5) The place where the principal office of the
10 corporation sole is to be established and located, which
11 place must be within the Philippines.

12 The articles of incorporation may include any other
13 provision not contrary to law for the regulation of the
14 affairs of the corporation.

15 SEC. 111. *Submission of the Articles of Incorporation.*
16 – The articles of incorporation must be verified, by
17 affidavit or affirmation of the chief archbishop, bishop,
18 priest, minister, rabbi or presiding elder, as the case may
19 be, and accompanied by a copy of the Commission,
20 certificate of election or letter of appointment of such chief

1 archbishop, bishop, priest, minister, rabbi or presiding
2 elder, duly certified to be correct by any notary public.

3 From and after filing with the Commission of the said
4 articles of incorporation, verified by affidavit or
5 affirmation, and accompanied by the documents mentioned
6 in the preceding paragraph, such chief archbishop, bishop,
7 priest, minister, rabbi or presiding elder shall become a
8 corporation sole and all temporalities, estate and
9 properties of the religious denomination, sect or church
10 theretofore administered or managed by him or her as such
11 chief archbishop, bishop, priest, minister, rabbi or
12 presiding elder shall be held in trust by him or her as a
13 corporation sole, for the use, purpose, sole benefit and on
14 behalf of his or her religious denomination, sect or church,
15 including hospitals, schools, colleges, orphan asylums,
16 parsonages and cemeteries thereof.

17 SEC. 112. *Acquisition and Alienation of Property.* –
18 A corporation sole may purchase and hold real estate and
19 personal property for its church, charitable, benevolent or
20 educational purposes, and may receive bequests or gifts for

1 such purposes. Such corporation may sell or mortgage real
2 property held by it by obtaining an order for that purpose
3 from the Regional Trial Court of the province where the
4 property is situated upon proof that the notice of the
5 application for leave to sell or mortgage has been made
6 through publication or as directed by the court, and that it
7 is in the interest of the corporation that leave to sell or
8 mortgage be granted. The application for leave to sell or
9 mortgage must be made by petition, duly verified, by the
10 chief archbishop, bishop, priest, minister, rabbi or
11 presiding elder acting as corporation sole, and may be
12 opposed by any member of the religious denomination, sect
13 or church represented by the corporation sole: *Provided,*
14 That in cases where the rules, regulations, and discipline
15 of the religious denomination, sect or church, religious
16 society or order concerned represented by such corporation
17 sole regulate the method of acquiring, holding, selling and
18 mortgaging real estate and personal property, such rules,
19 regulations and discipline shall control, and the
20 intervention of the courts shall not be necessary.

1 SEC. 113. *Filling of Vacancies.* — The successors in
2 office of any chief archbishop, bishop, priest, minister,
3 rabbi or presiding elder in a corporation sole shall become
4 the corporation sole on their accession to office and shall be
5 permitted to transact business as such upon filing a copy of
6 their commission, certificate of election, or letters of
7 appointment, duly certified by any notary public with the
8 Commission.

9 During any vacancy in the office of chief archbishop,
10 bishop, priest, minister, rabbi or presiding elder of any
11 religious denomination, sect or church incorporated as a
12 corporation sole, the person or persons authorized by the
13 rules, regulations or discipline of the religious
14 denomination, sect or church represented by the
15 corporation sole to administer the temporalities and
16 manage the affairs, estate and properties of the
17 corporation sole shall exercise all the powers and authority
18 of the corporation sole during such vacancy.

19 SEC. 114. *Dissolution.* — A corporation sole may be
20 dissolved and its affairs settled voluntarily by submitting

1 to the Commission a verified declaration of dissolution,
2 setting forth:

3 1) The name of the corporation;

4 2) The reason for dissolution and winding up;

5 3) The authorization for the dissolution of the
6 corporation by the particular religious denomination, sect
7 or church; and

8 4) The names and addresses of the persons who are
9 to supervise the winding up of the affairs of the
10 corporation.

11 Upon approval of such declaration of dissolution by
12 the Commission, the corporation shall cease to carry on its
13 operations except for the purpose of winding up its affairs.

14 SEC. 115. *Religious Societies.* – Unless forbidden by
15 competent authority, the constitution, pertinent rules,
16 regulations, or discipline of the religious denomination,
17 sect or church of which it is a part, any religious society,
18 religious order, diocese, synod, or district organization of
19 any religious denomination, sect or church, may, upon
20 written consent and/or by an affirmative vote at a meeting

1 called for the purpose of at least two-thirds (2/3) of its
2 membership, incorporate for the administration of its
3 temporalities or for the management of its affairs,
4 properties and estate by filing with the Commission,
5 articles of incorporation verified by the affidavit of the
6 presiding elder, secretary, or clerk or other member of such
7 religious society or religious order, or diocese, synod, or
8 district organization of the religious denomination, sect or
9 church, setting forth the following:

- 10 1) That the religious society or religious order, or
11 diocese, synod, or district organization is a religious
12 organization of a religious denomination, sect or church;
- 13 2) That at least two-thirds (2/3) of its membership
14 has given written consent or has voted to incorporate, at a
15 duly convened meeting of the body;
- 16 3) That the incorporation of the religious society or
17 religious order, diocese, synod, or district organization is
18 not forbidden by competent authority or by the
19 Constitution, rules, regulations or discipline of the

1 religious denomination, sect, or church of which it forms
2 part;

3 4) That the religious society or religious order,
4 diocese, synod, or district organization desires to
5 incorporate for the administration of its affairs, properties
6 and estate;

7 5) The place within the Philippines where the
8 principal office of the corporation is to be established and
9 located; and

10 6) The names, nationalities, and residence
11 addresses of the trustees, not less than five (5) nor more
12 than fifteen (15), elected by the religious society or
13 religious order, or the diocese, synod, or district
14 organization to serve for the first year or such other period
15 as may be prescribed by the laws of the religious society or
16 religious order, or of the diocese, synod, or district
17 organization.

18 CHAPTER III – ONE PERSON CORPORATIONS

19 SEC. 116. *Applicability of Provisions to One Person*
20 *Corporations.* – The provisions of this Title shall primarily

1 apply to One Person Corporations. Other provisions of this
2 code apply suppletorily, except as otherwise provided in
3 this Title.

4 SEC. 117. *One Person Corporation.* – A One Person
5 Corporation is a corporation with a single stockholder:
6 *Provided*, That only a natural person, trust or an estate
7 may form a One Person Corporation.

8 Banks and quasi-banks, pre-need, trust, insurance,
9 public and publicly-listed companies, and non-chartered
10 government-owned and -controlled corporations may not
11 incorporate as One Person Corporation: *Provided, further*,
12 That a natural person who is licensed to exercise a
13 profession may not organize as a One Person Corporation
14 for the purpose of exercising such profession.

15 SEC. 118. *Minimum Capital Stock Required for One*
16 *Person Corporation.* – A One Person Corporation shall not
17 be required to have a minimum authorized capital stock
18 except as otherwise provided by special law. At least
19 twenty-five percent (25%) of the authorized capital stock
20 must be subscribed at the time of incorporation, and in no

1 case shall the paid-up capital be less than Five thousand
2 pesos (P5,000.00).

3 SEC. 119. *Articles of Incorporation.* – A one person
4 corporation shall file articles of incorporation in accordance
5 with the requirements under Section 14 of this code. It
6 shall likewise substantially contain the following:

7 1) If the single stockholder is a trust or an estate,
8 the name, nationality, and residence of the trustee,
9 administrator, executor, guardian, conservator, custodian,
10 or other person exercising fiduciary duties together with
11 the proof of such authority to act on behalf of the trust or
12 estate; and

13 2) Name, nationality, residence of the nominee and
14 alternate nominee, and the extent, coverage and limitation
15 of the authority.

16 The articles of incorporation shall be accompanied by
17 a sworn statement of the stockholder as to the amount of
18 the capital stock and that twenty-five percent (25%) of such
19 capital is paid and maintained in a separate account from
20 the personal account of the stockholder.

1 SEC. 120. *By-Laws.* – The One Person Corporation is
2 not required to submit and file corporate by-laws.

3 SEC. 121. *Display of Corporate Name.* – A One
4 Person Corporation shall indicate the letters “OPC” either
5 below or at the end of its corporate name.

6 SEC. 122. *Single Stockholder as Director, President.* –
7 The single stockholder shall be the sole director and
8 president of the One Person Corporation.

9 SEC. 123. *Treasurer, Corporate Secretary, and Other
10 Officers.* – Within fifteen (15) days from the issuance of its
11 certificate of incorporation, the One Person Corporation
12 shall appoint a treasurer, corporate secretary, and other
13 officers as it may deem necessary, and notify the
14 Commission thereof within five (5) days from appointment.

15 The single stockholder may not be appointed as the
16 corporate secretary.

17 In case the single stockholder appoints himself or
18 herself as the treasurer, he or she shall give bond to the
19 Commission, in such sum as may be required, and subject
20 to its approval, upon the condition that he or she will

1 faithfully administer the One Person Corporation's funds
2 coming into his or her hands as treasurer, and disburse
3 and invest the same according to the articles of
4 incorporation as approved by the Commission, which bond
5 shall be renewed every two (2) years or oftener as may be
6 required.

7 SEC. 124. *Special Functions of the Corporate*
8 *Secretary.* – In addition to the functions designated by the
9 One Person Corporation, the corporate secretary shall:

10 1) Be responsible for maintaining the minutes book
11 of the corporation;

12 2) Notify the nominee or alternate nominee of the
13 death or incapacity of the single stockholder, which notice
14 shall be given no later than five (5) days from such
15 occurrence;

16 3) Notify the Commission of the death of the single
17 stockholder within five (5) days from such occurrence and
18 stating in such notice the names, residence addresses, and
19 contact details of all known legal heirs; and

1 4) Call the nominee or alternate nominee and the
2 known legal heirs to a meeting and advise the legal heirs
3 with regard to, among others, the election of a new
4 director, amendment of the articles of incorporation, and
5 other ancillary and/or consequential matters.

6 SEC. 125. *Nominee and Alternate Nominee.* – The
7 single stockholder shall designate a nominee and an
8 alternate nominee who shall, in the event of the single
9 stockholder's death or incapacity, take the place of the
10 single stockholder as director and shall manage the
11 corporation's affairs.

12 The articles of incorporation shall state the names,
13 residence addresses and contact details of the nominee and
14 alternate nominee, as well as the extent and limitations of
15 their authority in managing the affairs of the One Person
16 Corporation.

17 The written consent of the nominee and alternate
18 nominee shall be attached to the application for
19 incorporation. Such consent may be withdrawn in writing

1 any time before the death or incapacity of the single
2 stockholder.

3 SEC. 126. *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 until the stockholder, by his or
7 her own determination, regains his or her capacity.

8 In case of death or permanent incapacity of the
9 single stockholder, the nominee shall sit as director and
10 manage the affairs of the One Person Corporation until the
11 legal heirs of the single stockholder have been lawfully
12 determined, and the heirs have designated one of them or
13 have agreed that the estate shall be the single stockholder
14 of the One Person Corporation.

15 The alternate nominee shall sit as director and
16 manage the One Person Corporation in case of the
17 nominee's inability, incapacity, death, or refusal to
18 discharge his or her functions, and only for the same term
19 and under the same conditions applicable to the nominee.

1 SEC. 127. *Change of Nominee or Alternate Nominee.* –

2 The single stockholder may, at any time, change its
3 nominee and alternate nominee by submitting to the
4 Commission the names of the new nominees and their
5 corresponding written consent. For this purpose, the
6 articles of incorporation need not be amended.

7 SEC. 128. *Records in Lieu of Meetings.* – When action
8 is needed on any matter, it shall be sufficient to prepare a
9 written resolution, signed and dated by the single
10 stockholder, and recorded in the minutes book of the One
11 Person Corporation. The date of recording in the minutes
12 book shall be deemed to be the date of the meeting for all
13 purposes under this Code.

14 SEC. 129. *Minutes Book.* – A One Person Corporation
15 shall maintain a minutes book which shall contain all
16 actions, decisions, and resolutions taken by the One Person
17 Corporation.

18 SEC. 130. *Reportorial Requirements.* – The One
19 Person Corporation shall submit the following within such
20 period as the Commission may prescribe:

1 1) Annual financial statements audited by an
2 independent certified public accountant: *Provided*, That if
3 the total assets or total liabilities of the corporation are
4 less than Six hundred thousand pesos (P600,000.00) the
5 financial statements shall be certified under oath by the
6 corporation's treasurer and the president;

7 2) A report containing explanations or comments by
8 the president on every qualification, reservation, or
9 adverse remark or disclaimer made by the auditor in his or
10 her report;

11 3) A disclosure of all self-dealings and related party
12 transactions entered into between the One Person
13 Corporation and the single stockholder; and

14 4) Other reports as the Commission may require.

15 For purposes of this provision, the fiscal year of a One
16 Person Corporation shall be that set forth in its articles of
17 incorporation or, in the absence thereof, the calendar year.

18 The Commission may place the corporation under
19 delinquent status should the corporation fail to submit the

1 reportorial requirements three (3) times, consecutively or
2 intermittently, within a period of five (5) years.

3 *SEC. 131. Liability of Single Shareholder.* – A sole
4 shareholder claiming limited liability has the burden of
5 affirmatively showing that the corporation was adequately
6 financed.

7 Where the single stockholder cannot prove that the
8 property of the One Person Corporation is independent of
9 his own property, he or she shall be jointly and severally
10 liable for the debts and other liabilities of the one person
11 corporation.

12 The principles of piercing the corporate veil applies
13 with equal force to One Person Corporations as with other
14 corporations.

15 *SEC. 132. Conversion from an Ordinary Corporation*
16 *to a One Person Corporation.* – When a single stockholder
17 acquires all the stocks of an ordinary stock corporation, the
18 latter may apply for conversion into a One Person
19 Corporation, subject to the submission of such documents
20 as the Commission may require. If the application for

1 conversion is approved, the Commission shall issue an
2 amended certificate of incorporation reflecting the
3 conversion. The One Person Corporation converted from an
4 ordinary stock corporation shall succeed the latter and be
5 legally responsible for all the latter's outstanding liabilities
6 as of the date of conversion.

7 *SEC. 133. Conversion from a One Person Corporation*
8 *to an Ordinary Stock Corporation.* — A One Person
9 Corporation may be converted into an ordinary stock
10 corporation after due notice to the Commission of such fact
11 and of the circumstances leading to the conversion, and
12 after compliance with all other requirements for stock
13 corporations under this Code and applicable rules. Such
14 notice shall be filed with the Commission within sixty (60)
15 days from the occurrence of the circumstances leading to
16 the conversion into an ordinary stock corporation. If all
17 requirements have been complied with, the Commission
18 shall issue an amended certificate of incorporation
19 reflecting the conversion.

In case of death of the single stockholder, the nominee or alternate nominee shall transfer the shares to the duly designated legal heir or estate within seven (7) days from receipt of either an affidavit of heirship or self-adjudication executed by a sole heir, or any other legal document declaring the legal heirs of the single stockholder and notify the Commission of the transfer.

8 Within sixty (60) days from the transfer of the shares, the
9 legal heirs shall notify the Commission of their decision to
10 either wind up and dissolve the One Person Corporation or
11 convert it into an ordinary stock corporation.

12 The ordinary stock corporation converted from a
13 One Person Corporation shall succeed the latter and be
14 legally responsible for all the latter's outstanding liabilities
15 as of the date of conversion.

TITLE XIV

DISSOLUTION

18 SEC. 134. *Methods of Dissolution.* — A corporation
19 formed or organized under the provisions of this Code may
20 be dissolved voluntarily or involuntarily.

1 SEC. 135. *Voluntary Dissolution Where No Creditors*

2 *are Affected.* – If dissolution of a corporation does not
3 prejudice the rights of any creditor having a claim against
4 it, the dissolution may be effected by majority vote of the
5 board of directors or trustees, and by a resolution adopted
6 by the affirmative vote of the stockholders owning at least
7 majority of the outstanding capital stock or majority of the
8 members of a meeting to be held upon the call of the
9 directors or trustees.

10 At least twenty (20) days prior to the meeting, notice

11 shall be given to each shareholder or member of record
12 personally, by registered mail, or by any means authorized
13 under its by-laws whether or not entitled to vote at the
14 meeting, in the manner provided in Section 50 of this Code
15 and shall state that the purpose of the meeting is to vote
16 on the dissolution of the corporation. Notice of the time,
17 place, and object of the meeting shall be published once
18 prior to the date of the meeting in a newspaper published
19 in the place where the principal office of said corporation is

1 located, or if no newspaper is published in such place, in a
2 newspaper of general circulation in the Philippines.

3 A verified request for dissolution shall be filed with
4 the Commission stating: a) the reason for the dissolution;
5 b) the form, manner, and time when the notices were
6 given; c) names of the stockholders and directors or
7 trustees, who approved the dissolution; d) the date, place,
8 and time of the meeting in which the vote was made; and
9 e) details of publication.

10 The corporation shall submit the following to the
11 Commission: a) a copy of the resolution authorizing the
12 dissolution, certified by a majority of the board of directors
13 or trustees and countersigned by the secretary of the
14 corporation; and b) proof of publication.

15 Within fifteen (15) days from receipt of the verified
16 request for dissolution, and in the absence of any
17 withdrawal within said period, the Commission shall
18 approve the request and issue the certificate of dissolution.
19 The dissolution shall take effect only upon the issuance by
20 the Commission of a certificate of dissolution.

1 SEC. 136. *Voluntary Dissolution Where Creditors are*
2 *Affected; Procedure and Contents of Petition.* – Where the
3 dissolution of a corporation may prejudice the rights of any
4 creditor, a verified petition for dissolution shall be filed
5 with the Commission. The petition shall be signed by a
6 majority of the corporation's board of directors or trustees,
7 verified by its president or secretary or one (1) of its
8 directors or trustees, and shall set forth all claims and
9 demands against it, and that its dissolution was resolved
10 upon by the affirmative vote of the stockholders
11 representing at least two-thirds (2/3) of the outstanding
12 capital stock or at least two-thirds (2/3) of the members at
13 a meeting of its stockholders or members called for that
14 purpose. The petition shall likewise state: a) the reason for
15 the dissolution; b) the form, manner, and time when the
16 notices were given; and c) the date, place, and time of the
17 meeting in which the vote was made. The corporation
18 shall submit to the Commission the following: a) a copy of
19 the resolution authorizing the dissolution, certified by a
20 majority of the board of directors or trustees and

1 countersigned by the secretary of the corporation; and b) a
2 list of all its creditors.

3 If the petition is sufficient in form and substance, the
4 Commission shall, by an order reciting the purpose of the
5 petition, fix a deadline for filing objections to the petition
6 which date shall not be less than thirty (30) days nor more
7 than sixty (60) days after the entry of the order. Before
8 such date, a copy of the order shall be published at least
9 once a week for three (3) consecutive weeks in a newspaper
10 of general circulation published in the municipality or city
11 where the principal office of the corporation is situated, or
12 if there be no such newspaper, then in a newspaper of
13 general circulation in the Philippines, and a similar copy
14 shall be posted for three (3) consecutive weeks in three (3)
15 public places in such municipality or city.

16 Upon five (5) days' notice, given after the date on
17 which the right to file objections as fixed in the order has
18 expired, the Commission shall proceed to hear the petition
19 and try any issue raised in the objections filed; and if no
20 such objection is sufficient, and the material allegations of

1 the petition are true, it shall render judgment dissolving
2 the corporation and directing such disposition of its assets
3 as justice requires, and may appoint a receiver to collect
4 such assets and pay the debts of the corporation.

5 The dissolution shall take effect only upon the
6 issuance by the Commission of a certificate of dissolution.

7 SEC. 137. *Dissolution by Shortening Corporate Term.*
8 – A voluntary dissolution may be effected by amending the
9 articles of incorporation to shorten the corporate term
10 pursuant to the provisions of this Code. A copy of the
11 amended articles of incorporation shall be submitted to the
12 Commission in accordance with this Code.

13 Upon the expiration of the shortened term, as stated
14 in the approved amended articles of incorporation, the
15 corporation shall be deemed dissolved without any further
16 proceedings, subject to the provisions of this Code on
17 liquidation.

18 In the case of expiration of corporate term,
19 dissolution shall automatically take effect on the day
20 following the last day of the corporate term stated in the

1 articles of incorporation, without the need for the issuance
2 by the Commission of a certificate of dissolution.

3 *SEC. 138. Withdrawal of Request and Petition for*
4 *Dissolution.* – A withdrawal of the request for dissolution
5 shall be made in writing, duly verified by any incorporator,
6 director, shareholder, or member and signed by the same
7 number of incorporators, directors, shareholders, or
8 members necessary to request for a dissolution as set forth
9 in the foregoing sections. The withdrawal shall be
10 submitted no later than fifteen (15) days from receipt by
11 the Commission of the request for dissolution. Upon receipt
12 of a withdrawal of request for dissolution, the Commission
13 shall withhold action on the request for dissolution and
14 shall, after investigation: a) make a pronouncement that
15 the request for dissolution is deemed withdrawn; b) direct
16 a joint meeting of the board of directors or trustees and the
17 stockholders or members for the purpose of ascertaining
18 whether to proceed with dissolution; or c) issue such other
19 orders as it may deem appropriate.

1 A withdrawal of the petition for dissolution shall be
2 in the form of a motion and similar in substance to a
3 withdrawal of request for dissolution but shall be verified
4 and filed prior to publication of the order setting the
5 deadline for filing objections to the petition.

6 SEC. 139. *Involuntary Dissolution.* – A corporation
7 may be dissolved by the Commission *motu proprio* or upon
8 filing of a verified complaint by any interested party. The
9 following may be grounds for dissolution of the corporation:

10 1) Non-use of corporate charter as provided under
11 Section 22 of this Code;

12 2) Continuous inoperation of a corporation as
13 provided under Section 22 of this Code;

14 3) Upon receipt of a lawful court order dissolving the
15 corporation;

16 4) Upon finding by final judgment that the
17 corporation procured its incorporation through fraud;

18 5) Upon finding by final judgment that the
19 corporation:

1 i) Was created for the purpose of committing,
2 concealing or aiding the commission of securities
3 violations, smuggling, tax evasion, money laundering, or
4 graft and corrupt practices;

5 ii) Committed or aided in the commission of securities
6 violations, smuggling, tax evasion, money laundering, or
7 graft and corrupt practices, and its stockholders knew;

8 iii) Repeatedly and knowingly tolerated the
9 Commission of graft and corrupt practices or other
10 fraudulent or illegal acts by its directors, trustees, officers,
11 or employees;

12 If the corporation is ordered dissolved by final
13 judgment pursuant to the grounds set forth in No. 5, its
14 assets, after payment of its liabilities shall, upon petition
15 of the Commission with the appropriate court, be forfeited
16 in favor of the national government. Such forfeiture shall
17 be without prejudice to the rights of innocent stockholders
18 and employees for services rendered, and to the application
19 of other penalty or sanction under this Code or other laws.

1 SEC. 140. *Corporate Liquidation.* – Except for banks,
2 which shall be covered by the applicable provisions of
3 Republic Act No. 7653, as amended, and Republic Act No.
4 3591, as amended, every corporation whose charter expires
5 pursuant to its articles of incorporation, is annulled by
6 forfeiture, or whose corporate existence is terminated in
7 any other manner, shall nevertheless remain as a body
8 corporate for three (3) years after the effective date of
9 dissolution, for the purpose of prosecuting and defending
10 suits by or against it and enabling it to settle and close its
11 affairs, dispose of and convey its property, and distribute
12 its assets, but not for the purpose of continuing the
13 business for which it was established.

14 At any time during said three (3) years, the
15 corporation is authorized and empowered to convey all of
16 its property to trustees for the benefit of stockholders,
17 members, creditors, and other persons in interest. After
18 any such conveyance by the corporation of its property in
19 trust for the benefit of its stockholders, members, creditors
20 and others in interest, all interest which the corporation

had in the property terminates, the legal interest vests in the trustees, and the beneficial interest in the stockholders, members, creditors or other persons-in-interest.

5 Except as otherwise provided for in Sections 94 and
6 95 of this Code, upon the winding up of corporate affairs,
7 any asset distributable to any creditor or stockholder or
8 member who is unknown or cannot be found shall be
9 escheated in favor of the national government.

10 Except by decrease of capital stock and as otherwise
11 allowed by this Code, no corporation shall distribute any of
12 its assets or property except upon lawful dissolution and
13 after payment of all its debts and liabilities.

TITLE XV

FOREIGN CORPORATIONS

16 SEC. 141. *Definition and Rights of Foreign*
17 *Corporations.* — For purposes of this Code, a foreign
18 corporation is one formed, organized or existing under laws
19 other than the Philippines' and whose laws allow Filipino
20 citizens and corporations to do business in its own country

1 or State. It shall have the right to transact business in the
2 Philippines after obtaining a license for that purpose in
3 accordance with this Code and a certificate of authority
4 from the appropriate government agency.

5 *SEC. 142. Application to Existing Foreign Corporations.*

6 – Every foreign corporation which on the date of the
7 effectivity of this Code is authorized to do business in the
8 Philippines under a license issued to it, shall continue to
9 have such authority under the terms and condition of its
10 license, subject to the provisions of this Code and other
11 special laws.

12 *SEC. 143. Application for a License.* – A foreign

13 corporation applying for a license to transact business in
14 the Philippines shall submit to the Commission a copy of
15 its articles of incorporation and by-laws, certified in
16 accordance with law, and their translation to an official
17 language of the Philippines, if necessary. The application
18 shall be under oath and, unless already stated in its
19 articles of incorporation, shall specifically set forth the
20 following:

- 1 1) The date and term of incorporation;
- 2 2) The address, including the street number, of the
- 3 principal office of the corporation in the country or State of
- 4 incorporation;
- 5 3) The name and address of its resident agent
- 6 authorized to accept summons and process in all legal
- 7 proceedings and all notices affecting the corporation,
- 8 pending the establishment of a local office;
- 9 4) The place in the Philippines where the
- 10 corporation intends to operate;
- 11 5) The specific purpose or purposes which the
- 12 corporation intends to pursue in the transaction of its
- 13 business in the Philippines: *Provided*, That said purpose or
- 14 purposes are those specifically stated in the certificate of
- 15 authority issued by the appropriate government agency;
- 16 6) The names and addresses of the present directors
- 17 and officers of the corporation;
- 18 7) A statement of its authorized capital stock and
- 19 the aggregate number of shares which the corporation has

1 authority to issue, itemized by class, par value of shares,
2 shares without par value, and series, if any;

3 8) A statement of its outstanding capital stock and
4 the aggregate number of shares which the corporation has
5 issued, itemized by class, par value of shares, shares
6 without par value, and series, if any;

7 9) A statement of the amount actually paid in; and

8 10) Such additional information as may be necessary
9 or appropriate in order to enable the Commission to
10 determine whether such corporation is entitled to a license
11 to transact business in the Philippines, and to determine
12 and assess the fees payable.

13 Attached to the application for license shall be a
14 certificate under oath duly executed by the authorized
15 official or officials of the jurisdiction of its incorporation,
16 attesting to the fact that the laws of the country or State of
17 the applicant allow Filipino citizens and corporations to do
18 business therein, and that the applicant is an existing
19 corporation in good standing. If the certificate is in a

1 foreign language, a translation thereof in English under
2 oath of the translator shall be attached to the application.

3 The application for a license to transact business in
4 the Philippines shall likewise be accompanied by a
5 statement under oath of the president or any other person
6 authorized by the corporation, showing to the satisfaction
7 of the Commission and when appropriate, other
8 governmental agencies that the applicant is solvent and in
9 sound financial condition, setting forth the assets and
10 liabilities of the corporation as of the date not exceeding
11 one (1) year immediately prior to the filing of the
12 application.

13 Foreign banking, financial and insurance
14 corporations shall, in addition to the above requirements,
15 comply with the provisions of existing laws applicable to
16 them. In the case of all other foreign corporations, no
17 application for license to transact business in the
18 Philippines shall be accepted by the Commission without
19 previous authority from the appropriate government
20 agency, whenever required by law.

1 SEC. 144. *Issuance of a License.* – If the Commission
2 is satisfied that the applicant has complied with all the
3 requirements of this Code and other special laws, rules and
4 regulations, the Commission shall issue a license to
5 transact business in the Philippines to the applicant for
6 the purpose or purposes specified in such license. Upon
7 issuance of the license, such foreign corporation may
8 commence to transact business in the Philippines and
9 continue to do so for as long as it retains its authority to
10 act as a corporation under the laws of the country or State
11 of its incorporation, unless such license is sooner
12 surrendered, revoked, suspended, or annulled in
13 accordance with this Code or other special laws.

14 Within sixty (60) days after the issuance of the
15 license to transact business in the Philippines, the licensee,
16 except foreign banking or insurance corporations, shall
17 deposit with the Commission for the benefit of present and
18 future creditors of the licensee in the Philippines,
19 securities satisfactory to the Commission, consisting of
20 bonds or other evidence of indebtedness of the Government

1 of the Philippines, its political subdivisions and
2 instrumentalities, or of government-owned or -controlled
3 corporations and entities, shares of stock or debt securities
4 that are registered under the Securities Regulation Code,
5 shares of stock in domestic corporations listed in the stock
6 exchange, shares of stock in domestic insurance companies
7 and banks, any financial instrument determined suitable
8 by the Commission, or any combination thereof with an
9 actual market value of at least Five hundred thousand
10 pesos (P500,000.00) or such other amount that may be set
11 by the Commission: *Provided, however,* That within six (6)
12 months after each fiscal year of the licensee, the
13 Commission shall require the licensee to deposit additional
14 securities or financial instruments equivalent in actual
15 market value to two percent (2%) of the amount by which
16 the licensee's gross income for that fiscal year exceeds Ten
17 million pesos (P10,000,000.00). The Commission shall also
18 require the deposit of additional securities or financial
19 instruments if the actual market value of the deposited
20 securities or financial instruments has decreased by at

1 least ten percent (10%) of their actual market value at the
2 time they were deposited. The Commission may at its
3 discretion release part of the additional deposit if the gross
4 income of the licensee has decreased, or if the actual
5 market value of the total deposit has increased, by more
6 than ten percent (10%) of their actual market value at the
7 time they were deposited. The Commission may, from time
8 to time, allow the licensee to make substitute deposits for
9 those already on deposit as long as the licensee is solvent.
10 Such licensee shall be entitled to collect the interest or
11 dividends on such deposits. In the event the licensee ceases
12 to do business in the Philippines, its deposits shall be
13 returned, upon the licensee's application therefor and upon
14 proof to the satisfaction of the Commission that the
15 licensee has no liability to Philippine residents, including
16 the Government of the Republic of the Philippines. For
17 purposes of computing the securities deposit, the
18 composition of gross income and allowable deductions
19 therefrom shall be in accordance with the rules of the
20 Commission.

1 SEC. 145. *Who May Be a Resident Agent.* – A
2 resident agent may be either an individual residing in the
3 Philippines or a domestic corporation lawfully transacting
4 business in the Philippines: *Provided*, That an individual
5 resident agent must be of good moral character and of
6 sound financial standing: *Provided, further*, That in case of
7 domestic corporation who will act as a resident agent, it
8 must likewise be of sound financial standing and must
9 show proof that it is in good standing as certified by the
10 Commission.

11 SEC. 146. *Resident Agent; Service of Process.* – As a
12 condition to the issuance of the license for a foreign
13 corporation to transact business in the Philippines, such
14 corporation shall file with the Commission a written power
15 of attorney designating some person who must be a
16 resident of the Philippines, on whom any summons and
17 other legal processes may be served in all actions or other
18 legal proceedings against such corporation, and consenting
19 that service upon such resident agent shall be admitted
20 and held as valid as if served upon the duly authorized

1 officers of the foreign corporation at its home office. Such
2 foreign corporation shall likewise execute and file with the
3 Commission an agreement or stipulation, executed by the
4 proper authorities of said corporation, in form and
5 substance as follows:

6 "The (name of foreign corporation) hereby stipulates
7 and agrees, in consideration of being granted a license to
8 transact business in the Philippines, that if the corporation
9 shall cease to transact business in the Philippines, or shall
10 be without any resident agent in the Philippines on whom
11 any summons or other legal processes may be served, then
12 service of any summons or other legal process may be
13 made upon the Commission in any action or proceeding
14 arising out of any business or transaction which occurred
15 in the Philippines and such service shall have the same
16 force and effect as if made upon the duly-authorized
17 officers of the corporation at its home office."

18 Whenever such service of summons or other process
19 is made upon the Commission, the Commission shall,
20 within ten (10) days thereafter, transmit by mail a copy of

1 such summons or other legal process to the corporation at
2 its home or principal office. The sending of such copy by
3 the Commission shall be a necessary part of and shall
4 complete such service. All expenses incurred by the
5 Commission for such service shall be paid in advance by
6 the party at whose instance the service is made.

7 It shall be the duty of the resident agent to
8 immediately notify the Commission in writing of any
9 change in his or her address.

10 SEC. 147. *Law Applicable.* — A foreign corporation
11 lawfully doing business in the Philippines shall be bound
12 by all laws, rules and regulations applicable to domestic
13 corporations of the same class, except those which provide
14 for the creation, formation, organization or dissolution of
15 corporations or those which fix the relations, liabilities,
16 responsibilities, or duties of stockholders, members, or
17 officers of corporations to each other or to the corporation.

18 SEC. 148. *Amendments to Articles of Incorporation*
19 *or By-Laws of Foreign Corporations.* — Whenever the
20 articles of incorporation or by-laws of a foreign corporation

1 authorized to transact business in the Philippines are
2 amended, such foreign corporation shall, within sixty (60)
3 days after the amendment becomes effective, file with the
4 Commission, and in the proper cases, with the appropriate
5 government agency, a duly authenticated copy of the
6 amended articles of incorporation or by-laws, indicating
7 clearly in capital letters or underscoring the change or
8 changes made, duly certified by the authorized official or
9 officials of the country or state of incorporation. Such
10 filing shall not in itself enlarge or alter the purpose or
11 purposes for which such corporation is authorized to
12 transact business in the Philippines.

13 *SEC. 149. Amended License.* – A foreign corporation
14 authorized to transact business in the Philippines shall
15 obtain an amended license in the event it changes its
16 corporate name, or desires to pursue other or additional
17 purposes in the Philippines, by submitting an application
18 with the Commission, favorably endorsed by the
19 appropriate government agency in the proper cases.

1 SEC.150. *Merger or Consolidation Involving a*
2 *Foreign Corporation Licensed in the Philippines.* – One or
3 more foreign corporations authorized to transact business
4 in the Philippines may merge or consolidate with any
5 domestic corporation or corporations if permitted under
6 Philippine laws and by the law of its incorporation: *Provided,*
7 That the requirements on merger or consolidation as
8 provided in this Code are followed.

9 Whenever a foreign corporation authorized to
10 transact business in the Philippines shall be a party to a
11 merger or consolidation in its home country or State as
12 permitted by the law of its incorporation, such foreign
13 corporation shall, within sixty (60) days after the
14 effectivity of such merger or consolidation, file with the
15 Commission, and in proper cases, with the appropriate
16 government agency, a copy of the articles of merger or
17 consolidation duly authenticated by the proper official or
18 officials of the country or State under whose laws, the
19 merger or consolidation was effected: *Provided, however,*
20 That if the absorbed corporation is the foreign corporation

1 doing business in the Philippines, the latter shall at the
2 same time file a petition for withdrawal of its license in
3 accordance with this Title.

4 SEC. 151. *Doing Business Without a License.* – No
5 foreign corporation transacting business in the Philippines
6 without a license, or its successors or assigns, shall be
7 permitted to maintain or intervene in any action, suit or
8 proceeding in any court or administrative agency of the
9 Philippines; but such corporation may be sued or proceeded
10 against before Philippine courts or administrative
11 tribunals on any valid cause of action recognized under
12 Philippine laws.

13 SEC. 152. *Revocation of License.* – Without prejudice
14 to other grounds provided under special laws, the license of
15 a foreign corporation to transact business in the
16 Philippines may be revoked or suspended by the
17 Commission upon any of the following grounds:

18 1) Failure to file its annual report or pay any fees as
19 required by this Code;

- 1 2) Failure to appoint and maintain a resident agent
- 2 in the Philippines as required by this Title;
- 3 3) Failure, after change of its resident agent or of
- 4 his or her address, to submit to the Commission a
- 5 statement of such change as required by this Title;
- 6 4) Failure to submit to the Commission an
- 7 authenticated copy of any amendment to its articles of
- 8 incorporation or by-laws or of any articles of merger or
- 9 consolidation within the time prescribed by this Title;
- 10 5) A misrepresentation of any material matter in
- 11 any application, report, affidavit or other document
- 12 submitted by such corporation pursuant to this Title;
- 13 6) Failure to pay any and all taxes, imposts,
- 14 assessments or penalties, if any, lawfully due to the
- 15 Philippine Government or any of its agencies or political
- 16 subdivisions;
- 17 7) Transacting business in the Philippines outside
- 18 of the purpose or purposes for which such corporation is
- 19 authorized under its license;

- 1 8) Transacting business in the Philippines as agent
2 of or acting on behalf of any foreign corporation or entity
3 not duly licensed to do business in the Philippines; or
4 9) Any other ground as would render it unfit to
5 transact business in the Philippines.

6 SEC. 153. *Issuance of Certificate of Revocation.* – Upon
7 the revocation of the license to transact business in the
8 Philippines, the Commission shall issue a corresponding
9 certificate of revocation, furnishing a copy thereof to the
10 appropriate government agency in the proper cases.

11 The Commission shall also mail the notice and copy
12 of the certificate of revocation to the corporation, at its
13 registered office in the Philippines.

14 SEC. 154. *Withdrawal of Foreign Corporations.* –
15 Subject to existing laws and regulations, a foreign
16 corporation licensed to transact business in the Philippines
17 may be allowed to withdraw from the Philippines by filing
18 a petition for withdrawal of license. No certificate of
19 withdrawal shall be issued by the Commission unless all
20 the following requirements are met:

1 1) All claims which have accrued in the Philippines
2 have been paid, compromised or settled;

3 2) All taxes, imposts, assessments, and penalties, if
4 any, lawfully due to the Philippine Government or any of
5 its agencies or political subdivisions have been paid; and

6 3) The petition for withdrawal of license has been
7 published once a week for three (3) consecutive weeks in a
8 newspaper of general circulation in the Philippines

TITLE XVI

INVESTIGATIONS, OFFENSES, AND PENALTIES

SEC. 155. *Investigation and Prosecution of Offenses*

12 – The Commission may investigate an alleged violation of
13 this Code, rule, regulation, or order of the Commission

14 The Commission may publish its findings, orders,
15 opinions, advisories, or information concerning any such
16 violation, as may be relevant to the general public or to the
17 parties concerned, subject to the provisions of the Data
18 Privacy Act and other pertinent laws.

19 SEC. 156. *Administration of Oaths, Subpoena of*
20 *Witnesses and Documents.* — The Commission, through its

1 designated officer, may administer oaths and affirmations,
2 issue *subpoena* and *subpoena duces tecum*, take testimony
3 in any inquiry or investigation, and may perform other acts
4 necessary to the proceedings or to the investigation.

5 SEC. 157. *Cease and Desist Orders.* – Whenever the
6 Commission has reasonable basis to believe that a person
7 has violated, or is about to violate, this Code, rule,
8 regulation, or order of the Commission, it may direct such
9 person to desist from committing the act constituting the
10 violation.

11 The Commission may issue a cease and desist order
12 *ex parte* to enjoin an act or practice which is fraudulent or
13 can be reasonably expected to cause significant, imminent,
14 and irreparable danger or injury to public safety or
15 welfare. The *ex parte* order shall be valid for a maximum
16 period of twenty (20) days, without prejudice to the order
17 being made permanent after due notice and hearing.

18 Thereafter, the Commission may proceed administratively
19 against such person in accordance with Section 159, and/or
20 transmit evidence to the Department of Justice for

1 preliminary investigation or criminal prosecution and/or
2 initiate criminal prosecution for any violation of this Code,
3 rule or regulation.

4 SEC. 158. *Contempt.* – Any person who, without
5 justifiable cause, fails or refuses to comply with any lawful
6 order, decision, or *subpoena* issued by the Commission
7 shall, after due notice and hearing, be held in contempt
8 and fined in an amount not exceeding Thirty thousand
9 pesos (P30,000.00). When the refusal amounts to clear and
10 open defiance of the Commission's order, decision, or
11 *subpoena*, the commission may impose a daily fine of One
12 thousand pesos (P1,000.00) until the order, decision, or
13 *subpoena* is complied with.

14 SEC. 159. *Administrative Sanctions.* – If, after due
15 notice and hearing, the Commission finds that any
16 provision of this Code, rules or regulations, or any of the
17 Commission's orders has been violated, the Commission
18 may impose any or all of the following sanctions, taking
19 into consideration the extent of participation, nature,
20 effects, frequency and seriousness of the violation:

1 1) Impose a fine ranging from Five thousand pesos
2 (P5,000.00) to Two million pesos (P2,000,000.00), and not
3 more than One thousand pesos (P1,000.00) for each day of
4 continuing violation but in no case to exceed Two million
5 pesos (P2,000,000.00);

6 2) Issue a permanent cease and desist order;

7 3) Order the suspension or revocation of the
8 certificate of incorporation; and

9 4) Order the dissolution of the corporation and
10 forfeiture of its assets under the conditions in Title XIV of
11 this Code.

12 SEC. 160. *Unauthorized Use of Corporate Name;*
13 *Penalties.* – The unauthorized use of a corporate name
14 shall be punished with a fine ranging from Ten thousand
15 pesos (P10,000.00) to Two hundred thousand pesos
16 (P200,000.00).

17 SEC. 161. *Violation of Disqualification Provision;*
18 *Penalties.* – A director, trustee, or officer who willfully
19 holds office despite the knowledge of the existence of a
20 ground for his or her disqualification as provided under

1 Section 27, or who willfully conceals such disqualification,
2 shall be punished by a fine ranging from Ten thousand
3 pesos (P10,000.00) to Two hundred thousand pesos
4 (P200,000.00) at the discretion of the court, and shall be
5 permanently disqualified from being a director, trustee or
6 officer of any corporation. When the violation of this
7 provision is injurious or detrimental to the public, the
8 penalty is a fine ranging from Twenty thousand pesos
9 (P20,000.00) to Four hundred thousand pesos
10 (P400,000.00).

11 *SEC. 162. Violation of Duty to Maintain Records, to*
12 *Allow Their Inspection or Reproduction; Penalties.* — The
13 unjustified failure or refusal by the corporation, or by those
14 responsible for keeping and maintaining corporate records,
15 to comply with Sections 46, 74, 93, 130, 178 and other
16 pertinent rules and provisions of this Code on retention,
17 inspection and reproduction of records shall be punished
18 with a fine ranging from Ten thousand pesos (P10,000.00)
19 to Two hundred thousand pesos (P200,000.00), at the
20 discretion of the court, taking into consideration the

1 seriousness of the violation and its implications. When the
2 violation of this provision is injurious or detrimental to the
3 public, the penalty is a fine ranging from Twenty thousand
4 pesos (P20,000.00) to Four hundred thousand pesos
5 (P400,000.00).

6 The penalties imposed under this section shall be
7 without prejudice to the Commission's exercise of its
8 contempt powers under Section 158 hereof.

9 SEC. 163. *Willful Certification of Incomplete,*
10 *Inaccurate, False, or Misleading Statements or Reports;*
11 *Penalties.* – Any person who willfully certifies a report
12 required under this Code knowing that the same contains
13 incomplete, inaccurate, false, or misleading information or
14 statements, shall be punished with a fine ranging from
15 Twenty thousand pesos (P20,000.00) to Two hundred
16 thousand pesos (P200,000.00). When the wrongful
17 certification is injurious or detrimental to the public, the
18 auditor or the responsible person may also be punished with
19 a fine ranging from Forty thousand pesos (P40,000.00) to
20 Four hundred thousand pesos (P400,000.00).

1 SEC. 164. *Independent Auditor Collusion; Penalties.* –
2 An independent auditor who, in collusion with the
3 corporation's directors or representatives, certifies the
4 corporation's financial statements despite its incompleteness
5 or inaccuracy, failure to give a fair and accurate
6 presentation of the corporation's condition, or despite
7 containing false or misleading statements, shall be
8 punished with a fine ranging from Eighty thousand pesos
9 (P80,000.00) to Five hundred thousand pesos
10 (P500,000.00). When the statement or report certified is
11 fraudulent, or has the effect of causing injury to the
12 general public, the auditor or responsible officer may be
13 punished with a fine ranging from One hundred thousand
14 pesos (P100,000.00) to Six hundred thousand pesos
15 (P600,000.00).

16 SEC. 165. *Obtaining Corporate Registration Through
17 Fraud; Penalties.* – Those responsible for the formation of
18 a corporation through fraud, or who assisted directly or
19 indirectly therein, shall be punished with a fine ranging
20 from Two hundred thousand pesos (P200,000.00) to Two

1 million pesos (P2,000,000.00). When the violation of this
2 provision is injurious or detrimental to the public, the
3 penalty is a fine ranging from Four hundred thousand
4 pesos (P400,000.00) to Five million pesos (P5,000,000.00).

5 SEC. 166. *Fraudulent Conduct of Business;*
6 *Penalties.* – A corporation that conducts its business
7 through fraud shall be punished with a fine ranging from
8 Two hundred thousand pesos (P200,000.00) to Two million
9 pesos (P2,000,000.00). When the violation of this provision
10 is injurious or detrimental to the public, the penalty is a
11 fine ranging from Four hundred thousand pesos
12 (P400,000.00) to Five million pesos (P5,000,000.00).

13 SEC. 167. *Acting as Intermediaries for Graft and*
14 *Corrupt Practices; Penalties.* – A corporation used for
15 fraud, for committing or concealing graft and corrupt
16 practices shall be liable for a fine ranging from One
17 hundred thousand pesos (P100,000.00) to Five million
18 pesos (P5,000,000.00).

19 When coupled with a finding that any of its directors,
20 officer, employees, agents, or representatives are engaged

1 in graft and corrupt practices, the corporation's failure to
2 install: a) safeguards for the transparent and lawful
3 delivery of services; and b) policies, code of ethics, and
4 procedures against graft and corruption, shall be *prima*
5 *facie* evidence of corporate liability under this section.

6 SEC. 168. *Engaging Intermediaries for Graft and*
7 *Corrupt Practices; Penalties.* – A corporation that appoints
8 an intermediary who engages in graft and corrupt
9 practices for the corporation's benefit or interest, shall be
10 punished with a fine ranging from One hundred thousand
11 pesos (P100,000.00) to One million pesos (P1,000,000.00).

12 SEC. 169. *Tolerating Graft and Corrupt Practices;*
13 *Penalties.* – A director, trustee, or officer who knowingly
14 fails to sanction, report or file the appropriate action with
15 proper agencies, allows or tolerates the graft and corrupt
16 practices or fraudulent acts committed by a corporation's
17 directors, trustees, officers, or employees, shall be
18 punished with a fine ranging from Five hundred thousand
19 pesos (P500,000.00) to One million pesos (P1,000,000.00).

1 SEC. 170. *Retaliation Against Whistleblowers.* – A
2 whistleblower refers to any person who provides truthful
3 information relating to the commission or possible
4 commission of any offense or violation under this Code.
5 Any person who, knowingly and with intent to retaliate,
6 commits acts detrimental to a whistleblower such as
7 interfering with the lawful employment or livelihood of the
8 whistleblower, shall, at the discretion of the court, be
9 punished with a fine ranging from One hundred thousand
10 pesos (P100,000.00) to One million pesos (P1,000,000.00).

11 SEC. 171. *Other Violations of the Code; Separate*
12 *Liability.* – Violations of any of the other provisions of this
13 Code or its amendments not otherwise specifically
14 penalized therein shall be punished by a fine of not less
15 than Ten Thousand pesos (P10,000.00) but not more than
16 One million Pesos (P1,000,000.00). If the violation is
17 committed by a corporation, the same may, after notice and
18 hearing, be dissolved in appropriate proceedings before
19 Commission: *Provided,* That such dissolution shall not
20 preclude the institution of appropriate action against the

1 director, trustee, or officer of the corporation responsible
2 for said violation: *Provided, further,* That nothing in this
3 section shall be construed to repeal the other causes for
4 dissolution of a corporation provided in this Code.

5 Liability for any of the foregoing offenses shall be
6 separate from any other administrative, civil, or criminal
7 liability under this Code and other laws.

8 SEC. 172. *Liability of Directors, Trustees, Officers, or*
9 *Other Employees.* – If the offender is a corporation, the
10 penalty may, at the discretion of the court, be imposed
11 upon such corporation and/or upon its directors, trustees,
12 stockholders, members, officers, or employees responsible
13 for the violation or indispensable to its commission.

14 SEC. 173. *Liability of Aiders and Abettors and Other*
15 *Secondary Liability.* – Anyone who shall aid, abet, counsel,
16 command, induce, or procure any violation of this Code, or
17 any rule, regulation or order of the Commission shall be
18 punished with a fine not exceeding that imposed on the
19 principal offenders, at the discretion of the court, after
20 taking into account their participation in the offense.

1 TITLE XVII

2 MISCELLANEOUS PROVISIONS

3 SEC. 174. *Outstanding Capital Stock Defined.* – The
4 term “outstanding capital stock”, as used in this Code,
5 means the total shares of stock issued under binding
6 subscription agreements to subscribers or stockholders,
7 whether fully or partially paid, except treasury shares.

8 SEC. 175. *Designation of Governing Boards.* – The
9 provisions of specific provisions of this Code to the contrary
10 notwithstanding, non-stock or special corporations may,
11 through their articles of incorporation or their by-laws,
12 designate their governing boards by any name other than
13 as board of trustees.

14 SEC. 176. *Collection and Use of Registration,*
15 *Incorporation and Other Fees.* – For a more effective
16 implementation of this Code, the Commission is hereby
17 authorized to collect, retain, and use fees, fines, and other
18 charges pursuant to this Code and its rules and
19 regulations. The amount collected shall be deposited and
20 maintained in a separate account which shall form a fund

1 for its modernization and to augment its operational
2 expenses such as, but not limited to, capital outlay,
3 increase in compensation and benefits comparable with
4 prevailing rates in the private sector reasonable employee
5 allowance, employee health care services and other insurance,
6 employee career advancement and professionalization, legal
7 assistance, seminars and other professional fees.

8 SEC. 177. *Stock Ownership in Corporations.* -
9 Pursuant to the duties specified by Article XIV of the
10 Constitution, the National Economic and Development
11 Authority shall, from time to time, determine if the
12 corporate vehicle has been used by any corporation,
13 business, or industry to frustrate the provisions of this
14 Code or applicable laws, and shall submit to Congress,
15 whenever deemed necessary, a report of its findings,
16 including recommendations for their prevention or
17 correction.

18 The Congress may set maximum limits for stock
19 ownership of individuals or groups of individuals related to
20 each other by consanguinity, affinity, or by close business

1 interests, in corporations declared to be vested with public
2 interest pursuant to the provisions of this section, or
3 whenever necessary to prevent anti-competitive practices
4 as provided in Republic Act No. 10667, "The Philippine
5 Competition Act", or to implement national economic policies
6 designed to promote general welfare and economic
7 development, as declared in laws, rules, and regulations.

8 The NEDA shall consider the type and nature of the
9 industry, size of the enterprise, economies of scale,
10 geographic location, extent of Filipino ownership, labor
11 intensity of the activity, export potential, as well as other
12 factors which are germane to the realization and promotion
13 of business and industry, in recommending to Congress
14 which corporations, businesses, or industries will be
15 declared vested with public interest and in formulating
16 proposals for limitations on stock ownership.

17 SEC. 178. *Reportorial Requirements of Corporations.*
18 – Except as otherwise provided in this Code or in the rules
19 issued by the Commission, every corporation, domestic or

1 foreign, doing business in the Philippines shall submit to
2 the Commission:

3 1) Annual financial statements audited by an
4 independent certified public accountant: *Provided*, That if
5 the total assets or total liabilities of the corporation are
6 less than Six hundred thousand pesos (P600,000.00) the
7 financial statements shall be certified under oath by the
8 corporation's treasurer or chief financial officer; and
9 2) A general information sheet.

10 Corporations vested with public interest must also
11 submit the following:

12 1) A director or trustee compensation report;
13 2) A director or trustee appraisal or performance
14 report and the standards or criteria used to assess each
15 director or trustee.

16 The reportorial requirements shall be submitted
17 annually and within such period as may be prescribed by
18 the Commission.

19 The Commission may place the corporation under
20 delinquent status in case of failure to submit the

1 reportorial requirements three (3) times, consecutively or
2 intermittently, within a period of five (5) years.

3 Any person required to file any report with the
4 Commission may remove any confidential information from
5 such required report: *Provided*, That he or she files with
6 the Commission such confidential information in a
7 supplemental report prominently labeled "confidential",
8 together with a request for confidential treatment of the
9 report and the specific grounds for the grant thereof.

10 SEC. 179. *Visitorial Power and Confidential Nature of*
11 *Examination Results.* – The Commission shall exercise
12 visitorial powers over all corporations, which powers shall
13 include the examination and inspection of records,
14 regulation and supervision of activities, enforcement of
15 compliance, and imposition of sanctions in accordance with
16 this Code.

17 Should the corporation, without justifiable cause,
18 refuse or obstruct the Commission's exercise of its
19 visitorial powers, the Commission may revoke its
20 certificate of incorporation. Revocation shall be without

1 prejudice to the imposition of other penalties and sanctions
2 under this Code.

3 All interrogatories propounded by the Commission
4 and the answers thereto, as well as the results of any
5 examination made by the Commission or any other official
6 authorized by law to make an examination of the
7 operations, books, and records of any corporation, shall be
8 kept strictly confidential, except when the law requires the
9 same to be made public, when necessary for the
10 Commission to take action to protect the public or to issue
11 orders in the exercise of its powers under this Code, or
12 where such interrogatories, answers or results are
13 necessary to be presented as evidence before any court.

14 SEC. 180. *Powers, Functions, and Jurisdiction of*
15 *the Commission.* – The Commission shall have the power
16 and authority to:

17 1) Exercise supervision and jurisdiction over all
18 corporations and persons acting on their behalf, except as
19 otherwise provided under this Code;

1 Pursuant to Presidential Decree 902-a, the
2 Commission shall retain jurisdiction over pending cases
3 involving intracorporate disputes submitted for final
4 resolution. The Commission shall retain jurisdiction over
5 pending suspension of payment/rehabilitation cases filed
6 as of 30 June 2000 until finally disposed.

7 2) Impose sanctions for the violation of this Code,
8 its implementing rules, and orders of the Commission;

9 3) Promote corporate governance through, among
10 others, requiring additional submissions to the
11 Commission;

12 4) Issue opinions to clarify the application of laws,
13 rules, and regulations;

14 5) Issue cease and desist orders *ex parte* to prevent
15 imminent fraud or injury to the public;

16 6) Hold corporations in direct and indirect
17 contempt;

18 7) Order the conduct of stockholders' or members'
19 meetings under its supervision and determine appropriate
20 details, including the time and place of the meeting, the .

1 record date or dates to determine which stockholders are
2 entitled to notice of the election and to vote thereat, and
3 the form of notice of such election;

4 8) Issue *subpoena duces tecum* and summon
5 witnesses to appear in proceedings before the Commission;

6 9) In appropriate cases, order the examination,
7 search and seizure of documents, papers, files and records,
8 and books of accounts of any entity or person under
9 investigation as may be necessary for the proper
10 disposition of the cases, subject to the provisions of existing
11 laws;

12 10) Suspend or revoke the certificate of incorporation
13 after proper notice and hearing;

14 11) Dissolve or impose sanctions, upon final court
15 order, on corporations for committing, aiding in the
16 commission of, or in any manner furthering securities
17 violations, smuggling, tax evasion, money laundering, graft
18 and corrupt practices, or other fraudulent or illegal acts;

1 12) Issue writs of execution and attachment to
2 enforce payment of fees, administrative fines, and other
3 dues collectible under this Code;

4 13) Prescribe the number of independent directors
5 and the minimum criteria in determining the
6 independence of a director;

7 14) Impose or recommend new modes by which a
8 stockholder, member, director, or trustee may attend
9 meetings or cast their votes, as technology may allow,
10 taking into account the company's scale, number of
11 shareholders or members, structure and other factors
12 consistent with the basic right of corporate suffrage;

13 15) Formulate and enforce standards, guidelines,
14 policies, rules, and regulations to carry out the provisions
15 of this Code; and

16 16) Exercise such other powers provided by law or
17 those, which may be necessary or incidental to carrying
18 out, the powers expressly granted to the Commission.

19 In imposing penalties and additional monitoring and
20 supervision requirements, the Commission shall take into

1 consideration the size, nature of business, and capacity of
2 the corporation.

3 No court below the Court of Appeals shall have
4 jurisdiction to issue a restraining order, preliminary
5 injunction, or preliminary mandatory injunction in any
6 case, dispute, or controversy that directly or indirectly
7 interferes with the exercise of the powers, duties and
8 responsibilities of the Commission that falls exclusively
9 within its jurisdiction.

10 SEC. 181. *Development and Implementation of*
11 *Electronic Filing and Monitoring System.* – The Commission
12 shall develop and implement an electronic filing and
13 monitoring system. The Commission shall promulgate
14 rules to facilitate and expedite, among others, corporate
15 name reservation and registration, incorporation,
16 submission of reports, notices, and documents required
17 under this Code, and sharing of pertinent information with
18 other government agencies.

19 SEC. 182. *Arbitration for Unlisted Corporations.* –
20 An arbitration agreement may be provided in the articles

1 of incorporation or by-laws of an unlisted corporation.
2 When such an agreement is in place, disputes between the
3 corporation, its stockholders or members, which arise from
4 the implementation of the articles of incorporation or by-
5 laws, or from intracorporate relation, shall be referred to
6 arbitration. A dispute shall be non-arbitrable when it
7 involves criminal offenses and interests of third parties.

8 The arbitration agreement shall be binding on the
9 corporation, its directors, trustees, officers, and executives
10 or managers.

11 To be enforceable, the agreement should indicate the
12 number of arbitrators and the procedure for their
13 appointment. The power to appoint the arbitrators forming
14 the arbitral tribunal shall be granted to a designated
15 independent third party. Should the third party fail to
16 appoint the arbitrators in the manner and within the
17 period specified in the arbitration agreement, the parties
18 may request the Commission to appoint the arbitrators. In
19 any case, arbitrators must be accredited or must belong to
20 organizations accredited by the Commission.

1 The arbitral tribunal shall have the power to rule on
2 its own jurisdiction and/or on questions relating to the validity
3 of the arbitration agreement. When an intracorporate dispute
4 is filed with a regional trial court, the court shall dismiss the
5 case before the termination of the pretrial conference, if it
6 determines that an arbitration agreement is written in the
7 corporation's articles of incorporation, by-laws, or in a
8 separate agreement.

9 The arbitral tribunal shall have the power to grant
10 interim measures necessary to ensure enforcement of the
11 award, prevent a miscarriage of justice, or otherwise
12 protect the rights of the parties.

13 A final arbitral award under this section shall be
14 executory after the lapse of fifteen (15) days from receipt
15 thereof by the parties and shall be stayed only by the filing
16 of a bond or the issuance by the appellate court of an
17 injunctive writ.

18 The Commission shall formulate the rules and
19 regulations, which shall govern arbitration under this
20 section.

1 SEC. 183. *Jurisdiction Over Party-List Organizations.*

2 – The powers, authorities, and responsibilities of the
3 Commission involving party-list organizations are
4 transferred to the Commission on Elections (COMELEC).

5 Within six (6) months after the effectivity of this Act,
6 the monitoring, supervision, and regulation of such
7 corporations shall be deemed automatically transferred to
8 the COMELEC.

9 For this purpose, the COMELEC, in coordination
10 with the Commission, shall promulgate corresponding
11 implementing rules for the transfer of jurisdiction over the
12 above-mentioned corporations.

13 SEC. 184. *Applicability of the Code.* – Nothing in this
14 law shall be construed as amending existing provisions of
15 special laws governing the registration, regulation,
16 monitoring and supervision of special corporations such as
17 banks, non-bank financial institutions and insurance
18 companies.

19 Notwithstanding any provision to the contrary,
20 regulators such as the Bangko Sentral ng Pilipinas and the

1 Insurance Commission shall exercise primary authority
2 over special corporations such as banks, non-bank financial
3 institutions and insurance companies under their
4 supervision and regulation.

5 *SEC. 185. Implementing Rules and Regulations.* – The
6 Commission shall promulgate and/or amend the necessary
7 rules and regulations for the effective implementation of
8 this Act.

9 *SEC. 186. Separability Clause.* – If any provision of
10 this Act is declared invalid or unconstitutional, other
11 provisions hereof which are not affected thereby shall
12 continue to be in full force and effect.

13 *SEC. 187. Repealing Clause.* – Batas Pambansa 68
14 and any law, presidential decree or issuance, executive
15 order, letter of instruction, administrative order, rule or
16 regulation contrary to or inconsistent with any provision of
17 this Act are hereby repealed or modified accordingly.

18 *SEC. 188. Applicability to Existing Corporations.* – A
19 corporation lawfully existing and doing business in the
20 Philippines affected by the new requirements of this Code

1 shall be given a period of not more than two (2) years from
2 the effectivity of this Act within which to comply.

3 SEC. 189. *Effectivity Clause.* – This Act shall take
4 effect upon completion of its publication in the *Official*
5 *Gazette* or in at least two (2) newspapers of general
6 circulation.

Approved,