



Senate
Office of the Secretary

SIXTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Second Regular Session)

14 NOV 24 P6:16

RECEIVED BY: *Ji*

SENATE
S.B. No. 2465

Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

**AN ACT AMENDING BATAS PAMBANSA BLG. 68
OTHERWISE KNOWN AS THE CORPORATION CODE OF THE PHILIPPINES**

EXPLANATORY NOTE

The Philippines is enjoying the best economic growth it has seen in years and has deemed to be a rising star in the region. But the challenge remains to enhance the local markets and business environment in order for investments to continuously come in. Updating pertinent laws is needed to keep up with the fast-changing business landscape and sustain this unprecedented progress.

This measure seeks to introduce key amendments to Batas Pambansa Blg. 68 or the Corporation Code, which was passed in 1980 or more than three decades ago.

Two key provisions aim to address the needs of entrepreneurs in the country.

Firstly, a sole proprietor presently needs to have incorporators of five to fifteen individuals to be able to register with the Security and Exchange Commission (SEC). The policy has created cases for dummy incorporators.

In addition, sole proprietorship exposes all the properties of the entrepreneur for the business's liabilities. Such exposure risks all of the assets of the proprietor, even his family's properties.

To address these, this measure recommends the recognition of the one-man corporation to encourage entrepreneurs to declare truthful and transparent information about their businesses, limit liabilities and spare family assets, and further grow their businesses.


Secondly, the law currently provides a limited corporate term of 50 years maximum. Many big firms forget to renew after 50 years and they end up dissolving the company, liquidating their assets and transferring their properties. This unfortunate event leads to loss of income and livelihood for families, and the loss of legacy and dreams for entrepreneurs and employees.

This bill seeks to allow corporations to have perpetual corporation existence but with renewal requirements every 25 years. Failure to comply with the requirements will not end corporate existence but penalties will be imposed. It allows a corporation to develop long-term plans and to look into more sustainable and far-reaching strategies for more economic growth.

Other related provisions have been proposed to make the policy relevant and attuned to present times, adopt best global practices, attract more investments and start-ups in the country, and specifically address the needs of entrepreneurs.

In view of the foregoing, the approval of this bill is earnestly sought.

Senator Paolo Benigno "Bam" A. Aquino IV

A handwritten signature in black ink, appearing to read "Bam Aquino", written over the printed name of the senator.

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AN ACT AMENDING BATAS PAMBANSA BLG. 68
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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

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

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

16 Preferred shares of stock issued by any corporation may be given
17 preference in the distribution of the assets of the corporation in case of
18 liquidation and in the distribution of dividends, or such other preferences as
19 may be stated in the articles of incorporation which are not violative of the
20 provisions of this Code: *Provided*, That preferred shares of stock may be
21 issued only with a stated par value. The board of directors, where authorized
22 in the articles of incorporation, may fix the terms and conditions of preferred
23 shares of stock or any series thereof: *Provided*, That such terms and

1 conditions shall be effective upon [filing of a certificate thereof with the
2 Securities and Exchange Commission] **THE ISSUANCE BY THE SECURITIES
3 AND EXCHANGE COMMISSION, HEREINAFTER REFERRED TO AS THE
4 "COMMISSION", OF A CERTIFICATE THAT THE TERMS AND CONDITIONS OF
5 THE PREFERRED SHARES ARE NOT INCONSISTENT WITH THE PROVISIONS OF
6 THIS CODE, THE CONSTITUTION OF THE PHILIPPINES, AND OTHER EXISTING
7 LAWS, RULES AND REGULATIONS.**

8 xxx xxx xxx"

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

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

22 **AFTER THE LAPSE OF THE FIVE-YEAR PERIOD, THE SHARES SHALL
23 AUTOMATICALLY HAVE THE SAME VOTING RIGHTS AND PRIVILEGES AS
24 COMMON SHARES."**

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

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

1 EXCEPT AS PROVIDED IN THE IMMEDIATELY PRECEDING
2 PARAGRAPH, NO CORPORATION SHALL REDEEM, REPURCHASE OR
3 REACQUIRE ITS OWN SHARES OF WHATEVER CLASS, UNLESS IT HAS
4 SUFFICIENT UNRESTRICTED RETAINED EARNINGS TO FUND THE COST OF
5 SUCH REDEMPTION, REPURCHASE OR REACQUISITION; *PROVIDED*, THAT
6 SUCH REQUIREMENT SHALL NOT APPLY IF THE REDEMPTION, REPURCHASE
7 OR REACQUISITION IS MADE UNDER ANY OF THE FOLLOWING
8 CIRCUMSTANCES:

9 a) PURSUANT TO A CONVERSION RIGHT PROVIDED FOR IN THE
10 ARTICLES OF INCORPORATION;

11 b) TO EFFECT A DECREASE IN THE AUTHORIZED CAPITAL STOCK OF
12 THE CORPORATION AS APPROVED BY THE COMMISSION; AND

13 c) UPON INSTRUCTION TO A CLOSE CORPORATION BY THE
14 COMMISSION TO RESOLVE A DEADLOCK.”

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

16 “Sec. 10. *Number and qualifications of incorporators.* - Any number of
17 **PERSONS**, natural OR JURIDICAL, [persons not less than five (5)] but not more
18 than fifteen (15), [all of legal age] and a majority of whom are residents of the
19 Philippines], may form a private corporation for any lawful purpose or
20 purposes. Each of the incorporators of a stock corporation must own or be a
21 subscriber to at least one (1) share of the capital stock of the corporation.”

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

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

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

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

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

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

30 "Sec. 12. *Minimum capital stock required of stock corporations.* –Stock
31 corporations incorporated under this Code shall [not be required to have any]
32 **HAVE A** minimum authorized capital stock **OF ONE MILLION (P1,000,000.00)**
33 **PESOS** [except as] **OR SUCH AMOUNT AS MAY BE DETERMINED BY THE**
34 **COMMISSION AFTER DUE NOTICE TO THE PUBLIC, UNLESS A DIFFERENT**
35 **AMOUNT IS REQUIRED BY ANY LAW** [otherwise specifically provided for by
36 special law], and subject to the provisions of the following section[.];
37 **PROVIDED, HOWEVER, THAT FOR CORPORATIONS ISSUING NO PAR VALUE**
38 **SHARES, THE MINIMUM AUTHORIZED CAPITAL STOCK SHALL BE 200,000**
39 **SHARES; AND PROVIDED, FURTHER, THAT WHERE CAPITAL CONSISTS OF**

1 **BOTH PAR AND NO-PAR VALUE SHARES, THE MINIMUM AUTHORIZED**
2 **CAPITAL STOCK SHALL BE ONE MILLION (P1,000,000.00) PESOS."**

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

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

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

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

28 1. The name of the corporation;

29 xxx xxx xxx

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

1 4. [The term for which the corporation is to exist] **A PROVISION**
2 **LIMITING THE DURATION OF THE CORPORATION'S EXISTENCE TO A**
3 **SPECIFIED DATE; OTHERWISE, THE CORPORATION SHALL HAVE PERPETUAL**
4 **EXISTENCE;**

5 xxx xxx xxx

6 9. If it be a non-stock corporation, [the amount of its capital,] the
7 names, nationalities and residences of the contributors and [the amount
8 contributed by each] **THE TOTAL AMOUNT OF CONTRIBUTED CAPITAL BY**
9 **THE INCORPORATORS AND MEMBERS THEREOF; [and]**

10 **10. IF IT BE A STOCK CORPORATION, A STATEMENT OF THE**
11 **TREASURER, WHO SHALL BE AN INCORPORATOR, THAT AT LEAST TWENTY-**
12 **FIVE PERCENT (25%) OF THE NUMBER OF SHARES IN THE AUTHORIZED**
13 **CAPITAL STOCK OF THE CORPORATION HAS BEEN SUBSCRIBED AND AT**
14 **LEAST TWENTY-FIVE PERCENT (25%) OF THE TOTAL SUBSCRIPTION HAS**
15 **BEEN FULLY PAID TO HIM IN ACTUAL CASH AND/OR IN PROPERTY THE FAIR**
16 **VALUATION OF WHICH IS EQUAL TO AT LEAST TWENTY-FIVE (25%) PERCENT**
17 **OF THE SAID SUBSCRIPTION, SUCH PAID-UP CAPITAL BEING NOT LESS THAN**
18 **SIXTY TWO THOUSAND FIVE HUNDRED PESOS (P62,500.00) ;"AND**

19 xxx xxx xxx

20 [The Securities and Exchange Commission shall not accept the articles
21 of incorporation of any stock corporation unless accompanied by a sworn
22 statement of the Treasurer elected by the subscribers showing that at least
23 twenty-five (25%) percent of the authorized capital stock of the corporation
24 has been subscribed, and at least twenty-five (25%) of the total subscription
25 has been fully paid to him in actual cash and/or in property the fair valuation
26 of which is equal to at least twenty-five (25%) percent of the said
27 subscription, such paid-up capital being not less than five thousand
28 (P5,000.00) pesos.]

29 **ARTICLES OF INCORPORATION OR AMENDMENTS THERETO MAY BE**
30 **FILED IN THE FORM OF AN ELECTRONIC DOCUMENT, IN ACCORDANCE WITH**
31 **THE RULES AND REGULATIONS OF THE COMMISSION ON THE USE OF**
32 **ELECTRONIC DATA MESSAGES."**

33 **SECTION 9.** Section 15 is hereby amended to delete the form on the
34 Treasurer's Affidavit and to read as follows:

1 “Sec. 15. *Form[s] of articles of incorporation; Filing.* - Unless otherwise
2 prescribed by special law, articles of incorporation of all domestic
3 corporations shall comply substantially with the following form:

4 ARTICLES OF INCORPORATION
5 OF

6
7 _____

8 (Name of Corporation)

9 **KNOW ALL [MEN] PERSONS BY THESE PRESENTS:**

10
11 xxx xxx xxx

12
13
14 TENTH: That _____ has been elected by the subscribers as
15 Treasurer of the Corporation to act as such until his successor is duly elected
16 and qualified in accordance with the by-laws, [and] that as such Treasurer, he
17 has been authorized to receive for and in the name and for the benefit of the
18 corporation, all subscription (or fees) or contributions or donations paid or
19 *given by the subscribers or members, THAT HE CERTIFIES THE INFORMATION*
20 **SET FORTH IN THE SEVENTH, EIGHT AND NINTH CLAUSES ABOVE, AND THAT**
21 **HE HAS RECEIVED THE PAID-UP PORTION OF THE SUBSCRIPTION IN CASH**
22 **OR PROPERTY FOR THE BENEFIT AND CREDIT OF THE CORPORATION.**

23 xxx xxx xxx

24
25 IN WITNESS WHEREOF, we have hereunto signed these Articles of
26 Incorporation, this day of, [19] 20..... in
27 the City/Municipality of, Province of
28, Republic of the Philippines.

29 xxx xxx xxx

30 [TREASURER'S AFFIDAVIT

31 xxx xxx xxx

32 NOTARY PUBLIC

33 My commission expires on, 19

34 Doc. No.;

35 Page No.;

36 Book No.;

1 Series of 19]

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

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

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

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

15 xxx xxx xxx

16 [No articles of incorporation or amendment to articles of incorporation
17 of banks, banking and quasi-banking institutions, building and loan
18 associations, trust companies and other financial intermediaries, insurance
19 companies, public utilities, educational institutions, and other corporations
20 governed by special laws shall be accepted or approved by the Commission
21 unless accompanied by a favorable recommendation of the appropriate
22 government agency to the effect that such articles or amendment is in
23 accordance with law.]

24 **THE COMMISSION MAY REQUIRE AN ENDORSEMENT OR FAVORABLE**
25 **RECOMMENDATION FROM ANOTHER APPROPRIATE GOVERNMENT AGENCY.**

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

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

33 **THE COMMISSION SHALL DETERMINE WHETHER A NAME IS**
34 **DISTINGUISHABLE FROM ANOTHER NAME FOR PURPOSES OF THIS CODE.**

1 WITHOUT EXCLUDING OTHER NAMES WHICH MAY NOT CONSTITUTE
2 DISTINGUISHABLE NAMES AS DETERMINED BY THE COMMISSION, AND
3 SUBJECT TO THE RULES OR GUIDELINES THE COMMISSION MAY SET WITH
4 RESPECT THERETO, A NAME IS NOT CONSIDERED DISTINGUISHABLE FOR
5 PURPOSES OF THIS CODE SOLELY BECAUSE IT CONTAINS ONE OR MORE OF
6 THE FOLLOWING:

7 1. THE WORD "CORPORATION", "COMPANY",
8 "INCORPORATED", OR "LIMITED", "LIMITED LIABILITY" OR AN
9 ABBREVIATION OF ONE OF SUCH WORDS;

10
11 2. PUNCTUATIONS, ARTICLES, CONJUNCTIONS,
12 CONTRACTIONS, ABBREVIATIONS, DIFFERENT TENSES, SPACING
13 OR NUMBER OF THE SAME WORD OR PHRASE.

14 THE FACT THAT A CORPORATE NAME COMPLIES WITH THIS SECTION
15 DOES NOT CREATE SUBSTANTIVE RIGHTS TO THE USE OF THAT CORPORATE
16 NAME. THE COMMISSION SHALL HAVE THE AUTHORITY TO SUMMARILY
17 REMOVE FROM REGISTRATION OR RESERVATION ANY NAME WHICH IT
18 LATER DETERMINES TO BE NOT DISTINGUISHABLE AS STATED ABOVE.

19 WHEN A CORPORATE NAME IS REMOVED FROM REGISTRATION, THE
20 CORPORATION SHALL IMMEDIATELY CEASE FROM USING THE SAME AND
21 APPLY FOR THE REGISTRATION OF A NEW CORPORATE NAME. SIMILARLY, A
22 CORPORATION DIRECTED BY FINAL JUDGMENT TO CHANGE ITS CORPORATE
23 NAME SHALL NOT USE THE SAME IN ITS OPERATIONS OR IN ANY OTHER
24 WAY, EVEN AFTER ITS DISSOLUTION OR REVOCATION AS A CORPORATION.

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

28 IF A CORPORATION USES OR CONTINUES TO USE A CORPORATE
29 NAME ALREADY REMOVED FROM REGISTRATION OR RESERVATION, OR
30 WHICH HAS BEEN DIRECTED TO BE CHANGED BY FINAL JUDGMENT, THE
31 COMMISSION SHALL DULY NOTIFY SAID CORPORATION AND REQUIRE IT TO
32 CEASE AND DESIST FROM THE CONTINUED USE OF SUCH CORPORATE NAME
33 WITHIN A PERIOD OF FIVE (5) DAYS. IF THE CORPORATION FAILS TO
34 COMPLY WITH THE COMMISSION'S ORDER WITHIN THE FIVE-DAY PERIOD,
35 THE COMMISSION MAY HOLD THE CORPORATION AND/OR ITS
36 RESPONSIBLE DIRECTORS OR OFFICERS IN CONTEMPT, AND/OR CAUSE THE
37 REMOVAL OF ALL VISIBLE SIGNAGES, MARKS, ADVERTISEMENTS, LABELS,
38 PRINTS AND OTHER EFFECTS BEARING SUCH CORPORATE NAME IN THEIR
39 POSSESSION. LIABILITY UNDER THIS SECTION SHALL BE WITHOUT

1 **PREJUDICE TO THE CORPORATION’S AND/OR ITS RESPONSIBLE DIRECTORS’**
2 **OR OFFICERS’ LIABILITY FOR OTHER ADMINISTRATIVE, CIVIL, OR CRIMINAL**
3 **SANCTIONS UNDER THIS CODE AND OTHER LAWS.”**

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

5 *“Sec. 19. REGISTRATION, INCORPORATION AND commencement of*
6 *corporate existence.—* A PERSON OR GROUP OF PERSONS DESIRING TO
7 **INCORPORATE SHALL SUBMIT THE INTENDED CORPORATE NAME TO THE**
8 **COMMISSION FOR VERIFICATION. IF THE COMMISSION FINDS THAT THE**
9 **NAME IS DISTINGUISHABLE, THE NAME SHALL BE RESERVED IN FAVOR OF**
10 **THE INCORPORATORS. THE INCORPORATORS SHALL THEN: (A) SUBMIT, AS**
11 **MAY BE APPLICABLE, THEIR ARTICLES OF INCORPORATION, THEIR BY-LAWS,**
12 **AND SUCH OTHER DOCUMENTS AND/OR INFORMATION AS MAY BE**
13 **REQUIRED BY THE COMMISSION; AND (B) PAY THE PRESCRIBED FEES.**

14 **INCORPORATORS SHALL HAVE THE OPTION OF RESERVING A**
15 **CORPORATE NAME, SUBMITTING THE REQUIREMENTS FOR**
16 **INCORPORATION AND PAYING THE PRESCRIBED FEES EITHER THROUGH THE**
17 **MANUAL PROCESS AT THE OFFICE OF THE COMMISSION OR THROUGH ANY**
18 **OTHER SYSTEM OF REGISTRATION AND INCORPORATION WHICH THE**
19 **COMMISSION MAY ESTABLISH, SUBJECT TO THE CORRESPONDING RULES**
20 **AND PROCEDURES THE COMMISSION SHALL PRESCRIBE THEREFOR.**

21 **IF THE COMMISSION FINDS THAT THE SUBMITTED DOCUMENTS,**
22 **INFORMATION AND PAYMENT ARE COMPLETE AND IN FULL COMPLIANCE**
23 **OF THE REQUIREMENTS UNDER THIS CODE AND THE RULES OF THE**
24 **COMMISSION, AND THERE IS NO OTHER GROUND TO REJECT OR**
25 **DISAPPROVE ANY OF THE SUBMISSIONS, THE COMMISSION SHALL ISSUE**
26 **THE CORRESPONDING CERTIFICATE OF INCORPORATION AND REGISTER THE**
27 **CORPORATE NAME EARLIER RESERVED.**

28 A private corporation formed or organized under this Code
29 commences to have corporate existence and juridical personality and is
30 deemed incorporated from the date the [Securities and Exchange]
31 Commission issues [a] **THE** certificate of incorporation under its official seal;
32 **PROVIDED, THAT THE COMMISSION MAY ISSUE THE CERTIFICATE OF**
33 **INCORPORATION IN THE FORM OF AN ELECTRONIC DOCUMENT, IN**
34 **ACCORDANCE WITH THE RULES AND REGULATIONS OF THE COMMISSION**
35 **ON THE USE OF ELECTRONIC DATA MESSAGES;** and thereupon the
36 incorporators, stockholders/members and their successors shall constitute a
37 body politic and corporate under the name stated in the articles of
38 incorporation for the period of time mentioned therein, unless said period is
39 extended or the corporation is sooner dissolved in accordance with law.

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

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

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

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

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

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

7 ONCE THE REVOCATION BECOMES FINAL, I.E. AFTER THE LAPSE OF
8 FIFTEEN DAYS FROM THE DATE OF REVOCATION, THE CORPORATION SHALL
9 BE BANNED FROM ANY FURTHER USE OF THE CORPORATE NAME AND
10 SHALL BE DISSOLVED IN ACCORDANCE WITH THE PROVISIONS ON
11 DISSOLUTION UNDER TITLE XIV OF THIS CODE.

12 [The provision shall not apply if the failure to organize, commence the
13 transaction of its business or the construction of its works, or to continuously
14 operate is due to causes beyond the control of the corporation as may be
15 determined by the Securities and Exchange Commission].”

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

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

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

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

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

8 Trustees of non-stock corporations [must be members thereof],
9 **OTHER THAN INDEPENDENT TRUSTEES, SHALL BE ELECTED FROM AMONG**
10 **THE MEMBERS OF THE CORPORATION. IF ANY SUCH TRUSTEE CEASES TO BE**
11 **A MEMBER OF THE CORPORATION, HE SHALL THEREBY CEASE TO BE A**
12 **TRUSTEE.**

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

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

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

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

34 **EXCEPT AS PROVIDED IN SECTION 26 OF THIS CODE,** at all elections of
35 directors or trustees, there must be present, either in person, **BY REMOTE**
36 **COMMUNICATION,** or by representative authorized to act by written proxy,
37 the owners of a majority of the outstanding capital stock, or if there be no
38 capital stock, a majority of the members entitled to vote; **PROVIDED THAT**

1 **WHEN A VOTE IS CAST *IN ABSENTIA*, THE STOCKHOLDER OR MEMBER WHO**
2 **CAST THE VOTE SHALL BE DEEMED PRESENT FOR PURPOSES OF QUORUM.**

3 **EACH STOCKHOLDER OR MEMBER SHALL HAVE THE RIGHT TO VOTE**
4 **IN PERSON, BY REMOTE COMMUNICATION, BY PROXY, AND/OR *IN***
5 ***ABSENTIA*; PROVIDED THAT VOTING BY REMOTE COMMUNICATION OR *IN***
6 ***ABSENTIA* MAY BE RESORTED TO ONLY WHEN ALLOWED EITHER BY THE BY-**
7 **LAWS OF THE CORPORATION OR BY A MAJORITY OF THE BOARD OF**
8 **DIRECTORS AND WHEN THE CORPORATION HAS INSTITUTED REASONABLE**
9 **MEASURES TO VERIFY THAT THE PERSON PERMITTED TO PARTICIPATE OR**
10 **VOTE BY REMOTE COMMUNICATION OR *IN ABSENTIA* IS A STOCKHOLDER**
11 **OR MEMBER, OR A HOLDER OF A PROXY FROM A STOCKHOLDER OR**
12 **MEMBER, AND TO RECORD ALL VOTES AND OTHER ACTIONS TAKEN AT THE**
13 **MEETING. WHEN ATTENDANCE AT THE MEETING IS BY REMOTE**
14 **COMMUNICATION, THE CORPORATION SHALL PROVIDE THE STOCKHOLDER**
15 **OR MEMBER, OR PROXY-HOLDER, A REASONABLE OPPORTUNITY TO**
16 **PARTICIPATE IN THE MEETING, HEAR OR SEE THE PROCEEDINGS AS WELL AS**
17 **BE HEARD OR SEEN BY OTHER STOCKHOLDERS OR MEMBERS, AND TO CAST**
18 **THEIR VOTE SUBSTANTIALLY CONCURRENTLY WITH SUCH PROCEEDINGS.**
19 **WHEN VOTING *IN ABSENTIA*, IS ALLOWED, THE CORPORATION SHALL**
20 **INSTITUTE REASONABLE MEASURES TO TIMELY PROVIDE THE STOCKHOLDER**
21 **OR MEMBER WITH INFORMATION ON THE NOMINEES AND GIVE THEM A**
22 **REASONABLE OPPORTUNITY TO ASK QUESTIONS BEFORE CASTING THEIR**
23 **VOTES. THE COMMISSION SHALL PRESCRIBE THE MINIMUM STANDARDS OR**
24 **GUIDELINES TO MAKE ATTENDANCE BY REMOTE COMMUNICATION AND**
25 **VOTING *IN ABSENTIA* EFFICIENT AND ACCESSIBLE FOR A FOR STOCKHOLDERS**
26 **OR MEMBERS.**

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

29 In stock corporations, every stockholder entitled to vote shall have the
30 right to vote [in person or by proxy] the number of shares of stock standing,
31 at the time fixed in the by-laws, in his own name [on] **IN** the stock books of
32 the corporation, or where the by-laws are silent, at the time of the election;
33 and said stockholder may vote such number of shares for as many persons as
34 there are directors to be elected or he may cumulate said shares and give one
35 candidate as many votes as the number of directors to be elected multiplied
36 by the number of his shares shall equal, or he may distribute them on the
37 same principle among as many candidates as he shall see fit: Provided, That
38 the total number of votes cast by him shall not exceed the number of shares
39 owned by him as shown in the books of the corporation multiplied by the
40 whole number of directors to be elected: Provided, however, That no
41 delinquent stock shall be voted. Unless otherwise provided in the articles of

1 incorporation or in the by-laws, members of corporations which have no
2 capital stock may cast as many votes as there are trustees to be elected but
3 may not cast more than one vote for one candidate. Candidates receiving the
4 highest number of votes shall be declared elected.

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

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

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

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

34 [Directors or trustees cannot attend or vote by proxy at board
35 meetings]; **HOWEVER, WHEN ALLOWED BY THE BY-LAWS, THEY CAN**
36 **ATTEND BOARD MEETINGS THROUGH REMOTE COMMUNICATION SUCH AS**
37 **VIDEO CONFERENCING, TELECONFERENCING OR OTHER TECHNOLOGY THAT**
38 **ALLOWS THEM A REASONABLE OPPORTUNITY TO PARTICIPATE."**

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

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

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

15 **WHEN PERTAINING TO THE ORIGINAL SCHEDULE, THE REPORT OF**
16 **NON-HOLDING SHALL FURTHER SPECIFY A NEW DATE FOR THE ELECTION,**
17 **WHICH SHALL NOT BE LATER THAN THIRTY DAYS FROM THE ORIGINAL**
18 **DATE.**

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

33 **THE SHARES OF STOCK OR MEMBERSHIP REPRESENTED AT SUCH**
34 **MEETING AND ENTITLED TO VOTE THEREAT, EITHER IN PERSON, BY REMOTE**
35 **COMMUNICATION, *IN ABSENTIA*, OR BY PROXY, SHALL CONSTITUTE A**
36 **QUORUM FOR THE PURPOSE OF SUCH MEETING, NOTWITHSTANDING ANY**
37 **PROVISION OF THE ARTICLES OF INCORPORATION OR BY-LAWS TO THE**
38 **CONTRARY. THE MEETING SCHEDULED BY THE COMMISSION AND THE**

1 ELECTION HELD THEREAT SHALL HAVE THE SAME EFFECT OF A VALID
2 MEETING AND ELECTION OF THE CORPORATION.

3 Should a director, trustee or officer die, resign or in any manner cease
4 to hold office, his heirs in case of his death, the secretary, or any other officer
5 of the corporation, or the director, trustee or officer himself, shall
6 [immediately] report such fact to the [Securities and Exchange] Commission
7 **IN WRITING WITHIN THREE (3) DAYS FROM CESSATION FROM OFFICE,**
8 **PROVIDED THAT SUCH NOTICE MAY GIVEN IN THE FORM OF AN**
9 **ELECTRONIC DOCUMENT, IN ACCORDANCE WITH THE RULES AND**
10 **REGULATIONS OF THE COMMISSION ON THE USE OF ELECTRONIC DATA**
11 **MESSAGES.**

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

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

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

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

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

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

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

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

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

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

10 *"Sec. 28. Removal of directors or trustees. - Any director or trustee of*
11 *a corporation may be removed from office by a vote of the stockholders*
12 *holding or representing at least two-thirds (2/3) of the outstanding capital*
13 *stock, or if the corporation be a non-stock corporation, by a vote of at least*
14 *two-thirds (2/3) of the members entitled to vote: Provided, That such*
15 *removal shall take place either at a regular meeting of the corporation or at a*
16 *special meeting called for the purpose, and in either case, after previous*
17 *notice to stockholders or members of the corporation of the intention to*
18 *propose such removal at the meeting. A special meeting of the stockholders*
19 *or members of a corporation for the purpose of removal of directors or*
20 *trustees, or any of them, must be called by the secretary on order of the*
21 *president or on the written demand of the stockholders representing or*
22 *holding at least a majority of the outstanding capital stock, or, if it be a non-*
23 *stock corporation, on the written demand of a majority of the members*
24 *entitled to vote. Should the secretary fail or refuse to call the special meeting*
25 *upon such demand or fail or refuse to give the notice, or if there is no*
26 *secretary, the call for the meeting may be addressed directly to the*
27 *stockholders or members by any stockholder or member of the corporation*
28 *signing the demand. Notice of the time and place of such meeting, as well as*
29 *of the intention to propose such removal, must be given by publication or by*
30 *written notice prescribed in this Code. Removal may be with or without*
31 *cause: Provided, That removal without cause may not be used to deprive*
32 *minority stockholders or members of the right of representation to which*
33 *they may be entitled under Section 24 of this Code.*

34 **THE COMMISSION SHALL, *MOTU PROPRIO* OR UPON VERIFIED**
35 **COMPLAINT AND AFTER DUE NOTICE AND HEARING, ORDER THE REMOVAL**
36 **OF ANY DISQUALIFIED DIRECTOR OR TRUSTEE ELECTED DESPITE THE**
37 **DISQUALIFICATION, OR WHOSE DISQUALIFICATION IS DISCOVERED OR**
38 **AROSE SUBSEQUENT TO ELECTION. THE REMOVAL OF ANY DISQUALIFIED**
39 **DIRECTOR SHALL BE WITHOUT PREJUDICE TO OTHER SANCTIONS THE**
40 **COMMISSION MAY IMPOSE IN ACCORDANCE WITH THIS CODE, UPON**

1 **SHOWING OF A WILLFUL OR DELIBERATE CONCEALMENT OF THE**
2 **DISQUALIFICATION.”**

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

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

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

20 **HOWEVER, WHEN THE VACANCY PREVENTS THE REMAINING**
21 **DIRECTORS FROM CONSTITUTING A QUORUM AND EMERGENCY ACTION IS**
22 **REQUIRED TO PREVENT GRAVE, SUBSTANTIAL AND IRREPARABLE LOSS OR**
23 **DAMAGE TO THE CORPORATION, THE VACANCY MAY BE TEMPORARILY**
24 **FILLED BY UNANIMOUS VOTE OF THE REMAINING DIRECTORS OR TRUSTEES**
25 **FROM AMONG THE OFFICERS OF THE CORPORATION, PROVIDED THAT**
26 **ACTION BY THE APPOINTED DIRECTOR OR TRUSTEE SHALL BE LIMITED TO**
27 **THE EMERGENCY ACTION NECESSARY TO PREVENT GRAVE, SUBSTANTIAL**
28 **OR IRREPARABLE LOSS TO THE COMPANY AND HIS TERM SHALL NOT**
29 **CONTINUE FOR LONGER THAN REASONABLY NECESSARY AFTER THE**
30 **TERMINATION OF THE EMERGENCY.**

31 Any directorship or trusteeship to be filled by reason of an increase in
32 the number of directors or trustees shall be filled only by an election at a
33 regular or at a special meeting of stockholders or members duly called for the
34 purpose, or in the same meeting authorizing the increase of directors or
35 trustees if so stated in the notice of the meeting.

36 **IN ALL ELECTIONS TO FILL VACANCIES UNDER THIS SECTION, THE**
37 **PROCEDURE SET FORTH IN SECTIONS 24 AND 26 SHALL APPLY.”**

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

2 “Sec. 30. *Compensation of directors.* –In the absence of any provision
3 in the by-laws fixing **THE PARAMETERS OF** their compensation, the directors
4 **OR TRUSTEES** shall not receive any compensation [,] as such directors **OR**
5 **TRUSTEES**, except for reasonable per diems: *Provided, however,* That any
6 such compensation other than per diems may be granted to directors **OR**
7 **TRUSTEES** by the vote of the stockholders representing at least a majority of
8 the outstanding capital stock **OR BY MAJORITY OF THE MEMBERS** at a
9 regular or special meeting.

10 **NO DIRECTOR OR TRUSTEE SHALL PARTICIPATE IN THE**
11 **DETERMINATION OF HIS OWN PER DIEMS OR COMPENSATION. PER DIEMS**
12 **OR COMPENSATION GRANTED TO DIRECTORS OR TRUSTEES SHALL**
13 **LIKEWISE BE APPROVED BY THE VOTE OF THE STOCKHOLDERS**
14 **REPRESENTING AT LEAST A MAJORITY OF THE OUTSTANDING CAPITAL**
15 **STOCK OR BY MAJORITY OF THE MEMBERS AT A REGULAR OR SPECIAL**
16 **MEETING.**

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

20 **THE CORPORATION SHALL SUBMIT AN ANNUAL REPORT ON THE**
21 **COMPENSATION OF DIRECTORS OR TRUSTEES AS PRESCRIBED UNDER THIS**
22 **CODE.”**

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

24 “Sec. 35. *Executive committee AND OTHER SPECIAL COMMITTEES.* -
25 The by-laws of a corporation may create an executive committee, composed
26 of not less than three members of the board, to be appointed by the board.
27 Said committee may act, by majority vote of all its members, on such specific
28 matters within the competence of the board, as may be delegated to it in the
29 by-laws or on a majority vote of the board, except with respect to: (1)
30 approval of any action for which shareholders' approval is also required; (2)
31 the filling of vacancies in the board; (3) the amendment or repeal of by-laws
32 or the adoption of new by-laws; (4) the amendment or repeal of any
33 resolution of the board which by its express terms is not so amendable or
34 repealable; and (5) a distribution of cash dividends to the shareholders.

35 **FOR MERITORIOUS REASONS, THE BOARD MAY, UPON DUE**
36 **AMENDMENT OF THE BY-LAWS, ORDER THE FORMATION OF OTHER**

1 SPECIAL COMMITTEES AND DETERMINE THE MEMBERS' TERM,
2 COMPENSATION, POWERS AND RESPONSIBILITIES.

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

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

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

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

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

19 XXXXXX XXX

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

24 xxx xxx xxx"

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

26 "Sec. 37. *Power to extend or shorten corporate term.* - A private
27 corporation may extend or shorten its term as stated in the articles of
28 incorporation when approved by a majority vote of the board of directors or
29 trustees and ratified at a meeting by the stockholders representing at least
30 two-thirds (2/3) of the outstanding capital stock or by at least two-thirds
31 (2/3) of the members in case of non-stock corporations. Written notice of the
32 proposed action and of the time and place of the meeting shall be addressed
33 to each stockholder or member at his place of residence as shown on the
34 books of the corporation and deposited to the addressee in the post office

1 with postage prepaid, [or] served personally[.], **OR, WHEN ALLOWED IN THE**
2 **BY-LAWS OR DONE WITH THE CONSENT OF THE CONCERNED**
3 **STOCKHOLDER, NOTICE UNDER THIS SECTION MAY BE GIVEN IN THE FORM**
4 **OF AN ELECTRONIC DOCUMENT, IN ACCORDANCE WITH THE RULES AND**
5 **REGULATIONS OF THE COMMISSION ON THE USE OF ELECTRONIC DATA**
6 **MESSAGES:** Provided, That in case of extension of corporate term, any
7 dissenting stockholder may exercise his appraisal right under the conditions
8 provided in this code.”

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

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

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

14 xxx xxx xxx

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

27 One of the duplicate certificates shall be kept on file in the office of
28 the corporation and the other shall be filed with the [Securities and
29 Exchange] Commission and attached to the original articles of incorporation.
30 From and after approval by the [Securities and Exchange] Commission and
31 the issuance by the Commission of its certificate of filing, the capital stock
32 shall stand increased or decreased and the incurring, creating or increasing of
33 any bonded indebtedness authorized, as the certificate of filing may declare:
34 Provided, That the [Securities and Exchange] Commission shall not accept for
35 filing any certificate of increase of capital stock unless accompanied by the
36 sworn statement of the treasurer of the corporation lawfully holding office at
37 the time of the filing of the certificate, showing that at least twenty-five
38 (25%) percent of [such increased] **THE INCREASE IN** capital stock has been

1 subscribed and that at least twenty-five (25%) percent of the amount
2 subscribed has been paid either in actual cash to the corporation or that
3 there has been transferred to the corporation property the valuation of
4 which is equal to twenty-five (25%) percent of the subscription: Provided,
5 further, That no decrease of the capital stock shall be approved by the
6 Commission if its effect shall prejudice the rights of corporate creditors.

7 xxx xxx xxx

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

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

12 "Sec. 40. *Sale or other disposition of assets.* - Subject to the provisions
13 of existing laws on illegal combinations and monopolies **AND SUBJECT,**
14 **FURTHER, TO SEC. 81 OF THIS CODE ON DE FACTO MERGERS,** a corporation
15 may, by a majority vote of its board of directors or trustees, sell, lease,
16 exchange, mortgage, pledge or otherwise dispose of [all or substantially all
17 of] its property and assets, including its goodwill, upon such terms and
18 conditions and for such consideration, which may be money, stocks, bonds or
19 other instruments for the payment of money or other property or
20 consideration, as its board of directors or trustees may deem expedient.

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

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

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

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

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

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

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

23 “Sec. 43. *Power to declare dividends.* - The board of directors of a
24 stock corporation may declare dividends out of the unrestricted retained
25 earnings which **SHALL BE DETERMINED IN ACCORDANCE WITH THE**
26 **GUIDELINES SET BY THE COMMISSION ON UNREALIZED EARNINGS AND**
27 **LOSSES. SUCH DIVIDENDS** shall be payable in cash, in property, or in stock to
28 all stockholders on the basis of outstanding stock held by them: Provided,
29 That any cash dividends due on delinquent stock shall first be applied to the
30 unpaid balance on the subscription plus costs and expenses, while stock
31 dividends shall be withheld from the delinquent stockholder until his unpaid
32 subscription is fully paid: Provided, further, That no stock dividend shall be
33 issued without the approval of stockholders representing not less than two-
34 thirds (2/3) of the outstanding capital stock at a regular or special meeting
35 duly called for the purpose.

36 Stock corporations are prohibited from retaining surplus profits in
37 excess of one hundred (100%) percent of their paid-in capital stock, except:
38 (1) when justified by definite corporate expansion projects or programs

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

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

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

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

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

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

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

1 special laws, unless accompanied by a certificate of the appropriate
2 government agency to the effect that such by-laws or amendments are in
3 accordance with law.”

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

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

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

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

16 xxx xxx xxx

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

24 xxx xxx xxx

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

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

32 **11. A CODE OF ETHICS OR STANDARDS OF CONDUCT FOR THE**
33 **CORRECT, HONORABLE AND PROPER PERFORMANCE OF A CORPORATION’S**
34 **BUSINESS AND ITS DEALINGS, DIRECT OR INDIRECT, WITH THE**

1 GOVERNMENT AND ITS AGENCIES, AS WELL AS MECHANISMS TO ENFORCE
2 SUCH CODE OF ETHICS OR STANDARDS OF CONDUCT, WHICH SHALL
3 CONTAIN THE MINIMUM REQUIREMENTS THE COMMISSION MAY PROVIDE;

4 12. INTERNAL PROCEDURES TO PROVIDE AVENUES OF
5 COMMUNICATION BY, TO PROTECT THE IDENTITY AND SECURITY OF
6 TENURE/COMPENSATION OF, AND TO PROVIDE PROTECTION FROM
7 RETALIATION BEFORE AND AFTER EMPLOYMENT OF: (A) THOSE WHO
8 REPORT VIOLATIONS OF THE CORPORATION'S CODE OF ETHICS OR
9 STANDARDS OF CONDUCT, GRAFT AND CORRUPT PRACTICES,
10 IMPROPRIETIES IN MATTERS OF FINANCIAL REPORTING, OR OTHER
11 UNLAWFUL OR ILLEGAL CONDUCT COMMITTED BY THE CORPORATION OR
12 ANY OF ITS DIRECTORS, TRUSTEES, OFFICERS, EMPLOYEES OR AGENTS; (B)
13 THOSE WHO REPORT INSTRUCTIONS OR PRESSURE FROM HIERARCHICAL
14 SUPERIORS TO COMMIT ANY OF THE ACTS IN (A); AND/OR (C) THOSE WHO
15 RAISE CONCERNS ABOUT THREATS OF OR POSSIBLE ACTS CONSTITUTING
16 ANY OF THE ACTS IN (A) ABOVE;

17 13.A SYSTEM, INCLUDING THE APPOINTMENT OF A COMPLIANCE
18 OFFICER, THAT WILL MONITOR COMPLIANCE WITH THE RULES AND
19 REGULATIONS ON GOOD CORPORATE GOVERNANCE; AND

20 [10] 14. Such other matters as may be necessary for the proper or
21 convenient transaction of its corporate business and affairs OR AS MAY BE
22 DEEMED NECESSARY BY THE COMMISSION FOR THE PROMOTION OF GOOD
23 GOVERNANCE AND/OR ITS POLICY AGAINST GRAFT AND CORRUPTION.

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

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

27 Section 48. Amendment to by-laws. – The board of directors or
28 trustees, by a majority vote thereof, and the owners of at least [a majority]
29 TWO-THIRDS (2/3) of the outstanding capital stock, or at least [a majority]
30 TWO-THIRDS (2/3) of the members of a non-stock corporation, at a regular
31 or special meeting duly called for the purpose, may amend or repeal any by-
32 laws or adopt new by-laws. The owners of two-thirds (2/3) of the outstanding
33 capital stock or two-thirds (2/3) of the members in a non-stock corporation
34 may delegate to the board of directors or trustees the power to amend or
35 repeal any by-laws or adopt new by-laws: Provided, That any power
36 delegated to the board of directors or trustees to amend or repeal any by-
37 laws or adopt new by-laws shall be considered as revoked whenever
38 stockholders owning or representing a majority of the outstanding capital

1 stock or a majority of the members in non-stock corporations, shall so vote at
2 a regular or special meeting.

3 Whenever any amendment or new by-laws are adopted, such
4 amendment or new by-laws shall be attached to the original by-laws in the
5 office of the corporation, and a copy thereof, duly certified under oath by the
6 corporate secretary and a majority of the directors or trustees, **INCLUDING**
7 **THE STOCKHOLDERS' OR MEMBERS' RESOLUTION ON THE DELEGATION OF**
8 **THE POWER TO AMEND OR ADOPT NEW BY-LAWS OR ON THE REVOCATION**
9 **OF SUCH DELEGATION, IF ANY,** shall be filed with the [Securities and
10 Exchange] Commission the same to be attached to the original articles of
11 incorporation and original by-laws.

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

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

16 *"Sec. 50. Regular and special meetings of stockholders or members. -*
17 Regular meetings of stockholders or members shall be held annually on a
18 date fixed in the by-laws, or if not so fixed, on any date in April of every year
19 as determined by the board of directors or trustees.: *Provided,* That written
20 notice of regular meetings shall be sent to all stockholders or members of
21 record at least [two (2)] **THREE (3)** weeks prior to the meeting, unless a
22 [different] **LONGER** period is required by the by-laws **OR BY ANY RELEVANT**
23 **LAW OR REGULATION, AND IN SUCH A MANNER AS TO BE RECEIVED AT**
24 **LEAST FIVE DAYS BEFORE THE SCHEDULED MEETING.**

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

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

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

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

1 (iii) THE MATTERS DISCUSSED AND RESOLUTIONS
2 REACHED,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 n. DETAILS OF THE ORIENTATION PROGRAM FOR NEW
23 DIRECTORS.

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

27 SUBJECT TO THE RIGHT OF ANY MEMBER OR STOCKHOLDER TO
28 PROPOSE THE HOLDING OF SPECIAL MEETINGS AND THE ITEMS FOR
29 DISCUSSION IN THE AGENDA THEREOF, special meetings of stockholders or
30 members shall be held at any time deemed necessary or as provided in the
31 by-laws: Provided, however, That at least [one (1) week] written notice shall
32 be sent to all stockholders or members **AT LEAST THREE (3) WEEKS PRIOR TO**
33 **THE MEETING**, unless [otherwise] **A LONGER PERIOD IS** provided in the by-
34 laws **OR BY ANY RELEVANT LAW OR REGULATION, AND IN SUCH A MANNER**
35 **AS TO BE RECEIVED AT LEAST FIVE DAYS BEFORE THE SCHEDULED MEETING.**

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

10 Whenever, for any cause, there is no person authorized to call a
11 meeting, the [Securities and Exchange] Commission, upon petition of a
12 stockholder or member on a showing of good cause therefor, may issue an
13 order to the petitioning stockholder or member directing him to call a
14 meeting of the corporation by giving proper notice required by this Code or
15 by the by-laws. The petitioning stockholder or member shall preside thereat
16 until at least a majority of the stockholders or members present have chosen
17 one of their number as presiding officer.

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

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

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

29 *Sec. 51. Place and time of meetings of stockholders of members. -*
30 *Stockholder's or member's meetings, whether regular or special, shall be held*
31 *in the **PRINCIPAL OFFICE OF THE CORPORATION AS SET FORTH IN THE***
32 ***ARTICLES OF INCORPORATION, OR, IF NOT PRACTICABLE, IN THE** city or*
33 *municipality where the principal office of the corporation is located [, and if*
34 *practicable in the principal office of the corporation]; Provided, That Metro*
35 *Manila shall, for purposes of this section, be considered a city or municipality.*

36 **WHEN ALLOWED BY THE BY-LAWS OR BY A MAJORITY OF THE**
37 **BOARD OF DIRECTORS OR TRUSTEES, ATTENDANCE AT REGULAR OR**
38 **SPECIAL MEETINGS MAY BE BY REMOTE COMMUNICATION AND VOTING**

1 MAY BE MADE *IN ABSENTIA*. WHEN ATTENDANCE BY REMOTE
2 COMMUNICATION IS ALLOWED, THE CORPORATION SHALL PROVIDE THE
3 STOCKHOLDER OR MEMBER, OR PROXY-HOLDER, A REASONABLE
4 OPPORTUNITY TO PARTICIPATE IN THE MEETING, TO HEAR OR SEE THE
5 PROCEEDINGS AS WELL AS BE HEARD OR SEEN BY OTHER STOCKHOLDERS
6 OR MEMBERS, AND TO CAST THEIR VOTE SUBSTANTIALLY CONCURRENTLY
7 WITH SUCH PROCEEDINGS. WHEN VOTING *IN ABSENTIA*, IS ALLOWED, THE
8 CORPORATION SHALL INSTITUTE REASONABLE MEASURES TO TIMELY
9 PROVIDE THE STOCKHOLDER OR MEMBER WITH INFORMATION ON THE
10 MATTERS TO BE TAKEN UP AT THE MEETING AND GIVE THEM A
11 REASONABLE OPPORTUNITY TO ASK QUESTIONS BEFORE CASTING THEIR
12 VOTES. THE COMMISSION SHALL PRESCRIBE THE MINIMUM STANDARDS OR
13 GUIDELINES TO MAKE ATTENDANCE BY REMOTE COMMUNICATION AND
14 VOTING *IN ABSENTIA* EFFICIENT AND ACCESSIBLE FORA FOR STOCKHOLDERS
15 OR MEMBERS.

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

- 19 (A) THE AGENDA FOR THE MEETING;
- 20 (B) A PROXY FORM;
- 21 (C) WHEN ATTENDANCE IS ALLOWED BY REMOTE
22 COMMUNICATION, THE FACT THEREOF AND THE
23 REQUIREMENTS AND PROCEDURES TO BE FOLLOWED WHEN
24 A STOCKHOLDER OR MEMBER ELECTS SUCH OPTION;
- 25 (D) WHEN VOTING IS ALLOWED *IN ABSENTIA*, THE FACT
26 THEREOF AND THE REQUIREMENTS AND PROCEDURES TO BE
27 FOLLOWED WHEN A STOCKHOLDER OR MEMBER ELECTS
28 SUCH OPTION;
- 29 (E) WHEN THE MEETING IS FOR THE ELECTION OF DIRECTORS
30 OR TRUSTEES, THE REQUIREMENTS AND PROCEDURE FOR
31 NOMINATING AND THE CURRICULUM VITAE OR OTHER
32 RELEVANT INFORMATION OF THOSE ALREADY NOMINATED
33 INCLUDING, BUT NOT LIMITED TO, SUCH NOMINEES' OTHER
34 EXECUTIVE FUNCTIONS OR MEMBERSHIP IN OTHER
35 BOARDS;
- 36 (F) OTHER EXPLANATORY MATERIALS OR A STATEMENT THAT
37 SUCH EXPLANATORY MATERIALS ARE AVAILABLE FOR

1 INSPECTION DURING OFFICE HOURS AT THE
2 CORPORATION'S PRINCIPAL OFFICE AND/OR ONLINE AT THE
3 CORPORATION'S WEBSITE, OR THAT SOFT COPIES THEREOF
4 MAY BE SENT TO A STOCKHOLDER OR MEMBER UPON HIS
5 REQUEST; AND

6 (G) THE PROCEDURE FOR MAKING INQUIRIES OR SOLICITING
7 ADDITIONAL INFORMATION ABOUT THE AGENDA ITEMS
8 BEFORE THE MEETING.

9 WHEN ALLOWED BY THE BY-LAWS OF THE CORPORATION, NOTICES
10 OF MEETING MAY BE SENT ELECTRONICALLY, PROVIDED THAT THE SAME IS
11 DONE IN ACCORDANCE WITH THE RULES OF THE COMMISSION AND,
12 PROVIDED FURTHER, THAT ANY STOCKHOLDER OR MEMBER MAY, AT ANY
13 TIME, OPT OUT OF RECEIVING NOTICE BY ELECTRONIC COMMUNICATION
14 AND REQUEST THAT WRITTEN NOTICE BE SENT IN A TRADITIONAL
15 MANNER, I.E. BY PERSONAL SERVICE, BY POST OR BY COURIER.

16 All proceedings had and any business transacted at any meeting of the
17 stockholders or members, if within the powers or authority of the
18 corporation, shall be valid even if the meeting be improperly held or called,
19 provided all the stockholders or members of the corporation are present or
20 duly represented at the meeting **AND NONE OF THEM EXPRESSLY STATE AT**
21 **THE BEGINNING OF THE MEETING THAT THE PURPOSE OF THEIR**
22 **ATTENDANCE IS TO OBJECT TO THE TRANSACTION OF ANY BUSINESS**
23 **BECAUSE THE MEETING IS NOT LAWFULLY CALLED OR CONVENED."**

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

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

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

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

1 DIRECTORS OR TRUSTEES CANNOT ATTEND OR VOTE BY PROXY AT
2 BOARD MEETINGS; HOWEVER, WHEN ALLOWED BY THE BY-LAWS, THEY
3 CAN ATTEND BOARD MEETINGS THROUGH REMOTE COMMUNICATION
4 SUCH AS VIDEOCONFERENCING, TELECONFERENCING OR OTHER
5 TECHNOLOGY THAT ALLOWS THEM A REASONABLE OPPORTUNITY TO
6 PARTICIPATE.

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

8 Sec. 58. ***MANNER OF VOTING; Proxies.*** - Stockholders and members
9 may vote in person, ***IN ABSENTIA*** or by proxy in all meetings of stockholders
10 or members. **VOTING DONE WHEN ATTENDANCE IS BY REMOTE**
11 **COMMUNICATION SHALL BE EQUIVALENT TO VOTING IN PERSON. A**
12 **STOCKHOLDER OR MEMBER MAY VOTE WITHOUT ATTENDING THE**
13 **MEETING FOR AS LONG AS THE VOTE IS CAST AND RECEIVED ON OR BEFORE**
14 **THE TALLY OF VOTES IS COMPLETED AT THE MEETING, AND THE VOTE IS**
15 **MADE IN ACCORDANCE WITH THE CORPORATION'S REQUIREMENTS AND**
16 **PROCEDURES FOR VOTING *IN ABSENTIA*. THE COMMISSION SHALL**
17 **PRESCRIBE THE MINIMUM STANDARDS AND GUIDELINES FOR VOTING**
18 **WHEN ATTENDANCE IS DONE BY REMOTE COMMUNICATION OR WHEN**
19 **VOTING IS *IN ABSENTIA*.**

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

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

26 Section 59. ***Voting Trusts.*** -One or more stockholders of a stock
27 corporation may create a voting trust for the purpose of conferring upon a
28 trustee or trustees the right to vote and other rights pertaining to the shares
29 for a period not exceeding five (5) years at any time: Provided, That in the
30 case of a voting trust specifically required as a condition in a loan agreement,
31 said voting trust may be for a period exceeding five (5) years but shall
32 automatically expire upon full payment of the loan. A voting trust agreement
33 must be in writing and notarized, and shall specify the terms and conditions
34 thereof. A certified copy of such agreement shall be filed with the corporation
35 and with the [Securities and Exchange] Commission [; otherwise, said
36 agreement is ineffective and unenforceable] **AND SHALL BE EFFECTIVE AND**
37 **ENFORCEABLE ONLY UPON APPROVAL THEREOF BY THE COMMISSION.** The
38 certificate or certificates of stock covered by the voting trust agreement shall
39 be cancelled and new ones shall be issued in the name of the trustee or

1 trustees stating that they are issued pursuant to said agreement. In the books
2 of the corporation, it shall be noted that the transfer in the name of the
3 trustee or trustees is made pursuant to said voting trust agreement.

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

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

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

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

26 Where the consideration is other than actual cash, or consists of
27 intangible property such as patents or copyrights, the valuation thereof shall
28 initially be determined by the incorporators or the board of directors, **WHO**
29 **SHALL THEN SUBMIT SUCH DETERMINATION, WITH SUPPORTING**
30 **DOCUMENTS AS THE COMMISSION MAY PRESCRIBE, FOR THE [subject to]**
31 approval[by] **OF** the [Securities and Exchange] Commission.

1 xxx xxx xxx"

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

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

19 xxx xxx xxx"

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

21 "Sec. 74. *Books to be kept; stock transfer agent.* - Every corporation
22 shall keep and carefully preserve at its principal office **ALL INFORMATION**
23 **RELATIVE TO THE CORPORATION INCLUDING, BUT NOT LIMITED TO: (a) THE**
24 **ARTICLES OF INCORPORATION AND BY-LAWS OF THE CORPORATION AND**
25 **ALL THEIR AMENDMENTS, (b) THE CURRENT OWNERSHIP STRUCTURE AND**
26 **VOTING RIGHTS OF THE CORPORATION, INCLUDING LISTS OF**
27 **STOCKHOLDERS OR MEMBERS, GROUP STRUCTURES, INTRA-GROUP**
28 **RELATIONS, OWNERSHIP DATA, AND BENEFICIAL OWNERSHIP, (c) THE**
29 **NAMES AND ADDRESSES OF ALL THE MEMBERS OF THE BOARD OF**
30 **DIRECTORS OR TRUSTEES AND OF THE EXECUTIVE OFFICERS, (d) a record of**
31 **all business transactions, (e) A RECORD OF THE RESOLUTIONS OF THE**
32 **BOARD OF DIRECTORS OR TRUSTEES AND OF THE STOCKHOLDERS OR**
33 **MEMBERS, (f) COPIES OF THE LATEST REPORTORIAL REQUIREMENTS**
34 **SUBMITTED TO THE COMMISSION, and (g) THE minutes of all meetings of**
35 **stockholders or members, or of the board of directors or trustees[.]. SUCH**
36 **MINUTES [in which] shall [be] set forth in detail, AMONG OTHERS: the time**
37 **and place of holding the meeting, how authorized, the notice given, THE**
38 **AGENDA THEREFOR, whether the meeting was regular or special, if special its**
39 **object, those present and absent, THE VOTING AND VOTE TABULATION**

1 **PROCEDURES USED AND THE RESULTS OF ALL VOTING DONE, THE**
2 **OPPORTUNITY GIVEN TO STOCKHOLDERS OR MEMBERS TO ASK**
3 **QUESTIONS, AS WELL AS A RECORD OF THE QUESTIONS THEY ASKED AND**
4 **THE ANSWERS RECEIVED,** and every act done or ordered done at the
5 meeting. Upon the demand of any director, trustee, stockholder or member,
6 the time when any director, trustee, stockholder or member entered or left
7 the meeting must be noted in the minutes; and on a similar demand, the yeas
8 and nays must be taken on any motion or proposition, and a record thereof
9 carefully made. The protest of any director, trustee, stockholder or member
10 on any action or proposed action must be recorded in full on his demand.

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

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

29 Any officer or agent of the corporation who shall refuse to allow [any
30 director, trustee, stockholder or member of the corporation to examine
31 and/OR copy excerpts from its records or minutes,] **THE INSPECTION**
32 **AND/OR REPRODUCTION OF RECORDS** in accordance with the provisions of
33 this Code, shall be liable to such director, trustee, stockholder or member for
34 damages, and in addition, shall be guilty of an offense which shall be
35 punishable under Section 163 of this Code: Provided, That if such refusal is
36 made pursuant to a resolution or order of the board of directors or trustees,
37 the liability under this section for such action shall be imposed upon the
38 directors or trustees who voted for such refusal: and [Provided, further, That
39 it shall be a defense to any action under this section that the person
40 demanding to examine and copy excerpts from the corporation's records and
41 minutes has improperly used any information secured through any prior

1 examination of the records or minutes of such corporation or of any other
2 corporation, or was not acting in good faith or for a legitimate purpose in
3 making his demand.]

4 **THE DIRECTOR, TRUSTEE, STOCKHOLDER OR MEMBER WHOSE RIGHT**
5 **TO INSPECTION AND/OR REPRODUCTION OF RECORDS WAS DENIED MAY**
6 **FILE, BEFORE A COURT OF COMPETENT JURISDICTION, AN ACTION TO**
7 **COMPEL INSPECTION OF CORPORATE RECORDS SHOWING THAT, DESPITE**
8 **THE LAPSE OF FIVE (5) DAYS FROM RECEIPT OF HIS WRITTEN REQUEST OR**
9 **DEMAND AND DESPITE HAVING BEEN ORDERED BY THE COMMISSION TO**
10 **DO SO, THE CORPORATION, OR AN OFFICER OR AGENT THEREOF, REFUSED**
11 **TO ALLOW THE INSPECTION AND/OR REPRODUCTION OR FAILED TO REPLY**
12 **TO THE WRITTEN REQUEST OR DEMAND OR THE ORDER OF THE**
13 **COMMISSION. THE COURT MAY, AFTER SUMMARY PROCEEDINGS, ORDER**
14 **THE CORPORATION TO PERMIT THE INSPECTION AND/OR REPRODUCTION**
15 **OR ISSUE ANY SUCH OTHER OR FURTHER RELIEF AS IT MAY DEEM JUST AND**
16 **PROPER.**

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

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

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

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

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

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

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

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

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

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

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

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

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

1 **MESSAGES.** If the Commission is satisfied that the merger or consolidation of
2 the corporations concerned is not inconsistent with the provisions of this
3 Code and existing laws, it shall issue a certificate of merger or of
4 consolidation, at which time the merger or consolidation shall be effective.

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

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

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

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

24 **a. AT LEAST EIGHTY PERCENT (80%) OF THE SELLER**
25 **CORPORATION'S ASSETS ARE INCLUDED IN THE SALE,**

26 **b. THE SELLER CORPORATION IS LEFT WITH ONLY BAD OR**
27 **TOXIC ASSETS OR MASSIVE LIABILITIES,**

28 **c. THE REMAINING ASSETS ARE NOT SUFFICIENT FOR**
29 **THE CONTINUATION OF THE SELLER CORPORATION'S ORDINARY**
30 **OPERATIONS, OR**

31 **d. UNDER CIRCUMSTANCES CONGRUOUS TO THE**
32 **FOREGOING.**

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

37 **a. THE SELLER CORPORATION BECOMES MERELY A SHELL**
38 **CORPORATION,**

1 b. THE SELLER CORPORATION HAS NO OPERATIONS
2 WHICH ARE BY THEMSELVES ECONOMICALLY VIABLE,

3 c. THE SELLER CORPORATION IS RENDERED INCAPABLE
4 OF DOING BUSINESS EXCEPT THROUGH THE BUYER CORPORATION,
5 OR

6 d. UNDER CIRCUMSTANCES CONGRUOUS TO THE
7 FOREGOING.

8 3. THERE IS AN INTEGRATION OF THE SELLER CORPORATION'S
9 PRODUCTIVE ASSETS AND OPERATIONS INTO THE BUYER CORPORATION'S
10 OWN BUSINESS OR A CONTINUITY OF THE SELLER CORPORATION'S
11 BUSINESS IN THE BUSINESS OF THE BUYER CORPORATION. SUCH
12 INTEGRATION OR CONTINUITY SHALL BE DEEMED TO EXIST WHEN THE
13 BUYER CORPORATION, WHETHER WHOLLY OR IN PART, CONTINUES THE
14 SELLER CORPORATION'S BUSINESS IN TERMS OF MANAGEMENT,
15 PERSONNEL, PHYSICAL LOCATION, ASSETS, PROCESS, TECHNOLOGY
16 ACTIVITIES, OR GENERAL BUSINESS OPERATIONS, OR INTEGRATES AND
17 COMBINES THESE ASPECTS WITH ITS OWN BUSINESS MODEL, WHETHER OR
18 NOT THERE IS A COMPLETE IDENTITY OR UNIFORMITY IN EVERY MATERIAL
19 CHARACTERISTIC.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 **SECTION 47.** Sections 82 and 83 of the Code are hereby renumbered as Sections
28 83 and 84, respectively.

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

32 **SECTION 49.** Sections 85 to 88 of the Code are hereby renumbered as Sections
33 86 to 89 accordingly.

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

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

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

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

15 **SECTION 51.** Sections 90 and 91 of the Code are hereby renumbered as Sections
16 91 and 92, respectively.

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

19 “Sec. [92]93. *Election and term of trustees.*–[Unless otherwise
20 provided in the articles of incorporation or the by-laws,]The board of trustees
21 of non-stock corporations **SHALL BE IN SUCH NUMBER AS MAY BE FIXED IN**
22 **THE ARTICLES OF INCORPORATION OR BY-LAWS** [, which may be more
23 than]NOT EXCEEDING fifteen (15) [in number as may be fixed in their articles
24 of incorporation or by-laws, shall]. **THEY SHALL HOLD OFFICE FOR ONE YEAR**
25 **UNTIL THEIR SUCCESSORS ARE ELECTED AND QUALIFIED.**[as soon as
26 organized, so classify themselves that the term of office of one-third (1/3) of
27 their number shall expire every year; and subsequent elections of trustees
28 comprising one-third (1/3) of the board of trustees shall be held annually and
29 trustees so elected shall have a term of three (3) years.] Trustees [thereafter]
30 elected to fill vacancies occurring before the expiration of a particular term
31 shall hold office only for the unexpired period.

32 **EXCEPT WITH RESPECT TO INDEPENDENT TRUSTEES UNDER SECTION**
33 **23**, no person shall be elected as trustee unless he is a member of the
34 corporation.

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

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

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

14 (3) **IF THE SINGLE STOCKHOLDER IS A TRUST,**
15 **ESTATE OR ACCOUNT, IT SHALL CLEARLY INDICATE THE**
16 **NAME, NATIONALITY AND RESIDENCE OF THE TRUSTEE,**
17 **ADMINISTRATOR, EXECUTOR, GUARDIAN, CONSERVATOR,**
18 **CUSTODIAN OR OTHER PERSON EXERCISING FIDUCIARY**
19 **CAPACITIES AND ATTACH PROOF OF SUCH AUTHORITY TO**
20 **ACT ON BEHALF OF THE TRUST, ESTATE OR ACCOUNT;**

21 (4) **IN ACCORDANCE WITH SECTION 127, IT SHALL**
22 **DESIGNATE A NOMINEE AND ALTERNATE NOMINEE AND**
23 **ATTACH THERETO THEIR PRIOR WRITTEN CONSENT, AS WELL**
24 **AS STATE THE COMPENSATION THEY SHALL RECEIVE AND THE**
25 **EXTENT OF OR LIMITATIONS ON THEIR AUTHORITY;**

26 (5) **THE ARTICLES OF INCORPORATION SHALL BE**
27 **ACCOMPANIED BY A SWORN STATEMENT BY THE**
28 **STOCKHOLDER AS TO THE AMOUNT OF THE CAPITAL STOCK**
29 **AND THAT THE SAME HAS BEEN PAID IN FULL AND**
30 **MAINTAINED IN AN ACCOUNT SEPARATE FROM THAT OF THE**
31 **STOCKHOLDER;**

32 (6) **THERE SHALL BE ATTACHED TO THE ARTICLES**
33 **OF INCORPORATION A CODE OF ETHICS OR STANDARDS OF**
34 **CONDUCT AS SET FORTH IN SECTION 47, SUBPARAGRAPH 11**
35 **OF THIS CODE; AND**

36 (7) **THERE SHALL BE ATTACHED TO THE ARTICLES**
37 **OF INCORPORATION INTERNAL PROCEDURES FOR**
38 **WHISTLEBLOWERS AS SET FORTH IN SECTION 47,**
39 **SUBPARAGRAPH 12 OF THIS CODE.**

1 THE ONE PERSON CORPORATION SHALL BE EXEMPT FROM THE
2 FILING OF BY-LAWS.

3 SEC. 122. *PROHIBITION AGAINST MULTIPLE ONE PERSON*
4 *CORPORATIONS.* – ANY PERSON, TRUST, ESTATE OR ACCOUNT MAY ONLY
5 INCORPORATE AND MAINTAIN ONE PERSON CORPORATION AT ANY GIVEN
6 INSTANCE. A ONE PERSON CORPORATION MAY NOT INCORPORATE A NEW
7 ONE PERSON CORPORATION.

8 SEC. 123. *DISPLAY OF CORPORATE NAME.* – A ONE PERSON
9 CORPORATION SHALL INDICATE EITHER BELOW OR AT THE END OF ITS
10 CORPORATE NAME, THE WORDS “ONE PERSON CORPORATION” OR THE
11 LETTERS “OPC”, WHEREVER ITS NAME IS PRINTED, AFFIXED, ENGRAVED OR
12 OTHERWISE PRESENTED.

13 SEC. 124. *SINGLE STOCKHOLDER AS DIRECTOR, PRESIDENT AND*
14 *TREASURER.* – THE SINGLE STOCKHOLDER SHALL BE THE SOLE DIRECTOR,
15 PRESIDENT (OR CHIEF EXECUTIVE OFFICER) AND TREASURER (OR CHIEF
16 FINANCE OFFICER) OF THE ONE PERSON CORPORATION.

17 SEC. 125. *CORPORATE SECRETARY AND OTHER OFFICERS.* – WITHIN
18 FIFTEEN DAYS FROM THE ISSUANCE OF ITS CERTIFICATE OF
19 INCORPORATION, THE ONE PERSON CORPORATION SHALL APPOINT A
20 CORPORATE SECRETARY, WHO SHALL BE OTHER THAN THE SINGLE
21 STOCKHOLDER, AND NOTIFY THE COMMISSION THEREOF WITHIN FIVE DAYS
22 FROM APPOINTMENT.

23 THE ONE PERSON CORPORATION MAY APPOINT SUCH OTHER
24 OFFICERS AS IT MAY DEEM NECESSARY.

25 SEC. 126. *SPECIAL FUNCTIONS OF THE CORPORATE SECRETARY.* – IN
26 ADDITION TO THE FUNCTIONS DESIGNATED BY THE ONE PERSON
27 CORPORATION AND REQUIRED ELSEWHERE IN THIS CODE, THE CORPORATE
28 SECRETARY SHALL:

29 (a) BE RESPONSIBLE FOR MAINTAINING THE MINUTES-BOOK OF
30 THE CORPORATION;

31 (b) NOTIFY THE NOMINEE, OR ALTERNATE NOMINEE AS THE
32 CASE MAY BE, OF THE DEATH OR INCAPACITY OF THE SINGLE
33 STOCKHOLDER, WHICH NOTICE SHALL BE GIVEN NOT LATER
34 THAN FIVE (5) DAYS FROM THE SINGLE STOCKHOLDER’S
35 DEATH OR INCAPACITY;

1 (c) NOTIFY THE COMMISSION OF THE DEATH OF THE SINGLE
2 STOCKHOLDER WITHIN A PERIOD OF FIVE (5) DAYS FROM
3 SUCH DEATH AND STATING IN SUCH NOTICE THE NAMES,
4 RESIDENCES AND CONTACT DETAILS OF ALL KNOWN LEGAL
5 HEIRS; AND

6 (d) CALL THE NOMINEE OR ALTERNATIVE NOMINEE TO A
7 MEETING WITH THE KNOWN LEGAL HEIRS AND GIVE
8 GUIDANCE ON THE OPTIONS OF THE LEGAL HEIRS WITH
9 REGARD TO THE ONE PERSON CORPORATION, INCLUDING
10 THE ELECTION OF A NEW DIRECTOR, AMENDING THE
11 ARTICLES OF INCORPORATION AND OTHER ANCILLARY
12 AND/OR CONSEQUENTIAL MATTERS.

13 **SEC. 127. NOMINEE AND ALTERNATE NOMINEE.** – THE SINGLE
14 STOCKHOLDER SHALL DESIGNATE A NOMINEE AND AN ALTERNATE
15 NOMINEE WHO SHALL, IN THE EVENT OF THE SINGLE STOCKHOLDER'S
16 DEATH OR INCAPACITY AND AFTER RECEIVING DUE NOTICE THEREOF FROM
17 THE CORPORATE SECRETARY, TAKE THE PLACE OF THE SINGLE
18 STOCKHOLDER AS DIRECTOR AND MANAGE THE AFFAIRS OF THE
19 CORPORATION AS PROVIDED IN THE ARTICLES OF INCORPORATION.

20 THE ARTICLES OF INCORPORATION SHALL STATE THE NAMES,
21 RESIDENCES AND CONTACT DETAILS OF THE NOMINEE AND ALTERNATE
22 NOMINEE, THE COMPENSATION THEY SHALL BE ENTITLED TO RECEIVE, AS
23 WELL AS THE EXTENT OF AND LIMITATIONS ON THEIR AUTHORITY IN
24 MANAGING THE AFFAIRS OF THE ONE PERSON CORPORATION.

25 THE WRITTEN CONSENT OF THE NOMINEE AND ALTERNATE
26 NOMINEE SHALL BE SUBMITTED TO THE COMMISSION TOGETHER WITH THE
27 FILING OF THE ONE PERSON CORPORATION'S ARTICLES OF
28 INCORPORATION. SUCH CONSENT MAY BE WITHDRAWN IN WRITING BY
29 FURNISHING COPIES THEREOF TO THE SINGLE STOCKHOLDER AND THE
30 COMMISSION ANYTIME BEFORE THE DEATH OR INCAPACITY OF THE SINGLE
31 STOCKHOLDER.

32 THE NOMINEE SHALL, IN THE EVENT OF THE SINGLE STOCKHOLDER'S
33 DEATH OR INCAPACITY AND AFTER RECEIVING DUE NOTICE THEREOF FROM
34 THE CORPORATE SECRETARY, TAKE THE PLACE OF THE SINGLE
35 STOCKHOLDER AS DIRECTOR AND MANAGE THE AFFAIRS OF THE ONE
36 PERSON CORPORATION.

37 **SEC. 128. TERM OF NOMINEE AND ALTERNATE NOMINEE.** – WHEN
38 THE INCAPACITY OF THE SINGLE STOCKHOLDER IS TEMPORARY, THE
39 NOMINEE SHALL SIT AS DIRECTOR AND MANAGE THE AFFAIRS OF THE ONE

1 PERSON CORPORATION ONLY UNTIL THE SINGLE STOCKHOLDER, BY HIS
2 OWN DETERMINATION, REGAINS HIS CAPACITY. IN CASE OF DEATH OR
3 PERMANENT INCAPACITY OF THE SINGLE STOCKHOLDER, THE NOMINEE
4 SHALL SIT AS DIRECTOR AND MANAGE THE AFFAIRS OF THE ONE PERSON
5 CORPORATION ONLY UNTIL THE LEGAL HEIRS OF THE SINGLE STOCKHOLDER
6 HAVE BEEN LAWFULLY DETERMINED, THE SHARES ARE TRANSFERRED IN
7 THEIR NAME, AND/OR THEY HAVE DESIGNATED ONE OF THEM TO ACT ON
8 THEIR BEHALF AS THE SINGLE STOCKHOLDER OF THE ONE PERSON
9 CORPORATION.

10 THE ALTERNATE NOMINEE SHALL SIT AS DIRECTOR AND MANAGE
11 THE ONE PERSON CORPORATION IN CASE OF THE NOMINEE'S INABILITY,
12 INCAPACITY OR DEATH AND ONLY FOR THE SAME TERM AND UNDER THE
13 SAME CONDITIONS APPLICABLE TO THE NOMINEE.

14 SEC. 129. *CHANGE OF NOMINEE OR ALTERNATE NOMINEE.*— THE
15 SINGLE STOCKHOLDER MAY, AT ANY TIME, CHANGE THE NAME OF THE
16 NOMINEE OR ALTERNATE NOMINEE BY SUBMITTING NEW NAMES AND
17 NEW WRITTEN CONSENTS TO THE COMMISSION, WHICH SHALL BE
18 APPENDED TO THE ONE PERSON CORPORATION'S ARTICLES OF
19 INCORPORATION. THE ARTICLES OF INCORPORATION NEED NOT BE
20 AMENDED FOR SUCH CHANGE IN NOMINEE OR ALTERNATE NOMINEE.

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

29 SEC. 131. *MINUTES-BOOK.* — EACH ONE PERSON CORPORATION
30 SHALL MAINTAIN A MINUTES-BOOK IN WHICH SHALL BE ENTERED IN
31 WRITING ALL ACTIONS, DECISIONS, RESOLUTIONS TAKEN BY THE ONE
32 PERSON CORPORATION, SIGNED AND DATED BY THE SINGLE
33 STOCKHOLDER/DIRECTOR, AT THE TIME THE ACTION, DECISION OR
34 RESOLUTION IS MADE.

35 SEC. 132. *CO-MINGLING OF PROPERTY.* — WHERE THE SINGLE
36 STOCKHOLDER CANNOT PROVE THAT THE PROPERTY OF THE ONE PERSON
37 CORPORATION IS INDEPENDENT OF HIS OWN PROPERTY, HE SHALL ASSUME
38 THE JOINT AND SEVERAL LIABILITY FOR THE DEBTS AND OTHER LIABILITIES
39 OF THE ONE PERSON CORPORATION.

1 **SEC. 133. REPORTORIAL SUBMISSIONS. – THE ONE PERSON**
2 **CORPORATION SHALL SUBMIT THE FOLLOWING TO THE COMMISSION**
3 **ANNUALLY AND WITHIN SUCH PERIODS AS THE COMMISSION MAY**
4 **PRESCRIBE:**

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

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

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

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

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

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

1 FORTHWITH ISSUE AN AMENDED CERTIFICATE OF INCORPORATION
2 REFLECTING THE CONVERSION.

3 IN CASE OF DEATH OF THE SINGLE STOCKHOLDER, THE NOMINEE OR
4 ALTERNATE NOMINEE, AS THE CASE MAY BE, SHALL TRANSFER THE SHARES
5 IN THE NAME OF THE SINGLE STOCKHOLDERS' LEGAL HEIRS WITHIN SEVEN
6 (7) DAYS FROM RECEIPT OF EITHER AN AFFIDAVIT OF HEIRSHIP OR OF SELF-
7 ADJUDICATION BY A SOLE HEIR, OR ANY OTHER LEGAL DOCUMENT
8 DECLARING THE LEGAL HEIRS OF THE SINGLE STOCKHOLDER AND, WITHIN
9 THE SAME PERIOD, NOTIFY THE SEC OF THE TRANSFER. WITHIN SIXTY (60)
10 DAYS FROM THE TRANSFER OF THE SHARES IN THEIR NAME, THE LEGAL
11 HEIRS SHALL NOTIFY THE SEC IF THEY DECIDE TO WIND UP AND DISSOLVE
12 THE ONE PERSON CORPORATION OR CONVERT IT INTO A REGULAR STOCK
13 CORPORATION.

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

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

20 "TITLE XIV – DISSOLUTION"

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

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

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

31 a. HAS NOT COMMENCED BUSINESS,

32 b. BEING A STOCK CORPORATION, HAS NOT ISSUED
33 SHARES,

34 c. HAS NO DEBTS OR OTHER LIABILITIES, AND

1 d. HAS RECEIVED NO PAYMENTS ON SUBSCRIPTIONS
2 FOR SHARES IN THE CASE OF STOCK CORPORATIONS, OR
3 CONTRIBUTIONS IN THE CASE OF NON-STOCK CORPORATIONS, OR,
4 HAVING RECEIVED THEM, HAS RETURNED THEM TO THOSE ENTITLED
5 THERE TO, LESS AMOUNTS DISBURSED FOR LAWFUL EXPENSES.

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

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

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

17 4. BY ORDER OF THE COMMISSION WHEN THE CORPORATION:

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

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

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

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

34 e. FOR THE PURPOSE OF SHIELDING ITSELF FROM
35 LIABILITY FOR GRAFT AND CORRUPT PRACTICES, HAS BEEN FOUND

1 TO HAVE ENGAGED THE SERVICES OF AN INTERMEDIARY WHO
2 COMMITS GRAFT AND CORRUPT PRACTICES FOR THE
3 CORPORATION'S BENEFIT OR IN ITS INTEREST, AND ITS
4 STOCKHOLDERS KNEW OR WERE IN A POSITION TO KNOW ABOUT
5 THE ENGAGEMENT;

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

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

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

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

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

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

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

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

1 “Sec. [118]137. [Voluntary dissolution] **DISSOLUTION** where no
2 *creditors are affected*; **PROCEDURE**. – **DISSOLUTION PURSUANT TO SECTION**
3 **136 (2) OF THIS CODE MAY BE MADE BY FILING A VERIFIED REQUEST FOR**
4 **DISSOLUTION WITH THE COMMISSION:**

5 a. **STATING THE NAME OF THE CORPORATION AND THE**
6 **NAMES AND ADDRESSES OF THE INCORPORATORS AND DIRECTORS**
7 **OR TRUSTEES;**

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

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

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

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

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

35 **AT LEAST THIRTY (30) DAYS PRIOR TO THE MEETING, NOTICE SHALL BE**
36 **GIVEN TO EACH SHAREHOLDER OR MEMBER OF RECORD, WHETHER OR NOT**
37 **ENTITLED TO VOTE AT THE MEETING, IN THE MANNER PROVIDED IN**

1 **SECTION 50 OF THIS CODE AND SHALL STATE THAT THE PURPOSE OF THE**
2 **MEETING IS TO VOTE ON THE DISSOLUTION OF THE CORPORATION.** [after
3 publication of the notice] **NOTICE** of THE time, place and object of the
4 meeting **SHALL LIKEWISE BE MADE BY PUBLICATION** for three (3)
5 consecutive weeks **PRIOR TO THE DATE OF THE MEETING** in a newspaper
6 published in the place where the principal office of said corporation is
7 located; and if no newspaper is published in such place, then in a newspaper
8 of general circulation in the Philippines.

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

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

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

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

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

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

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

31 f. **ATTACHING THERETO** a copy of the resolution
32 authorizing the dissolution **WHICH** shall **HAVE BEEN** certified by a
33 majority of the board of directors or trustees and countersigned by
34 the secretary of the corporation.
35

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

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

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

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

38 Upon five (5) day's notice, given after the date on which the right to
39 file objections as fixed in the order has expired, the Commission shall proceed
40 to hear the petition and try any issue made by the objections filed; and if no

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

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

7 “Sec. [120]139. **WITHDRAWAL OF REQUEST FOR** Dissolution [by
8 shortening corporate term] **AND WITHDRAWAL OF PETITION FOR**
9 **DISSOLUTION.** – [A voluntary dissolution may be effected by amending the
10 articles of incorporation to shorten the corporate term pursuant to the
11 provisions of this Code. A copy of the amended articles of incorporation shall
12 be submitted to the Securities and Exchange Commission in accordance with
13 this Code. Upon approval of the amended articles of incorporation of the
14 expiration of the shortened term, as the case may be, the corporation shall be
15 deemed dissolved without any further proceedings, subject to the provisions
16 of this Code on liquidation.]

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

- 18 a. **BE MADE IN WRITING;**
- 19 b. **BE DULY VERIFIED BY ANY INCORPORATOR,**
20 **DIRECTOR, SHAREHOLDER OR MEMBER;**
- 21 c. **HAVE THE SIGNATURES OF THE SAME NUMBER OF**
22 **INCORPORATORS, DIRECTORS, SHAREHOLDERS OR MEMBERS**
23 **NECESSARY TO REQUEST FOR A DISSOLUTION AS SET FORTH IN THE**
24 **FOREGOING SECTIONS; AND**
- 25 d. **BE SUBMITTED WITHIN FIFTEEN (15) DAYS FROM THE**
26 **RECEIPT BY THE COMMISSION OF THE REQUEST FOR DISSOLUTION.**

27 **UPON RECEIPT OF A DULY SUBMITTED WITHDRAWAL OF REQUEST**
28 **FOR DISSOLUTION, THE COMMISSION SHALL WITHHOLD ACTION ON THE**
29 **REQUEST FOR DISSOLUTION AND SHALL, AFTER INVESTIGATION, ISSUE AN**
30 **ORDER:**

- 31 a. **WITHHOLDING THE ISSUANCE OF THE CERTIFICATE OF**
32 **DISSOLUTION AND DEEMING THE REQUEST FOR DISSOLUTION**
33 **WITHDRAWN; OR**

1 b. DIRECTING THAT A JOINT MEETING OF THE BOARD
2 AND OF THE STOCKHOLDERS BE HELD FOR THE PURPOSE OF
3 ASCERTAINING WHETHER OR NOT TO PROCEED WITH DISSOLUTION.

4 THE COMMISSION SHALL HAVE THE POWER TO ISSUE SUCH ORDERS
5 AS MAY BE APPROPRIATE, INCLUDING, WITHOUT LIMITATION, ORDERS
6 DESIGNATING THE TIME AND PLACE OF THE JOINT MEETING, DIRECTING
7 THE SENDING OF NOTICES, AND SPECIFYING THE FORM OF SUCH NOTICE.
8 THE CONDUCT OF THE JOINT MEETING SHALL BE SUPERVISED BY THE
9 COMMISSION THROUGH A DULY AUTHORIZED REPRESENTATIVE WHO
10 SHALL, IMMEDIATELY AFTER THE JOINT MEETING, CERTIFY ITS OUTCOME
11 WITH A RECOMMENDATION AS TO WHETHER THE CERTIFICATE OF
12 DISSOLUTION SHOULD BE ISSUED OR THE REQUEST FOR DISSOLUTION BE
13 DEEMED ABANDONED. THEREAFTER, THE COMMISSION SHALL ISSUE AN
14 ORDER EITHER APPROVING THE WITHDRAWAL OF THE REQUEST OR A
15 CERTIFICATE OF DISSOLUTION OR PROCEEDING TO ACT ON SUCH REQUEST.

16 A MOTION FOR THE WITHDRAWAL OF THE PETITION FOR
17 DISSOLUTION SHALL BE SIMILAR IN SUBSTANCE AS A WITHDRAWAL OF
18 REQUEST FOR DISSOLUTION BUT SHALL BE VERIFIED AND FILED PRIOR TO
19 PUBLICATION OF THE ORDER SETTING THE DATE FOR OBJECTIONS TO THE
20 PETITION. THE COMMISSION SHALL RESOLVE THE MOTION WITHIN THE
21 SAME PROCEEDINGS AS THE PETITION AND ISSUE AN ORDER DEEMING THE
22 PETITION WITHDRAWN OR DENYING THE WITHDRAWAL AND PROCEEDING
23 TO HEAR OBJECTIONS ON THE PETITION.”

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

26 “Sec. [121]140. [Involuntary dissolution] **DISSOLUTION BY THE COMMISSION.**
27 – [A corporation may be dissolved by the Securities and Exchange]
28 **DISSOLUTION PROCEEDINGS PURSUANT TO THE GROUNDS SET FORTH IN**
29 **SECTION 136 (4) AND (5), SECTION 173, OR WHEN PROVIDED IN OTHER**
30 **LAWS, RULES AND REGULATIONS, MAY BE COMMENCED BY THE**
31 Commission **MOTU PROPRIO OR** upon filing of a verified complaint **BY ANY**
32 **INTERESTED PARTY. [and after]**

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

37 **IF THE CORPORATION IS DISSOLVED BY THE COMMISSION**
38 **PURSUANT TO ANY OF THE GROUNDS SET FORTH IN SECTION 136 (4) (B) TO**

1 (I), ITS ASSETS, AFTER PAYMENT OF ITS OUTSTANDING LIABILITIES, SHALL BE
2 FORFEITED IN FAVOR OF THE COMMISSION. SUCH FORFEITURE SHALL BE
3 WITHOUT PREJUDICE TO ANY OTHER PENALTY OR SANCTION FOR THOSE
4 LIABLE UNDER THIS CODE OR OTHER LAWS. [on the grounds provided by
5 existing laws, rules and regulations].”

6 SECTION 65. Section 122 of the Code is hereby renumbered as Section 141 and
7 amended to read as follows:

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

18 xxx xxxxxx

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

24 xxx xxx xxx”

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

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

30 “Sec. [126]145. *Issuance of a license.*- If the [Securities and Exchange]
31 Commission is satisfied that the applicant has complied with all the
32 requirements of this Code and other special laws, rules and regulations, the
33 Commission shall issue a license to the applicant to transact business in the
34 Philippines for the purpose or purposes specified in such license. Upon
35 issuance of the license, such foreign corporation may commence to transact
36 business in the Philippines and continue to do so for as long as it retains its

1 authority to act as a corporation under the laws of the country or state of its
2 incorporation, unless such license is sooner surrendered, revoked, suspended
3 or annulled in accordance with this Code or other special laws.

4 Within sixty (60) days after the issuance of the license to transact
5 business in the Philippines, the licensee, except foreign banking or insurance
6 corporations, shall deposit with the [Securities and Exchange] Commission for
7 the benefit of present and future creditors of the licensee in the Philippines,
8 securities satisfactory to the [Securities and Exchange] Commission, consisting
9 of bonds or other evidence of indebtedness of the Government of the
10 Philippines, its political subdivisions and instrumentalities, or of government-
11 owned or controlled corporations and entities, shares of stock **OR DEBT**
12 **SECURITIES THAT ARE REGISTERED UNDER THE SECURITIES REGULATION**
13 **CODE** [in "registered enterprises" as this term is defined in Republic Act No.
14 5186], shares of stock in domestic corporations [registered] **LISTED** in the
15 stock exchange, [or] shares of stock in domestic insurance companies and
16 banks, **OR ANY FINANCIAL INSTRUMENT DETERMINED SUITABLE BY THE**
17 **COMMISSION**, or any combination **THEREOF** [of these kinds of securities,] in
18 the actual market value of at least [one] **FIVE** hundred thousand [(P100,000.)]
19 **(P500,000)** pesos **OR SUCH OTHER AMOUNT THAT MAY BE SET BY THE**
20 **COMMISSION**; Provided, however, That within six (6) months after each fiscal
21 year of the licensee, the [Securities and Exchange] Commission shall require
22 the licensee to deposit additional securities **OR FINANCIAL INSTRUMENTS**
23 equivalent in actual market value to two (2%) percent of the amount by which
24 the licensee's gross income for that fiscal year exceeds [five] **TEN** million
25 [(P5,000,000.00)] **(P10,000,000.00)** pesos. The [Securities and Exchange]
26 Commission shall also require **THE** deposit of additional securities **OR**
27 **FINANCIAL INSTRUMENTS** if the actual market value of the securities **OR**
28 **FINANCIAL INSTRUMENTS** on deposit has decreased by at least ten (10%)
29 percent of their actual market value at the time they were deposited. The
30 [Securities and Exchange] Commission may at its discretion release part of the
31 additional [securities] deposit[ed with it] if the gross income of the licensee
32 has decreased, or if the actual market value of the total [securities on] deposit
33 has increased, by more than ten (10%) percent of their actual market value
34 [of the securities] at the time they were deposited. The [Securities and
35 Exchange] Commission may, from time to time, allow the licensee to **MAKE**
36 substitute **DEPOSITS** [other securities] for those already on deposit as long as
37 the licensee is solvent. Such licensee shall be entitled to collect the interest or
38 dividends on [the] **SUCH** [securities] deposit[ed]. In the event the licensee
39 ceases to do business in the Philippines, **ITS** [the securities] deposit[ed as
40 aforesaid] shall be returned, upon the licensee's application therefor and upon
41 proof to the satisfaction of the [Securities and Exchange] Commission that the
42 licensee has no liability to Philippine residents, including the Government of
43 the Republic of the Philippines. **FOR PURPOSES OF COMPUTING THE**

1 **SEC. 157. ADMINISTRATION OF OATHS, AND SUBPOENA OF**
2 **WITNESSES AND DOCUMENTS.** – FOR THE PURPOSE OF THE INVESTIGATIONS
3 IN THE PRECEDING SECTION, OR ANY OTHER PROCEEDING UNDER THIS
4 CODE, THE COMMISSION OR ANY OFFICER DESIGNATED BY IT IS
5 EMPOWERED TO ADMINISTER OATHS AND AFFIRMATIONS, SUBPOENA
6 WITNESSES, COMPEL ATTENDANCE, TAKE EVIDENCE, REQUIRE THE
7 PRODUCTION OF ANY BOOK, PAPER, CORRESPONDENCE, MEMORANDUM,
8 OR OTHER RECORD WHICH THE COMMISSION DEEMS RELEVANT OR
9 MATERIAL TO THE INQUIRY, AND TO PERFORM SUCH OTHER ACTS
10 NECESSARY IN THE CONDUCT OF SUCH INVESTIGATION OR PROCEEDINGS.

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

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

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

1 **SEC. 160. ADMINISTRATIVE SANCTIONS.** – IF, AFTER DUE NOTICE AND
2 HEARING INITIATED EITHER BY COMPLAINT OR *MOTU PROPRIO*, THE
3 COMMISSION FINDS THAT ANY PROVISION OF THIS CODE, OR ANY OF THE
4 COMMISSION’S RULES OR ORDERS HAS BEEN VIOLATED, THE COMMISSION
5 MAY IMPOSE ANY OR ALL OF THE FOLLOWING SANCTIONS ON THOSE
6 FOUND RESPONSIBLE FOR THE VIOLATION:

7 (A) A FINE RANGING FROM FIVE THOUSAND PESOS
8 (PHP5,000.00) TO TWO MILLION PESOS (PHP2,000,000.00) PLUS NOT
9 MORE THAN ONE THOUSAND PESOS (PHP1,000.00) FOR EACH DAY
10 OF CONTINUING VIOLATION, IN NO CASE TO EXCEED TWO MILLION
11 PESOS (PHP2,000,000.00);

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

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

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

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

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

28 **SEC. 161. CONTINUED AND UNJUSTIFIED USE OF FORMER**
29 **CORPORATE NAME; PENALTIES.** – A CORPORATION THAT CONTINUES TO
30 USE A CORPORATE NAME ALREADY PREVIOUSLY REMOVED FROM
31 REGISTRATION OR RESERVATION SHALL BE PUNISHED WITH A FINE
32 RANGING FROM FIFTY THOUSAND PESOS (PHP50,000.00) TO TWO HUNDRED
33 THOUSAND PESOS (PHP200,000.00) AND/OR IMPRISONMENT OF SIX (6)
34 MONTHS TO TWO (2) YEARS AT THE DISCRETION OF THE COURT; PROVIDED
35 THAT THE CORPORATION MAY CLAIM THE DEFENSE THAT IT, OR ANY OF ITS
36 STOCKHOLDERS OR OTHER DIRECTORS/OFFICERS EXERTED REASONABLE
37 EFFORTS AGAINST THE CONTINUED AND UNJUSTIFIED USE OF THE FORMER

1 CORPORATE NAME, IN WHICH CASE ONLY THE RESPONSIBLE
2 DIRECTORS/OFFICERS SHALL BE HELD CRIMINALLY LIABLE UNDER THIS
3 PROVISION.

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

16 **Sec. 163. VIOLATION OF DUTY TO KEEP OR MAINTAIN RECORDS**
17 **AND/OR ALLOW THEIR INSPECTION OR REPRODUCTION; PENALTIES.** – THE
18 UNJUSTIFIED FAILURE OR REFUSAL BY THE CORPORATION, OR BY THOSE
19 RESPONSIBLE FOR KEEPING AND MAINTAINING THE CORPORATION'S
20 RECORDS, TO COMPLY WITH SECTIONS 46, 74, 93, 180 AND OTHER
21 PROVISIONS OF THIS CODE AND THE RULES OF THE COMMISSION WITH
22 RESPECT TO THE RETENTION, MAINTENANCE AND KEEPING OF RECORDS
23 AND ALLOWING THEIR INSPECTION OR REPRODUCTION, AS THE CASE MAY
24 BE, SHALL BE PUNISHED WITH A FINE RANGING FROM FIFTY THOUSAND
25 PESOS (PHP50,000.00) TO FIVE HUNDRED THOUSAND PESOS
26 (PHP500,000.00) AND IMPRISONMENT OF THIRTY (30) DAYS TO TWO (2)
27 YEARS AT THE DISCRETION OF THE COURT.

28 THE PENALTIES IMPOSED UNDER THIS SECTION SHALL BE IN
29 ADDITION TO THE SANCTIONS IMPOSED BY THE COMMISSION IN THE
30 EXERCISE OF ITS CONTEMPT POWERS UNDER SECTION 159 TO COMPEL
31 COMPLIANCE WITH THE DUTIES UNDER THE MENTIONED PROVISIONS.

32 **SEC. 164. KNOWING OR WILLFUL CERTIFICATION OF INCOMPLETE,**
33 **INACCURATE, FALSE OR MISLEADING STATEMENTS OR REPORTS; PENALTIES.**
34 – ANY PERSON WHO CERTIFIES ANY REPORT OR MATTER AS SET FORTH IN
35 THIS CODE KNOWING, OR BEING IN A POSITION TO KNOW, THAT THE SAME
36 IS INCOMPLETE, INACCURATE, OR CONTAINS FALSE OR MISLEADING
37 INFORMATION OR STATEMENTS SHALL BE PUNISHED WITH A FINE RANGING
38 FROM TWO HUNDRED THOUSAND PESOS (PHP200,000.00) TO TWO MILLION
39 PESOS (PHP2,000,000.00) AND/OR IMPRISONMENT OF TWO (2) TO TEN (10)
40 YEARS. WHEN THE VIOLATION IS WILLFUL, THE PENALTY SHALL BE A FINE

1 RANGING FROM FOUR HUNDRED THOUSAND PESOS (PHP400,000.00) TO
2 FOUR MILLION PESOS (PHP4,000,000.00) AND/OR IMPRISONMENT OF FOUR
3 (4) TO TWENTY (20) YEARS.

4 SEC. 165. *INDEPENDENT AUDITOR COLLUSION; PENALTIES.* – WHEN
5 AN INDEPENDENT AUDITOR COLLUDES WITH A CORPORATION OR ITS
6 REPRESENTATIVES AND CERTIFIES THE CORPORATION'S FINANCIAL
7 STATEMENTS WHICH ARE EITHER INCOMPLETE OR WHICH CONTAIN
8 INACCURATE, FALSE OR MISLEADING STATEMENTS OR REPORTS, OR WHICH
9 DO NOT GIVE A FAIR AND ACCURATE PRESENTATION OF THE
10 CORPORATION'S CONDITION, SUCH AUDITOR SHALL BE PUNISHED WITH A
11 FINE RANGING FROM FOUR HUNDRED THOUSAND PESOS (PHP400,000.00)
12 TO FOUR MILLION PESOS (PHP4,000,000.00) AND/OR IMPRISONMENT OF
13 FOUR (4) TO TWENTY (20) YEARS.

14 SEC. 166. *PROCURING THE ORGANIZATION OF A CORPORATION*
15 *THROUGH FRAUD; PENALTIES.* – THOSE RESPONSIBLE FOR PROCURING THE
16 ORGANIZATION OF A CORPORATION THROUGH FRAUD, OR ASSISTING
17 DIRECTLY OR INDIRECTLY THEREIN, SHALL BE PUNISHED WITH A FINE
18 RANGING FROM FIVE HUNDRED THOUSAND PESOS (PHP500,000.00) TO
19 TWO MILLION PESOS (PHP2,000,000.00) AND/OR IMPRISONMENT OF TWO
20 (2) TO TEN (10) YEARS AT THE DISCRETION OF THE COURT.

21 *Sec. 167. FRAUDULENT OR UNLAWFUL CONDUCT OF BUSINESS;*
22 *PENALTIES.* – A CORPORATION THAT WILLFULLY CONDUCTS ITS BUSINESS IN
23 A FRAUDULENT OR OTHERWISE UNLAWFUL MANNER SHALL BE PUNISHED
24 WITH A FINE RANGING FROM FIVE HUNDRED THOUSAND PESOS
25 (PHP500,000.00) TO TWO MILLION PESOS (PHP2,000,000.00) AND/OR
26 IMPRISONMENT OF FIVE (5) TO TEN (10) YEARS AT THE DISCRETION OF THE
27 COURT.

28 *Sec. 168. THEFT OF IDENTITY; PENALTIES.* – ANY CORPORATION WHO
29 WILLFULLY OBTAINS ANY IDENTIFYING INFORMATION OF A PERSON,
30 WHETHER NATURAL OR JURIDICAL, AND USES THAT INFORMATION FOR ANY
31 UNLAWFUL PURPOSE, INCLUDING BUT NOT LIMITED TO OBTAINING, OR
32 ATTEMPTING TO OBTAIN, CREDIT, GOODS, SERVICES, OR REAL PROPERTY
33 WITHOUT THE CONSENT OF THAT PERSON, SHALL BE PUNISHED WITH A FINE
34 RANGING FROM ONE MILLION PESOS (PHP1,000,000.00) TO FIVE MILLION
35 PESOS (PHP5,000,000.00) AND IMPRISONMENT OF TEN (10) YEARS. THE
36 SAME PENALTY SHALL BE IMPOSED WHEN THE OFFENDER IS A NATURAL
37 PERSON, OR A GROUP THEREOF, AND THE IDENTITY STOLEN IS THAT OF A
38 CORPORATION.

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

7 **THE CORPORATION’S FAILURE TO SHOW THAT IT HAS INSTALLED**
8 **SAFEGUARDS TO ENSURE THAT IT IS CARRYING OUT ITS SERVICES IN A**
9 **TRANSPARENT AND LAWFUL MANNER, AND THAT IT HAS INSTALLED**
10 **POLICIES, CODES OF ETHICS AND PROCEDURES AGAINST GRAFT AND**
11 **CORRUPTION, WHEN COUPLED WITH A FINDING OF GRAFT AND CORRUPT**
12 **PRACTICES AGAINST ANY OF THEIR DIRECTORS, OFFICER, EMPLOYEES,**
13 **AGENTS, OR REPRESENTATIVES, SHALL BE PRIMA FACIE EVIDENCE OF**
14 **LIABILITY UNDER THIS SECTION.**

15 **Sec. 170. ENGAGING INTERMEDIARIES FOR GRAFT AND CORRUPT**
16 **PRACTICES; PENALTIES. – A CORPORATION THAT, FOR THE PURPOSE OF**
17 **SHIELDING ITSELF FROM LIABILITY FOR GRAFT AND CORRUPT PRACTICES,**
18 **ENGAGES THE SERVICES OF AN INTERMEDIARY WHO COMMITS GRAFT AND**
19 **CORRUPT PRACTICES FOR THE CORPORATION’S BENEFIT OR IN ITS INTEREST,**
20 **SHALL BE PUNISHED BY A FINE OF ONE MILLION PESOS (PHP1,000,000.00)**
21 **AND IMPRISONMENT OF TEN (10) YEARS.**

22 **THE CORPORATION’S FAILURE TO SHOW THAT IT HAS USED THE**
23 **HIGHEST DEGREE OF DILIGENCE AND CARE WHEN ACQUIRING THE SERVICES**
24 **OF AN INTERMEDIARY, THAT IT HAS SUFFICIENT KNOWLEDGE AND HAS**
25 **INSTALLED SAFEGUARDS TO ENSURE THAT THE INTERMEDIARY IS CARRYING**
26 **OUT THE CONTRACTED SERVICES IN A TRANSPARENT AND LAWFUL**
27 **MANNER, AND THAT IT HAS INSTALLED POLICIES, CODES OF ETHICS AND**
28 **PROCEDURES DESIGNED TO PREVENT GRAFT AND CORRUPTION, WHEN**
29 **COUPLED WITH A FINDING OF GRAFT AND CORRUPT PRACTICES AGAINST**
30 **THE INTERMEDIARY, SHALL BE PRIMA FACIE EVIDENCE OF LIABILITY UNDER**
31 **THIS SECTION.**

32 **Sec. 171. TOLERATING GRAFT AND CORRUPT PRACTICES; PENALTIES.**
33 **–A DIRECTOR, TRUSTEE, OR OFFICER OF THE CORPORATION WHO**
34 **KNOWINGLY ALLOWS OR TOLERATES THE COMMISSION OF GRAFT AND**
35 **CORRUPT PRACTICES OR OTHER FRAUDULENT ACTS BY ITS DIRECTORS,**
36 **TRUSTEES, OFFICERS, OR EMPLOYEES, FAILING TO SANCTION THEM, REPORT**
37 **THEIR ACTIONS TO THE PROPER AGENCIES, AND/OR FILE THE APPROPRIATE**
38 **ACTION AGAINST THEM, SHALL BE PUNISHED BY A FINE OF ONE MILLION**
39 **PESOS (PHP1,000,000.00) AND IMPRISONMENT TEN (10) YEARS.**

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

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

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

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

35 **SEC. 175. LIABILITY OF AIDERS AND ABETTORS AND OTHER**
36 **SECONDARY LIABILITY. – ANYONE WHO SHALL AID, ABET, COUNSEL,**
37 **COMMAND, INDUCE OR PROCURE ANY VIOLATION OF THIS CODE, OR ANY**
38 **RULE, REGULATION OR ORDER OF THE COMMISSION OR WHO SHALL ASSIST**
39 **THE ACT OR OMISSION OF ANY PERSON PRIMARILY LIABLE FOR THE**
40 **VIOLATION, WITH KNOWLEDGE OR IN RECKLESS DISREGARD THAT SUCH ACT**

1 OR OMISSION IS WRONGFUL SHALL BE PUNISHED WITH A FINE AND/OR
2 IMPRISONMENT NOT EXCEEDING THAT IMPOSED ON THE PRINCIPAL
3 OFFENDERS, AT THE DISCRETION OF THE COURT AFTER TAKING INTO
4 ACCOUNT THEIR PARTICIPATION IN THE OFFENSE.

5 SECTION 70. Title XVI on Miscellaneous Provisions is hereby renumbered as
6 Title XVII.

7 SECTION 71. Sections 137 and 138 of the Code are renumbered as Sections 176
8 and 177, respectively.

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

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

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

22
23 EXCEPT WHEN A MORE STRINGENT MEASURE IS REQUIRED IN THE
24 CONSTITUTION OR OTHER LAWS, A CORPORATION SHALL BE DEEMED A
25 PHILIPPINE NATIONAL WHEN:

26
27 (A) IT IS ORGANIZED UNDER THE LAWS OF THE PHILIPPINES AND
28 AT LEAST SIXTY PERCENT (60%) OF THE CAPITAL STOCK
29 OUTSTANDING AND ENTITLED TO VOTE IS OWNED AND HELD
30 BY CITIZENS OF THE PHILIPPINES, PROVIDED, THAT WHERE A
31 CORPORATION AND ITS NON-FILIPINO STOCKHOLDERS OWN
32 STOCKS IN ANOTHER CORPORATION, AT LEAST SIXTY
33 PERCENT (60%) OF THE CAPITAL STOCKS OUTSTANDING AND
34 ENTITLED TO VOTE OF BOTH CORPORATIONS MUST BE
35 OWNED AND HELD BY CITIZENS OF THE PHILIPPINES AND AT
36 LEAST SIXTY PERCENT (60%) OF THE MEMBERS OF THE
37 BOARD OF DIRECTORS OF BOTH CORPORATIONS MUST BE
38 CITIZENS OF THE PHILIPPINES; OR

39 (B) ALTHOUGH ORGANIZED ABROAD, IT IS REGISTERED AS
40 DOING BUSINESS IN THE PHILIPPINES UNDER THIS CODE AND
41 ONE HUNDRED PERCENT (100%) OF THE CAPITAL STOCK

1 **OUTSTANDING AND ENTITLED TO VOTE IS WHOLLY OWNED**
2 **BY FILIPINOS.**

3
4 [Pursuant to the duties specified by Article XIV of the Constitution, the] **THE**
5 National Economic and Development Authority shall, from time to time,
6 **UPON FINDING OR RECOMMENDATION FROM THE COMMISSION OR FROM**
7 **OTHER APPROPRIATE GOVERNMENT AGENCIES**, make a determination of
8 whether the corporate vehicle has been used by any corporation or by
9 business or industry to frustrate the provisions thereof or of applicable laws,
10 and shall submit to the [Batasang Pambansa] **CONGRESS**, whenever deemed
11 necessary, a report of its findings, including recommendations for their
12 prevention or correction.

13
14 Maximum limits may be set by the [Batasang Pambansa] **CONGRESS** for
15 stockholdings in corporations declared by it to be vested with a public
16 interest pursuant to the provisions of this section, belonging to individuals or
17 groups of individuals related to each other by consanguinity or affinity or by
18 close business interests, or whenever it is necessary to achieve national
19 objectives, prevent illegal monopolies or combinations in restraint or trade,
20 or to implement national economic policies declared in laws, rules and
21 regulations designed to promote the general welfare and foster economic
22 development.

23
24 In recommending to the [Batasang Pambansa] **CONGRESS** corporations,
25 businesses or industries to be declared vested with a public interest and in
26 formulating proposals for limitations on stock ownership, the National
27 Economic and Development Authority shall consider the type and nature of
28 the industry, the size of the enterprise, the economies of scale, the
29 geographic location, the extent of Filipino ownership, the labor intensity of
30 the activity, the export potential, as well as other factors which are germane
31 to the realization and promotion of business and industry.”

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

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

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

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

6 2. A GENERAL INFORMATION SHEET;

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

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

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

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

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

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

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

29 7. SUCH OTHER REPORTS THAT THE COMMISSION MAY
30 REQUIRE BY RULE.

31 THE FOREGOING REPORTORIAL REQUIREMENTS SHALL BE
32 ACCOMPANIED BY A CERTIFICATION FROM THE CHAIRMAN OF THE BOARD,
33 THE PRESIDENT, THE TREASURER AND THE CORPORATE SECRETARY (OR
34 THEIR EQUIVALENT) TO WIT:

1 1. AS TO THE ANNUAL FINANCIAL STATEMENTS, THAT
2 THE INFORMATION CONTAINED THEREIN IS COMPLETE, FAIRLY
3 AND ACCURATELY PRESENTS, IN ALL MATERIAL RESPECTS, THE
4 FINANCIAL CONDITION OF THE CORPORATION AND DOES NOT
5 CONTAIN ANY FALSE OR MISLEADING STATEMENT OR
6 MISREPRESENTATION;

7 2. AS TO THE GENERAL INFORMATION SHEET, THAT THE
8 INFORMATION CONTAINED THEREIN IS COMPLETE, ACCURATE
9 AND DOES NOT CONTAIN ANY FALSE OR
10 MISLEADING STATEMENT OR MISREPRESENTATION; AND

11 3. AS TO THE DIRECTOR OR TRUSTEE COMPENSATION
12 REPORT, THAT THE INFORMATION CONTAINED THEREIN IS
13 COMPLETE, FAIRLY AND ACCURATELY PRESENTS, IN ALL
14 MATERIAL RESPECTS, THE CORPORATION'S POLICY ON DIRECTOR
15 OR TRUSTEE REMUNERATION, THE ACTUAL REMUNERATIONS OF
16 SUCH DIRECTORS OR TRUSTEES, AND DOES NOT CONTAIN ANY
17 FALSE OR MISLEADING STATEMENT OR MISREPRESENTATION.

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

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

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

29 "Sec. [142]181. *VISITORIAL POWER AND Confidential nature of*
30 *examination results.* – THE COMMISSION SHALL EXERCISE VISITORIAL
31 POWERS OVER ALL CORPORATIONS REGISTERED WITH IT. THESE VISITORIAL
32 POWERS SHALL INCLUDE, BUT NOT BE LIMITED TO EXAMINATION,
33 INVESTIGATION, INSPECTION OF RECORDS REGARDLESS OF THE FORM IN
34 WHICH THE INFORMATION IS CONTAINED, REGULATION AND SUPERVISION
35 OF ACTIVITIES, ENFORCING COMPLIANCE AND IMPOSING SANCTIONS IN
36 ACCORDANCE WITH THIS CODE.

1 **ANY UNJUSTIFIED REFUSAL OR OBSTRUCTION BY A CORPORATION,**
2 **OR ANYONE UNDER ITS EMPLOY, IN THE COMMISSION'S EXERCISE OF THE**
3 **FOREGOING AUTHORITY SHALL, IN ADDITION TO THE IMPOSITION OF**
4 **PENALTIES AND SANCTIONS UNDER THIS CODE, CONSTITUTE A JUSTIFIABLE**
5 **GROUND FOR THE REVOCATION OF ITS CERTIFICATE OF INCORPORATION."**

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

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

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

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

28 2. **FORMULATE POLICIES AND RECOMMENDATIONS ON**
29 **ISSUES PERTAINING TO THE REGULATION AND SUPERVISION OF**
30 **CORPORATIONS, AND PROPOSE LEGISLATION AND AMENDMENTS**
31 **THERE TO;**

32 3. **APPROVE OR REJECT APPLICATIONS, ISSUE OR**
33 **REVOKE OTHER CERTIFICATIONS, REQUIRE**
34 **ADDITIONAL SUBMISSIONS OR AMENDMENTS THERE TO;**

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

1 5. **IMPOSE SANCTIONS FOR THE VIOLATIONS OF THIS**
2 **CODE AND ITS RULES, REGULATIONS AND ORDERS OF THE**
3 **COMMISSION ISSUED PURSUANT THERETO;**

4 6. **PROMOTE CORPORATE GOVERNANCE AND, IN**
5 **FURTHERANCE THEREOF, EXPAND OR ADD TO THE REQUIREMENTS**
6 **WITH RESPECT TO, AMONG OTHERS, THE CONTENTS OF THE BY-**
7 **LAWS, THE QUALIFICATIONS AND DISQUALIFICATIONS OF**
8 **DIRECTORS, AND THE RECORDS THAT MUST BE ON HAND AT THE**
9 **CORPORATION'S ADDRESS OF RECORD AND THE ANNUAL REPORTS**
10 **THAT MUST BE SUBMITTED TO THE COMMISSION;**

11 7. **PREPARE, APPROVE, AMEND OR REPEAL RULES,**
12 **REGULATIONS AND ORDERS, AND ISSUE OPINIONS AND PROVIDE**
13 **GUIDANCE ON AND SUPERVISE COMPLIANCE WITH SUCH RULES,**
14 **REGULATIONS AND ORDERS**

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

22 9. **PUNISH FOR CONTEMPT OF THE COMMISSION, BOTH**
23 **DIRECT AND INDIRECT;**

24 10. **COMPEL THE OFFICERS OF ANY REGISTERED**
25 **CORPORATION TO CALL MEETINGS OF STOCKHOLDERS OR MEMBERS**
26 **UNDER ITS SUPERVISION AND TO ISSUE SUCH ORDERS AS MAY BE**
27 **APPROPRIATE, INCLUDING, WITHOUT LIMITATION, ORDERS**
28 **DESIGNATING THE TIME AND PLACE OF THE ELECTION, THE RECORD**
29 **DATE OR DATES FOR DETERMINATION OF STOCKHOLDERS ENTITLED**
30 **TO NOTICE OF THE ELECTION AND TO VOTE THEREAT, AND THE**
31 **FORM OF NOTICE OF SUCH ELECTION;**

32 11. **ISSUE SUBPOENA DUCES TECUM AND SUMMON**
33 **WITNESSES TO APPEAR IN PROCEEDINGS BEFORE THE COMMISSION**
34 **AND IN APPROPRIATE CASES ORDER THE EXAMINATION, SEARCH**
35 **AND SEIZURE OF ALL DOCUMENTS, PAPERS, FILES AND RECORDS,**
36 **TAX RETURNS, AND BOOKS OF ACCOUNTS OF ANY ENTITY OR**
37 **PERSON UNDER INVESTIGATION AS MAY BE NECESSARY FOR THE**

1 **PROPER DISPOSITION OF THE CASES BEFORE IT, SUBJECT TO THE**
2 **PROVISIONS OF EXISTING LAWS;**

3 **12. SUSPEND OR REVOKE, AFTER PROPER NOTICE AND**
4 **HEARING, THE CERTIFICATE OF INCORPORATION OF CORPORATIONS**
5 **UPON ANY OF THE GROUNDS PROVIDED UNDER THIS CODE OR**
6 **WHEN DIRECTED BY FINAL JUDGMENT OF A COURT OF COMPETENT**
7 **JURISDICTION;**

8 **13. DISSOLVE OR OTHERWISE SANCTION CORPORATIONS**
9 **CREATED FOR, COMMITTING, AIDING IN THE COMMISSION OF, OR**
10 **IN ANY MANNER FURTHERING SECURITIES VIOLATIONS,**
11 **SMUGGLING, TAX EVASION, MONEY LAUNDERING, GRAFT AND**
12 **CORRUPT PRACTICES OR OTHER FRAUDULENT OR ILLEGAL ACTS;**

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

16 **15. EXERCISE SUCH OTHER POWERS AS MAY BE PROVIDED**
17 **BY LAW AS WELL AS THOSE WHICH MAY BE IMPLIED FROM, OR**
18 **WHICH ARE NECESSARY OR INCIDENTAL TO CARRYING OUT THE**
19 **EXPRESS POWERS GRANTED TO THE COMMISSION TO ACHIEVE THE**
20 **OBJECTIVES AND PURPOSES OF THIS CODE AND SUCH OTHER LAWS.**

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

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

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

30 **SECTION 184. DEVELOPMENT OF OTHER SYSTEMS. – THE**
31 **COMMISSION SHALL, CONSIDERING ADVANCES IN TECHNOLOGY, DEVELOP**
32 **SUCH SYSTEMS AS IT MAY DEEM NECESSARY TO FACILITATE AND EXPEDITE,**
33 **AMONG OTHERS, CORPORATE NAME RESERVATION AND REGISTRATION,**
34 **INCORPORATION, AND THE SUBMISSION OF REPORTS, NOTICES, DOCUMENTS**
35 **AND OTHER PAPERS REQUIRED UNDER THIS CODE, AND PRESCRIBE THE**
36 **CORRESPONDING RULES AND REGULATIONS THEREFOR. THE COMMISSION**

1 SHALL HAVE FULL DISCRETION TO DETERMINE WHICH SYSTEM OR SYSTEMS
2 ALLOW THE MOST EFFECTIVE IMPLEMENTATION AND ENFORCEMENT OF THE
3 PROVISIONS OF THIS CODE

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

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

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

23 TO BE VALID, THE AGREEMENT TO ARBITRATE IN THE ARTICLES OF
24 INCORPORATION OR THE BY-LAWS SHOULD INDICATE THE NUMBER AND
25 PROCEDURE FOR THE APPOINTMENT OF ARBITRATORS AND GRANT TO A
26 DESIGNATED THIRD, INDEPENDENT, AND EXTERNAL PARTY OR BODY THE
27 POWER TO APPOINT THE ARBITRATORS. IF THE THIRD PARTY OR BODY FAILS
28 TO APPOINT THE ARBITRATORS IN THE MANNER AND WITHIN THE PERIOD
29 SPECIFIED IN THE AGREEMENT TO ARBITRATE, EACH PARTY TO THE
30 ARBITRATION MAY REQUEST THAT THE APPOINTMENT OF THE ARBITRATORS
31 BE MADE BY THE COMMISSION. ARBITRATORS SHALL BE THOSE WHO ARE
32 EITHER DULY ACCREDITED BY THE COMMISSION OR MEMBERS OF
33 ORGANIZATIONS DULY-ACCREDITED BY THE COMMISSION.

34 THE ARBITRAL TRIBUNAL SHALL HAVE FULL AUTHORITY TO RESOLVE
35 ALL ISSUES RELATING TO ITS JURISDICTION AND/OR THE VALIDITY OR
36 EFFECTIVITY OF THE ARBITRATION AGREEMENT. A REGIONAL TRIAL COURT
37 BEFORE WHICH AN INTRACORPORATE DISPUTE IS FILED SHALL, BEFORE THE
38 TERMINATION OF THE PRETRIAL CONFERENCE, DISMISS THE CASE UPON
39 DETERMINING THE EXISTENCE OF AN AGREEMENT TO ARBITRATE IN THE

1 ARTICLES OF INCORPORATION OR BY-LAWS OF THE CORPORATION, ANY
2 AMENDMENT THEREOF, OR IN A SEPARATE AGREEMENT.

3 THE ARBITRAL TRIBUNAL SHALL HAVE THE POWER TO GRANT INTERIM
4 MEASURES NECESSARY TO ENSURE ENFORCEMENT OF THE AWARD, TO
5 PREVENT A MISCARRIAGE OF JUSTICE, OR TO OTHERWISE PROTECT THE
6 RIGHTS OF THE PARTIES.

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

11 THE COMMISSION SHALL FORMULATE THE RULES AND REGULATIONS
12 WHICH SHALL GOVERN ARBITRATION UNDER THIS SECTION.”

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

15 “SEC.186. JURISDICTION OVER CORPORATIONS OF SPECIAL
16 CHARACTER. – THE POWERS, AUTHORITIES AND RESPONSIBILITIES THAT ARE
17 VESTED IN THE COMMISSION UNDER THIS CODE AND PRESIDENTIAL DECREE
18 902-A INVOLVING CORPORATIONS OF A SPECIAL CHARACTER ARE
19 TRANSFERRED TO THE COMMISSION ON ELECTIONS (COMELEC) WITH
20 RESPECT TO PARTY-LIST ORGANIZATIONS, TO THE HOUSING AND LAND USE
21 REGULATORY BOARD (HLURB) WITH RESPECT TO NEIGHBORHOOD
22 ASSOCIATIONS AND HOMEOWNERS’ ASSOCIATIONS, AND TO THE
23 DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS (DOTC) WITH
24 RESPECT TO THE ASSOCIATIONS OF OPERATORS AND DRIVERS OF PUBLIC
25 TRANSPORT.

26 THE MONITORING, SUPERVISION AND REGULATION OF
27 CORPORATIONS OF SUCH CHARACTER ABOVE-DESCRIBED PREVIOUSLY
28 REGISTERED WITH THE COMMISSION SHALL LIKEWISE BE TRANSFERRED TO
29 THE SAID PERTINENT GOVERNMENT AGENCIES, RESPECTIVELY.

30 FOR THIS PURPOSE, THE COMELEC, HLURB, AND DOTC, IN
31 COORDINATION WITH THE COMMISSION, SHALL PROMULGATE THE
32 CORRESPONDING IMPLEMENTING RULES AND/OR ENTER INTO INTER-
33 AGENCY AGREEMENTS.”

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

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

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

7 **SECTION 83.** *Effectivity Clause.* – This Act shall take effect fifteen (15) days after
8 its publication in the *Official Gazette* or in at least two (2) newspapers of general circulation,
9 whichever date comes earlier.