



REPUBLIC OF THE PHILIPPINES
Senate
Pasay City

Journal

SESSION NO. 76
Tuesday, May 2, 2017

SEVENTEENTH CONGRESS
FIRST REGULAR SESSION

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CALL TO ORDER

At 3:07 p.m., the Senate President, Hon. Aquilino “Koko” Pimentel III, called the session to order.

PRAYER

Sen. Joseph Victor G. Ejercito led the prayer, to wit:

*Let us not grow weary in doing good,
for at the proper time we will reap a
harvest if we do not give up.*

Galatians 6:9

Heavenly Father, as we resume the session today, I pray that we would be intentional in pursuing good advocacies and enacting compassionate, meaningful and just laws for the people.

Lord, I ask that You bless the work of our hands, enable us to be sensitive in meeting the needs of the Filipinos, particularly in filling the gap within the sectors of housing, labor, health, education, social services, transportation, and in our economy.

In light of the Labor Day celebration yesterday, I also pray that You would bless the millions of Filipino workers in the country and around the world. Bless the families of the overseas Filipino workers, the unemployed, and those still seeking greener pastures.

We ask for Your abundant provision for every Filipino family seeking to provide comfortable living for their children.

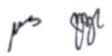
Here in the Senate, fill us with Your abundant grace, strength and wisdom as we joyfully fulfill our legislative duties. At the end of each day, may You be glorified with all of our accomplishments.

We ask these in the Name of our Lord Jesus Christ, our Savior.

Amen.

ROLL CALL

Upon direction of the Senate President, the Secretary of the Senate, Atty. Lutgardo B. Barbo, called the roll, to which the following senators responded:



| | |
|-----------------------|---------------------|
| Aquino, P. B. IV. B. | Hontiveros, R. |
| Binay, M. L. N. S. | Lacson, P. M. |
| Cayetano, A. P. C. S. | Pangilinan, F. N. |
| Drilon, F. M. | Pimentel III, A. K. |
| Ejercito, J. V. G. | Sotto III, V. C. |
| Escudero, F. J. G. | Villanueva, J. |
| Gatchalian, W. | Villar, C. A. |
| Honasan, G. B. | Zubiri, J. M. F. |

With 16 senators present, the Chair declared the presence of a quorum.

Senators Angara, Legarda, Pacquiao, Poe, Recto and Trillanes arrived after the roll call.

Senator Gordon was in Switzerland on official mission "to attend the 35th Session of the Governing Board of the International Federation of the Red Cross (IFRC)."

Senator De Lima was unable to attend the session as she was under detention.

APPROVAL OF THE JOURNAL

Upon motion of Senator Sotto, there being no objection, the Body dispensed with the reading of the Journal of Session No. 75 (March 15, 2017) and considered it approved.

ACKNOWLEDGMENT OF THE PRESENCE OF GUESTS

Senator Sotto acknowledged the presence in the gallery of the following:

- Guests of Senator Hontiveros - Binibining Pilipinas-International 2016, Miss International 2016 Kylie Verzosa; Ms. Antoinette Taus; Ms. Jerica Ejercito; Philippine Psychiatric Association; Youth for Mental Health Coalition; and the Student Council Alliance of the Philippines;
- Guests of Senator Zubiri – Barangay chairpersons of the different barangays in Marawi City, Lanao del Sur — Alniah D. Magoyag, Farmidah Macabando and Raisalam Tindug; and Vice Mayor Denver Chua of Cavite City; and
- Guests from the Office of the Solicitor General – Assistant Solicitor Generals Rex Pascual, Eric Panga, Renan Ramos, Elaine Coro, Tomas Laragan, Angelita Beranda and Edith Dizon.

Senate President Pimentel welcomed the guests to the Senate.

APPROVAL OF SENATE BILL NO. 1354 ON THIRD READING

Upon motion of Senator Sotto, there being no objection, the Body considered, on Third Reading, Senate Bill No. 1354, printed copies of which were distributed to the senators on March 22, 2017.

Pursuant to Section 67, Rule XXIII of the Rules of the Senate, upon motion of Senator Sotto, there being no objection, Secretary Barbo read only the title of the bill, to wit:

AN ACT ESTABLISHING A NATIONAL MENTAL HEALTH POLICY FOR THE PURPOSE OF ENHANCING THE DELIVERY OF INTEGRATED MENTAL HEALTH SERVICES, PROMOTING AND PROTECTING PERSONS UTILIZING PSYCHIATRIC, NEUROLOGIC AND PSYCHOSOCIAL HEALTH SERVICES, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES.

Secretary Barbo called the roll for nominal voting.

RESULT OF THE VOTING

The result of the voting was as follows:

In favor

| | |
|------------|------------|
| Angara | Lacson |
| Aquino | Pangilinan |
| Binay | Pimentel |
| Cayetano | Poe |
| Drilon | Recto |
| Ejercito | Sotto |
| Escudero | Villanueva |
| Gatchalian | Villar |
| Honasan | Zubiri |
| Hontiveros | |

Against

None

Abstention

None

With 19 senators voting in favor, none against, and no abstention, the Chair declared Senate Bill No. 1354 approved on Third Reading.

MANIFESTATION OF SENATOR HONTIVEROS

By way of manifestation, Senator Hontiveros hailed the passage of the Mental Health Act of 2017 which, she said, would provide a stronger mechanism to ensure the protection of rights of individuals suffering from mental health conditions.

The full text of Senator Hontiveros' manifestation follows:

Today is indeed a historic day. After years of being hidden in the dark and being talked about only in muted whispers, mental health, an important public health issue — that affects every one of us — is finally getting the recognition it deserves. With today's passage of Senate Bill No. 1354 or the "Mental Health Act of 2017," we take a giant step forward towards a more progressive and stronger system for ensuring the mental health and well-being of not only those suffering from mental health conditions but of all Filipinos.

Through the Mental Health Act, we will have a stronger mechanism to ensure the protection of rights of individuals suffering from mental health conditions. We will also have a more robust health service delivery system that integrates mental health services at the community level and enhances the capacity of our government hospitals in providing high-level care.

This Act will likewise help educate the public on mental health to reduce stigma and discrimination by integrating mental health in the school curriculum and mainstreaming mental health programs in academic institutions and in the workplace.

Indeed, it gives me immense pride and honor to be part of the Senate which passed this important piece of legislation and to be its principal sponsor.

I would like to recognize my fellow sponsors, namely: Senators Angara, Aquino, Legarda, Trillanes, Villanueva and Senator Sotto, the Majority Leader, who ably aided the prompt passage of this bill.

I would also like to thank Sen. JV Ejercito, the chairman of the Committee on Health and Demography, for recognizing the work that had been done on this measure and in supporting us.

I would also like to express my heartfelt gratitude to my fellow mental health advocates including the youth, the health professionals, academicians, the people who have experienced

mental health conditions and their loved ones, the government agencies, other nongovernment organizations, Miss Kylie, Antoinette and long-time *kasama*, Ica, your effort made all of these happened. *Maraming, maraming salamat po sa inyong lahat.*

As we take this crucial step in fully realizing our collective aspirations for a mental health law, I call on our colleagues in the House of Representatives to hasten the passage of the Mental Health Act from their end.

Again, I cannot overemphasize the urgency of passing this measure. It is high time that we shore some light on the issue of mental health.

Lastly, *sa lahat ng hindi makatarungang sinabihan ng sira-ulo, lukaret, maluwa ang turnilyo, may sayad, baliw, abnormal, may topak, emo, praning, sinto-sinto at buang, dahil sa maling pag-unawa sa issue sa mental health, para po sa inyo ang batas na ito.*

No one should suffer silently alone in the dark and solitarily fight this invisible war.

MANIFESTATION OF SENATOR SOTTO

Senator Sotto thanked Senator Hontiveros for sponsoring Senate Bill No. 1354 which he principally authored as Senate Bill No. 9.

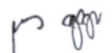
APPROVAL OF SENATE BILL NO. 1355 ON THIRD READING

Upon motion of Senator Sotto, there being no objection, the Body considered, on Third Reading, Senate Bill No. 1355, printed copies of which were distributed to the senators on March 22, 2017.

Pursuant to Section 67, Rule XXIII of the Rules of the Senate, upon motion of Senator Sotto, there being no objection, Secretary Barbo read only the title of the bill, to wit:

AN ACT ADOPTING INNOVATION AS VITAL COMPONENT OF THE COUNTRY'S DEVELOPMENT POLICIES TO DRIVE INCLUSIVE DEVELOPMENT, PROMOTE THE GROWTH AND NATIONAL COMPETITIVENESS OF MICRO, SMALL AND MEDIUM ENTERPRISES, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES.

Secretary Barbo called the roll for nominal voting.



RESULT OF THE VOTING

The result of the voting was as follows:

In favor

| | |
|------------|------------|
| Angara | Legarda |
| Aquino | Pacquiao |
| Binay | Pangilinan |
| Cayetano | Pimentel |
| Drilon | Poe |
| Ejercito | Recto |
| Escudero | Sotto |
| Gatchalian | Trillanes |
| Honasan | Villanueva |
| Hontiveros | Villar |
| Lacson | Zubiri |

Against

None

Abstention

None

With 22 senators voting in favor, none against, and no abstention, the Chair declared Senate Bill No. 1355 approved on Third Reading.

APPROVAL OF SENATE BILL NO. 14 ON THIRD READING

Upon motion of Senator Sotto, there being no objection, the Body considered, on Third Reading, Senate Bill No. 14, printed copies of which were distributed to the senators on April 3, 2017.

Pursuant to Section 67, Rule XXIII of the Rules of the Senate, upon motion of Senator Sotto, there being no objection, Secretary Barbo read only the title of the bill, to wit:

AN ACT ADJUSTING THE AMOUNT INVOLVED, VALUE OF PROPERTY OR DAMAGE ON WHICH A PENALTY IS BASED, AND THE FINES UNDER ACT NO. 3815, AS AMENDED, OTHERWISE KNOWN AS THE REVISED PENAL CODE.

Secretary Barbo called the roll for nominal voting.

RESULT OF THE VOTING

The result of the voting was as follows:

In favor

| | |
|------------|------------|
| Angara | Pacquiao |
| Aquino | Pangilinan |
| Binay | Pimentel |
| Drilon | Poe |
| Ejercito | Recto |
| Escudero | Sotto |
| Gatchalian | Trillanes |
| Honasan | Villanueva |
| Hontiveros | Villar |
| Lacson | Zubiri |
| Legarda | |

Against

None

Abstention

None

With 21 senators voting in favor, none against, and no abstention, the Chair declared Senate Bill No. 14 approved on Third Reading.

SUSPENSION OF SESSION

Upon motion of Senator Sotto, the session was suspended.

It was 3:22 p.m.

RESUMPTION OF SESSION

At 3:22 p.m., the session was resumed.

PRIVILEGE SPEECH OF SENATOR HONTIVEROS

Availing herself of the privilege hour, Senator Hontiveros brought to the attention of the Body to a troubling pattern that if left unchecked, threatens to undermine efforts to improve the health status of the poor and marginalized countrymen in rural areas: the murder of Dr. Shalah "Jaja" Sinolinding and Dr. Dreyfuss "Drey" Perlas, both of whom served in the Doctors-to-the-Barrios Program of the Department of Health.

The full text of Senator Hontiveros' privilege speech follows:

Sa tuwing umiikot ako sa mga probinsya, lalo na sa mga malalayo at liblib na lugar, paulit-ulit kong nadidinig ang isang daing: kakapusan na serbisyong pang-medikal at kakulangan ng doktor. Hindi pa man ako senador noon, isa sa mga usapin na pinangako ko sa aking sarili na isusulong ay ang usapinng rural health. Tiyak ko na ang ating Chairperson sa Committee on Health na si Senator JV Ejercito ay ganito rin ang saloobin.

Plain and simple – we need more health professionals to go to the countryside and tend to the health needs of our fellow Filipinos who live far away from the gleaming hospitals of the capital.

And when we do get health professionals who, despite the high costs of medical education in this country, are willing to serve our poor and marginalized *kababayan* in rural areas, they deserve more than accolades – they deserve full protection.

Kung kaya po, I rise today to call the attention of our government to a troubling pattern that if left unchecked threatens to undermine all our efforts to improve the health status of our poor and marginalized countrymen in rural areas.

Exactly two weeks ago, on April 18, Dr. Shahid “Jaja” Sinolinding, an ophthalmologist in Cotabato City, along with his companion, was gunned down in his clinic by a yet to be identified assailant who pretended to be his patient. While there has been some progress in the investigation, we are nowhere near in uncovering the truth behind this incident and bringing the perpetrator to justice.

As a practicing eye physician, Dr. Sinolinding was known for his generosity. A native of North Cotabato, he was said to have treated the eye problems of thousands of poor patients from the different provinces of the Autonomous Region for Muslim Mindanao (ARMM) for free. He volunteered in several ARMM-sponsored outreach programs, reaching out and serving the poor and marginalized communities in the region who rarely had access to health services. Dr. Jaja, as he is fondly known, has touched many lives and if not for this deplorable act, would have surely touched and served a lot more. *Nakikiramay ako sa kanyang mga naulila: ang kanyang mga kapamilya, mga kaibigan, at mga kapatid sa*

ARMM na nawalan ng isang kapita-pitagang manggagamot.

What is even more tragic is that Dr. Sinolinding is the second “barrio-doctor” to be murdered in a space of two months, following the death of Dr. Dreyfuss “Drey” Perlas, a 31-year old doctor from Aklan province who, after his two-year stint in the Doctors-to-the-Barrios Program (DTTB) of the DOH, chose to stay as the Municipal Health Officer of the Sapad town, a fifth-class municipality in Lanao Del Norte, out of a genuine desire to continue serving the community that he had come to love. Dr. Drey was brutally gunned down while riding a motorcycle on his way home from a medical mission and his attackers remain at large.

I had the privilege of meeting Dr. Drey when I became the graduation speaker of his batch in Doctors to the Barrios batch three years ago. These doctors could have gone the usual route to establish a profitable medical practice in the big cities but instead, they chose a life of service, offering their talents and skills to help in healing poor Filipinos in communities where health care is underprovided. Meeting a group of young doctors with infectious enthusiasm and passion to serve communities in far-flung areas was a moving experience, and Dr. Drey and his batchmates left me feeling both grateful to them and optimistic for the future.

These acts of violence committed on our doctors and other health professionals serving rural areas must be condemned in the strongest possible terms. It is imperative that the perpetrators of these heinous acts are caught and be made to face our justice system as swiftly as possible given its far-reaching implications. We call upon our law enforcement agencies to act quickly for the speedy resolution of these cases. I cannot begin to imagine the anguish of their loved ones. *Nakikiisa ako sa mga inulila nila.*

But there is a fundamental point I want to make this afternoon. The attacks on Dr. Jaja and Dr. Drey are attacks not just on these individual doctors. It is an attack on the communities which depend on these doctors and health professionals for their health care needs; it is an attack on the entire health sector and our collective aspirations to achieve better health for all Filipinos. *Mabigat ang mga sakripisyo na dinaranas ng ating mga health workers.* We salute their silent sacrifice in helping solve our country's health problems and I believe we should do more to look out after them.

The gravity of these murders and the heroism of the health workers who serve our

communities must be put in its proper context. For the longest time, the country has experienced a shortage of health workers. The current ratio of health worker to population according to the DOH stands at around 17.2 health workers per 10,000 people – way short of the ideal ratio of 44 health workers per 10,000 people. Seven out of ten Filipinos die without having been seen by a doctor. The poorest quintile of our population will have to travel more than 40 minutes to go to a health facility. The situation is more acute in rural areas given the maldistribution of health professionals. Majority of them concentrate in urban areas where there are more lucrative opportunities, or even overseas, leaving our health facilities in the rural centers undermanned and the public health workers there overutilized and overburdened.

Kaunti na nga lang ang doktor at mga health workers na naninilbihan sa kanayunan ay hindi pa natin sila maalagaan nang tama. Paano natin sasabihin sa ating mga doktor, mga nurses, mga dentista, at sa iba pang mga health workers na maglingkod sa mga mamamayan sa probinsya at mga pamayanan kung ang pamahalaan ay di pala sila kayang protektahan at pangalagaan.

Before we went on recess last month, I filed Proposed Senate Resolution No. 310 which sought to look into the death of Dr. Dreyfuss Perlas, and together with our esteemed colleague, Senator Gordon manifested on the floor our indignation over his death. Last week, I filed Proposed Senate Resolution No. 321 which similarly seeks to condemn this deplorable act, and more importantly, to conduct an inquiry on the deaths of these two “barrio doctors” with the objective of identifying measures and mechanisms to ensure the safety and well-being of all health workers particularly those serving in rural areas.

Ako ay nananawagan sa aking mga kasamahan sa Senado na mas maging pursigido pa sa paghahanap ng hustisya para kay Dr. Jaja at Dr. Drey at sa pangangalaga sa kapakanan ng ating mga manggagawang pangkalusugan.

Let us take better care of those who are taking care of us.

REFERRAL OF SPEECH TO COMMITTEE

Upon motion of Senator Sotto, there being no objection, the Chair referred the privilege speech of

Senator Hontiveros to the Committee on Public Order and Dangerous Drugs

REQUEST OF SENATOR ZUBIRI

At this juncture, Senator Zubiri requested the concerned personnel of the Secretariat to check on the air-conditioning system of the building considering that the session hall as well as some offices of the senators has become a bit warm and no longer a conducive atmosphere for legislation.

Senate President Pimentel took note of the request of Senator Zubiri.

REFERENCE OF BUSINESS

The Secretary of the Senate read the following matters and the Chair made the corresponding referrals:

MESSAGES FROM THE HOUSE OF REPRESENTATIVES

Letter from the House of Representatives, informing the Senate that on 13 March 2017, the House of Representatives passed the following House bills, in which it requested the concurrence of the Senate:

House Bill No. 5063, entitled

AN ACT GRANTING THE PANGASINAN GULF WAVES NETWORK CORPORATION A FRANCHISE TO CONSTRUCT, INSTALL, ESTABLISH, OPERATE AND MAINTAIN RADIO AND TELEVISION BROADCASTING STATIONS THROUGHOUT THE PHILIPPINES;

House Bill No. 5064, entitled

AN ACT RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO SUBIC BROADCASTING CORPORATION UNDER REPUBLIC ACT NO. 7511, ENTITLED AN ACT GRANTING THE SUBIC BROADCASTING CORPORATION A FRANCHISE TO CONSTRUCT, INSTALL, OPERATE AND

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MAINTAIN RADIO AND TELEVISION BROADCASTING STATION IN THE PHILIPPINES AND FOR OTHER PURPOSES;

House Bill No. 5175, entitled

AN ACT RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO BETA BROADCASTING SYSTEM, INC., UNDER REPUBLIC ACT NO. 8026, ENTITLED AN ACT GRANTING THE BETA BROADCASTING SYSTEM CORPORATION A FRANCHISE TO CONSTRUCT, OPERATE AND MAINTAIN RADIO BROADCASTING STATIONS IN THE ISLAND OF LUZON, AND FOR OTHER PURPOSES;

House Bill No. 5176, entitled

AN ACT RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO SARRAGA INTEGRATED AND MANAGEMENT CORPORATION UNDER REPUBLIC ACT NO. 7478, ENTITLED AN ACT GRANTING THE SARRAGA INTEGRATED MANAGEMENT CORPORATION OF THE PHILIPPINES A FRANCHISE TO CONSTRUCT, INSTALL, OPERATE AND MAINTAIN FOR COMMERCIAL PURPOSES RADIO AND TELEVISION BROADCASTING STATIONS IN THE PHILIPPINES AND FOR OTHER PURPOSES;

and House Bill No. 5177, entitled

AN ACT RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO INFOCOM COMMUNICATIONS NETWORK, INC. (PRESENTLY KNOWN AS NOW TELECOM COMPANY, INC.) UNDER REPUBLIC ACT NO. 7301, ENTITLED "AN ACT GRANTING INFOCOM COMMUNICATIONS NETWORK, INC. (ICNI), A FRANCHISE TO CONSTRUCT, ESTAB-

LISH, OPERATE AND MAINTAIN MOBILE RADIO SYSTEMS SUCH AS RADIO PAGING SYSTEMS, CELLULAR PHONE SYSTEMS, PERSONAL COMMUNICATION NETWORK (PCN), AND TRUNKED RADIO SYSTEMS WITHIN AND WITHOUT THE PHILIPPINES FOR A PERIOD OF TWENTY-FIVE (25) YEARS, AND FOR OTHER PURPOSES," AS AMENDED BY REPUBLIC ACT NO. 7940.

To the Committee on Public Services

House Bill No. 4857, entitled

AN ACT ESTABLISHING A MULTI-SPECIES MARINE HATCHERY IN THE MUNICIPALITY OF PEREZ, PROVINCE OF QUEZON AND APPROPRIATING FUNDS THEREFOR;

House Bill No. 4858, entitled

AN ACT ESTABLISHING A MULTI-SPECIES MARINE HATCHERY IN THE MUNICIPALITY OF CALAUAG, PROVINCE OF QUEZON AND APPROPRIATING FUNDS THEREFOR;

House Bill No. 4859, entitled

AN ACT ESTABLISHING A MULTI-SPECIES MARINE HATCHERY IN THE MUNICIPALITY OF PLARIDEL, PROVINCE OF QUEZON AND APPROPRIATING FUNDS THEREFOR;

House Bill No. 4860, entitled

AN ACT ESTABLISHING A MULTI-SPECIES MARINE HATCHERY IN THE MUNICIPALITY OF GUINAYANGAN, PROVINCE OF QUEZON AND APPROPRIATING FUNDS THEREFOR;

House Bill No. 4861, entitled

AN ACT ESTABLISHING A MULTI-SPECIES MARINE HATCHERY IN

THE MUNICIPALITY OF ALABAT,
PROVINCE OF QUEZON AND
APPROPRIATING FUNDS THEREFOR;

and House Bill No. 4862, entitled

AN ACT ESTABLISHING A MULTI-
SPECIES MARINE HATCHERY IN
THE CITY OF LIGAO, PROVINCE
OF ALBAY AND APPROPRIATING
FUNDS THEREFOR.

**To the Committees on Agriculture and
Food; and Finance**

House Bill No. 4923, entitled

AN ACT DIVIDING BARANGAY
PAMPANGA IN THE CITY OF
DAVAO INTO THREE (3) DISTINCT
AND INDEPENDENT BARANGAYS
TO BE KNOWN AS BARANGAY
PAMPANGA, BARANGAY ALFONSO
ANGLIONGTO, SR. AND BARANGAY
V. HIZON;

House Bill No. 4927, entitled

AN ACT CREATING BARANGAY
UPPER PUGAAN IN THE MUNICI-
PALITY OF DITSAAN-RAMAIN,
PROVINCE OF LANA DEL SUR;

House Bill No. 4937, entitled

AN ACT CREATING A BARANGAY TO
BE KNOWN AS BARANGAY CARE
IN THE CITY OF TARLAC,
PROVINCE OF TARLAC;

House Bill No. 4938, entitled

AN ACT CREATING A BARANGAY TO
BE KNOWN AS BARANGAY
POBLACION 3 IN THE MUNICI-
PALITY OF VILLANUEVA, PRO-
VINCE OF MISAMIS ORIENTAL;

House Bill No. 4940, entitled

AN ACT CREATING A BARANGAY TO
BE KNOWN AS BARANGAY
LIWON IN THE MUNICIPALITY OF
ASIPULO, PROVINCE OF IFUGAO;

House Bill No. 4942, entitled

AN ACT CREATING A BARANGAY
TO BE KNOWN AS BARANGAY
PUDO IN THE MUNICIPALITY OF
NATONIN, MOUNTAIN PROVINCE;

and House Bill No. 4943, entitled

AN ACT DIVIDING BARANGAY
CANUMAY IN THE CITY OF
VALENZUELA INTO TWO (2)
DISTINCT AND INDEPENDENT
BARANGAYS TO BE KNOWN AS
BARANGAY CANUMAY WEST AND
BARANGAY CANUMAY EAST.

**To the Committees on Local Government;
and Electoral Reforms and People's Participation**

House Bill No. 4896, entitled

AN ACT CREATING A NEW DISTRICT
ENGINEERING OFFICE IN THE
THIRD LEGISLATIVE DISTRICT OF
THE PROVINCE OF ZAMBOANGA
DEL NORTE AND APPROPRIATING
FUNDS THEREFOR;

and House Bill No. 4947, entitled

AN ACT RENAMING THE ROAD
TRAVERSING BARANGAYS SAN
JOSE, TOLENTINO WEST, TOLENTINO
EAST, FRANCISCO, SUNGAY WEST
(LEFT SIDE), SUNGAY EAST
(RIGHT SIDE), SUNGAY EAST,
IRUHIN WEST, IRUHIN CENTRAL,
IRUHIN EAST AND DAPDAP WEST
IN THE CITY OF TAGAYTAY,
PROVINCE OF CAVITE TO ISAAC
O. TOLENTINO AVENUE.

**To the Committees on Public Works; and
Finance**

House Bill No. 4895, entitled

AN ACT TRANSFERRING THE
LOCATION OF THE SORSOGON
SECOND DISTRICT ENGINEERING
OFFICE FROM BULAN, SORSOGON
TO GUBAT, SORSOGON, AMEND-

Handwritten initials or signature

ING FOR THE PURPOSE REPUBLIC ACT NO. 9689, OTHERWISE KNOWN AS AN ACT ESTABLISHING THE SORSOGON SECOND DISTRICT ENGINEERING OFFICE IN THE PROVINCE OF SORSOGON AND APPROPRIATING FUNDS THEREFOR;

and House Bill No. 4946, entitled

AN ACT RENAMING PANGLAO ISLAND CIRCUMFERENTIAL ROAD TRAVERSING BARANGAYS TANGNAN, BILISAN, LOOC, POBLACION, DANAOG, TAWALA, BOLOD AND LIBAONG IN THE MUNICIPALITY OF PANGLAO AND BARANGAYS TOTOLAN, SONGCULAN, TABALONG, BINGAG, DAO, SAN ISIDRO, BIKING 1, BIKING 2, CATARMAN, MAYACABAC, POBLACION AND UNION IN THE MUNICIPALITY OF DAUIS, AS ANOS FONACIER CIRCUMFERENTIAL ROAD (DAUIS-PANGLAO).

To the Committee on Public Works

Letter from the House of Representatives, informing the Senate that on 14 March 2017, the House of Representatives concurred with the Senate amendments to following House bills:

House Bill No. 4631, entitled

AN ACT RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO REPUBLIC BROADCASTING SYSTEM, INC., PRESENTLY KNOWN AS GMA NETWORK, INC., AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7252, ENTITLED AN ACT GRANTING THE REPUBLIC BROADCASTING SYSTEM, INC. A FRANCHISE TO CONSTRUCT, INSTALL, OPERATE AND MAINTAIN RADIO AND TELEVISION BROADCASTING STATIONS IN THE PHILIPPINES;

and House Bill No. 4637, entitled

AN ACT EXTENDING FOR TWENTY-FIVE (25) YEARS THE FRANCHISE

GRANTED TO SMART COMMUNICATIONS, INC. (FORMERLY SMART INFORMATION TECHNOLOGIES, INC.), AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7294, ENTITLED AN ACT GRANTING SMART INFORMATION TECHNOLOGIES, INC. (SMART) A FRANCHISE TO ESTABLISH, INSTALL, MAINTAIN, LEASE AND OPERATE INTEGRATED TELECOMMUNICATIONS/COMPUTER/ ELECTRONIC SERVICES, AND STATIONS THROUGHOUT THE PHILIPPINES FOR PUBLIC DOMESTIC AND INTERNATIONAL TELECOMMUNICATIONS, AND FOR OTHER PURPOSES.

To The Archives

BILL ON FIRST READING

Senate Bill No. 1398, entitled

AN ACT ESTABLISHING THE LINANGAN NG LIKHANG-BAYAN (INSTITUTE FOR LIVING TRADITIONS) TO ENSURE THE PROTECTION, PROMOTION AND DEVELOPMENT OF THE COUNTRY'S COMMUNAL TRADITIONS, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 10066 OR THE NATIONAL CULTURAL HERITAGE ACT OF 2009, AND FOR OTHER PURPOSES

Introduced by Senator Legarda

To the Committees on Education, Arts and Culture; and Finance

COMMITTEE REPORT

Committee Report No. 58, prepared and submitted jointly by the Committees on Justice and Human Rights; and Public Order and Dangerous Drugs; and Finance on Senate Bill No. 1399 with Senators Richard J. Gordon, Lacson and Legarda as authors thereof, entitled

AN ACT ESTABLISHING THE POLICE LAW ENFORCEMENT COURTS,

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GRANTING THESE EXCLUSIVE ORIGINAL JURISDICTION OVER VIOLATIONS OF CONSTITUTIONAL RIGHTS AND PNP RULES OF ENGAGEMENT COMMITTED BY THE POLICE, AMENDING BATAS PAMBANSA BILANG 129, AS AMENDED, OTHERWISE KNOWN AS "THE JUDICIARY ACT OF 1980," APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES,

recommending its approval in substitution of Senate Bill No. 1274.

Sponsor: Senator Richard J. Gordon

To the Calendar for Ordinary Business

ADDITIONAL REFERENCE OF BUSINESS

**MESSAGE OF THE PRESIDENT
OF THE PHILIPPINES**

Letter of President Rodrigo Roa Duterte, dated 3 March 2017, submitting for the Senate's consideration the "Convention between the Government of the Republic of the Philippines and the Government of the Democratic Socialist Republic of Sri Lanka for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income" which was signed on 11 December 2000, in Manila, Philippines.

To the Committee on Foreign Relations

BILLS ON FIRST READING

Senate Bill No. 1400, entitled

AN ACT PROVIDING FOR A COMPREHENSIVE ADDICTION AND RECOVERY PROGRAM

Introduced by Senator Joseph Victor Ejercito

To the Committees on Health and Demography; and Public Order and Dangerous Drugs

Senate Bill No. 1401, entitled

AN ACT PROVIDING FOR THE

PREVENTION AND TREATMENT OF DRUG AND ALCOHOL ABUSE AMONG HIGH RISK YOUTH

Introduced by Senator Joseph Victor Ejercito

To the Committees on Health and Demography; and Youth

Senate Bill No. 1402, entitled

AN ACT PROCLAIMING THE RIGHTS AND OBLIGATIONS OF PATIENTS, PROVIDING A GRIEVANCE MECHANISM THEREOF AND FOR OTHER PURPOSES

Introduced by Senator Joseph Victor Ejercito

To the Committees on Health and Demography; and Social Justice, Welfare and Rural Development

Senate Bill No. 1403, entitled

AN ACT ESTABLISHING A CENTER FOR AUTISM AND FOR OTHER PURPOSES

Introduced by Senator Joseph Victor Ejercito

To the Committees on Health and Demography; Women, Children, Family Relations and Gender Equality; and Finance

Senate Bill No. 1405, entitled

AN ACT PROVIDING FOR THE ESTABLISHMENT OF BARANGAY DRUGSTORES, OTHERWISE KNOWN AS "BOTICA SA BARANGAY" AND FOR OTHER PURPOSE

Introduced by Senator Joseph Victor Ejercito

To the Committees on Health and Demography; and Local Government

Senate Bill No. 1406, entitled

AN ACT MANDATING THE DEPARTMENT OF HEALTH TO PROVIDE AT LEAST ONE (1) HEALTH

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WORKER IN EVERY BARANGAY, INCREASING THEIR SALARIES AND BENEFITS, AND FOR OTHER PURPOSES

Introduced by Senator Joseph Victor Ejercito

To the Committees on Health and Demography; Local Government; and Finance

Senate BillNo. 1407, entitled

AN ACT TO PROMOTE RURAL HEALTH BY PROVIDING FOR AN ACCELERATED PROGRAM FOR THE CONSTRUCTION OF A POTABLE WATER SUPPLY SYSTEM IN EVERY BARANGAY IN THE COUNTRY WITHIN THREE YEARS

Introduced by Senator Joseph Victor Ejercito

To the Committees on Health and Demography; Public Works; and Finance

Senate BillNo. 1408, entitled

AN ACT AMENDING SECTIONS 6, 22, 23, 24, 25, 31, 32, 33, 34, 79, 84, 86, 99, 100, 101, 106, 107, 108, 109, 113, 116, 148, 149, 155, 232, 237, 249, 288; CREATING NEW SECTIONS 148-A, 237-A, 264-A, AND 264-B; AND REPEALING SECTIONS 35 AND 62, ALL UNDER REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS "THE NATIONAL INTERNAL REVENUE CODE," AS AMENDED, AND FOR OTHER PURPOSES

Introduced by Senator Aquilino "Koko" Pimentel III

To the Committee on Ways and Means

Senate BillNo. 1409, entitled

AN ACT TO FURTHER STRENGTHEN THE OFFICE OF THE SOLICITOR GENERAL BY PROVIDING FOR ITS POWERS AND FUNCTIONS, AND REDEFINING, EXPANDING, AND RATIONALIZING ITS ORGANIZATION, THEREBY AMENDING

REPUBLIC ACT NO. 9417, AND REPEALING REPUBLIC ACT NO. 2327, EXECUTIVE ORDER NOS. 1 AND 2, S. 1986, AND ALL RELATED LAWS, AND APPROPRIATING FUNDS THEREFOR AND FOR OTHER RELATED PURPOSES

Introduced by Senator Legarda

To the Committees on Justice and Human Rights; Civil Service, Government Reorganization and Professional Regulation; Ways and Means; and Finance

Senate Bill No. 1410, entitled

AN ACT GRANTING HAZARD PAY TO REGIONAL TRIAL COURT JUDGES DURING THEIR INCUMBENCY AND APPROPRIATING FUNDS THEREFOR

Introduced by Senator Maria Lourdes Nancy S. Binay

To the Committees on Justice and Human Rights; and Finance

Senate BillNo. 1411, entitled

AN ACT CREATING THE BENHAM RISE DEVELOPMENT COMMISSION (BRDC), DEFINING ITS POWERS AND FUNCTIONS, PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES

Introduced by Senator Trillanes IV

To the Committees on Economic Affairs; and Finance

Senate BillNo. 1412, entitled

AN ACT ABOLISHING THE IMPOSITION OF IRRIGATION SERVICE FEES (ISF) AND SUCH OTHER SIMILAR OR RELATED FEES FROM BENEFICIARIES OF IRRIGATION SYSTEMS FUNDED AND CONSTRUCTED BY, OR UNDER THE ADMINISTRATION OF THE NATIONAL IRRIGATION ADMINIS-

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TRATION, AMENDING FOR THE PURPOSE CERTAIN SECTIONS OF REPUBLIC ACT NO.3601, PRESIDENTIAL DECREE NO. 552 AND PRESIDENTIAL DECREE NO. 1702

Introduced by Senator Win Gatchalian

To the Committees on Agriculture and Food; and Finance

Senate Bill No. 1413, entitled

AN ACT RECOGNIZING EVEREST ACADEMY AS AN EDUCATIONAL INSTITUTION OF INTERNATIONAL CHARACTER, GRANTING CERTAIN PREROGATIVES TO HASTEN ITS GROWTH AS SUCH, AND FOR OTHER PURPOSES

Introduced by Senator Lacson

To the Committee on Education, Arts and Culture

RESOLUTIONS

Proposed Senate Resolution No. 334, entitled

RESOLUTION DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE SUSPICIOUS MARITIME ACTIVITIES OF PEOPLE'S REPUBLIC OF CHINA IN BENHAM RISE, AND THE FAILURE OF THE PRESIDENT TO DISCLOSE TO THE SECRETARY OF THE DEPARTMENT OF NATIONAL DEFENSE COMMUNICATIONS WITH SAID FOREIGN GOVERNMENT AFFECTING NATIONAL SECURITY

Introduced by Senator Leila M. de Lima

To the Committees on National Defense and Security; and Foreign Relations

Proposed Senate Resolution No. 335, entitled

RESOLUTION EXPRESSING THE PROFOUND SYMPATHY AND

SINCERE CONDOLENCES OF THE SENATE ON THE DEATH OF HONORABLE LETICIA RAMOS-SHAHANI, FORMER SENATOR (1987-1998) AND SENATE PRESIDENT PRO TEMPORE (1993-1996)

Introduced by Senator Aquilino "Koko" Pimentel III

To the Archives

Proposed Senate Resolution No. 336, entitled

RESOLUTION CONGRATULATING AND EXPRESSING THE FULL SUPPORT OF THE SENATE OF THE PHILIPPINES TO CURATOR JOSELINA CRUZ AND ARTISTS LANI MAESTRO AND MANUEL OCAMPO IN LIGHT OF THEIR REPRESENTATION AS THE OFFICIAL NATIONAL ENTRY OF THE COUNTRY TO THE BIENNALE ARTE 2017

Introduced by Senator Legarda

To the Committee on Rules

Proposed Senate Resolution No. 337, entitled

RESOLUTION DIRECTING THE SENATE COMMITTEE ON WOMEN, CHILDREN, FAMILY RELATIONS AND GENDER EQUALITY TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, TO ASCERTAIN THE STATUS AND QUALITY OF IMPLEMENTATION OF LAWS PROVIDING FOR SPECIAL PROTECTION OF CHILDREN, INCLUDING BUT NOT LIMITED TO, REPUBLIC ACTS 7610, 9208, 9262, 9344, AND 9775

Introduced by Senator Sonny Angara

To the Committee on Women, Children, Family Relations and Gender Equality

Proposed Senate Resolution No. 338, entitled

RESOLUTION DIRECTING THE SENATE COMMITTEE ON ACCOUNT-

ABILITY OF PUBLIC OFFICERS AND INVESTIGATIONS (BLUE RIBBON) TO CONDUCT AN INQUIRY IN AID OF LEGISLATION ON THE ALLEGED CORRUPTION IN THE PHILIPPINE COCONUT AUTHORITY

Introduced by Senator Pangilinan

To the Committees on Accountability of Public Officers and Investigations; and Agriculture and Food

SECOND ADDITIONAL REFERENCE OF BUSINESS

MESSAGE OF THE PRESIDENT OF THE PHILIPPINES

Letter of President Rodrigo Roa Duterte, dated 31 March 2017, submitting for the Senate's consideration the Agreement between the Government of the Republic of the Philippines and the Government of the United Mexican States for the Avoidance of Double Taxation with Respect to Taxes on Income and the Prevention of Fiscal Evasion, which was signed on 17 November 2015 in Manila, Philippines.

To the Committee on Foreign Relations

BILL ON FIRST READING

Senate Bill No. 1414, entitled

AN ACT INSTITUTING INCLUSIVE EDUCATION THROUGH THE ESTABLISHMENT OF INCLUSIVE EDUCATION LEARNING RESOURCE CENTERS FOR CHILDREN AND YOUTH WITH SPECIAL NEEDS IN ALL PUBLIC SCHOOLS DIVISIONS, PROVIDING FOR STANDARDS AND GUIDELINES, AND APPROPRIATING FUNDS THEREFOR

Introduced by Senator Paolo Benigno "Bam" Aquino IV

To the Committees on Education, Arts And Culture; Women, Children, Family Relations and Gender Equality; and Finance

RESOLUTIONS

Proposed Senate Resolution No. 339, entitled

RESOLUTION DIRECTING THE SENATE COMMITTEE ON ELECTORAL REFORMS AND PEOPLE'S PARTICIPATION TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE PROPOSAL OF THE PRESIDENT TO POSTPONE THE 2017 BARANGAY AND SANGGUNIANG KABATAAN ELECTIONS AND FOR THE PRESIDENT TO APPOINT BARANGAY OFFICIALS OR OFFICERS-IN-CHARGE ONCE THE TERM OF THE INCUMBENTS EXPIRE

Introduced by Senator Leila M. de Lima

To the Committees on Local Government; and Electoral Reforms and People's Participation

Proposed Senate Resolution No. 340, entitled

A RESOLUTION DIRECTING THE APPROPRIATE SENATE COMMITTEES TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE INCREASED IMPORTATION OF HIGH FRUCTOSE CORN SYRUP (HFCS) IN THE COUNTRY AND ITS IMPACT ON THE DOMESTIC SUGAR INDUSTRY AND PUBLIC HEALTH

Introduced by Senator Paolo Benigno "Bam" Aquino IV

To the Committees on Agriculture and Food; and Trade, Commerce and Entrepreneurship

Proposed Senate Resolution No. 342, entitled

RESOLUTION URGING THE SENATE COMMITTEE ON PUBLIC ORDER AND DANGEROUS DRUGS AND OTHER APPROPRIATE COMMITTEE/S TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE ACCURACY OF THE "DRUG WATCH LIST" BEING USED AS

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REFERENCE BY THE PHILIPPINE NATIONAL POLICE (PNP) IN LIGHT OF THE ADMINISTRATION'S WAR ON DRUGS, AND ON THE MECHANISMS EMPLOYED IN DETERMINING WHICH NAMES ARE TO BE INCLUDED IN THE SAID LIST, TAKING INTO CONSIDERATION THE MURDER OF RAYMART SIAPO, THE ALLEGED "PALIT-ULO" INCIDENTS, AND OTHER REPORTS OF MISTAKEN IDENTITY, WITH THE END IN VIEW OF ENSURING THAT NO PERSON SHALL BE KILLED DUE TO INVALIDATED AND UNVERIFIED INFORMATION AND THAT ALL AFFECTED PERSONS ARE AFFORDED OF THEIR HUMAN RIGHTS

Introduced by Senator Trillanes IV

To the Committees on Public Order and Dangerous Drugs; and Justice and Human Rights

Proposed Senate Resolution No. 343, entitled

RESOLUTION DIRECTING THE SENATE COMMITTEE ON SCIENCE AND TECHNOLOGY TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE COLLECTION, DISSEMINATION, AND USE OF SCIENTIFIC DATA OF THE PHILVOLCS TO GUIDE MITIGATION, PREPAREDNESS, AND RESPONSE TO THE HAZARDS AND IMPACTS OF EARTHQUAKES

Introduced by Senator Paolo Benigno "Bam" Aquino IV

To the Committees on Science and Technology; and National Defense and Security

Proposed Senate Resolution No. 344, entitled

RESOLUTION DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE PLANS AND INITIATIVES OF GOVERN-

MENT TO MAXIMIZE THE BENEFITS OF DEVELOPMENTS IN ARTIFICIAL INTELLIGENCE AND OTHER EMERGING TECHNOLOGIES FOR THE FILIPINO PEOPLE

Introduced by Senator Paolo Benigno "Bam" Aquino IV

To the Committee on Science and Technology

Proposed Senate Resolution No. 345, entitled

RESOLUTION URGING THE SENATE COMMITTEE ON NATIONAL DEFENSE AND SECURITY, AND OTHER APPROPRIATE COMMITTEE/S TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE ILLEGAL OCCUPATION OF THE ARMED FORCES OF THE PHILIPPINES (AFP)/ PHILIPPINE NATIONAL POLICE (PNP) HOUSING UNITS IN BULACAN BY MEMBERS OF THE KALIPUNAN NG DAMAYANG MAHIHIRAP (KADAMAY) WITH THE INTENTION OF ENSURING THAT THE BENEFITS AFFORDED BY LAW TO UNIFORMED PERSONNEL ARE NOT HAMPERED AND/OR INADVERTENTLY AWARDED TO ALLEGED COMMUNIST-LED GROUPS, AND TO LOOK INTO THE NATIONAL SECURITY IMPLICATIONS OF THE SAID TAKEOVER BY THE AFOREMENTIONED ALLEGED COMMUNIST-LED URBAN POOR ORGANIZATION WITH THE INTENTION OF PREVENTING ANY POTENTIAL ACTS OF SUBVERSION AGAINST THE STATE AND ENSURING THE ENACTMENT OF REMEDIAL LEGISLATION TO PREVENT THE USE OF FORCE AND VIOLENCE BY GROUPS SEEKING HOUSING ASSISTANCE FROM THE GOVERNMENT AND ENSURING THAT ADEQUATE DETERRENCE AND/OR MEASURES ARE IN PLACE TO PREVENT SIMILAR RECURRENCE IN THE FUTURE

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Introduced by Senator Trillanes IV

To the Committees on National Defense and Security; and Urban Planning, Housing and Resettlement

Proposed Senate Resolution No. 346, entitled

RESOLUTION DIRECTING THE COMMITTEES ON PUBLIC SERVICES AND PUBLIC WORKS TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE RECENT BUS ACCIDENT IN NUEVA ECIJA AND LOOK INTO THE ROAD SAFETY POLICIES AND REGULATIONS BEING IMPLEMENTED BY OUR GOVERNMENT AGENCIES, WITH THE END VIEW OF IMPROVING ROAD SAFETY STANDARDS AND PROTECTING THE LIVES OF MILLIONS OF PASSENGERS AND PEDESTRIANS

Introduced by Senator Emmanuel "Manny" D. Pacquiao

To the Committees on Public Works; and Public Services

Proposed Senate Resolution No. 347, entitled

RESOLUTION DIRECTING THE SENATE COMMITTEES ON PUBLIC ORDER AND HEALTH TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE KILLINGS OF DR. SHAHID JAJA SINOLINDING WITH THE END VIEW OF ENACTING MEASURES TO ENSURE THE SAFETY AND WELL-BEING OF PHYSICIANS AND OTHER HEALTH WORKERS SERVING IN THE RURAL COMMUNITIES

Introduced by Senator Risa Hontiveros

To the Committees on Public Order and Dangerous Drugs; and Health and Demography

Proposed Senate Resolution No. 348, entitled

A RESOLUTION DIRECTING THE APPROPRIATE SENATE COM-

MITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE ALLEGED OPERATION OF A SECRET JAIL CELL AT THE RAXABAGO POLICE STATION IN TONDO, MANILA, TO PROTECT THE RIGHTS OF THOSE UNDER CUSTODIAL INVESTIGATION OR DETENTION BY THE PHILIPPINE NATIONAL POLICE (PNP)

Introduced by Senator Paolo Benigno "Bam" Aquino IV

To the Committees on Public Order and Dangerous Drugs; and Justice and Human Rights

**COMMITTEE REPORT NO. 22
ON SENATE BILL NO. 1280
(Continuation)**

Upon motion of Senator Sotto, there being no objection, the Body resumed consideration, on Second Reading, of Senate Bill No. 1280 (Committee Report No. 22), entitled

AN ACT AMENDING BATAS PAMBANSA BLG. 68 OR THE CORPORATION CODE OF THE PHILIPPINES.

Senator Sotto stated that the parliamentary status was the period of individual amendments, the proposed measure being a substitute bill.

Thereupon, the Chair recognized Senator Drilon, sponsor of the measure.

**PROPOSED AMENDMENT
BY SUBSTITUTION OF SENATOR DRILON**

Senator Drilon proposed to amend by substitution Senate Bill No. 1280 in accordance with Rule XXIX, second paragraph of Section 82 of the Rules of the Senate.

He explained that his proposed amendment by substitution, which included the amendments of Senators De Lima, Villar and Recto, codifies other provisions of Batas Pambansa Blg. 68 that were not included in Senate Bill No. 1280. He noted that as indicated on page 882 of the Journal dated January 31, 2017 (Session No. 56), in the course of

interpellation of Senator De Lima, he manifested that he would submit a substitute bill containing and incorporating all the sections of the present Corporation Code which were not included in the Committee Report during the period of amendments, and that the title of the substitute bill would be changed to "The Revised Corporation Code of the Philippines," thereby expressly repealing Batas Pambansa Blg. 68 in its entirety.

Also, he stated that the substitute bill would be one cohesive and continuous bill containing all the sections of Batas Pambansa Blg. 68 as well as the amendments and the new provisions introduced under Committee Report No. 22.

Thereupon, Senator Drilon stated for the record the incorporation of the following "untouched provisions" which retained the original text of Batas Pambansa Blg. 68: Sections 1-5, 9, 16, 20-21, 31, 34, 39, 41, 44, 45, 52, 54-57, 60, 61, 63, 64-73, 76, 80, 82-88, 90, 91, 95-106, 108-117, 123, 124, 125 and Sections 127-138. He clarified that if there were changes in these provisions, these would only be changes in style with the exception of the following two provisions where the amendments are intended to harmonize the provisions with the amendments that were introduced in the Committee Report:

- a. The amendments to Section 42 which simply recognizes the new policy of allowing electronic sending of notices to stockholders or members; and
- b. The deletion of Section 107 in order to remove the requirement of a prior endorsement of the Department of Education before the incorporation of educational institutions. This is consistent with the changes introduced in the committee report, reducing the number of steps for incorporation, promoting the ease of doing business, and improving the Philippine ranking in the annual survey conducted by the World Bank.

Senator Drilon stated that in compliance with the Rules, all the Members have been furnished with a copy of the substitute bill, and he requested that the Body forego the practice of having the Sponsor go through the lengthy process of reading each provision of the amendments considering that the substitute bill is one-inch thick and consists of 130 pages. He then moved that the amendment by

substitution of Senate Bill No.1280 be considered as read into the record, saying that he would formally move for the page-by-page approval of the amendments only after the Members had reviewed the proposed changes. He clarified that he was not seeking the approval of the measure that same day but that he was simply asking that the amendment by substitution be deemed read into the record. He said that he would go over and act on whatever amendments the other senators may introduce.

SUSPENSION OF SESSION

Upon motion of Senator Sotto, the session was suspended.

It was 4:08 p.m.

RESUMPTION OF SESSION

At 5:07 p.m., the session was resumed.

MANIFESTATION OF SENATOR SOTTO

Senator Sotto stated that before the session was suspended Senator Drilon filed a motion to consider his proposed individual amendments, consisting of 130 pages, as deemed submitted and read into the record, and that the amendments were submitted in writing by Senator Drilon in accordance with Section 82, Rule XXIX of the *Rules of the Senate*, printed copies of which were given to the Members of the Senate.

Senator Sotto concurred and interposed no objection to the motion of Senator Drilon.

INQUIRY OF THE CHAIR

Senate President Pimentel asked if the text of the amendment by substitution was submitted to the Secretariat in writing pursuant to Section 82, Rule XXIX of the Rules of the Senate. Senator Sotto confirmed that all the Members have been given copies of the amendments earlier.

APPROVAL OF SENATOR DRILON'S MOTION

Submitted to a vote, there being no objection, Senator Drilon's proposed individual amendment by substitution on Senate Bill No. 1280 was deemed read into the *Journal and Record of the Senate*.

The following is the proposed individual amendment by substitution of Senator Drilon:

AN ACT PROVIDING FOR THE REVISED CORPORATION CODE OF THE PHILIPPINES

**TITLE I
GENERAL PROVISIONS
Definitions and Classifications**

Section 1. Title of the Code. - This Code shall be known as "The **REVISED** Corporation Code of the Philippines."

Sec. 2. Corporation defined. - A corporation is an artificial being created by operation of law, having the right of succession and the powers, attributes and properties expressly authorized by law or incident to its existence.

Sec. 3. Classes of corporations. - Corporations formed or organized under this Code may be stock or non-stock corporations. **STOCK CORPORATIONS ARE THOSE** [Corporations] which have capital stock divided into shares and are authorized to distribute to the holders of such shares dividends or allotments of the surplus profits on the basis of the shares held [are stock corporations]. All other corporations are non-stock corporations.

Sec. 4. Corporations created by special laws or charters. - Corporations created by special laws or charters shall be governed primarily by the provisions of the special law or charter creating them or applicable to them, supplemented by the provisions of this Code, insofar as they are applicable.

Sec. 5. Corporators and incorporators, stockholders and members. - Corporators are those who compose a corporation, whether as stockholders **IN A STOCK CORPORATION** or as members **IN A NON-STOCK CORPORATION**. Incorporators are those stockholders or members mentioned in the articles of incorporation as originally forming and composing the corporation and who are signatories thereof.

[Corporators in a stock corporation are called stockholders or shareholders. Corporators in a non-stock corporation are called members.]

Sec. 6. Classification of shares. - **THE CLASSIFICATION OF SHARES, THEIR CORRESPONDING RIGHTS, PRIVILEGES, OR RESTRICTIONS, AND THEIR STATED PAR VALUE, IF ANY, MUST BE INDICATED IN THE ARTICLES OF INCORPORATION. EACH SHARE SHALL BE EQUAL IN ALL**

RESPECTS TO EVERY OTHER SHARE, EXCEPT AS OTHERWISE PROVIDED IN THE ARTICLES OF INCORPORATION AND IN THE CERTIFICATE OF STOCK.

The shares [of stock of] **IN** stock corporations may be divided into classes or series of shares, or both[, any of which classes or series of shares may have such rights, privileges or restrictions as may be stated in the articles of incorporation: *Provided*, That], N[n]o share may be deprived of voting rights except those classified and issued as "preferred" or "redeemable" shares, unless otherwise provided in this Code: *Provided [further,]* That, there shall always be a class or series of shares [which have] **WITH** complete voting rights.

HOLDERS OF NON-VOTING SHARES SHALL NEVERTHELESS BE ENTITLED TO VOTE ON THE FOLLOWING MATTERS:

1. AMENDMENT OF THE ARTICLES OF INCORPORATION;
2. ADOPTION AND AMENDMENT OF BY-LAWS;
3. SALE, LEASE, EXCHANGE, MORTGAGE, PLEDGE, OR OTHER DISPOSITION OF ALL OR SUBSTANTIALLY ALL OF THE CORPORATE PROPERTY;
4. INCURRING, CREATING OR INCREASING BONDED INDEBTEDNESS;
5. INCREASE OR DECREASE OF CAPITAL STOCK;
6. MERGER OR CONSOLIDATION OF THE CORPORATION WITH ANOTHER CORPORATION OR OTHER CORPORATIONS;
7. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION OR BUSINESS IN ACCORDANCE WITH THIS CODE; AND
8. DISSOLUTION OF THE CORPORATION.

EXCEPT AS PROVIDED IN THE IMMEDIATELY PRECEDING PARAGRAPH, THE VOTE NECESSARY TO APPROVE A PARTICULAR CORPORATE ACT AS PROVIDED IN THIS CODE SHALL BE DEEMED TO REFER ONLY TO STOCKS WITH VOTING RIGHTS.

[Any or all of] T[t]he shares or series of shares may **OR MAY NOT** have a par value [or have no par value as may be provided for in the articles of incorporation: *Provided, however,*] **EXCEPT** That banks, trust [companies], insurance [companies], **AND PRE-NEED COMPANIES**, public utilities, [and] building and loan

associations, **AND OTHER CORPORATIONS AUTHORIZED TO OBTAIN OR ACCESS FUNDS FROM THE PUBLIC, WHETHER PUBLICLY LISTED OR NOT**, shall not be permitted to issue no-par value shares of stock.

Preferred shares of stock issued by a[ny] corporation may be given preference in the distribution of **DIVIDENDS** and **IN THE DISTRIBUTION OF CORPORATE** [the] assets in case of liquidation [of the corporation and in the distribution of dividends], or such other preferences [as may be stated in the articles of incorporation which are not violative of the provisions of this Code:] *Provided*, That preferred shares of stock may be issued only with a stated par value. The board of directors, where authorized in the articles of incorporation, may fix the terms and conditions of preferred shares of stock or any series thereof: *Provided*, That such terms and conditions shall be effective upon filing of a certificate thereof with the [Securities and Exchange] Commission.

Shares of capital stock issued without par value shall be deemed fully paid and non-assessable and the holder of such shares shall not be liable to the corporation or to its creditors in respect thereto; *Provided*, That [shares without] **NO-par value SHARES** [may not] **MUST** be issued for a consideration [less than the value] of **AT LEAST five PESOS (P5.00)** [pesos] per share: *Provided*[,] *further*, That the entire consideration received by the corporation for its no-par value [of] shares shall be treated as capital and shall not be available for distribution as dividends.

A corporation may further [more,] classify its shares for the purpose of insuring compliance with constitutional or legal requirements.

[Except as otherwise provided in the articles of incorporation and stated in the certificate of stock, each share shall be equal in all respects to every other share.

Where the articles of incorporation provide for non-voting shares in the cases allowed by this Code, the holders of such shares shall be entitled to vote on the following matters:

1. Amendment of the articles of incorporation;
2. Adoption and amendment of by-laws;
3. Sale, lease, exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property;
4. Incurring, creating or increasing bonded indebtedness;

5. Increase or decrease of capital stock;
6. Merger or consolidation of the corporation with another corporation or other corporations;
7. Investment of corporate funds in another corporation or business in accordance with this Code; and
8. Dissolution of the corporation.

Except as provided in the immediately preceding paragraph, the vote necessary to approve a particular corporate act as provided in this Code shall be deemed to refer only to stocks with voting rights.]

Sec. 7. Founders' shares. - Founders' shares [classified as such in the articles of incorporation] may be given certain rights and privileges not enjoyed by the owners of other stocks. [provided that w]

Where the exclusive right to vote and be voted for in the election of directors is granted, it must be for a limited period not to exceed five (5) years [subject to the] **FROM THE DATE OF** [approval of the Securities and Exchange Commission. The five-year period shall commence from the date of the aforesaid approval of the Securities and Exchange Commission.] **INCORPORATION OR APPROVAL OF INCREASE OF ADDITIONAL AUTHORIZED CAPITAL STOCK, [EXCEPT IN MERITORIOUS CASES, AS DETERMINED BY THE COMMISSION;] PROVIDED, THAT SUCH EXCLUSIVE RIGHT SHALL NOT BE ALLOWED IF ITS EXERCISE WILL VIOLATE COMMONWEALTH ACT NO. 108 OR THE ANTI-DUMMY LAW, REPUBLIC ACT NO. 7042 OR THE FOREIGN INVESTMENTS ACT, AND OTHER PERTINENT LAWS.**

Sec. 8. Redeemable shares. - Redeemable shares **ARE SHARES** [may be issued by the corporation when expressly so provided in the articles of incorporation. They] **WHICH** may be purchased [or taken up] by the corporation **FROM THE HOLDERS OF SUCH SHARES** upon the expiration of a fixed period, regardless of the existence of unrestricted retained earnings in the books of the corporation, and upon such other terms and conditions [as may be] stated in the articles of incorporation [,which terms and conditions must also be stated in] **AND** the certificate of stock representing said shares[.], **SUBJECT TO RULES AND REGULATIONS ISSUED BY THE COMMISSION.**

Sec. 9. Treasury shares. - Treasury shares are shares of stock which have been issued and

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fully paid for, but subsequently reacquired by the issuing corporation [by] **THROUGH** purchase, redemption, donation or [through] some other lawful means. Such shares may again be disposed of for a reasonable price fixed by the board of directors.

Sec. 10. Number and qualifications of incorporators. – [Any number of natural persons not less than five (5) but not more than fifteen (15), all of legal age, and a majority of whom are residents of the Philippines, may form a private corporation for any lawful purpose or purposes.] **ANY PERSON, PARTNERSHIP, ASSOCIATION OR CORPORATION, SINGLY OR JOINTLY WITH OTHERS BUT NOT MORE THAN FIFTEEN (15) IN NUMBER, [MAJORITY OF WHOM ARE RESIDENTS OF THE PHILIPPINES,] MAY ORGANIZE A CORPORATION FOR ANY LAWFUL PURPOSE OR PURPOSES; PROVIDED, THAT, NATURAL PERSONS WHO ARE LICENSED TO PRACTICE A PROFESSION, AND PARTNERSHIPS OR ASSOCIATIONS ORGANIZED FOR THE PURPOSE OF PRACTICING A PROFESSION SHALL NOT BE ALLOWED TO ORGANIZE AS A CORPORATION. INCORPORATORS WHO ARE NATURAL PERSONS MUST BE OF LEGAL AGE.**

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

A CORPORATION WITH A SINGLE STOCKHOLDER IS CONSIDERED A ONE PERSON CORPORATION COVERED BY TITLE XIII, CHAPTER III.

Sec. 11. Corporate term. - [A corporation shall exist for a period not exceeding fifty (50) years from the date of incorporation unless sooner dissolved or unless said period is extended. The corporate term as originally stated in the articles of incorporation may be extended for periods not exceeding fifty (50) years in any single instance by an amendment of the articles of incorporation, in accordance with this Code;] **A CORPORATION SHALL HAVE PERPETUAL EXISTENCE UNLESS ITS CERTIFICATE OF INCORPORATION PROVIDES OTHERWISE. A CORPORATE TERM FOR A SPECIFIC PERIOD MAY BE EXTENDED OR SHORTENED BY AMENDING THE ARTICLES OF INCORPORATION; Provided, That no extension [can] MAY be made earlier than [five (5)] THREE (3) years prior to the original or subsequent expiry date(s) unless there are justifiable reasons for an earlier extension as may**

be determined by the [Securities and Exchange] Commission, **PROVIDED FURTHER, THAT SUCH EXTENSION OF THE CORPORATE TERM SHALL TAKE EFFECT ONLY ON THE DAY FOLLOWING THE ORIGINAL OR SUBSEQUENT EXPIRY DATE(S).**

A CORPORATION WHOSE TERM HAS EXPIRED MAY, AT ANY TIME, APPLY FOR A REVIVAL OF ITS CORPORATE EXISTENCE, TOGETHER WITH ALL THE RIGHTS AND PRIVILEGES UNDER ITS CERTIFICATE OF INCORPORATION AND SUBJECT TO ALL OF ITS DUTIES, DEBTS AND LIABILITIES EXISTING PRIOR TO THE EXPIRATION OF ITS CORPORATE TERM. UPON APPROVAL BY THE COMMISSION, THE CORPORATION SHALL BE DEEMED REVIVED AND AN AMENDED CERTIFICATE OF INCORPORATION SHALL BE ISSUED, GIVING IT PERPETUAL EXISTENCE UNLESS ITS APPLICATION FOR REVIVAL PROVIDES OTHERWISE.

Sec. 12. Minimum capital stock required of stock corporations. – Stock corporations [incorporated under this Code] shall not be required to have [any] **A** minimum authorized capital stock, except as otherwise specifically provided [for] by special law, and subject to the provisions of the following section.

Sec. 13. Amount of capital stock to be subscribed and paid for [the] purposes of incorporation. – At least twenty-five [(25%)] percent **(25%)** of the **NUMBER OF SHARES OF THE** authorized capital stock [as] stated in the articles of incorporation must be subscribed at the time of incorporation, and at least twenty-five [(25%)] percent **(25%)** of the **VALUE OF THE** total subscription must be paid upon subscription, the balance to be payable on a date or dates fixed in the contract of subscription without need of call, or in the absence of a fixed date or dates, upon call for payment by the board of directors: *Provided, however,* That [in no case shall] the paid-up capital **SHALL NOT** be less than five thousand (P5,000.00) pesos.

Sec. 14. Contents of the Articles of Incorporation. - All corporations [organized under this Code] shall file with the [Securities and Exchange] Commission, articles of incorporation in any of the official languages, duly signed and acknowledged **OR AUTHENTICATED, IN SUCH FORM AND MANNER AS MAY BE ALLOWED BY THE COMMISSION,** [by all of the incorporators], containing substantially the following matters, except as otherwise prescribed by this Code or by special law:

1. The name of the corporation;
2. The specific purpose or purposes for which the corporation is being [incorporated] **FORMED**. Where a corporation has more than one stated purpose, the articles of incorporation shall [state which is] **INDICATE** the primary purpose and [which is/are] the secondary purpose or purposes: Provided, That a non-stock corporation may not include a purpose which would change or contradict its nature as such;
3. The place where the principal office of the corporation is to be located, which must be within the Philippines [THE SPECIFIC ADDRESS OF THE PRINCIPAL OFFICE OF THE CORPORATION, WHICH MUST BE WITHIN THE PHILIPPINES];
4. The term for which the corporation is to exist, **IF THE CORPORATION HAS NOT ELECTED PERPETUAL EXISTENCE**;
5. The names, nationalities and [residences] **ADDRESSES** of the incorporators;
6. The number of directors or trustees, which shall not be [less than five (5) nor] more than fifteen (15);
7. The names, nationalities and [residences] **ADDRESSES** of persons who shall act as directors or trustees until the first regular directors or trustees are duly elected and qualified in accordance with this Code;
8. If it be a stock corporation, the amount of its authorized capital stock [in lawful money of the Philippines, the], number of shares into which it is divided, [and in case the share are par value shares,] the par value of each, [the] names, nationalities and [residences] **ADDRESSES** of the original subscribers, [and the] amount subscribed and paid by each on his **OR HER** subscription, and **A STATEMENT THAT** [if] some or all of the shares are without par value, **IF APPLICABLE** [such fact must be stated];
9. If it be a non-stock corporation, the amount of its capital, the names, nationalities and residence[s] **ADDRESSES** of the contributors, and [the] amount contributed by each; [and]
10. **IF IT BE A STOCK CORPORATION, A [STATEMENT OF] CERTIFICATION OF THE TREASURER, WHO SHALL BE AN INCORPORATOR, THAT AT LEAST TWENTY-FIVE PERCENT (25%) OF THE**

NUMBER OF SHARES IN THE CORPORATION'S AUTHORIZED CAPITAL STOCK HAS BEEN SUBSCRIBED, AND AT LEAST TWENTY-FIVE PERCENT (25%) OF THE VALUE OF THE TOTAL SUBSCRIPTION HAS BEEN FULLY PAID IN ACTUAL CASH AND/OR IN PROPERTY, THE FAIR VALUATION OF WHICH IS EQUAL TO AT LEAST TWENTY-FIVE PERCENT (25%) OF THE VALUE OF THE SAID SUBSCRIPTION, THE PAID-UP CAPITAL BEING AT LEAST [THAN] FIVE THOUSAND PESOS (P5,000.00); AND

[10.] **11.** Such other matters [as are not in] consistent with law and which the incorporators may deem necessary and convenient.

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

THE ARTICLES OF INCORPORATION AND APPLICATIONS FOR AMENDMENTS THERETO MAY BE FILED WITH THE COMMISSION IN THE FORM OF AN ELECTRONIC DOCUMENT, IN ACCORDANCE WITH THE COMMISSION'S RULES AND REGULATIONS ON ELECTRONIC FILING.

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

**ARTICLES OF INCORPORATION
OF**

(Name of Corporation)

[KNOW ALL MEN PERSONS
BY THESE PRESENTS:]

The undersigned incorporators, all of legal age and a majority of whom are residents of the Philippines, have this day voluntarily agreed to form a (stock) (non-stock) corporation under the laws of the Republic of the Philippines **AND SET FORTH THE FOLLOWING:[:]**

[Handwritten initials]

[AND WE HEREBY CERTIFY:]

FIRST: That the name of said corporation shall be "_____, INC., [or] CORPORATION OR OPC";

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

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

FOURTH: That the [term for which the corporation is to exist is _____] CORPORATION SHALL HAVE PERPETUAL EXISTENCE OR [FOR] A TERM OF _____ years from [and after] the date of issuance of the certificate of incorporation;

FIFTH: That the names, nationalities and residence[s] ADDRESSES of the incorporators of the corporation are as follows:

| NAME | NATIONALITY | RESIDENCE |
|-------|-------------|-----------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

xxx

SIXTH: That the number of directors or trustees of the corporation shall be _____; and the names, nationalities and residence[s] ADDRESSES of the first directors or trustees of the corporation are as follows:

| NAME | NATIONALITY | RESIDENCE |
|-------|-------------|-----------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

[xxx]

SEVENTH: That the authorized capital stock of the corporation is _____ (P _____) PESOS [in lawful money of the Philippines], divided into _____ shares with the par value of _____ (P _____) PESOS [each] per share.

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

(In case some shares have par value and some are without par value): That the capital stock of

said corporation consists of _____ shares, of which _____ shares HAVE A [are of the] par value of _____ PESOS (P _____) each, and of which _____ shares are without par value.

EIGHTH: That at least twenty five PERCENT (25%) [percent] of the NUMBER OF SHARES OF THE authorized capital stock above stated has been subscribed as follows:

| Name of Subscriber | Nationality | No. of Shares Subscribed | Amount Subscribed |
|--------------------|-------------|--------------------------|-------------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

[xxx]

NINTH: That the above-named subscribers have paid at least twenty five PERCENT (25%) [percent] of the VALUE OF THE total subscription as follows:

| Name of Subscriber | Amount Subscribed | Total Paid-In |
|--------------------|-------------------|---------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |

(Modify Nos. 8 and 9 if shares are with no par value. In case the corporation is non-stock, Nos. 7, 8 and 9 of the above articles may be modified accordingly, and it is sufficient if the articles state the amount of capital or money contributed or donated by specified persons, stating the names, nationalities and residence[s] ADDRESSES of the contributors or donors and the respective amount given by each.)

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

ELEVENTH: THAT THE INCORPORATORS UNDERTAKE TO CHANGE THE NAME OF THE CORPORATION IMMEDIATELY UPON RECEIPT OF NOTICE FROM THE

COMMISSION THAT ANOTHER CORPORATION, PARTNERSHIP OR PERSON HAS ACQUIRED A PRIOR RIGHT TO THE USE OF SUCH NAME, THAT THE NAME HAS BEEN DECLARED NOT DISTINGUISHABLE FROM A REGISTERED NAME, OR THAT IT IS CONTRARY TO LAW, PUBLIC MORALS, GOOD CUSTOMS OR PUBLIC POLICY.

TWELFTH: [ELEVENTH] (Corporations which will engage in any business or activity reserved for Filipino citizens shall provide the following):

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

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

(Names and signatures of the incorporators)

(NAME AND SIGNATURE OF TREASURER)

[(Notarial Acknowledgment)]

[TREASURER’S AFFIDAVIT
REPUBLIC OF THE PHILIPPINES)
CITY/MUNICIPALITY OF) S.S.
PROVINCE OF)

I, _____, being duly sworn, depose and say:

That I have been elected by the subscribers of the corporation as Treasurer thereof, to act as such until my successor has been duly elected and qualified in accordance with the by-laws of the corporation, and that as such Treasurer, I hereby certify under oath that at least 25% of the authorized capital stock of the corporation has been subscribed and at least 25% of the total subscription has been paid, and received by me, in cash or property, in the amount of not less than P5,000.00, in accordance with the Corporation Code.

(Signature of Treasurer)

SUBSCRIBED AND SWORN to before me, a Notary Public, for and in the City/Municipality of _____, this _____ day of _____, 19____; by _____ with Res. Cert. No. _____ issued at _____ on _____, 19_____

NOTARY PUBLIC

My commission expires on, 19

Doc. No.;
Page No.;
Book No.;
Series of 19

Sec. 16. *Amendment of Articles of Incorporation.* – Unless otherwise prescribed by this Code or by special law, and for legitimate purposes, any provision or matter stated in the articles of incorporation may be amended by a majority vote of the board of directors or trustees and the vote or written assent of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Code. **THE ARTICLES OF INCORPORATION OF A NON-STOCK CORPORATION MAY BE AMENDED BY** [, or] the vote or written assent of at least two-thirds (2/3) of the members. [if it be a non-stock corporation.]

The original and amended articles together shall contain all provisions required by law to be set out in the articles of incorporation. [Such articles, as amended] **AMENDMENTS TO THE ARTICLES** shall be indicated by underscoring the change or changes made, and a copy thereof duly certified under oath by the corporate secretary and a majority of the directors or trustees, [stating the fact] **WITH A STATEMENT THAT** [that said amendment or] **THE** amendments have been duly approved by the required vote of the stockholders or members, shall be submitted to the [Securities and Exchange] Commission.

The amendments shall take effect upon their approval by the [Securities and Exchange] Commission or from the date of filing with the said Commission if not acted upon within six (6) months from the date of filing for a cause not attributable to the corporation.

Sec. 17. *Grounds when articles of incorporation or amendment may be [rejected or] disapproved.* – The [Securities and Exchange] Commission may **DISAPPROVE** [reject] the articles of incorporation or [disapprove] any amendment thereto if the same is not [in compliance] **COMPLIANT** with the requirements

of this Code: Provided, That the Commission shall give the incorporators, **DIRECTORS, TRUSTEES OR OFFICERS** a reasonable time [TEN (10) DAYS] **FROM RECEIPT OF THE DISAPPROVAL** within which to [correct or] modify the objectionable portions of the articles or amendment. The following are grounds for such [rejection or] disapproval:

1. T[hat t]he articles of incorporation or any amendment thereto is not substantially in accordance with the form prescribed herein;
2. T[hat t]he purpose or purposes of the corporation are patently unconstitutional, illegal, immoral or contrary to government rules and regulations;
3. T[hat t]he **CERTIFICATION** [Treasurer's Affidavit] concerning the amount of capital stock subscribed and/or paid is false; **AND**
4. T[hat t]he **REQUIRED** percentage of **FILIPINO** ownership of the capital stock [be owned by citizens of the Philippines] [has not been complied with as required] **UNDER** [by] existing laws or the Constitution **HAS NOT BEEN COMPLIED WITH.**

No articles of incorporation or amendment to articles of incorporation of banks, banking and quasi-banking institutions, [building and loan associations, trust companies and other financial intermediaries, insurance companies, public utilities, educational institutions, and other corporations governed by special laws] **PRE-NEED, INSURANCE AND TRUST COMPANIES, NON STOCK SAVINGS AND LOAN ASSOCIATIONS (NSSLAs), PAWNSHOPS, AND OTHER FINANCIAL INTERMEDIARIES** shall be [accepted or] approved by the Commission unless accompanied by a favorable recommendation of the appropriate government agency to the effect that such articles or amendment is in accordance with law.

Sec. 18. Corporate name. - No corporate name [may] **SHALL** be allowed by the [Securities and Exchange] Commission if [proposed name] **IT** is [identical or deceptively or confusingly similar] **NOT DISTINGUISHABLE** [to that of any existing] **FROM THAT ALREADY RESERVED OR REGISTERED FOR THE USE OF ANOTHER** corporation, or [to any other] **IF SUCH** name **IS** already protected by law, or **WHEN ITS USE** is [patently deceptive, confusing or] contrary to existing law, **RULES AND REGULATIONS.**

A NAME IS NOT DISTINGUISHABLE EVEN IF IT CONTAINS ONE OR MORE OF THE FOLLOWING:

1. THE WORD “CORPORATION”, “COMPANY”, “INCORPORATED”, “LIMITED”, “LIMITED LIABILITY”, OR AN ABBREVIATION OF ONE OF SUCH WORDS;
2. PUNCTUATIONS, ARTICLES, CONJUNCTIONS, CONTRACTIONS, PREPOSITIONS, ABBREVIATIONS, DIFFERENT TENSES, SPACING, OR NUMBER OF THE SAME WORD OR PHRASE.

THE COMMISSION, UPON DETERMINATION THAT THE CORPORATE NAME IS: A) NOT DISTINGUISHABLE; B) ALREADY PROTECTED BY LAW, C) OR CONTRARY TO LAW, RULES AND REGULATIONS, MAY SUMMARILY ORDER THE CORPORATION TO IMMEDIATELY CEASE AND DESIST FROM USING SUCH NAME AND REQUIRE THE CORPORATION TO REGISTER A NEW ONE. THE COMMISSION SHALL ALSO CAUSE THE REMOVAL OF ALL VISIBLE SIGNAGES, MARKS, ADVERTISEMENTS, LABELS, PRINTS AND OTHER EFFECTS BEARING SUCH CORPORATE NAME. When [a change in] the NEW corporate name is approved, the Commission shall issue an amended certificate of incorporation under the amended name.

IF THE CORPORATION FAILS TO COMPLY WITH THE COMMISSION'S ORDER, THE COMMISSION MAY HOLD THE CORPORATION AND ITS RESPONSIBLE DIRECTORS OR OFFICERS IN CONTEMPT AND/OR HOLD THEM ADMINISTRATIVELY, CIVILLY AND/OR CRIMINALLY LIABLE UNDER THIS CODE AND OTHER APPLICABLE LAWS AND/OR REVOKE THE REGISTRATION OF THE CORPORATION.

Sec. 19. REGISTRATION, INCORPORATION AND commencement of corporate existence. - A PERSON OR GROUP OF PERSONS DESIRING TO INCORPORATE SHALL SUBMIT THE INTENDED CORPORATE NAME TO THE COMMISSION FOR VERIFICATION. IF THE COMMISSION FINDS THAT THE NAME IS DISTINGUISHABLE, NOT PROTECTED BY LAW AND NOT CONTRARY TO LAW, RULES AND REGULATIONS, THE NAME SHALL BE RESERVED IN FAVOR OF THE INCORPORATORS. THE INCORPORATORS SHALL THEN SUBMIT THEIR ARTICLES OF INCORPORATION[,] AND BY-LAWS [AND SUCH OTHER DOCUMENTS AND/OR INFORMATION AS MAY BE REQUIRED BY] TO THE COMMISSION.

IF THE COMMISSION FINDS THAT THE SUBMITTED DOCUMENTS AND INFORMA-

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TION ARE FULLY COMPLIANT WITH THE REQUIREMENTS OF THIS CODE, [AND] OTHER RELEVANT LAWS, RULES AND REGULATIONS, THE COMMISSION SHALL ISSUE THE CERTIFICATE OF INCORPORATION.

A private corporation [formed or] organized under this Code commences **ITS** [to have] corporate existence and juridical personality [and is deemed incorporated] from the date the [Securities and Exchange] Commission issues [a] **THE** certificate of incorporation under its official seal and thereupon the incorporators, stockholders/members and their successors shall constitute a body [politic and] corporate under the name stated in the articles of incorporation for the period of time mentioned therein, unless said period is extended or the corporation is sooner dissolved in accordance with law.

Sec. 20. De facto corporations. – The due incorporation of any corporation claiming in good faith to be a corporation under this Code, and its right to exercise corporate powers, shall not be inquired into collaterally in any private suit to which such corporation may be a party. Such inquiry may be made by the Solicitor General in a quo warranto proceeding.

Sec. 21. Corporation by estoppel. – All persons who assume to act as a corporation knowing it to be without authority to do so shall be liable as general partners for all debts, liabilities and damages incurred or arising as a result thereof: Provided, however, That when any such ostensible corporation is sued on any transaction entered by it as a corporation or on any tort committed by it as such, it shall not be allowed to use [as a defense] its lack of corporate personality.

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

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

However, if a corporation has commenced [the transaction of] its business but subsequently becomes [continuously] inoperative for a period of at least five (5) **CONSECUTIVE** years, [the same shall be a ground for the suspension or revocation of its corporate franchise or certificate of incorporation] **THE COMMISSION MAY, AFTER DUE NOTICE AND HEARING, PLACE THE CORPORATION UNDER DELINQUENT STATUS.**

THE COMMISSION SHALL GIVE A DELINQUENT CORPORATION A PERIOD OF TWO (2) YEARS [WITHIN WHICH] TO RESUME OPERATIONS AND COMPLY WITH ALL REQUIREMENTS THAT THE COMMISSION SHALL PRESCRIBE. UPON COMPLIANCE BY THE CORPORATION, THE COMMISSION SHALL ISSUE AN ORDER LIFTING THE DELINQUENT STATUS. FAILURE TO COMPLY WITH THE REQUIREMENTS AND RESUME OPERATIONS WITHIN THE PERIOD GIVEN BY THE COMMISSION SHALL CAUSE THE REVOCATION OF THE CORPORATION'S CERTIFICATE OF INCORPORATION.

THE COMMISSION SHALL GIVE REASONABLE NOTICE TO, AND COORDINATE WITH THE APPROPRIATE REGULATORY AGENCY PRIOR TO THE SUSPENSION OR REVOCATION OF THE CERTIFICATE OF INCORPORATION OF COMPANIES UNDER THEIR SPECIAL REGULATORY JURISDICTION.

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

Sec. 23. The board of directors or trustees; QUALIFICATION AND TERM. - Unless otherwise provided in this Code, **THE BOARD OF DIRECTORS OR TRUSTEES SHALL EXERCISE** the corporate powers [of all corporations formed under this Code shall be exercised], **CONDUCT** all business [conducted,], and **CONTROL** all [property] **PROPERTIES** of **THE** [such] corporation. [s controlled and held by the board of directors or trustees]

DIRECTORS SHALL [to] be elected **FOR A TERM OF ONE (1) YEAR** from among the holders of stocks **REGISTERED IN THE CORPORATION'S BOOKS** [or where there is no stock, from among the members of the corporation, who shall hold office for one (1) year until their successors are elected and

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qualified], **WHILE TRUSTEES SHALL BE ELECTED FOR A TERM NOT EXCEEDING THREE (3) YEARS FROM AMONG THE MEMBERS OF THE CORPORATION. EACH DIRECTOR AND TRUSTEE SHALL HOLD OFFICE UNTIL HIS OR HER SUCCESSOR IS ELECTED AND QUALIFIED. A DIRECTOR WHO CEASES TO OWN AT LEAST ONE (1) SHARE OF STOCK OR A TRUSTEE WHO CEASES TO BE A MEMBER OF THE CORPORATION SHALL CEASE TO BE SUCH.**

[AT LEAST ONE THIRD (1/3) OF THE BOARD OF THE FOLLOWING CORPORATIONS VESTED WITH PUBLIC INTEREST MUST BE COMPOSED OF INDEPENDENT DIRECTORS:]

THE BOARD OF THE FOLLOWING CORPORATIONS VESTED WITH PUBLIC INTEREST SHALL HAVE AT LEAST TWO (2) INDEPENDENT DIRECTORS OR THE NUMBER OF THE INDEPENDENT DIRECTORS MUST CONSTITUTE AT LEAST TWENTY PERCENT (20% OF SUCH BOARD, WHICHEVER IS LESS:

- [(A) PUBLIC UTILITIES, EDUCATIONAL INSTITUTIONS, HOSPITALS, BANKS, INSURANCE, TRANSPORTATION, AND TELECOMMUNICATION COMPANIES;]
- [(B)] (A) **CORPORATIONS COVERED BY SECTION 17.2 OF THE SECURITIES REGULATION CODE, NAMELY THOSE WHOSE SECURITIES ARE REGISTERED WITH THE COMMISSION, CORPORATIONS LISTED WITH AN EXCHANGE OR WITH ASSETS OF AT LEAST FIFTY MILLION PESOS (PHP50,000,000) AND HAVING TWO HUNDRED (200) OR MORE HOLDERS OF SHARES, WITH AT LEAST ONE HUNDRED (100) SHARES OF A CLASS OF ITS EQUITY SHARES;**
- [(C) THOSE PRIMARILY REGULATED BY ANOTHER GOVERNMENT AGENCY; AND]
- (B) **BANKS AND QUASI-BANKS, PRE-NEED, TRUST AND INSURANCE COMPANIES, [TRUST COMPANIES] AND OTHER FINANCIAL INTERMEDIARIES], AND INSURANCE COMPANIES]**
- [(D)] (C) **OTHER CORPORATIONS VESTED WITH PUBLIC INTEREST AS MAY BE DETERMINED BY THE COMMISSION.**

AN INDEPENDENT DIRECTOR IS A PERSON OTHER THAN AN OFFICER OR EMPLOYEE OF THE CORPORATION, ITS PARENT OR SUBSIDIARIES, OR ANY OTHER INDIVIDUAL HAVING A RELATIONSHIP

WITH THE CORPORATION, WHICH WOULD INTERFERE WITH THE EXERCISE OF INDEPENDENT JUDGMENT IN CARRYING OUT RESPONSIBILITIES OF A DIRECTOR.

THESE DIRECTORS MUST BE ELECTED BY A MAJORITY OF THE TOTAL NUMBER OF OUTSTANDING SHARES ENTITLED TO VOTE IN THE ELECTION OF DIRECTORS. [AND MAJORITY OF MINORITY SHAREHOLDERS. SUCH] INDEPENDENT DIRECTORS SHALL BE SUBJECT TO RULES AND REGULATIONS GOVERNING THEIR QUALIFICATIONS, DISQUALIFICATIONS, VOTING REQUIREMENTS, DURATION OF TERM AND TERM LIMIT, MAXIMUM NUMBER OF BOARD MEMBERSHIP AND OTHER REQUIREMENTS THAT THE COMMISSION WILL PRESCRIBE TO STRENGTHEN THEIR INDEPENDENCE AND IN LINE WITH INTERNATIONAL BEST PRACTICES [THAT THE COMMISSION MAY, IN ITS JUDGMENT, FIND BENEFICIAL FOR THE COUNTRY.]

[Every director must own at least one (1) share of the capital stock of the corporation of which he is a director, which share shall stand in his name on the books of the corporation. Any director who ceases to be the owner of at least one (1) share of the capital stock of the corporation of which he is a director shall thereby cease to be a director. Trustees of non-stock corporations must be members thereof. A majority of the directors or trustees of all corporations organized under this Code must be residents of the Philippines.]

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

At all elections of directors or trustees, there must be present, either in person or [by] **THROUGH A** representative authorized to act by [written] proxy, the owners of [a] majority of the outstanding capital stock, or if there be no capital stock, a majority of the members entitled to vote. **WHEN SO AUTHORIZED IN THE BY-LAWS OR BY A MAJORITY OF THE BOARD OF DIRECTORS, THE STOCKHOLDERS OR MEMBERS MAY ALSO VOTE THROUGH REMOTE COMMUNICATION OR IN ABSENTIA; PROVIDED, THAT, THE RIGHT**

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TO VOTE THROUGH SUCH MODES MAY BE EXERCISED IN CORPORATIONS VESTED WITH PUBLIC INTEREST, NOTWITHSTANDING THE ABSENCE OF A PROVISION IN THE BY-LAWS OF SUCH CORPORATIONS.

WHEN A STOCKHOLDER OR MEMBER PARTICIPATES THROUGH REMOTE COMMUNICATION OR *IN ABSENTIA*, HE OR SHE SHALL BE DEEMED PRESENT FOR PURPOSES OF QUORUM.

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

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

[Candidates receiving] **NOMINEES FOR DIRECTORS OR TRUSTEES RECEIVING** the highest number of votes shall be declared elected.

[Any meeting of the stockholders or members called for an election may adjourn from day to day or from time to time but not sine die or indefinitely] If [, for any reason,] no election is held, or **THE OWNERS OF MAJORITY OF THE OUTSTANDING CAPITAL STOCK OR [THE] MAJORITY OF THE MEMBERS ENTITLED TO VOTE** [if there] are not present **IN PERSON**, [or represented] by proxy, **OR THROUGH REMOTE COMMUNICATION OR**

NOT VOTING *IN ABSENTIA* [,] at the meeting, [the owners of a majority of the outstanding capital stock, or if there be no capital stock, a majority of the members entitled to vote,] [THE] **SUCH MEETING MAY BE ADJOURNED AND THE CORPORATION SHALL PROCEED IN ACCORDANCE WITH SECTION 26 OF THIS CODE.**

THE DIRECTORS OR TRUSTEES ELECTED SHALL PERFORM THEIR DUTIES AS PRESCRIBED BY LAW, RULES OF GOOD CORPORATE GOVERNANCE, AND [THE] BY-LAWS OF THE CORPORATION.

Sec. 25. *Corporate officers[; quorum.]* – Immediately after their election, the directors of a corporation must formally organize [by the election of] **AND ELECT [THE]** a president, [who shall be a director, a], treasurer, [who may or may not be a director, a] secretary, [who shall be a resident and citizen of the Philippines,] and such other officers as may be provided [for] in the by-laws. [.; PROVIDED, THAT,] **IF THE CORPORATION IS VESTED WITH PUBLIC INTEREST, THE BOARD SHALL ALSO ELECT A COMPLIANCE OFFICER.** [Any two (2) or more positions may be held concurrently by the same person] **THE SAME PERSON MAY HOLD TWO (2) OR MORE POSITIONS CONCURRENTLY**, except that no one shall act as president and secretary or as president and treasurer at the same time **UNLESS OTHERWISE ALLOWED IN THIS CODE.**

THE PRESIDENT AND THE TREASURER MUST BE DIRECTORS AND AT LEAST ONE OF THEM MUST BE A RESIDENT OF THE PHILIPPINES. THE CORPORATE SECRETARY MUST BE A RESIDENT OF THE PHILIPPINES.

THE OFFICERS SHALL MANAGE THE CORPORATION AND PERFORM SUCH DUTIES AS MAY BE PROVIDED IN THE BY-LAWS OR, TO THE EXTENT NOT SO PROVIDED, BY THE BOARD OF DIRECTORS. [The directors or trustees and officers to be elected shall perform the duties enjoined on them by law and by the by-laws of the corporation. Unless the articles of incorporation or the by-laws provide for a greater majority, a majority of the number of directors or trustees as fixed in the articles of incorporation shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors or trustees present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote

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of a majority of all the members of the board. Directors or trustees cannot attend or vote by proxy at board meeting.]

Sec. 26. Report of election of directors, trustees and officers, NON-HOLDING OF ELECTION AND CESSATION FROM OFFICE.

– Within thirty (30) days after the election of the directors, trustees and officers of the corporation, the secretary, or any other officer of the corporation, shall submit to the [Securities and Exchange] Commission, the names, nationalities, **SHAREHOLDINGS** and residence[s] **ADDRESSES** of the directors, trustees, and officers elected.

THE NON-HOLDING OF ELECTIONS AND THE REASONS THEREFOR SHALL BE REPORTED TO THE COMMISSION WITHIN THIRTY (30) DAYS FROM THE DATE OF THE SCHEDULED ELECTION. THE REPORT SHALL SPECIFY A NEW DATE FOR THE ELECTION, WHICH SHALL NOT BE LATER THAN SIXTY (60) DAYS FROM THE SCHEDULED DATE.

IF NO NEW DATE HAS BEEN DESIGNATED, OR IF THE RESCHEDULED ELECTION IS LIKEWISE NOT HELD, THE COMMISSION MAY, UPON THE APPLICATION OF A STOCKHOLDER, MEMBER, DIRECTOR OR TRUSTEE AND AFTER VERIFICATION OF THE UNJUSTIFIED NON-HOLDING OF THE ELECTION, SUMMARILY ORDER THAT AN ELECTION BE HELD. THE COMMISSION SHALL HAVE THE POWER TO ISSUE SUCH ORDERS AS MAY BE APPROPRIATE, INCLUDING ORDERS DIRECTING THE ISSUANCE OF A NOTICE STATING THE TIME AND PLACE OF THE ELECTION, DESIGNATED PRESIDING OFFICER, [QUORUM REQUIREMENT;] AND THE RECORD DATE OR DATES FOR THE DETERMINATION OF STOCKHOLDERS OR MEMBERS ENTITLED TO VOTE.

NOTWITHSTANDING ANY PROVISION OF THE ARTICLES OF INCORPORATION OR BY-LAWS TO THE CONTRARY, THE SHARES OF STOCK OR MEMBERSHIP REPRESENTED AT SUCH MEETING AND ENTITLED TO VOTE SHALL CONSTITUTE A QUORUM FOR PURPOSES OF CONDUCTING AN ELECTION UNDER THIS SECTION.

Should a director, trustee or officer die, resign or in any manner cease to hold office, [his OR HER heirs in case of his OR HER death,] the secretary, [or] any other officer of the corporation, or the director, trustee or officer

himself, **OR IN CASE OF THE LATTER'S DEATH, HIS OR HER heirs**, shall [immediately] **WITHIN SEVEN (7) DAYS FROM KNOWLEDGE THEREOF**, report **IN WRITING** such fact to the [Securities and Exchange] Commission.

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

Sec. 27. Disqualification of directors, trustees or officers. – A PERSON SHALL BE DISQUALIFIED FROM BEING A DIRECTOR, TRUSTEE, OR OFFICER OF ANY CORPORATION IF WITHIN FIVE (5) YEARS PRIOR TO HIS OR HER ELECTION OR APPOINTMENT HE OR SHE WAS:

1. [No person] C[c]onvicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, o[r]F a violation of this Code, **OR OF REPUBLIC ACT 8799 OTHERWISE KNOWN AS THE SECURITIES REGULATIONS CODE** [,committed within five (5) years prior to the date of his election or appointment, shall qualify as a director, trustee or officer of any corporation];
2. CONVICTED BY FINAL JUDGMENT OR FOUND ADMINISTRATIVELY LIABLE FOR ANY OFFENSE INVOLVING FRAUD, THEFT, ESTAFA, COUNTERFEITING, MISAPPROPRIATION, FORGERY, BRIBERY, FALSE OATH, PERJURY AND OTHER FRAUDULENT ACTS;
3. CONVICTED BY FINAL JUDGMENT OF A FOREIGN COURT OR EQUIVALENT FOREIGN REGULATORY AUTHORITY OF ACTS, VIOLATIONS OR MISCONDUCT SIMILAR TO THOSE ENUMERATED IN PARAGRAPHS 1 AND 2 ABOVE.

THE FOREGOING IS WITHOUT PREJUDICE TO QUALIFICATIONS OR OTHER DISQUALIFICATIONS, WHICH THE COMMISSION MAY IMPOSE IN ITS PROMOTION OF GOOD CORPORATE GOVERNANCE OR, AS A SANCTION IN ITS ADMINISTRATIVE PROCEEDINGS.

Sec. 28. Removal of directors or trustees. - Any director or trustee of a corporation may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock, or [if the corporation be] **IN** a non-stock corporation, by a vote of at least two-thirds (2/3) of the members entitled to vote: Provided, That such removal shall take place either at a

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regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders or members of the corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders or members [of a corporation] for the purpose of [removal of] **REMOVING ANY** director[s] or trustee[s], or any of them,] must be called by the secretary on order of the president or [on the] **UPON** written demand of the stockholders representing or holding at least a majority of the outstanding capital stock [,] or [, if it be a non-stock corporation, on the written demand of] a majority of the members entitled to vote. **IF THERE IS NO SECRETARY, OR [Should] IF** the secretary, **DESPITE DEMAND**, failS or refuseS to call the special meeting [upon such demand or fail or refuse to] **OR TO** give [the] notice **THEREOF**, [or if there is no secretary, the call for the meeting may be addressed directly to the stockholders or members by any] **THE** stockholder or member of the corporation signing the demand **MAY CALL FOR THE MEETING BY DIRECTLY ADDRESSING THE STOCKHOLDERS OR MEMBERS**. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in this Code. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders or members of the right of representation to which they may be entitled under Section 24 of this Code.

THE COMMISSION SHALL, MOTU PROPRIO OR UPON VERIFIED COMPLAINT AND AFTER DUE NOTICE AND HEARING, ORDER THE REMOVAL OF A DIRECTOR OR TRUSTEE ELECTED DESPITE THE DISQUALIFICATION, OR WHOSE DISQUALIFICATION AROSE OR IS DISCOVERED SUBSEQUENT TO ELECTION. THE REMOVAL OF [ANY] A DISQUALIFIED DIRECTOR SHALL BE WITHOUT PREJUDICE TO OTHER SANCTIONS THAT THE COMMISSION MAY IMPOSE ON THE BOARD OF DIRECTORS OR TRUSTEES WHO, WITH KNOWLEDGE OF THE DISQUALIFICATION, FAILED TO REMOVE SUCH DIRECTOR OR TRUSTEE.

Sec. 29. Vacancies in the office of director or trustee; EMERGENCY BOARD. - Any vacancy occurring in the board of directors or trustees other than by removal [by the stockholders or members] or by expiration of term, may be filled by the vote of at least a

majority of the remaining directors or trustees, if still constituting a quorum; otherwise, said vacancies must be filled by the stockholders in a regular or special meeting called for that purpose.

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

HOWEVER, WHEN THE VACANCY PREVENTS THE REMAINING DIRECTORS FROM CONSTITUTING A QUORUM AND EMERGENCY ACTION IS REQUIRED TO PREVENT GRAVE, SUBSTANTIAL, AND IRREPARABLE LOSS OR DAMAGE TO THE CORPORATION, THE VACANCY MAY BE TEMPORARILY FILLED FROM AMONG THE OFFICERS OF THE CORPORATION BY UNANIMOUS VOTE OF THE REMAINING DIRECTORS OR TRUSTEES. THE ACTION BY THE DESIGNATED DIRECTOR OR TRUSTEE SHALL BE LIMITED TO THE EMERGENCY ACTION NECESSARY, AND HIS OR HER TERM SHALL CEASE WITHIN A REASONABLE TIME FROM THE TERMINATION OF THE EMERGENCY OR UPON ELECTION OF THE REPLACEMENT DIRECTOR OR TRUSTEE, WHICHEVER COMES EARLIER. THE CORPORATION MUST NOTIFY THE COMMISSION WITHIN THREE (3) DAYS FROM THE CREATION OF THE EMERGENCY BOARD, STATING THEREIN THE REASON FOR ITS CREATION.

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

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

Sec. 30. Compensation of directors OR TRUSTEES. – In the absence of any provision in the by-laws fixing their compensation, the directors **OR TRUSTEES** shall not receive any compensation [as such directors **OR TRUSTEES,**] **IN THEIR CAPACITY AS SUCH,** except for reasonable per diems: *Provided, however,* That [any such compensation other than per diems may be granted to directors by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders meeting.] **THE STOCKHOLDERS REPRESENTING AT LEAST A MAJORITY OF THE OUTSTANDING CAPITAL STOCK OR MAJORITY OF THE MEMBERS MAY GRANT DIRECTORS OR TRUSTEES WITH COMPENSATION AND APPROVE THE AMOUNT THEREOF AT A REGULAR OR SPECIAL MEETING.**

[In no case shall the total yearly compensation of directors as such directors exceed ten (10%) percent of the net income before income tax of the corporation during the preceding year.]

NO DIRECTOR OR TRUSTEE SHALL PARTICIPATE IN THE DETERMINATION OF HIS OR HER OWN PER DIEMS OR COMPENSATION.

CORPORATIONS VESTED WITH PUBLIC INTEREST SHALL SUBMIT TO ITS SHAREHOLDERS AND THE COMMISSION, AN ANNUAL REPORT OF THE TOTAL COMPENSATION OF EACH OF ITS DIRECTORS OR TRUSTEES. [TO THE SEC AND ITS SHAREHOLDERS.]

Sec. 31. Liability of directors, trustees or officers. –Directors or trustees who wilfully and knowingly vote for or assent to patently unlawful acts of the corporation or who are guilty of gross negligence or bad faith in directing the affairs of the corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors or trustees shall be liable jointly and severally for all damages resulting therefrom suffered by the corporation, its stockholders or members and other persons.

When a director, trustee or officer attempts to acquire or acquires, in violation of his duty, any interest adverse to the corporation in respect of any matter which has been reposed in him in confidence, as to which, equity imposes

a disability upon him to deal in his own behalf, he shall be liable as a trustee for the corporation and must account for the profits which otherwise would have accrued to the corporation.

Sec. 32. Dealings of directors, trustees or officers with the corporation. - A contract of the corporation with one or more of its directors, [or] trustees, [or] officers **OR THEIR SPOUSES AND RELATIVES WITHIN THE FOURTH CIVIL DEGREE OF CONSANGUINITY OR AFFINITY** is voidable, at the option of such corporation, unless all the following conditions are present:

1. T[hat t]he presence of such director or trustee in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
2. T[hat t]he vote of such director or trustee was not necessary for the approval of the contract;
3. T[hat t]he contract is fair and reasonable under the circumstances; [and]
4. **[THAT] IN CASE OF CORPORATIONS VESTED WITH PUBLIC INTEREST, MATERIAL CONTRACTS ARE APPROVED BY AT LEAST TWO-THIRDS (2/3) OF THE ENTIRE MEMBERSHIP OF THE BOARD, WITH AT LEAST A MAJORITY OF THE INDEPENDENT DIRECTORS VOTING TO APPROVE THE MATERIAL CONTRACT; AND**
5. [That i]n case of an officer, the contract has been previously authorized by the board of directors;

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

Sec. 33. Contracts between corporations with interlocking directors. - Except in cases of fraud, and provided the contract is fair and reasonable under the circumstances, a contract between two or more corporations having interlocking directors shall not be invalidated on that ground alone: *Provided, That* if the interest

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of the interlocking director in one corporation is substantial and his interest in the other corporation or corporations is merely nominal, [he] **THE CONTRACT** shall be subject to the provisions of the preceding section insofar as the latter corporation or corporations are concerned.

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

Sec. 34. Disloyalty of a director. – Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the corporation, thereby obtaining profits to the prejudice of such corporation, he must account **FOR AND REFUND** to the latter [for] all such profits [by refunding the same], unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable, notwithstanding the fact that the director risked his own funds in the venture.

Sec. 35. Executive, MANAGEMENT AND OTHER SPECIAL committees. - [The by-laws of a corporation may create an executive committee, composed of not less than three members of the board, to be appointed by the board.] **IF THE BY-LAWS SO PROVIDE, THE BOARD MAY CREATE AN EXECUTIVE COMMITTEE COMPOSED OF AT LEAST [NOT LESS THAN] THREE DIRECTORS.** Said committee may act, by majority vote of all its members, on such specific matters within the competence of the board, as may be delegated to it in the by-laws or [on a] **BY** majority vote of the board, except with respect to **THE**: (1) approval of any action for which shareholders' approval is also required; (2) [the] filling of vacancies in the board; (3) [the] amendment or repeal of by-laws or the adoption of new by-laws; (4) [the] amendment or repeal of any resolution of the board which by its express terms is not [so] amendable or repealable; and (5) [a] distribution of cash dividends to the shareholders.

THE BY-LAWS MAY AUTHORIZE THE BOARD OF DIRECTORS TO CREATE SPECIAL COMMITTEES OF TEMPORARY OR PERMANENT NATURE AND TO DETERMINE THE MEMBERS' TERM, COMPOSITION, COMPENSATION, POWERS, AND RESPONSIBILITIES.

[WHEN NECESSARY TO ENSURE GOOD CORPORATE GOVERNANCE, COMBAT GRAFT AND CORRUPT PRACTICES, OR

WHEN PARAMOUNT INTEREST OF THE PUBLIC SO REQUIRES, THE COMMISSION MAY REQUIRE THE CREATION OF OTHER COMMITTEES AND PROVIDE FOR THEIR DUTIES AND RESPONSIBILITIES. TO REFLECT SUCH CHANGE, THE CORPORATION'S BY-LAWS SHALL BE AMENDED WITHIN THE PERIOD PRESCRIBED BY THE COMMISSION.]

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

1. To sue and be sued in its corporate name;
2. **TO HAVE PERPETUAL EXISTENCE UNLESS THE CERTIFICATE OF INCORPORATION PROVIDES OTHERWISE** [Of succession by its corporate name for the, period of time stated in the articles of incorporation and the certificate of incorporation];
3. To adopt and use a corporate seal;
4. To amend its articles of incorporation in accordance with the provisions of this Code;
5. To adopt by-laws, not contrary to law, morals or public policy, and to amend or repeal the same in accordance with this Code;
6. In case of stock corporations, to issue or sell stocks to subscribers and to sell treasury stocks in accordance with the provisions of this Code; and to admit members to the corporation if it be a non-stock corporation;
7. To purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage and otherwise deal with such real and personal property, including securities and bonds of other corporations, as the transaction of the lawful business of the corporation may reasonably and necessarily require, subject to the limitations prescribed by law and the Constitution;
8. To enter into **A PARTNERSHIP, JOINT VENTURE**, merger [or], consolidation [with other corporations], **OR ANY OTHER COMMERCIAL AGREEMENT WITH NATURAL AND JURIDICAL PERSONS** [as provided under this Code];
9. To make reasonable donations, including those for the public welfare or for hospital, charitable, cultural, scientific, civic, or similar purposes: *Provided*, That no **FOREIGN** corporation, [domestic or foreign,] shall give donations in aid of any political party or candidate or for purposes of partisan political activity;

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10. To establish pension, retirement, and other plans for the benefit of its directors, trustees, officers, and employees; and
11. To exercise such other powers as may be essential or necessary to carry out its purpose or purposes as stated in the articles of incorporation.

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

IN case of extension of corporate term, [any] A dissenting stockholder may exercise his **OR HER** appraisal right under the conditions provided in this [c] Code.

Sec. 38. Power to increase or decrease capital stock; incur, create or increase bonded indebtedness. - No corporation shall increase or decrease its capital stock or incur, create or increase any bonded indebtedness unless approved by a majority vote of the board of directors and[, at a stockholder's meeting duly called for the purpose,] **BY** two-thirds (2/3) of the outstanding capital stock **AT A STOCKHOLDERS' MEETING DULY CALLED FOR THE PURPOSE** [shall favor the increase or diminution of the capital stock or of the incurring, creating, or increasing of any bonded indebtedness]. Written notice of the **TIME AND PLACE OF THE STOCKHOLDERS' MEETING AND THE PURPOSE FOR SAID MEETING**, [proposed increase or diminution of the capital stock or of the incurring, creating, or increasing of any bonded indebtedness and of the time and place of the stockholder's meeting at which the proposed increase or diminution of the capital

stock or the incurring or increasing of any bonded indebtedness is to be considered,] must be [addressed to] **SENT TO** each stockholder at his **OR HER** place of residence as shown [on] **IN** the books of the corporation and [deposited to the addressee] **SERVED ON THE STOCKHOLDER THROUGH DEPOSIT** in the post office with postage prepaid, **OR THROUGH ELECTRONIC MEANS RECOGNIZED IN THE CORPORATION'S BY-LAWS AND/OR THE COMMISSION'S RULES AS A VALID MODE FOR SERVICE OF NOTICES** or served personally **ON THE STOCKHOLDER.**

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

1. That the requirements of this section have been complied with;
2. The amount of the increase or diminution of the capital stock;
3. If an increase of the capital stock, the amount of capital stock or number of shares of no-par stock thereof actually subscribed, the names, nationalities and [residences] **ADDRESSES** of the persons subscribing, the amount of capital stock or number of no-par stock subscribed by each, and the amount paid by each on his subscription in cash or property, or the amount of capital stock or number of shares of no-par stock allotted to each stockholder if such increase is for the purpose of making effective stock dividend therefor authorized;
4. Any bonded indebtedness to be incurred, created or increased;
- [(5) The actual indebtedness of the corporation on the day of the meeting;]
5. [(6)] The amount of stock represented at the meeting; and
6. [(7)] The vote authorizing the increase or diminution of the capital stock, or the incurring, creating or increasing of any bonded indebtedness.

Any increase or decrease in the capital stock or the incurring, creating or increasing of any bonded indebtedness shall require prior approval of the [Securities and Exchange] Commission, **AND WHERE APPROPRIATE, OF THE PHILIPPINE COMPETITION COMMISSION. THE APPLICATION WITH THE COMMISSION SHALL BE MADE WITHIN SIX (6) MONTHS FROM THE DATE OF APPROVAL**

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OF THE BOARD OF DIRECTORS AND STOCKHOLDERS, WHICH PERIOD MAY BE EXTENDED FOR JUSTIFIABLE REASONS.

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

Non-stock corporations may incur,[or] create, **OR INCREASE** bonded indebtedness[, or increase the same,] **WHEN APPROVED** [with the approval] by a majority [vote] of the board of trustees and of at least two-thirds (2/3) of the members in a meeting duly called for the purpose.

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

Sec. 39. Power to deny pre-emptive right. –

All stockholders of a stockcorporation shall enjoy pre-emptive right to subscribe to all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the articles of incorporation or an amendment thereto: Provided, That such pre-emptive right shall not extend to shares [to be] issued in compliance

with laws requiring stock offerings or minimum stock ownership by the public; or to shares [to be] issued in good faith with the approval of the stockholders representing two-thirds (2/3) of the outstanding capital stock, in exchange for property needed for corporate purposes or in payment of a previously contracted debt.

Sec. 40. Sale or other disposition of assets.

- Subject to the provisions of **REPUBLIC ACT NO. 10667 OR THE PHILIPPINE COMPETITION ACT** [existing laws on illegal combinations and monopolies], a corporation may, by a majority vote of its board of directors or trustees, sell, lease, exchange, mortgage, pledge, or otherwise dispose of [all or substantially all of] its property and assets, [including its goodwill,] upon such terms and conditions and for such consideration, which may be money, stocks, bonds or other instruments for the payment of money or other property or consideration, as its board of directors or trustees may deem expedient.

A SALE OF ALL OR SUBSTANTIALLY ALL OF THE CORPORATION'S PROPERTIES AND ASSETS, INCLUDING ITS GOODWILL MUST BE [when] authorized by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, or [in case of non-stock corporation, by the vote of] at least two-thirds (2/3) of the members, in a stockholders' or members' meeting duly called for the purpose.

IN NON-STOCK CORPORATIONS WHERE THERE ARE NO MEMBERS WITH VOTING RIGHTS, THE VOTE OF AT LEAST A MAJORITY OF THE TRUSTEES IN OFFICE WILL BE SUFFICIENT AUTHORIZATION FOR THE CORPORATION TO ENTER INTO ANY TRANSACTION AUTHORIZED BY THIS SECTION. THE DETERMINATION OF WHETHER OR NOT THE SALE INVOLVES ALL OR SUBSTANTIALLY ALL OF THE CORPORATION'S PROPERTIES AND ASSETS MUST BE COMPUTED BASED ON ITS NET ASSET VALUE, AS SHOWN IN ITS LATEST FINANCIAL STATEMENTS. A SALE OR OTHER DISPOSITION SHALL BE DEEMED TO COVER SUBSTANTIALLY ALL THE CORPORATE PROPERTY AND ASSETS IF THEREBY THE CORPORATION WOULD BE RENDERED INCAPABLE OF CONTINUING THE BUSINESS OR ACCOMPLISHING THE PURPOSE FOR WHICH IT WAS INCORPORATED.

Written notice of the proposed action and of the time and place [of] **FOR** the meeting shall be addressed to each stockholder or member at his

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OR HER place of residence as shown [on] **IN** the books of the corporation and deposited to the addressee in the post office with postage prepaid, [or] served personally, **OR WHEN ALLOWED BY THE BY-LAWS OR DONE WITH THE CONSENT OF THE STOCKHOLDER, SENT ELECTRONICALLY:** Provided, That any dissenting stockholder may exercise his **OR HER** appraisal right under the conditions provided in this Code.

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

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

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

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

Sec. 41. Power to acquire own shares. – PROVIDED THAT THE CORPORATION HAS UNRESTRICTED RETAINED EARNINGS IN ITS BOOKS TO COVER THE SHARES TO BE PURCHASED OR ACQUIRED, [A] a stock corporation shall have the power to purchase or acquire its own shares for a legitimate corporate purpose or purposes, including but not limited to the following cases: [Provided, That the corporation has unrestricted retained earnings in its books to cover the shares to be purchased or acquired:]

1. To eliminate fractional shares arising out of stock dividends;

2. To collect or compromise an indebtedness to the corporation, arising out of unpaid subscription, in a delinquency sale, and to purchase delinquent shares sold during said sale; and
3. To pay dissenting or withdrawing stockholders entitled to payment for their shares under the provisions of this Code.

Sec. 42. Power to invest corporate funds in another corporation or business or for any other purpose. – Subject to the provisions of this Code, a private corporation may invest its funds in any other corporation, [or] business, or for any purpose other than the primary purpose for which it was organized, when approved by a majority of the board of directors or trustees and ratified by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, or by at least two thirds (2/3) of the members in the case of non-stock corporations, at a [stockholder's or member's] meeting duly called for the purpose. Written notice of the proposed investment and the time and place of the meeting shall be addressed to each stockholder or member at his place of residence as shown [o]In the books of the corporation and deposited to the addressee in the post office with postage prepaid, [or] served personally, **OR SENT ELECTRONICALLY IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE COMMISSION ON THE USE OF ELECTRONIC DATA MESSAGE, WHEN ALLOWED BY THE BY-LAWS OR DONE WITH THE CONSENT OF THE STOCKHOLDERS:** Provided, That any dissenting stockholder shall have appraisal right as provided in this Code: Provided, however, That where the investment by the corporation is reasonably necessary to accomplish its primary purpose as stated in the articles of incorporation, the approval of the stockholders or members shall not be necessary.

Sec. 43. Power to declare dividends. - The board of directors of a stock corporation may declare dividends out of the unrestricted retained earnings which [SHALL BE DETERMINED IN ACCORDANCE WITH THE GUIDELINES SET BY THE COMMISSION. SUCH DIVIDENDS] shall be payable in cash, [in]property, or in stock to all stockholders on the basis of outstanding stock held by them: Provided, That any cash dividends due on delinquent stock shall first be applied to the unpaid balance on the subscription plus costs and expenses, while stock dividends shall be withheld from the delinquent stockholder until his **OR HER** unpaid subscription is fully paid: Provided, further, That

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no stock dividend shall be issued without the approval of stockholders representing [not less than] **AT LEAST** two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose.

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

Sec. 44. Power to enter into management contract. – No corporation shall conclude a management contract with another corporation unless such contract [shall have been] **IS** approved by the board of directors and by stockholders owning at least the majority of the outstanding capital stock, or by at least a majority of the members in the case of a non-stock corporation, of both the managing and the managed corporation, at a meeting duly called for the purpose: Provided, That (1) where a stockholder or stockholders representing the same interest of both the managing and the managed corporations own or control more than one-third (1/3) of the total outstanding capital stock entitled to vote of the managing corporation; or (2) where a majority of the members of the board of directors of the managing corporation also constitute a majority of the members of the board of directors of the managed corporation, then the management contract must be approved by the stockholders of the managed corporation owning at least two-thirds (2/3) of the total outstanding capital stock entitled to vote, or by at least two-thirds (2/3) of the members in the case of a non-stock corporation. No management contract shall be entered into for a period longer than five years for any one term.

The provisions of the next preceding paragraph shall apply to any contract whereby a corporation undertakes to manage or operate all or substantially all of the business of another corporation, whether such contracts are called service contracts, operating agreements or otherwise: Provided, however, That such service contracts or operating agreements which relate

to the exploration, development, exploitation or utilization of natural resources may be entered into for such periods as may be provided by the pertinent laws or regulations.

Sec. 45. Ultra vires acts of corporations. – No corporation [under this Code] shall possess or exercise [any] corporate powers [except] **OTHER THAN** those conferred by this Code or by its articles of incorporation and except [such] as [are] necessary or incidental to the exercise of the powers [so] conferred.

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

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

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

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

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

1. The time, place and manner of calling and conducting regular or special meetings of the directors or trustees;
2. The time and manner of calling and conducting regular or special meetings of the stockholders or members;
3. The required quorum in meetings of stockholders or members and the manner of voting therein;(
4. **THE MANNER OF SENDING NOTICES OF REGULAR OR SPECIAL MEETINGS, WHETHER IN PERSON, THROUGH POSTAL MAIL OR ELECTRONIC MEANS**
5. [4]. The form for proxies of stockholders and members and the manner of voting them;
- 6.[5]. The **DIRECTORS’ OR TRUSTEES’** qualifications, duties **AND RESPONSIBILITIES**, [and] **THE GUIDELINES FOR SETTING THE** compensation of directors or trustees **AND** [,] officers [and employees], **AND THE MAXIMUM NUMBER OF OTHER BOARD REPRESENTATIONS THAT AN INDEPENDENT DIRECTOR OR TRUSTEE MAY HAVE WHICH SHALL, IN NO CASE, BE MORE THAN THE NUMBER PRESCRIBED BY THE COMMISSION;**
7. [6] The time for holding the annual election of directors or trustees and the mode or manner of giving notice thereof;(
- 8 [7]. The manner of election or appointment and the term of office of all officers other than directors or trustees;(
9. [8] The penalties for violation of the by-laws;(
10. [9] In the case of stock corporations, the manner of issuing stock certificates; [and]
11. [10] Such other matters as may be necessary for the proper or convenient transaction of its corporate [business and] affairs [OR AS MAY BE DEEMED NECESSARY BY THE COMMISSION] **FOR THE PROMOTION OF GOOD GOVERNANCE AND ANTI-GRAFT AND CORRUPTION MEASURES.**

Sec. 48. *Amendment to by-laws.* – **MAJORITY OF** [T]he board of directors or trustees, [by a majority vote thereof,] and the owners of at least a majority of the outstanding capital stock, or at least a majority of the

members of a non-stock corporation, at a regular or special meeting duly called for the purpose, may amend or repeal [any] **THE** by-laws or adopt new by-laws. The owners of two-thirds (2/3) of the outstanding capital stock or two-thirds (2/3) of the members in a non-stock corporation may delegate to the board of directors or trustees the power to amend or repeal [any] **THE** by-laws or adopt new by-laws: Provided, That any power delegated to the board of directors or trustees to amend or repeal [any] **THE** by-laws or adopt new by-laws shall be considered as revoked whenever stockholders owning or representing a majority of the outstanding capital stock or [a] majority of the members [in non-stock corporations,] shall so vote at a regular or special meeting.

[Whenever any amendment or new by-laws are adopted, such amendment or new by-laws shall be attached to the original by-laws in the office of the corporation, and a copy thereof, duly certified under oath by the corporate secretary and a majority of the directors or trustees, shall be filed with the Securities and Exchange Commission the same to be attached to the original articles of incorporation and original by-laws.]

WHENEVER THE BY-LAWS ARE AMENDED OR NEW BY-LAWS ARE ADOPTED, THE CORPORATION SHALL FILE WITH THE COMMISSION SUCH AMENDED OR NEW BY-LAWS AND, IF APPLICABLE, THE STOCKHOLDERS’ OR MEMBERS’ RESOLUTION AUTHORIZING THE DELEGATION OF THE POWER TO AMEND AND/OR ADOPT NEW BY-LAWS, DULY CERTIFIED UNDER OATH BY THE CORPORATE SECRETARY AND A MAJORITY OF THE DIRECTORS OR TRUSTEES.

The amended or new by-laws shall only be effective upon the issuance by the [Securities and Exchange] Commission of a certification that the same **IS** [are not] in [consistent] **ACCORDANCE** with this Code, **AND OTHER RELEVANT LAWS.**

Sec. 49. *Kinds of meetings.* – Meetings of directors, trustees, stockholders, or members may be regular or special.

Sec. 50. *Regular and special meetings of stockholders or members.* - Regular meetings of stockholders or members shall be held annually on a date fixed in the by-laws, or if not so fixed, on any date **AFTER** [in] April **15** of every year as determined by the board of directors or trustees: *Provided*, That written notice of regular meetings shall be sent to all stockholders or

members of record at least [two (2) weeks] **TWENTY (20) DAYS** prior to the meeting, unless a [different] **LONGER** period is required [by] **IN** the by-laws, **LAW OR REGULATION**[.]; **PROVIDED FURTHER, THAT WRITTEN NOTICE OF REGULAR MEETINGS MAY BE SENT TO ALL STOCKHOLDERS OR MEMBERS OF RECORD THROUGH ELECTRONIC MAIL OR SUCH OTHER MANNER AS THE COMMISSION SHALL ALLOW UNDER ITS GUIDELINES.**

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

- a. THE MINUTES OF THE MOST RECENT REGULAR MEETING WHICH SHALL INCLUDE, AMONG OTHERS:
 - (i) **A DESCRIPTION OF THE VOTING AND VOTE TABULATION PROCEDURES USED [AND TO BE USED] IN THE CURRENT MEETING;**
 - (ii) A DESCRIPTION OF THE OPPORTUNITY GIVEN TO STOCKHOLDERS OR MEMBERS TO ASK QUESTIONS AND A RECORD OF THE QUESTIONS ASKED AND ANSWERS GIVEN;
 - (iii) THE MATTERS DISCUSSED AND RESOLUTIONS REACHED;
 - (iv) A RECORD OF THE VOTING RESULTS FOR EACH AGENDA ITEM; [AND]
 - (v) A LIST OF THE DIRECTORS OR TRUSTEES, OFFICERS AND STOCKHOLDERS OR MEMBERS WHO ATTENDED THE MEETING; AND
 - (vi) SUCH OTHER ITEMS THAT THE COMMISSION MAY REQUIRE IN THE INTEREST OF GOOD CORPORATE GOVERNANCE AND THE PROTECTION OF MINORITY STOCKHOLDERS.
- b. A MEMBERS' LIST FOR NON-STOCK CORPORATIONS AND, FOR STOCK CORPORATIONS, MATERIAL INFORMATION ON THE CURRENT STOCKHOLDERS AND THEIR VOTING RIGHTS;
- c. A DETAILED, DESCRIPTIVE, BALANCED AND COMPREHENSIBLE ASSESSMENT OF THE CORPORATION'S PERFORMANCE WHICH SHALL INCLUDE INFORMATION ON ANY MATERIAL CHANGE IN THE CORPORATION'S BUSINESS, STRATEGY, AND OTHER AFFAIRS;
- d. A FINANCIAL REPORT FOR THE PRECEDING YEAR, WHICH SHALL INCLUDE FINANCIAL STATEMENTS DULY SIGNED AND CERTIFIED IN ACCORDANCE WITH THIS CODE AND THE RULES THE COMMISSION MAY PRESCRIBE, A STATEMENT ON THE ADEQUACY OF THE CORPORATION'S INTERNAL CONTROLS OR RISK MANAGEMENT SYSTEMS, AND A STATEMENT OF ALL EXTERNAL AUDIT AND NON-AUDIT FEES;
- e. AN EXPLANATION OF THE DIVIDEND POLICY AND THE FACT OF PAYMENT OF DIVIDENDS OR THE REASONS FOR NON-PAYMENT THEREOF;
- f. DIRECTOR OR TRUSTEE PROFILES WHICH SHALL INCLUDE, AMONG OTHERS, THEIR QUALIFICATIONS AND RELEVANT EXPERIENCE, LENGTH OF SERVICE IN THE CORPORATION, TRAININGS AND CONTINUING EDUCATION ATTENDED, AND [NUMBER OF] THEIR BOARD REPRESENTATIONS IN OTHER CORPORATIONS;
- g. A DIRECTOR OR TRUSTEE ATTENDANCE REPORT, INDICATING THE ATTENDANCE OF EACH DIRECTOR OR TRUSTEE AT EACH OF THE MEETINGS OF THE BOARD AND ITS COMMITTEES AND IN REGULAR OR SPECIAL STOCKHOLDER MEETINGS;
- h. APPRAISALS AND PERFORMANCE REPORTS FOR THE BOARD AND THE CRITERIA AND PROCEDURE FOR ASSESSMENT;
- i. A DIRECTOR OR TRUSTEE COMPENSATION REPORT PREPARED IN ACCORDANCE WITH THIS CODE AND THE RULES THE COMMISSION MAY PRESCRIBE;
- j. DIRECTOR DISCLOSURES ON SELF-DEALINGS AND RELATED PARTY TRANSACTIONS;
- k. THE PROFILES OF DIRECTORS NOMINATED OR SEEKING ELECTION OR RE-ELECTION; AND/OR
- l. **THE COMPENSATION/BENEFITS OF EMPLOYEES WHO ARE IMMEDIATE FAMILY MEMBERS OF A DIRECTOR, TRUSTEE, OR AN OFFICER OF THE CORPORATION OR WHOSE EMPLOYMENT WAS MADE WITH THEIR ENDORSEMENT**[; AND].

A DIRECTOR, TRUSTEE, STOCKHOLDER OR MEMBER MAY PROPOSE ANY OTHER MATTER FOR INCLUSION IN THE AGENDA

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AT ANY REGULAR MEETING OF STOCKHOLDERS OR MEMBERS.

Special meetings of stockholders or members shall be held at any time deemed necessary or as provided in the by-laws: Provided, however, That [at least one (1) week] written notice shall be sent to all stockholders or members **AT LEAST TWO (2) WEEKS PRIOR TO THE MEETING**, unless [otherwise] **A LONGER PERIOD IS** provided in the by-laws, **LAW OR REGULATION.**

A STOCKHOLDER OR MEMBER SHALL HAVE THE RIGHT TO PROPOSE THE HOLDING OF A SPECIAL MEETING AND ITEMS TO BE INCLUDED IN THE AGENDA.

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

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

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

IN CASE OF POSTPONEMENT OF STOCKHOLDERS' OR MEMBERS' REGULAR MEETINGS, WRITTEN NOTICE THEREOF AND THE REASON THEREFOR SHALL BE SENT TO ALL STOCKHOLDERS OR MEMBERS OF RECORD AT LEAST TWO (2) WEEKS PRIOR

TO THE DATE OF THE MEETING, UNLESS A DIFFERENT PERIOD IS REQUIRED UNDER THE BY-LAWS, LAW OR REGULATION.

THE RIGHT TO VOTE MAY BE EXERCISED IN PERSON, THROUGH A PROXY, OR WHEN SO WHEN SO AUTHORIZED IN THE BY-LAWS OR BY A MAJORITY OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE STOCKHOLDERS OR MEMBERS MAY ALSO VOTE THROUGH REMOTE COMMUNICATION OR *IN ABSENTIA*. THE COMMISSION SHALL ISSUE THE RULES AND REGULATIONS GOVERNING PARTICIPATION AND VOTING THROUGH REMOTE COMMUNICATION OR *IN ABSENTIA* [UNDER SUCH RULES AND REGULATIONS ADOPTED BY THE COMMISSION,] TAKING INTO ACCOUNT THE COMPANY'S SCALE, NUMBER OF SHAREHOLDERS OR MEMBERS, STRUCTURE, AND OTHER FACTORS CONSISTENT WITH THE PROTECTION AND PROMOTION OF SHAREHOLDERS' OR MEMBER'S MEETINGS.

Sec. 51. Place and time of meetings of stockholders or members. - Stockholders' or members' meetings, whether regular or special, shall be held in the **PRINCIPAL OFFICE OF THE CORPORATION AS SET FORTH IN THE ARTICLES OF INCORPORATION, OR, IF NOT PRACTICABLE, IN THE** city or municipality where the principal office of the corporation is located [, and if practicable in the principal office of the corporation]: Provided, That Metro Manila, **METRO CEBU, METRO DAVAO, AND OTHER METROPOLITAN AREAS** shall, for purposes of this section, be considered a city or municipality.

[Notice of meetings shall be in writing, and the time and place thereof stated therein.] **WRITTEN NOTICE OF MEETINGS SHALL BE SENT THROUGH THE MEANS OF COMMUNICATION PROVIDED [FOR] IN THE BY-LAWS, WHICH NOTICE SHALL STATE THE TIME, PLACE AND PURPOSE[S] OF THE MEETINGS.**

EACH NOTICE OF MEETING SHALL FURTHER BE ACCOMPANIED BY THE FOLLOWING:

- (A) THE AGENDA FOR THE MEETING;
- (B) A PROXY FORM WHICH SHALL BE SUBMITTED TO THE CORPORATE SECRETARY WITHIN A REASONABLE TIME PRIOR TO THE MEETING;
- (C) WHEN ATTENDANCE, PARTICIPATION AND VOTING ARE ALLOWED BY REMOTE

COMMUNICATION OR *IN ABSENTIA*, THE REQUIREMENTS AND PROCEDURES TO BE FOLLOWED WHEN A STOCKHOLDER OR MEMBER ELECTS EITHER OPTION; AND

- (D) WHEN THE MEETING IS FOR THE ELECTION OF DIRECTORS OR TRUSTEES, THE REQUIREMENTS AND PROCEDURE FOR NOMINATION.

All proceedings had and any business transacted at a[ny] meeting of the stockholders or members, if within the powers or authority of the corporation, shall be valid even if the meeting [be]IS improperly held or called;[,] P[p]rovided, **THAT** all the stockholders or members of the corporation are present or duly represented at the meeting **AND NONE OF THEM EXPRESSLY STATES AT THE BEGINNING OF THE MEETING THAT THE PURPOSE OF THEIR ATTENDANCE IS TO OBJECT TO THE TRANSACTION OF ANY BUSINESS BECAUSE THE MEETING IS NOT LAWFULLY CALLED OR CONVENED.**

Sec. 52. *Quorum in meetings.* – Unless otherwise provided [for] in this Code or in the by-laws, a quorum shall consist of the stockholders representing a majority of the outstanding capital stock or a majority of the members in the case of non-stock corporations.

Sec. 53. *Regular and special meetings of directors or trustees; QUORUM.* – **UNLESS THE ARTICLES OF INCORPORATION OR THE BY-LAWS PROVIDES FOR A GREATER MAJORITY, A MAJORITY OF THE [NUMBER OF] DIRECTORS OR TRUSTEES SHALL CONSTITUTE A QUORUM TO TRANSACT CORPORATE BUSINESS, AND EVERY DECISION REACHED BY [OF] AT LEAST A MAJORITY OF THE DIRECTORS OR TRUSTEES CONSTITUTING A QUORUM SHALL BE VALID AS A CORPORATE ACT, EXCEPT FOR THE ELECTION OF OFFICERS WHICH SHALL REQUIRE THE VOTE OF A MAJORITY OF ALL THE MEMBERS OF THE BOARD.**

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

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

Meetings of directors or trustees of corporations may be held anywhere in or outside of the Philippines, unless the by-laws provide[S]

otherwise. Notice of regular or special meetings stating the date, time and place of the meeting must be sent to every director or trustee at least [one (1) day] **FIVE (5) DAYS** prior to the scheduled meeting, unless [otherwise] **A LONGER TIME IS** provided [by] **IN** the by-laws. A director or trustee may waive this requirement, either expressly or impliedly.

DIRECTORS OR TRUSTEES CANNOT ATTEND OR VOTE BY PROXY AT BOARD MEETINGS. THEY CAN PARTICIPATE AND VOTE THROUGH REMOTE COMMUNICATION SUCH AS VIDEOCONFERENCING, TELECONFERENCING OR OTHER ALTERNATIVE MODES OF COMMUNICATION THAT ALLOW THEM REASONABLE OPPORTUNITY TO PARTICIPATE.

A DIRECTOR OR TRUSTEE WHO HAS A POTENTIAL INTEREST IN ANY RELATED PARTY TRANSACTION MUST RECUSE HIMSELF OR HERSELF FROM VOTING ON THE APPROVAL OF THE RELATED PARTY TRANSACTION.

Sec. 54. *Who shall preside at meetings.* – The president shall preside at all meetings of the directors or trusteeS as well as of the stockholders or members, unless the by-laws provide otherwise.

Sec. 55. *Right to vote of pledgors, mortgagors, and administrators.* – In case of pledged or mortgaged shares in stock corporations, the pledgor or mortgagor shall have the right to attend and vote at meetings of stockholders, unless the pledgee or mortgagee is expressly given by the pledgor or mortgagor such right in writing which is recorded [o] in the appropriate corporate books.

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

Sec. 56. *Voting in case of joint ownership of stock.* – **THE CONSENT OF ALL THE CO-OWNERS SHALL BE NECESSARY IN VOTING [In case of] shares of stock owned jointly by two or more persons[, in order to vote the same, the consent of all the co-owners shall be necessary], unless there is a written proxy, signed by all the co-owners, authorizing one or some of them or any other person to vote such share or shares: Provided, That when the shares are owned in an “and/or” capacity by the holders thereof, any one of the joint owners can vote said shares or appoint a proxy therefor.**

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Sec. 57. Voting right for treasury shares. – Treasury shares shall have no voting right as long as such shares remain in the Treasury.

Sec. 58. MANNER OF VOTING; Proxies. – Stockholders and members may vote in person or by proxy in all meetings of stockholders or members.

WHEN SO AUTHORIZED IN THE BY-LAWS OR BY A MAJORITY OF THE BOARD OF DIRECTORS, THE STOCKHOLDERS OR MEMBERS OF [REGULAR] ORDINARY CORPORATIONS MAY ALSO VOTE THROUGH REMOTE COMMUNICATION OR IN ABSENTIA; PROVIDED, THAT, THE RIGHT TO VOTE THROUGH SUCH MODES MAY BE EXERCISED IN CORPORATIONS VESTED WITH PUBLIC INTEREST, NOTWITHSTANDING THE ABSENCE OF A PROVISION IN THE BY-LAWS OF THE CORPORATION; PROVIDED, FURTHER, THAT THE VOTES ARE RECEIVED BEFORE THE CORPORATION FINISHES THE TALLY OF VOTES.

WHEN A STOCKHOLDER OR MEMBER PARTICIPATES THROUGH REMOTE COMMUNICATION OR *IN ABSENTIA*, HE OR SHE SHALL BE DEEMED PRESENT FOR PURPOSES OF QUORUM.

THE CORPORATION SHALL ESTABLISH THE APPROPRIATE REQUIREMENTS AND PROCEDURES FOR VOTING THROUGH REMOTE COMMUNICATION AND *IN ABSENTIA*, TAKING INTO ACCOUNT THE COMPANY’S SCALE, NUMBER OF SHAREHOLDERS OR MEMBERS, STRUCTURE AND OTHER FACTORS CONSISTENT WITH THE BASIC RIGHT CORPORATE SUFFRAGE.

Proxies shall be [in writing,] signed AND FILED, by the stockholder or member, IN ANY FORM AUTHORIZED IN THE BY-LAWS and [filed] RECEIVED BY THE CORPORATE SECRETARY WITHIN A REASONABLE TIME before the scheduled meeting [with the corporate secretary]. Unless otherwise provided in the proxy FORM, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time.

Section 59. Voting Trusts. – One or more stockholders of a stock corporation may create a voting trust for the purpose of conferring upon a trustee or trustees the right to vote and other rights pertaining to the shares for a period not exceeding five (5) years at any time: Provided, That in the case of a voting trust specifically

required as a condition in a loan agreement, said voting trust may be for a period exceeding five (5) years but shall automatically expire upon full payment of the loan. A voting trust agreement must be in writing and notarized, and shall specify the terms and conditions thereof. A certified copy of such agreement shall be filed with the corporation and with the [Securities and Exchange] Commission; otherwise, said agreement is ineffective and unenforceable. The certificate or certificates of stock covered by the voting trust agreement shall be cancelled and new ones shall be issued in the name of the trustee or trustees, stating that they are issued pursuant to said agreement. [In t] The books of the corporation [, it] shall STATE [be noted] that the transfer in the name of the trustee or trustees is made pursuant to said voting trust agreement.

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

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

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

No voting trust agreement shall be entered into for [the] purposeS of circumventing the lawS against [monopolies and illegal combinations in restraint of trade] ANTI-COMPETITIVE AGREEMENTS, ABUSE OF DOMINANT POSITION, ANTI-COMPETITIVE MERGERS AND ACQUISITIONS, VIOLATION OF NATIONALITY AND CAPITAL REQUIREMENTS, OR [or used for purposes of fraud [.] FOR THE PERPETUATION OF FRAUD.

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

The voting trustee or trustees may vote by proxy **OR IN ANY MANNER AUTHORIZED UNDER THE BY-LAWS** unless the agreement provides otherwise.

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

Sec. 61. *Pre-incorporation subscription.* – A subscription **OF** [for] shares [of stock of] **IN** a corporation still to be formed shall be irrevocable for a period of at least six (6) months from the date of subscription, unless all of the other subscribers consent to the revocation, or [unless] the [incorporation of said] corporation fails to [materialize] **INCORPORATE** within **THE SAME** [said] period or within [a] **A** longer period [as may be] stipulated in the contract of subscription.[: Provided, That n]No pre-incorporation subscription may be revoked after [the submission of] the articles of incorporation **IS SUBMITTED** to the [Securities and Exchange] Commission.

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

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

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

shall initially be determined by the incorporators or the board of directors, subject to **THE** approval [by] **OF** the [Securities and Exchange] Commission.

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

The issued price of no-par value shares may be fixed in the articles of incorporation or by the board of directors pursuant to authority conferred [upon it] by the articles of incorporation or the by-laws, or [in the absence thereof] **IF NOT SO FIXED**, by the stockholders representing at least a majority of the outstanding capital stock at a meeting duly called for the purpose.

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

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

Sec. 64. *Issuance of stock certificates.* – No certificate of stock shall be issued to a subscriber until the full amount of his **OR HER** subscription together with interest and expenses (in case of delinquent shares), if any is due, has been paid.

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Sec. 65. *Liability of directors for watered stocks.* – A[ny] director or officer of a corporation **WHO:** a) consentS[ing] to the issuance of stocks for a consideration less than its par or issued value; b) consents to the **ISSUANCE OF STOCKS [or] FOR A CONSIDERATION** [in any form] other than cash, valued in excess of its fair value; **OR c)** [or who,] having knowledge **OF THE INSUFFICIENT CONSIDERATION** [thereof], does not [forthwith] **FILE** [express] his **OR HER WRITTEN** objection [in writing and file the same] with the corporate secretary, shall be [solidarily,] liable **TO THE CORPORATION OR ITS CREDITORS, SOLIDARILY** with the stockholder concerned [to the corporation and its creditors] for the difference between the [fair] value received at the time of issuance of the stock and the par or issued value of the same.

Sec. 66. *Interest on unpaid subscriptions.* – Subscribers [for] **TO** stockS shall **BE LIABLE** [pay] to the corporation **FOR** interest on all unpaid subscriptions from the date of subscription, if so required by, and at the rate of interest fixed in the by-laws. If no rate of interest is fixed in the by-laws, [such rate shall be deemed to be] the **PREVAILING** legal rate **SHALL APPLY.**

Sec. 67. *Payment of balance of subscription.* – Subject to the provisions of the [contract of] subscription **CONTRACT**, the board of directors [of any stock corporation] may at any time, declare due and payable to the corporation unpaid subscriptions [to the capital stock] and may collect the same or such percentage thereof, in either case, with accrued interest, if any, as it may deem necessary.

Payment of [any] unpaid subscription or any percentage thereof, together with [the] **ANY** interest accrued[, if any,] shall be made on the date specified in the [contract of] subscription **CONTRACT** or on the date stated in the call made by the board. Failure to pay on such date shall render the entire balance due and payable and shall make the stockholder liable for interest at the legal rate on such balance, unless a different [rate of] interest **RATE** is provided in the by-laws.[,] **THE INTEREST SHALL BE** computed from [such] **THE** date **SPECIFIED**, until full payment **OF THE SUBSCRIPTION.** If **NO PAYMENT IS MADE** within thirty (30) days from the said date, [no payment is made,] all stocks covered by said subscription shall thereupon become delinquent and shall be subject to sale as hereinafter provided, unless the board of directors orders otherwise.

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

Notice of said sale, with a copy of the resolution, shall be sent to every delinquent stockholder either personally, [or] by registered mail, **OR THROUGH OTHER MEANS PROVIDED IN THE BY-LAWS.** The same shall [furthermore] be published once a week for two (2) consecutive weeks in a newspaper of general circulation in the province or city where the principal office of the corporation is located.

Unless the delinquent stockholder pays to the corporation, on or before the date specified for the sale of the delinquent stock, the balance due on his **OR HER** subscription, plus accrued interest, costs of advertisement and expenses of sale, or unless the board of directors otherwise orders, said delinquent stock shall be sold at **A** public auction to such bidder who shall offer to pay the full amount of the balance on the subscription together with accrued interest, costs of advertisement and expenses of sale, for the smallest number of shares or fraction of a share. The stock so purchased shall be transferred to such purchaser in the books of the corporation and a certificate for such stock shall be issued in his **OR HER** favor. The remaining shares, if any, shall be credited in favor of the delinquent stockholder who shall likewise be entitled to the issuance of a certificate of stock covering such shares.

Should there be no bidder at the public auction who offers to pay the full amount of the balance on the subscription together with accrued interest, costs of advertisement and expenses of sale, for the smallest number of shares or fraction of a share, the corporation may, subject to the provisions of this Code, bid for the same, and the total amount due shall be credited as [paid in] **FULLY PAID** in the books of the corporation. Title to all the shares of stock covered by the subscription shall be vested in the corporation as treasury shares and may be disposed of by said corporation in accordance with the provisions of this Code.

Sec. 69. *When sale may be questioned.* – No action to recover delinquent stock sold can be sustained upon the ground of irregularity or defect in the notice of sale, or in the sale itself of the delinquent stock, unless the party seeking

to maintain such action first pays or tenders to the party holding the stock the sum for which the same was sold, with interest from the date of sale at the legal rate; and no such action shall be maintained unless [it is commenced by the filing of] a complaint **IS FILED** within six (6) months from the date of sale.

Sec. 70. Court action to recover unpaid subscription. – Nothing in this Code shall prevent the corporation from collecting [by action in a court of proper jurisdiction] **THROUGH COURT ACTION**, the amount due on any unpaid subscription, with accrued interest, costs and expenses.

Sec. 71. Effect of delinquency. – No delinquent stock shall be voted for, [or] be entitled to vote, or [to] **BE** represented at any stockholder's meeting, nor shall the holder thereof be entitled to any of the rights of a stockholder except the right to dividends in accordance with the provisions of this Code, until and unless he pays the amount due on his **OR HER** subscription with accrued interest, and the costs and expenses of advertisement, if any.

Sec. 72. Rights of unpaid shares, NON-DELINQUENT. – Holders of subscribed shares not fully paid which are not delinquent shall have all the rights of a stockholder.

Sec. 73. Lost or destroyed certificates. – The following procedure shall be followed **BY A CORPORATION** [for] **IN** [the] **ISSUING** [ance by a corporation of] new certificates of stock in lieu of those which have been lost, stolen or destroyed:

1. The registered owner of a certificate of stock in a corporation or his **OR HER** legal representative shall file with the corporation an affidavit in triplicate setting forth, if possible, the circumstances as to how the certificate was lost, stolen or destroyed, the number of shares represented by such certificate, the serial number of the certificate and the name of the corporation which issued the same. He **OR SHE** shall also submit such other information and evidence which he **OR SHE** may deem necessary;
2. After verifying the affidavit and other information and evidence with the books of the corporation, said corporation shall publish a notice in a newspaper of general circulation published in the place where the corporation has its principal office, once a week for three (3) consecutive weeks at the expense of the registered owner of the certificate of stock which has been lost,

stolen or destroyed. The notice shall state the name of said corporation, the name of the registered owner, [and] the serial number of said certificate, [and] the number of shares represented by such certificate, and **SHALL STATE** that after the expiration of one (1) year from the date of the last publication, if no contest has been presented to **THE** [said] corporation regarding said certificate of stock, the right to make such contest shall be barred and [said] **THE** corporation shall cancel **THE LOST, DESTROYED OR STOLEN** [in its books the] certificate of stock **IN ITS BOOKS** [which has been lost, stolen or destroyed and]. [issue] In lieu thereof, **THE CORPORATION SHALL ISSUE A** new certificate of stock, unless the registered owner files a bond or other security [in lieu thereof] as may be required, effective for a period of one (1) year, for such amount and in such form and with such sureties as may be satisfactory to the board of directors, in which case a new certificate may be issued even before the expiration of the one (1) year period provided herein.[: Provided, That i] If a contest has been presented to said corporation or if an action is pending in court regarding the ownership of said certificate of stock which has been lost, stolen or destroyed, the issuance of the new certificate of stock in lieu thereof shall be suspended until the final decision by the court regarding the ownership of said certificate of stock which has been lost, stolen or destroyed.

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

Sec. 74. Books to be kept; stock transfer agent. – Every corporation shall keep and carefully preserve at its principal office **ALL INFORMATION RELATING TO THE CORPORATION INCLUDING, BUT NOT LIMITED TO:**

1. **THE ARTICLES OF INCORPORATION AND BY-LAWS OF THE CORPORATION AND ALL THEIR AMENDMENTS;**
2. **THE CURRENT OWNERSHIP STRUCTURE AND VOTING RIGHTS OF THE CORPORATION, INCLUDING LISTS OF STOCKHOLDERS OR MEMBERS, GROUP STRUCTURES, INTRA-GROUP RELATIONS, OWNERSHIP DATA, AND BENEFICIAL OWNERSHIP;**

3. **THE NAMES AND ADDRESSES OF ALL THE MEMBERS OF THE BOARD OF DIRECTORS OR TRUSTEES AND THE EXECUTIVE OFFICERS;**
4. [A] **A record of all business transactions;**
5. **A RECORD OF THE RESOLUTIONS OF THE BOARD OF DIRECTORS OR TRUSTEES AND OF THE STOCKHOLDERS OR MEMBERS;**
6. **COPIES OF THE LATEST REPORTORIAL REQUIREMENTS SUBMITTED TO THE COMMISSION;** and
7. **THE** minutes of all meetings of stockholders or members, or of the board of directors or trustees[,]. **SUCH MINUTES** [in which] shall [be] set forth in detail, **AMONG OTHERS:** the time and place of [holding] the meeting **HELD**, how **IT WAS** authorized, the notice given, **THE AGENDA THEREFOR**, whether the meeting was regular or special, [if special,] its object **IF SPECIAL**, those present and absent, and every act done or ordered done at the meeting. Upon the demand of a[ny] director, trustee, stockholder or member, the time when any director, trustee, stockholder or member entered or left the meeting must be noted in the minutes; and on a similar demand, the yeas and nays must be taken on any motion or proposition, and a record thereof carefully made. The protest of a[ny] director, trustee, stockholder or member on any action or proposed action must be recorded in full on his **OR HER** demand.

[SUBJECT TO THE PROVISIONS OF THE DATA PRIVACY ACT,] [The] **CORPORATE** records, [of all business transactions of the corporation and the minutes of any meetings] **REGARDLESS OF THE FORM IN WHICH THEY ARE STORED**, shall be open to inspection by any director, trustee, stockholder or member of the corporation **IN PERSON OR BY A REPRESENTATIVE** at reasonable hours on business days, and he **OR SHE** may demand [,] in writing, **AT HIS OR HER EXPENSE**, for [a copy of] **COPIES** of **SUCH RECORDS OR** excerpts from said records [or minutes, at his expense]. **THE INSPECTING OR REPRODUCING PARTY SHALL REMAIN BOUND BY CONFIDENTIALITY RULES UNDER PREVAILING LAWS SUCH AS THE DATA PRIVACY ACT, RULES ON TRADE SECRETS OR PROCESSES, SECURITIES REGULATION CODE, AND RULES OF COURT.**

THERE IS NO RIGHT TO INSPECT AND/OR REPRODUCE CORPORATE RECORDS IF

THE REQUESTING PARTY IS NOT A STOCKHOLDER OR MEMBER OF RECORD, OR IS A COMPETITOR, DIRECTOR, OFFICER, CONTROLLING STOCKHOLDER OR OTHERWISE REPRESENTS THE INTERESTS OF A COMPETITOR.

ANY STOCKHOLDER WHO SHALL ABUSE THE RIGHTS GRANTED UNDER THIS SECTION SHALL BE PENALIZED UNDER SECTION 171 OF THIS CODE.

Any officer or agent of the corporation who shall refuse to allow [any director, trustee, stockholder or member of the corporation to examine and/OR copy excerpts from its records or minutes,] **THE INSPECTION AND/OR REPRODUCTION OF RECORDS** in accordance with the provisions of this Code, shall be liable to such director, trustee, stockholder or member for damages, and in addition, shall be guilty of an offense which shall be punishable under Section [144] 162 of this Code: Provided, That if such refusal is made pursuant to a resolution or order of the board of directors or trustees, the liability under this section for such action shall be imposed upon the directors or trustees who voted for such refusal: and Provided, further, That it shall be a defense to any action under this section that the person demanding to examine and copy excerpts from the corporation's records and minutes has improperly used any information secured through any prior examination of the records or minutes of such corporation or of any other corporation, or was not acting in good faith or for a legitimate purpose in making his **OR HER** demand, **OR IS A COMPETITOR, DIRECTOR, OFFICER, CONTROLLING STOCKHOLDER OR OTHERWISE REPRESENTS THE INTERESTS OF A COMPETITOR.**

IF THE CORPORATION DENIES OR DOES NOT ACT UPON A DEMAND FOR INSPECTION AND/OR REPRODUCTION, THE AGGRIEVED PARTY MAY REPORT SUCH TO THE COMMISSION. WITHIN FIVE (5) DAYS FROM RECEIPT OF SUCH REPORT, THE COMMISSION SHALL CONDUCT A SUMMARY INVESTIGATION AND ISSUE AN ORDER DIRECTING THE INSPECTION OR REPRODUCTION OF THE REQUESTED RECORDS [SUBJECT OF THE REQUEST REQUESTED].

[THE DIRECTOR, TRUSTEE, STOCKHOLDER OR MEMBER WHOSE RIGHT TO INSPECTION AND/OR REPRODUCTION OF RECORDS WAS DENIED OR NOT ACTED UPON MAY FILE BEFORE A COURT

OF COMPETENT JURISDICTION, AN ACTION TO COMPEL INSPECTION OF CORPORATE RECORDS SHOWING THAT, DESPITE THE LAPSE OF FIVE (5) DAYS FROM RECEIPT OF HIS WRITTEN DEMAND AND DESPITE HAVING BEEN ORDERED BY THE COMMISSION TO DO SO, THE CORPORATION, OR AN OFFICER OR AGENT THEREOF, REFUSED TO ALLOW THE INSPECTION AND/OR REPRODUCTION OR FAILED TO REPLY TO THE WRITTEN DEMAND AND TO THE ORDER OF THE COMMISSION. THE COURT MAY, AFTER SUMMARY PROCEEDINGS, ORDER THE CORPORATION TO PERMIT THE INSPECTION AND/OR REPRODUCTION OR ISSUE ANY SUCH ORDER OR FURTHER RELIEF AS IT MAY DEEM JUST AND PROPER.]

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

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

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

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

However, if the [paid-up capital] **TOTAL ASSETS OR TOTAL LIABILITIES** of the corporation is less than [P50, 000] **P600,000.00, OR SUCH OTHER AMOUNT AS MAY BE DETERMINED APPROPRIATE BY THE DEPARTMENT OF FINANCE,** the financial statements may be certified under oath by the treasurer [or any responsible officer of the corporation.] **AND THE PRESIDENT.**

Sec. 76. Plan [or] OF merger [of] OR consolidation. - Two or more corporations may merge into a single corporation which shall be one of the constituent corporations or may consolidate into a new single corporation which shall be the consolidated corporation.

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

1. The names of the corporations proposing to merge or consolidate, hereinafter referred to as the constituent corporations;
2. The terms of the merger or consolidation and the mode of carrying the same into effect;
3. A statement of the changes, if any, in the articles of incorporation of the surviving corporation in case of merger; and, [with respect to the consolidated corporation] in case of consolidation, all the statements required to be set forth in the articles of incorporation for corporations organized under this Code; and

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Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or desirable.

Sec. 77. Stockholder['s] or member['s] approval. – Upon approval by majority vote of each of the board of directors or trustees of the constituent corporations of the plan of merger or consolidation, the same shall be submitted for approval by the stockholders or members of each of such corporations at separate corporate meetings duly called for the purpose. Notice of such meetings shall be given to all stockholders or members of the respective corporations **IN THE SAME MANNER AS GIVING NOTICE OF REGULAR OR SPECIAL MEETINGS UNDER SECTION 50.** [, at least two (2) weeks prior to the date of the meeting, either personally or by registered mail.] Said notice shall state the purpose of the meeting and [shall] include a copy or a summary of the plan of merger or consolidation.

The affirmative vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock of each corporation in the case of stock corporations or at least two-thirds (2/3) of the members in the case of non-stock corporations shall be necessary for the approval of such plan. Any dissenting stockholder [in stock corporations] may exercise his appraisal right in accordance with the Code: Provided, That if after the approval by the stockholders of such plan, the board of directors decides to abandon the plan, the appraisal right shall be extinguished.

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

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

1. The plan of the merger or the plan of consolidation;
2. As to stock corporations, the number of shares outstanding, or in the case of non-stock corporations, the number of members; [and]
3. As to each corporation, the number of shares or members voting for [and] **OR** against such plan, respectively [.];
4. **THE CARRYING AMOUNTS AND FAIR VALUES OF THE ASSETS AND LIABILITIES OF THE RESPECTIVE COMPANIES AS OF THE AGREED CUT-OFF DATE [AGREED BY THE PARTIES];**
5. **THE METHOD TO BE USED IN THE MERGER OR CONSOLIDATION OF ACCOUNTS OF THE COMPANIES;**
6. **THE PROVISIONAL OR PRO-FORMA VALUES, AS MERGED OR CONSOLIDATED, USING THE ACCOUNTING METHOD; AND**
7. **SUCH OTHER INFORMATION AS MAY BE PRESCRIBED BY THE COMMISSION.**

Section 79. Effectivity of merger or consolidation. - The articles of merger or consolidation, signed and certified as [herein above] required **BY THE CODE**, shall be submitted to the [Securities and Exchange] Commission in quadruplicate for its approval: Provided, That in the case of merger or consolidation of banks or banking institutions, [building and] loan associations, trust companies, insurance companies, public utilities, educational institutions, and other special corporations governed by special laws, the favorable recommendation of the appropriate government agency shall first be obtained. If the Commission is satisfied that the merger or consolidation of the corporations concerned is not inconsistent with the provisions of this Code and existing laws, it shall issue a certificate [of APPROVAL OF] **APPROVING THE ARTICLES AND PLAN OF** merger or of consolidation, at which time the merger or consolidation shall be effective; **PROVIDED, THAT, IF THE MERGER OR CONSOLIDATION REQUIRES THAT THE PHILIPPINE COMPETITION COMMISSION BE NOTIFIED PURSUANT TO REPUBLIC ACT NO. 10667 AND ITS IMPLEMENTING RULES AND REGULATIONS, THE MERGER OR CONSOLIDATION SHALL BECOME EFFECTIVE ONLY AFTER THE PHILIPPINE COMPETITION COMMISSION HAS CONCLUDED ITS REVIEW OF THE TRANSACTION.**



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

Sec. 80. Effects of merger or consolidation.

– The merger or consolidation shall have the following effects:

1. The constituent corporations shall become a single corporation which, in case of merger, shall be the surviving corporation designated in the plan of merger; and, in case of consolidation, shall be the consolidated corporation designated in the plan of consolidation;
2. The separate existence of the constituent corporations shall cease, except that of the surviving or the consolidated corporation;
3. The surviving or the consolidated corporation shall possess all the rights, privileges, immunities and powers and shall be subject to all the duties and liabilities of a corporation organized under this Code;
4. The surviving or the consolidated corporation shall [thereupon and thereafter] possess all the rights, privileges, immunities and franchises of each [of the] constituent corporation[s]; and all **REAL OR PERSONAL** property, [real or personal,] [and] all receivables due on whatever account, including subscriptions to shares and other choses in action, and [all and] every other interest of, [or] belonging to, or due to each constituent corporation, shall be deemed transferred to and vested in such surviving or consolidated corporation without further act or deed; and
5. The surviving or consolidated corporation shall be responsible [and liable] for all the liabilities and obligations of each [of the] constituent corporation[s] in the same manner] as [if] **THOUGH** such surviving or consolidated corporation had itself incurred such liabilities or obligations; and any pending claim, action or proceeding brought by or against any [of such] constituent corporation[s] may be prosecuted by or against the surviving or consolidated corporation. The rights of creditors or liens upon the property

of [any of] such constituent corporations shall not be impaired by [such] **THE** merger or consolidation.

Sec. 81. Instances of appraisal right - Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his **OR HER** shares in the following instances:

1. In case an [y] amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code; and
3. In case of merger or consolidation [WHETHER DE JURE OR DE FACTO.]

Sec. 82. How right is exercised. – [The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares:] **THE DISSENTING STOCKHOLDER WHO VOTES AGAINST A PROPOSED CORPORATE ACTION MAY EXERCISE HIS OR HER APPRAISAL RIGHT BY MAKING A WRITTEN DEMAND ON THE CORPORATION FOR THE PAYMENT OF THE FAIR VALUE OF HIS OR HER SHARES WITHIN THIRTY (30) DAYS FROM THE DATE ON WHICH THE VOTE WAS TAKEN:** Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented [or affected], the corporation shall pay [to such] **THE** stockholder, upon surrender of the certificate or certificates of stock representing his **OR HER** shares, the fair value thereof as of the day [prior to the date on which] **BEFORE** the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within [a period of] sixty (60) days from the [date the] **APPROVAL OF THE** corporate action [was approved] by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the

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corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: and Provided, further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his **OR HER** shares to the corporation.

Sec. 83. Effect of demand and termination of right. – From the time of demand for payment of the fair value of a stockholder's shares until either the abandonment of the corporate action involved or the purchase of the said shares by the corporation, all rights accruing to such shares, including voting and dividend rights, shall be suspended in accordance with the provisions of this Code, except the right of such stockholder to receive payment of the fair value thereof: Provided, That if the dissenting stockholder is not paid the value of his **OR HER** shares within **THIRTY** 30 days after the award, his **OR HER** voting and dividend rights shall immediately be restored.

Sec. 84. When right to payment ceases. – No demand for payment under this Title may be withdrawn unless the corporation consents thereto. If, however, such demand for payment is withdrawn with the consent of the corporation, or if the proposed corporate action is abandoned or rescinded by the corporation or disapproved by the [Securities and Exchange] Commission where such approval is necessary, or if the [Securities and Exchange] Commission determines that such stockholder is not entitled to the appraisal right, then the right of said stockholder to be paid the fair value of his **OR HER** shares shall cease, his **OR HER** status as a stockholder shall [thereupon] be restored, and all dividend distributions which would have accrued on his **OR HER** shares shall be paid to him **OR HER**.

Sec. 85. Who bears costs of appraisal. – The costs and expenses of appraisal shall be borne by the corporation, unless the fair value ascertained by the appraisers is approximately the same as the price which the corporation may have offered to pay the stockholder, in which case they shall be borne by the latter. In the case of an action to recover such fair value, all costs and expenses shall be assessed against the corporation, unless the refusal of the stockholder to receive payment was unjustified.

Sec. 86. Notation on certificates; rights of transferee. – Within ten (10) days after demanding payment for his **OR HER** shares, a dissenting stockholder shall submit the certificates of stock representing his **OR HER** shares to the corporation for notation [thereon] that such shares are dissenting shares. His **OR HER** failure to do so shall, at the option of the corporation, terminate his **OR HER** rights under this Title. If shares represented by the certificates bearing such notation are transferred, and the certificates consequently cancelled, the rights of the transferor as a dissenting stockholder under this Title shall cease and the transferee shall have all the rights of a regular stockholder; and all dividend distributions which would have accrued on such shares shall be paid to the transferee.

Sec. 87. Definition. – For [the] purposes of this Code **AND SUBJECT TO ITS PROVISIONS ON DISSOLUTION**, a non-stock corporation is one where no part of its income is distributable as dividends to its members, trustees, or officers, [subject to the provisions of this Code on dissolution]: Provided, That any profit which a non-stock corporation may obtain [as an] incident to its operations shall, whenever necessary or proper, be used for the furtherance of the purpose or purposes for which the corporation was organized, subject to the provisions of this Title.

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

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

Sec. 89. Right to vote. – The right of the members of any class or classes to vote may be limited, broadened, or denied to the extent specified in the articles of incorporation or the by-laws. Unless so limited, broadened, or denied, each member, regardless of class, shall be entitled to one vote.

Unless otherwise provided in the articles of incorporation or the by-laws, a member may vote by proxy, in accordance with the provisions of this Code. **THE BY-LAWS MAY LIKEWISE**

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AUTHORIZE VOTING THROUGH REMOTE COMMUNICATION AND/OR IN ABSENTIA.

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

Sec. 90. Non-transferability of membership. – Membership in a non-stock corporation and all rights arising therefrom are personal and non-transferable, unless the articles of incorporation or the by-laws otherwise provide.

Sec. 91. Termination of membership. – Membership shall be terminated in the manner and for the causes provided in the articles of incorporation or the by-laws. Termination of membership shall [have the effect of] extinguish[ing] all rights of a member in the corporation or in its property, unless otherwise provided in the articles of incorporation or the by-laws.

Sec. 92. Election and term of trustees. – [Unless otherwise provided in the articles of incorporation or the by-laws,] **THE NUMBER OF TRUSTEES** [board of trustees of non-stock corporations] **SHALL BE FIXED IN THE ARTICLES OF INCORPORATION OR BY-LAWS BUT SHALL NOT EXCEED** [, which may be more than] fifteen (15) [in number as may be fixed in their articles of incorporation or by-laws, shall]. **THEY SHALL HOLD OFFICE FOR NOT MORE THAN THREE (3) YEARS UNTIL THEIR SUCCESSORS ARE ELECTED AND QUALIFIED.** [as soon as organized, so classify themselves that the term of office of one-third (1/3) of their number shall expire every year ; and subsequent elections of trustees comprising one-third (1/3) of the board of trustees shall be held annually and trustees so elected shall have a term of three (3) years.] Trustees [thereafter] elected to fill vacancies occurring before the expiration of a particular term shall hold office only for the unexpired period.

EXCEPT WITH RESPECT TO INDEPENDENT TRUSTEES OF NON-STOCK CORPORATIONS VESTED WITH PUBLIC INTEREST, [N]o person shall be elected as trustee unless he **OR SHE** is a member of the corporation.

Unless otherwise provided in the articles of incorporation or the by-laws, [officers of a non-stock corporation may be directly elected by the members] **THE MEMBERS MAY DIRECTLY ELECT OFFICERS OF A NON-STOCK CORPORATION.**

Sec. 93. LIST OF MEMBERS AND PROXIES, *Place of meetings.* [, *LIST OF MEMBERS AND PROXIES.*] – **THE CORPORATION SHALL, AT ALL TIMES, KEEP A LIST OF ITS MEMBERS AND THEIR PROXIES IN THE FORM THE COMMISSION MAY REQUIRE, WHICH LIST SHALL BE UPDATED TO REFLECT THE MEMBERS AND PROXIES OF RECORD AS OF TWENTY (20) DAYS PRIOR TO ANY SCHEDULED ELECTION.** The by-laws may provide that the members of a non-stock corporation may hold their regular or special meetings at any place even outside the place where the principal office of the corporation is located: Provided, That proper notice is sent to all members indicating the date, time and place of the meeting: and Provided[,] further, That the place of meeting shall be within the Philippines.

Chapter III - DISTRIBUTION OF ASSETS IN NON-STOCK CORPORATIONS

Sec. 94. Rules of distribution. - In case of dissolution of a non-stock corporation in accordance with the provisions of this Code **FOR REASONS OTHER THAN THOSE SET FORTH IN SECTION 139 [(4)] (5),** its assets shall be applied and distributed as follows:

1. All liabilities and obligations of the corporation shall be paid, satisfied and discharged, or adequate provision shall be made therefor[e];
2. Assets held by the corporation upon a condition requiring return, transfer or conveyance, and which condition occurs by reason of the dissolution, shall be returned, transferred or conveyed in accordance with such requirements;
3. Assets received and held by the corporation subject to limitations permitting their use only for charitable, religious, benevolent, educational or similar purposes, but not held upon a condition requiring return, transfer or conveyance by reason of the dissolution, shall be transferred or conveyed to one or more corporations, societies or organizations engaged in activities in the Philippines substantially similar to those of the dissolving corporation according to a plan of distribution adopted pursuant to this Chapter;
4. Assets other than those mentioned in the preceding paragraphs, if any, shall be distributed in accordance with the provisions of the articles of incorporation or the by-laws, to the extent that the articles of incorporation or the by-laws, determine the

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

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

Sec. 95. *Plan of distribution of assets.* – A plan providing for the distribution of assets, [not in]consistent with the provisions of this Title, may be adopted by a non-stock corporation in the process of dissolution in the following manner:

The board of trustees shall, by majority vote, adopt a resolution recommending a plan of distribution and directing the submission thereof to a vote at a regular or special meeting of members having voting rights. **EACH MEMBER ENTITLED TO VOTE SHALL BE GIVEN A [W]ritten notice** setting forth the proposed plan of distribution or a summary thereof and the date, time and place of such meeting [shall be given to each member entitled to vote,] within the time and in the manner provided in this Code for the giving of notice of meetings [to members]. Such plan of distribution shall be adopted upon approval of at least two-thirds (2/3) of the members having voting rights present or represented by proxy at such meeting.

**TITLE XII
CLOSE CORPORATIONS**

Sec. 96. *Definition and applicability of Title.* - A close corporation, within the meaning of this Code, is one whose articles of incorporation provideS that: (1) All the corporation’s issued stock of all classes, exclusive of treasury shares, shall be held of record by not more than a specified number of persons, not exceeding twenty (20); (2) all the issued stock of all classes shall be subject to one or more specified restrictions on transfer permitted by this Title; and (3) The corporation shall not list in any stock exchange or make any public offering of [any of] its stockS of any class. Notwithstanding the foregoing, a corporation shall not be deemed a close corporation when at least two-thirds (2/3) of its voting stock or voting rights is owned or controlled by another corporation which is not a close corporation within the meaning of this Code.

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

The provisions of this Title shall primarily govern close corporations, Provided, That [the provisions of] other Titles **IN** [of] this Code shall apply suppletorily, except [insofar as this Title] **AS** otherwise provideD[s] **UNDER THIS TITLE.**

Sec. 97. *Articles of incorporation.* – The articles of incorporation of a close corporation may provide **FOR:**

- 1. [For a] **A** classification of shares or rights [and], the qualifications for owning or holding the same, and restrictions on their transfers [as may be stated therein], subject to the provisions of the following section;
- 2. [For] **A** classification of directors into one or more classes, each of whom may be voted for and elected solely by a particular class of stock; and
- 3. [For a g] **Greater** quorum or voting requirements in meetings of stockholders or directors than those provided in this Code.

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

- 1. No meeting of stockholders need be called to elect directors;
- 2. [Unless the context clearly requires otherwise, the] **THE** stockholders of the corporation shall be deemed to be directors for the purpose of applying the provisions of this Code, **UNLESS THE CONTEXT CLEARLY REQUIRES OTHERWISE;** and
- 3. The stockholders of the corporation shall be subject to all liabilities of directors.

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

Sec. 98. *Validity of restrictions on transfer of shares.* – Restrictions on the right to transfer shares must appear in the articles of incorporation, [and] in the by-laws, as well as in the certificate of stock,[:] otherwise, the same shall

not be binding on any purchaser [thereof] in good faith. Said restrictions shall not be more onerous than granting the existing stockholders or the corporation the option to purchase the shares of the transferring stockholder with such reasonable terms, conditions or period stated [therein]. If upon the expiration of said period, the existing stockholders or the corporation fails to exercise the option to purchase, the transferring stockholder may sell his **OR HER** shares to any third person.

Sec. 99. Effects of issuance or transfer of stock in breach of qualifying conditions. -

1. If **A** stock of a close corporation is issued or transferred to any person who is not **ELIGIBLE** [entitled under any provision of the articles of incorporation] to be a holder [of record of its stock] **THEREOF UNDER ANY PROVISION OF THE ARTICLES OF INCORPORATION**, and if the certificate for such stock conspicuously shows the qualifications of the persons entitled to be holders of record thereof, such person is conclusively presumed to have notice of the fact of his ineligibility to be a stockholder.
2. If the articles of incorporation of a close corporation states the number of persons, not exceeding twenty (20), who are entitled to be **STOCK**holders of record [of its stock], and if the certificate for such stock conspicuously states such number, and [if] the issuance or transfer of stock to any person would cause the stock to be held by more than such number of persons, the person to whom such stock is issued or transferred is conclusively presumed to have notice of this fact.
3. If a stock certificate of a[ny] close corporation conspicuously shows a restriction on transfer of [stock of] the corporation's **STOCK AND THE TRANSFEREE ACQUIRES THE STOCK IN VIOLATION OF SUCH RESTRICTION**, the transferee [of the stock] is conclusively presumed to have notice of the fact that he **OR SHE** has acquired **THE** stock in violation of the restriction[, if such acquisition violates the restriction].
4. Whenever a[ny] person to whom stock of a close corporation has been issued or transferred has, or is conclusively presumed under this section to have, notice either **THAT**: (a) [that] he **OR SHE** is a person [not] **IN**eligible to be a **STOCK**holder of [stock of] the corporation, or (b) [that] transfer of stock to him **OR HER** would cause the

stock of the corporation to be held by more than the number of persons permitted [by]**UNDER** its articles of incorporation [to hold stock of the corporation,] or (c) [that] the transfer [of stock is in] violat**ES**[ion of] a restriction on transfer of stock, the corporation may, at its option, refuse to register the transfer [of stock] in the name of the transferee.

5. The provisions of subsection (4) shall not be applicable if the transfer of stock, though contrary to subsections (1), (2) or (3), has been consented to by all the stockholders of the close corporation, or if the close corporation has amended its articles of incorporation in accordance with this Title.
6. The term "transfer", as used in this section, is not limited to a transfer for value.
7. The provisions of this section shall not impair any right which the transferee may have to **EITHER** rescind the transfer or [to] recover **THE STOCK** under any [applicable] **EXPRESS OR IMPLIED** warranty[, express or implied].

Sec. 100. Agreements by stockholders. -

1. Agreements [by and among stockholders] **DULY SIGNED AND** executed **BY AND AMONG ALL STOCKHOLDERS** before the formation and organization of a close corporation [, signed by all stockholders,] shall survive the incorporation [of such corporation] and shall continue to be valid and binding between [and among] such stockholders, if such be their intent, to the extent that such agreements are [not in]consistent with the articles of incorporation, irrespective of where the provisions of such agreements are contained, except those required by this Title to be embodied in said articles of incorporation.
2. A[n] **WRITTEN** agreement [between] **SIGNED BY** two or more stockholders, [if in writing and signed by the parties thereto,] may provide that in exercising any voting rights, the shares held by them shall be voted as [therein] provided [,or] as [they may] agree**D**, or [as determined] in accordance with a procedure agreed upon by them.
3. No provision in a[ny] written agreement signed by the stockholders, relating to any phase of the corporate affairs, shall be invalidated as between the parties, on the ground that its effect is to make them partners among themselves.

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4. A written agreement among some or all of the stockholders in a close corporation shall not be invalidated on the ground that it [so] relates to the conduct of the business and affairs of the corporation as to restrict or interfere with the discretion or powers of the board of directors: Provided, That such agreement shall impose on the stockholders who are parties thereto the liabilities for managerial acts imposed by this Code on directors.
5. [To the extent that the] S[s]tockholders [are] actively engaged in the management or operation of the business and affairs of a close corporation[, the stockholders] shall be held to strict fiduciary duties to each other and among themselves. Said stockholders shall be personally liable for corporate torts unless the corporation has obtained reasonably adequate liability insurance.

Sec. 101. *When board meeting is unnecessary or improperly held.* - Unless the by-laws provide otherwise, any action by the directors of a close corporation without a meeting shall nevertheless be deemed valid if:

1. Before or after such action is taken, written consent thereto is signed by all the directors; or
2. All the stockholders have actual or implied knowledge of the action and make no prompt objection [thereto] in writing; or
3. The directors are accustomed to take informal action with the express or implied acquiescence of all the stockholders; or
4. All the directors have express or implied knowledge of the action in question and none of them makes prompt objection [thereto] in writing.

AN ACTION WITHIN THE CORPORATE POWERS TAKEN AT A MEETING [If a director's meeting is] held without proper call or notice, [an action taken therein within the corporate powers] is deemed ratified by a director who failed to attend, unless **AFTER HAVING KNOWLEDGE THEREOF**, he **OR SHE** promptly files his written objection with the secretary of the corporation [after having knowledge thereof].

Sec. 102. *Pre-emptive right in close corporations.* - The pre-emptive right of stockholders in close corporations shall extend to all stock to be issued, including reissuance of treasury shares, whether for money, property or personal services, or in payment of corporate debts, unless the articles of incorporation provide otherwise.

Sec. 103. *Amendment of articles of incorporation.* - Any amendment to the articles of incorporation which seeks to delete or remove any provision required by this Title [to be contained in the articles of incorporation] or to reduce a quorum or voting requirement stated in said articles of incorporation shall [not be valid or effective unless approved by] **REQUIRE** the affirmative vote of at least two-thirds (2/3) of the outstanding capital stock, whether with or without voting rights, or of such greater proportion of shares as may be specifically provided in the articles of incorporation for amending, deleting or removing any of the aforesaid provisions, at a meeting duly called for the purpose.

Sec. 104. *Deadlocks.* - Notwithstanding any contrary provision in the **CLOSE CORPORATION'S** articles of incorporation, [or] by-laws, or [agreement of] stockholders' **AGREEMENT** [of a close corporation], if the directors or stockholders are so divided [respecting] **ON** the management of the corporation's business and affairs that the votes required for a[ny] corporate action cannot be obtained, with the consequence that the business and affairs of the corporation can no longer be conducted to the advantage of the stockholders generally, the [Securities and Exchange] Commission, upon written petition by any stockholder, shall have the power to arbitrate the dispute. In the exercise of such power, the Commission shall have authority to make [such order as it deems appropriate, including an] **APPROPRIATE** order**S**, **SUCH AS**: (1) cancelling or altering any provision contained in the articles of incorporation, by-laws, or any stockholder's agreement; (2) cancelling, altering or enjoining a[ny] resolution or act of the corporation or its board of directors, stockholders, or officers; (3) directing or prohibiting any act of the corporation or its board of directors, stockholders, officers, or other persons party to the action; (4) requiring the purchase at their fair value of shares of any stockholder, either by the corporation regardless of the availability of unrestricted retained earnings in its books, or by the other stockholders; (5) appointing a provisional director; (6) dissolving the corporation; or (7) granting such other relief as the circumstances may warrant.

A provisional director shall be an impartial person who is neither a stockholder nor a creditor of the corporation or [of] any **OF ITS** subsidiar**IES**[y] or affiliate**S** [of the corporation], and whose further qualifications, if any, may be determined by the Commission. A provisional director is not a receiver of the corporation and

does not have the title and powers of a custodian or receiver. A provisional director shall have all the rights and powers of a duly elected director [of the corporation], including the right to [notice] **BE NOTIFIED** of and to vote at meetings of directors, until [such time as he shall be] **HE OR SHE IS** removed by order of the Commission or by all the stockholders. [His] **THE** compensation **OF THE PROVISIONAL DIRECTOR** shall be determined by agreement between [him] **SUCH DIRECTOR** and the corporation, subject to approval of the Commission, which may fix [his] **THE** compensation [in the absence of] **ABSENT AN** agreement or in the event of disagreement between the provisional director and the corporation.

Sec. 105. *Withdrawal of stockholder or dissolution of corporation.* – In addition and without prejudice to other rights and remedies available [to a stockholder] under this Title, any stockholder of a close corporation may, for any reason, compel the [said] corporation to purchase his shares at [their] fair value, which shall not be less than the[ir] par or issued value, when the corporation has sufficient assets in its books to cover its debts and liabilities exclusive of capital stock: Provided, That any stockholder of a close corporation may, by written petition to the [Securities and Exchange] Commission, compel the dissolution of such corporation whenever any of acts of the directors, officers or those in control of the corporation is illegal, [or] fraudulent, [or] dishonest, [or] oppressive or unfairly prejudicial to the corporation or any stockholder, or whenever corporate assets are being misapplied or wasted.

TITLE XIII SPECIAL CORPORATIONS

Chapter I - EDUCATIONAL CORPORATIONS

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

[Sec. 107. *Pre-requisites to incorporation.* – Except upon favorable recommendation of the Ministry of Education and Culture, the Securities and Exchange Commission shall not accept or approve the articles of incorporation and by-laws of any educational institution.]

Sec. [108] **107. Board of trustees.** – Trustees of educational institutions organized as non-stock corporations shall not be less than five (5) nor more than fifteen (15): Provided, however, That the number of trustees shall be in multiples of five (5).

Unless otherwise provided in the articles of incorporation **OR** [n the] by-laws, the board of trustees of incorporated schools, colleges, or other institutions of learning shall, as soon as organized, so classify themselves that the term of office of one-fifth (1/5) of their number shall expire every year. Trustees thereafter elected to fill vacancies, occurring before the expiration of a particular term, shall hold office only for the unexpired period. Trustees elected thereafter to fill vacancies caused by expiration of term shall hold office for five (5) years. A majority of the trustees shall constitute a quorum for the transaction of business. The powers and authority of trustees shall be defined in the by-laws.

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

Chapter II (RELIGIOUS CORPORATIONS)

Sec. [109] **108. Classes of religious corporations.** – Religious corporations may be incorporated by one or more persons. Such corporations may be classified into corporations sole and religious societies.

Religious corporations shall be governed by this Chapter and by the general provisions on non-stock corporations insofar as [they may be] applicable.

Sec. [110] **109. Corporation sole.** – For the purpose of administering and managing, as trustee, the affairs, property and temporalities of any religious denomination, sect or church, a corporation sole may be formed by the chief archbishop, bishop, priest, minister, rabbi or other presiding elder of such religious denomination, sect or church.

Sec. [111] **110. Articles of incorporation.** – In order to become a corporation sole, the chief archbishop, bishop, priest, minister, rabbi or presiding elder of any religious denomination, sect or church must file with the [Securities and Exchange] Commission articles of incorporation setting forth the following:

1. That he **OR SHE** is the chief archbishop, bishop, priest, minister, rabbi or presiding elder of his **OR HER** religious denomination, sect or church and that he **OR SHE** desires to become a corporation sole;
2. That the rules, regulations and discipline of his **OR HER** religious denomination, sect or church are [not in]consistent with his **OR HER** becoming a corporation sole and do not forbid it;

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3. That as such chief archbishop, bishop, priest, minister, rabbi or presiding elder, he **OR SHE** is charged with the administration of the temporalities and the management of the affairs, estate and properties of his **OR HER** religious denomination, sect or church within his **OR HER** territorial jurisdiction, describing such territorial jurisdiction;
4. The manner [in] **BY** which any vacancy occurring in the office of chief archbishop, bishop, priest, minister, rabbi or presiding elder is required to be filled, according to the rules, regulations or discipline of the religious denomination, sect or church to which he **OR SHE** belongs; and
5. The place where the principal office of the corporation sole is to be established and located, which place must be within the Philippines.

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

Sec. [112] **111. Submission of the articles of incorporation.** – The articles of incorporation must be verified, [before filing,] by affidavit or affirmation of the chief archbishop, bishop, priest, minister, rabbi or presiding elder, as the case may be, and accompanied by a copy of the commission, certificate of election or letter of appointment of such chief archbishop, bishop, priest, minister, rabbi or presiding elder, duly certified to be correct by any notary public.

From and after [the] filing with the [Securities and Exchange] Commission of the said articles of incorporation, verified by affidavit or affirmation, and accompanied by the documents mentioned in the preceding paragraph, such chief archbishop, bishop, priest, minister, rabbi or presiding elder shall become a corporation sole and all temporalities, estate and properties of the religious denomination, sect or church theretofore administered or managed by him as such chief archbishop, bishop, priest, minister, rabbi or presiding elder shall be held in trust by him as a corporation sole, for the use, purpose, [behalf and] sole benefit [of] **AND ON BEHALF OF** his **OR HER** religious denomination, sect or church, including hospitals, schools, colleges, orphan asylums, parsonages and cemeteries thereof.

Sec. [113] **112. Acquisition and alienation of property.** – A[ny] corporation sole may purchase and hold real estate and personal property for its church, charitable, benevolent or educational purposes, and may receive bequests or gifts for such purposes. Such corporation may

sell or mortgage real property held by it by obtaining an order for that purpose from the [Court of First Instance] **REGIONAL TRIAL COURT** of the province where the property is situated upon proof **THAT THE NOTICE OF THE APPLICATION FOR LEAVE TO SELL OR MORTGAGE HAS BEEN MADE THROUGH PUBLICATION OR AS DIRECTED BY THE COURT**, [made to the satisfaction of the court that notice of the application for leave to sell or mortgage has been given by publication or otherwise in such manner and for such time as said court may have directed,] and that it is [to] **IN** the interest of the corporation that leave to sell or mortgage [should] be granted. The application for leave to sell or mortgage must be made by petition, duly verified, by the chief archbishop, bishop, priest, minister, rabbi or presiding elder acting as corporation sole, and may be opposed by any member of the religious denomination, sect or church represented by the corporation sole: Provided, That in cases where the rules, regulations, and discipline of the religious denomination, sect or church, religious society or order concerned represented by such corporation sole regulate the method of acquiring, holding, selling and mortgaging real estate and personal property, such rules, regulations and discipline shall control, and the intervention of the courts shall not be necessary.

Sec. [114] **113. Filling of vacancies.** – The successors in office of any chief archbishop, bishop, priest, minister, rabbi or presiding elder in a corporation sole shall become the corporation sole on their accession to office and shall be permitted to transact business as such **UPon** [the] filing **A COPY OF THEIR COMMISSION, CERTIFICATE OF ELECTION, OR LETTERS OF APPOINTMENT, DULY CERTIFIED BY ANY NOTARY PUBLIC** with the [Securities and Exchange] Commission [of a copy of their commission, certificate of election, or letters of appointment, duly certified by any notary public].

During any vacancy in the office of chief archbishop, bishop, priest, minister, rabbi or presiding elder of any religious denomination, sect or church incorporated as a corporation sole, the person or persons authorized [and empowered] by the rules, regulations or discipline of the religious denomination, sect or church represented by the corporation sole to administer the temporalities and manage the affairs, estate and properties of the corporation sole [during the vacancy] shall exercise all the powers and authority of the corporation sole during such vacancy.

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Sec. [115] **114. Dissolution.** – A corporation sole may be dissolved and its affairs settled voluntarily by submitting to the [Securities and Exchange] Commission a verified declaration of dissolution, [The declaration of dissolution shall] **SETTING** forth:

1. The name of the corporation;
2. The reason for dissolution and winding up;
3. The authorization for the dissolution of the corporation by the particular religious denomination, sect or church;
4. The names and addresses of the persons who are to supervise the winding up of the affairs of the corporation.

Upon approval of such declaration of dissolution by the [Securities and Exchange] Commission, the corporation shall cease to carry on its operations except for the purpose of winding up its affairs.

Sec. [116] **115. Religious societies.** – **UNLESS FORBIDDEN BY COMPETENT AUTHORITY, THE CONSTITUTION, PERTINENT RULES, REGULATIONS, OR DISCIPLINE OF THE RELIGIOUS DENOMINATION, SECT OR CHURCH OF WHICH IT IS A PART,** [A] any religious society, [or] religious order, [or any] diocese, synod, or district organization of any religious denomination, sect or church, [unless forbidden by the constitution, rules, regulations, or discipline of the religious denomination, sect or church of which it is a part, or by competent authority,] may, upon written consent and/or by an affirmative vote at a meeting called for the purpose of at least two-thirds (2/3) of its membership, incorporate for the administration of its temporalities or for the management of its affairs, properties and estate by filing with the [Securities and Exchange] Commission, articles of incorporation verified by the affidavit of the presiding elder, secretary, or clerk or other member of such religious society or religious order, or diocese, synod, or district organization of the religious denomination, sect or church, setting forth the following:

1. That the religious society or religious order, or diocese, synod, or district organization is a religious organization of a religious denomination, sect or church;
2. That at least two-thirds (2/3) of its membership haS[ve] given [their] written consent or haS[ve] voted to incorporate, at a duly convened meeting of the body;
3. That the incorporation of the religious society or religious order, [or] diocese, synod, or

district organization [desiring to incorporate] is not forbidden by competent authority or by the constitution, rules, regulations or discipline of the religious denomination, sect, or church of which it forms [a] part;

4. That the religious society or religious order, [or] diocese, synod, or district organization desires to incorporate for the administration of its affairs, properties and estate;
5. The place **WITHIN THE PHILIPPINES** where the principal office of the corporation is to be established and located[, which place must be within the Philippines]; and
6. The names, nationalities, and residence[s] **ADDRESSES** of the trustees, **NOT LESS THAN FIVE (5) NOR MORE THAN FIFTEEN (15)**, elected by the religious society or religious order, or the diocese, synod, or district organization to serve for the first year or such other period as may be prescribed by the laws of the religious society or religious order, or of the diocese, synod, or district organization[, the board of trustees to be not less than five (5) nor more than fifteen (15)].

CHAPTER III ONE PERSON CORPORATIONS

SEC. [117] 116. APPLICABILITY OF PROVISIONS TO ONE PERSON STOCK CORPORATIONS. – **THE PROVISIONS OF THIS [CODE] TITLE [ARE APPLICABLE] SHALL PRIMARILY APPLY TO ONE PERSON STOCK CORPORATIONS. OTHER PROVISIONS OF THIS CODE APPLY SUPPLEMENTORILY, EXCEPT AS OTHERWISE PROVIDED IN THIS TITLE.**

SEC. [118] 117. ONE PERSON CORPORATION. – **A ONE PERSON CORPORATION IS A CORPORATION WITH A SINGLE STOCKHOLDER; PROVIDED THAT, ONLY A NATURAL PERSON, TRUST OR AN ESTATE MAY FORM A ONE PERSON CORPORATION. [; PROVIDED, FURTHER THAT, A CORPORATION REQUIRED TO OBTAIN A SECONDARY LICENSE UNDER SPECIAL LAWS MAY NOT ORGANIZE AS A ONE PERSON CORPORATION.]**

BANKS AND QUASI-BANKS, PRE-NEED, TRUST, INSURANCE, PUBLIC AND PUBLICLY-LISTED COMPANIES, AND NON-CHARTERED GOVERNMENT-OWNED AND CONTROLLED CORPORATIONS MAY NOT INCORPORATE AS ONE PERSON CORPORATIONS; PROVIDED, FURTHER, THAT A NATURAL PERSON WHO IS LICENSED TO EXERCISE A PROFESSION

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MAY NOT ORGANIZE AS A ONE PERSON CORPORATION.

SEC. [119] 118. **MINIMUM CAPITAL STOCK REQUIRED FOR ONE PERSON CORPORATION.** - A ONE PERSON CORPORATION SHALL NOT BE REQUIRED TO HAVE A MINIMUM AUTHORIZED CAPITAL STOCK EXCEPT AS OTHERWISE PROVIDED BY SPECIAL LAW. AT LEAST TWENTY-FIVE PERCENT (25%) OF THE AUTHORIZED CAPITAL STOCK MUST BE SUBSCRIBED AT THE TIME OF INCORPORATION, AND IN NO CASE SHALL THE PAID-UP CAPITAL BE LESS THAN FIVE THOUSAND PESOS (P5,000.00).

SEC. [120] 119. **ARTICLES OF INCORPORATION.** - A ONE PERSON CORPORATION SHALL FILE ARTICLES OF INCORPORATION IN ACCORDANCE WITH THE REQUIREMENTS UNDER SECTION 14 OF THIS CODE. IT SHALL LIKEWISE SUBSTANTIALLY CONTAIN [SUBSTANTIALLY] THE FOLLOWING:

1. IF THE SINGLE STOCKHOLDER IS A TRUST OR AN ESTATE, THE NAME, NATIONALITY, AND RESIDENCE OF THE TRUSTEE, ADMINISTRATOR, EXECUTOR, GUARDIAN, CONSERVATOR, CUSTODIAN, OR OTHER PERSON EXERCISING FIDUCIARY DUTIES TOGETHER WITH THE PROOF OF SUCH AUTHORITY TO ACT ON BEHALF OF THE TRUST OR ESTATE; AND
2. NAME, NATIONALITY, RESIDENCE OF THE NOMINEE AND ALTERNATE NOMINEE, AND THE EXTENT, COVERAGE AND LIMITATION OF THE AUTHORITY.

THE ARTICLES OF INCORPORATION SHALL BE ACCOMPANIED BY A SWORN STATEMENT [BY] OF THE STOCKHOLDER AS TO THE AMOUNT OF THE CAPITAL STOCK AND THAT TWENTY FIVE PERCENT (25%) OF SUCH [THE MINIMUM PAID UP] CAPITAL IS PAID AND MAINTAINED IN A SEPARATE ACCOUNT FROM THE PERSONAL ACCOUNT OF THE STOCKHOLDER.

SEC. [121] 120. **BY-LAWS.** - THE ONE PERSON CORPORATION IS NOT REQUIRED TO SUBMIT AND FILE CORPORATE BY-LAWS.

SEC. [122] 121. **DISPLAY OF CORPORATE NAME.** - A ONE PERSON CORPORATION SHALL INDICATE THE LETTERS "OPC" EITHER BELOW OR AT THE END OF ITS CORPORATE NAME.

SEC. [123] 122. **SINGLE STOCKHOLDER AS DIRECTOR, PRESIDENT.** - THE SINGLE STOCKHOLDER SHALL BE THE SOLE DIRECTOR AND PRESIDENT OF THE ONE PERSON CORPORATION.

SEC. [124] 123. **TREASURER, CORPORATE SECRETARY, AND OTHER OFFICERS.** - WITHIN FIFTEEN (15) DAYS FROM THE ISSUANCE OF ITS CERTIFICATE OF INCORPORATION, THE ONE PERSON CORPORATION SHALL APPOINT A TREASURER, CORPORATE SECRETARY, AND OTHER OFFICERS AS IT MAY DEEM NECESSARY, AND NOTIFY THE COMMISSION THEREOF WITHIN FIVE (5) DAYS FROM APPOINTMENT.

THE SINGLE STOCKHOLDER MAY NOT BE APPOINTED AS THE CORPORATE SECRETARY.

IN CASE THE SINGLE STOCKHOLDER APPOINTS HIMSELF AS THE TREASURER, HE SHALL GIVE BOND TO THE COMMISSION, IN SUCH SUM AS MAY BE REQUIRED, AND SUBJECT TO ITS APPROVAL, UPON THE CONDITION THAT HE WILL FAITHFULLY ADMINISTER THE ONE PERSON CORPORATION'S FUNDS COMING INTO HIS HANDS AS TREASURER, AND DISBURSE AND INVEST THE SAME ACCORDING TO THE ARTICLES OF INCORPORATION AS APPROVED BY THE COMMISSION, WHICH BOND SHALL BE RENEWED EVERY TWO YEARS OR OFTENER AS MAY BE REQUIRED.

SEC. [125] 124. **SPECIAL FUNCTIONS OF THE CORPORATE SECRETARY.** - IN ADDITION TO THE FUNCTIONS DESIGNATED BY THE ONE PERSON CORPORATION, THE CORPORATE SECRETARY SHALL:

1. BE RESPONSIBLE FOR MAINTAINING THE MINUTES BOOK OF THE CORPORATION;
2. NOTIFY THE NOMINEE OR ALTERNATE NOMINEE OF THE DEATH OR INCAPACITY OF THE SINGLE STOCKHOLDER, WHICH NOTICE SHALL BE GIVEN NO LATER THAN FIVE (5) DAYS FROM SUCH OCCURRENCE;
3. NOTIFY THE COMMISSION OF THE DEATH OF THE SINGLE STOCKHOLDER WITHIN FIVE (5) DAYS FROM SUCH OCCURRENCE AND STATING IN SUCH NOTICE THE NAMES, RESIDENCE[S] ADDRESSES, AND CONTACT DETAILS OF ALL KNOWN LEGAL HEIRS; AND

4. CALL THE NOMINEE OR ALTERNATIVE NOMINEE AND THE KNOWN LEGAL HEIRS TO A MEETING AND ADVISE THE LEGAL HEIRS WITH REGARD TO, AMONG OTHERS, THE ELECTION OF A NEW DIRECTOR, AMENDMENT OF THE ARTICLES OF INCORPORATION, AND OTHER ANCILLARY AND/OR CONSEQUENTIAL MATTERS.

SEC. [126] 125. NOMINEE AND ALTERNATE NOMINEE. – THE SINGLE STOCKHOLDER SHALL DESIGNATE A NOMINEE AND AN ALTERNATE NOMINEE WHO SHALL, IN THE EVENT OF THE SINGLE STOCKHOLDER'S DEATH OR INCAPACITY, TAKE THE PLACE OF THE SINGLE STOCKHOLDER AS DIRECTOR AND SHALL MANAGE THE CORPORATION'S AFFAIRS.

THE ARTICLES OF INCORPORATION SHALL STATE THE NAMES, RESIDENCE ADDRESSES AND CONTACT DETAILS OF THE NOMINEE AND ALTERNATE NOMINEE, AS WELL AS THE EXTENT AND LIMITATIONS OF THEIR AUTHORITY IN MANAGING THE AFFAIRS OF THE ONE PERSON CORPORATION.

THE WRITTEN CONSENT OF THE NOMINEE AND ALTERNATE NOMINEE SHALL BE ATTACHED TO THE APPLICATION FOR INCORPORATION. SUCH CONSENT MAY BE WITHDRAWN IN WRITING ANYTIME BEFORE THE DEATH OR INCAPACITY OF THE SINGLE STOCKHOLDER.

SEC. [127] 126. TERM OF NOMINEE AND ALTERNATE NOMINEE. – WHEN THE INCAPACITY OF THE SINGLE STOCKHOLDER IS TEMPORARY, THE NOMINEE SHALL SIT AS DIRECTOR AND MANAGE THE AFFAIRS OF THE ONE PERSON CORPORATION UNTIL THE STOCKHOLDER, BY HIS OR HER OWN DETERMINATION, REGAINS HIS OR HER CAPACITY.

IN CASE OF DEATH OR PERMANENT INCAPACITY OF THE SINGLE STOCKHOLDER, THE NOMINEE SHALL SIT AS DIRECTOR AND MANAGE THE AFFAIRS OF THE ONE PERSON CORPORATION UNTIL THE LEGAL HEIRS OF THE SINGLE STOCKHOLDER HAVE BEEN LAWFULLY DETERMINED, AND THE[Y] HEIRS HAVE DESIGNATED ONE OF THEM OR HAVE AGREED THAT THE ESTATE [IS TO] SHALL BE THE SINGLE STOCKHOLDER OF THE ONE PERSON CORPORATION.

THE ALTERNATE NOMINEE SHALL SIT AS DIRECTOR AND MANAGE THE ONE

PERSON CORPORATION IN CASE OF THE NOMINEE'S INABILITY, INCAPACITY, DEATH, OR REFUSAL TO DISCHARGE HIS OR HER FUNCTIONS, AND ONLY FOR THE SAME TERM AND UNDER THE SAME CONDITIONS APPLICABLE TO THE NOMINEE.

SEC. [128] 127. CHANGE OF NOMINEE OR ALTERNATE NOMINEE. – THE SINGLE STOCKHOLDER MAY, AT ANY TIME, CHANGE ITS NOMINEE AND ALTERNATE NOMINEE BY SUBMITTING TO THE COMMISSION THE NAMES OF THE NEW NOMINEES AND THEIR CORRESPONDING WRITTEN CONSENT[S]. FOR THIS PURPOSE, THE ARTICLES OF INCORPORATION NEED NOT BE AMENDED.

SEC. [129] 128. RECORDS IN LIEU OF MEETINGS. – WHEN ACTION IS NEEDED ON ANY MATTER, IT SHALL BE SUFFICIENT TO PREPARE A WRITTEN RESOLUTION, SIGNED AND DATED BY THE SINGLE STOCKHOLDER, AND RECORDED IN THE MINUTES[-]BOOK OF THE ONE PERSON CORPORATION. THE DATE OF RECORDING IN THE MINUTES[-] BOOK SHALL BE DEEMED TO BE THE DATE OF THE MEETING FOR ALL PURPOSES UNDER THIS CODE.

SEC. [130] 129. MINUTES[-] BOOK. – A ONE PERSON CORPORATION SHALL MAINTAIN A MINUTES[-] BOOK WHICH SHALL CONTAIN ALL ACTIONS, DECISIONS, AND RESOLUTIONS TAKEN BY THE ONE PERSON CORPORATION.

SEC. [131] 130. REPORTORIAL REQUIREMENTS. – THE ONE PERSON CORPORATION SHALL SUBMIT THE FOLLOWING WITHIN SUCH PERIOD AS THE COMMISSION MAY PRESCRIBE:

1. [FINANCIAL STATEMENTS CERTIFIED BY THE PRESIDENT AND CORPORATE SECRETARY OR DULY AUDITED BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT ACCREDITED PURSUANT TO REPUBLIC ACT NO. 9298, "THE PHILIPPINE ACCOUNTANCY ACT", AS APPLICABLE;] ANNUAL FINANCIAL STATEMENTS AUDITED BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT, *PROVIDED, THAT IF THE TOTAL ASSETS OR TOTAL LIABILITIES OF THE CORPORATION ARE LESS THAN SIX HUNDRED THOUSAND PESOS [P600,000.00] THE FINANCIAL STATEMENTS SHALL BE CERTIFIED UNDER OATH BY THE CORPORATION'S TREASURER [OR*

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CHIEF FINANCIAL OFFICER.] AND THE PRESIDENT.

2. A REPORT CONTAINING EXPLANATIONS OR COMMENTS BY THE PRESIDENT ON EVERY QUALIFICATION, RESERVATION, OR ADVERSE REMARK OR DISCLAIMER MADE BY THE AUDITOR IN HIS OR HER REPORT;
3. A DISCLOSURE OF ALL SELF-DEALINGS AND RELATED PARTY TRANSACTIONS ENTERED INTO BETWEEN THE ONE PERSON CORPORATION AND THE SINGLE STOCKHOLDER; AND
4. OTHER REPORTS AS THE COMMISSION MAY REQUIRE.

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

THE COMMISSION MAY PLACE THE CORPORATION UNDER DELINQUENT STATUS SHOULD THE CORPORATION FAIL TO SUBMIT THE REPORTORIAL REQUIREMENTS THREE (3) TIMES, CONSECUTIVELY OR INTERMITTENTLY, WITHIN A PERIOD OF FIVE (5) YEARS.

SEC. [132] 131 . LIABILITY OF SINGLE SHAREHOLDER. – A SOLE SHAREHOLDER CLAIMING LIMITED LIABILITY HAS THE BURDEN OF AFFIRMATIVELY SHOWING THAT THE CORPORATION WAS ADEQUATELY FINANCED.

WHERE THE SINGLE STOCKHOLDER CANNOT PROVE THAT THE PROPERTY OF THE ONE PERSON CORPORATION IS INDEPENDENT OF HIS OWN PROPERTY, HE OR SHE SHALL BE JOINTLY AND SEVERALLY LIABLE FOR THE DEBTS AND OTHER LIABILITIES OF THE ONE PERSON CORPORATION.

THE PRINCIPLES OF PIERCING THE CORPORATE VEIL APPLIES WITH EQUAL FORCE TO ONE PERSON CORPORATIONS AS WITH OTHER CORPORATIONS.

SEC. [133] 132. *CONVERSION FROM AN ORDINARY CORPORATION TO A ONE PERSON CORPORATION.* – WHEN A SINGLE STOCKHOLDER ACQUIRES ALL THE STOCKS OF AN ORDINARY STOCK CORPORATION, THE LATTER MAY APPLY FOR CONVERSION INTO A ONE PERSON CORPORATION, SUBJECT TO THE SUBMIS-

SION OF SUCH DOCUMENTS AS THE COMMISSION MAY REQUIRE. IF THE APPLICATION FOR CONVERSION IS APPROVED, THE COMMISSION SHALL ISSUE AN AMENDED CERTIFICATE OF INCORPORATION REFLECTING THE CONVERSION. THE ONE PERSON CORPORATION CONVERTED FROM AN ORDINARY STOCK CORPORATION SHALL SUCCEED THE LATTER AND BE LEGALLY RESPONSIBLE FOR ALL THE LATTER'S OUTSTANDING LIABILITIES AS OF THE DATE OF CONVERSION.

SEC. [134] 133. *CONVERSION FROM A ONE PERSON CORPORATION TO AN ORDINARY STOCK CORPORATION.* – A ONE PERSON CORPORATION MAY BE CONVERTED INTO AN ORDINARY STOCK CORPORATION AFTER DUE NOTICE TO THE COMMISSION OF SUCH FACT AND OF THE CIRCUMSTANCES LEADING TO THE CONVERSION, AND AFTER COMPLIANCE WITH ALL OTHER REQUIREMENTS FOR STOCK CORPORATIONS UNDER THIS CODE AND APPLICABLE RULES. SUCH NOTICE SHALL BE FILED WITH THE COMMISSION WITHIN SIXTY (60) DAYS FROM THE OCCURRENCE OF THE CIRCUMSTANCES LEADING TO THE CONVERSION INTO AN ORDINARY STOCK CORPORATION. IF ALL REQUIREMENTS HAVE BEEN [DULY] COMPLIED WITH, THE COMMISSION SHALL ISSUE AN AMENDED CERTIFICATE OF INCORPORATION REFLECTING THE CONVERSION.

IN CASE OF DEATH OF THE SINGLE STOCKHOLDER, THE NOMINEE OR ALTERNATE NOMINEE SHALL TRANSFER THE SHARES [IN] TO THE [NAME OF] THE DULY DESIGNATED LEGAL HEIR OR ESTATE WITHIN SEVEN (7) DAYS FROM RECEIPT OF EITHER AN AFFIDAVIT OF HEIRSHIP OR SELF-ADJUDICATION EXECUTED BY A SOLE HEIR, OR ANY OTHER LEGAL DOCUMENT DECLARING THE LEGAL HEIRS OF THE SINGLE STOCKHOLDER AND NOTIFY THE COMMISSION OF THE TRANSFER. WITHIN SIXTY (60) DAYS FROM THE TRANSFER OF THE SHARES, THE LEGAL HEIRS SHALL NOTIFY THE COMMISSION OF THEIR DECISION TO EITHER WIND UP AND DISSOLVE THE ONE PERSON CORPORATION OR CONVERT IT INTO AN ORDINARY STOCK CORPORATION.

THE ORDINARY STOCK CORPORATION CONVERTED FROM A ONE PERSON CORPORATION SHALL SUCCEED THE

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LATTER AND BE LEGALLY RESPONSIBLE FOR ALL THE LATTER'S OUTSTANDING LIABILITIES AS OF [THE DATE OF CONVERSION.

**TITLE XIV
DISSOLUTION**

Sec. [117] **134. *Methods of dissolution.*** - A corporation formed or organized under the provisions of this Code may be dissolved voluntarily or involuntarily.

Sec. [118] **135. *Voluntary dissolution where no creditors are affected.*** - If dissolution of a corporation does not prejudice the rights of any creditor having a claim against it, the dissolution may be effected by majority vote of the board of directors or trustees, and by a resolution [duly] adopted by the affirmative vote of the stockholders owning at least **MAJORITY** [two-thirds (2/3)] of the outstanding capital stock] or **MAJORITY** of [at least two-thirds (2/3) of] the members of a meeting to be held upon the call of the directors or trustees.

AT LEAST TWENTY (20) DAYS PRIOR TO THE MEETING, NOTICE SHALL BE GIVEN TO EACH SHAREHOLDER OR MEMBER OF RECORD PERSONALLY, BY REGISTERED MAIL, OR BY ANY MEANS AUTHORIZED UNDER ITS BY-LAWS WHETHER OR NOT ENTITLED TO VOTE AT THE MEETING, IN THE MANNER PROVIDED IN SECTION 50 OF THIS CODE AND SHALL STATE THAT THE PURPOSE OF THE MEETING IS TO VOTE ON THE DISSOLUTION OF THE CORPORATION. [after publication of the notice] **NOTICE** of **THE** time, place, and object of the meeting **SHALL BE PUBLISHED ONCE** [for three (3) consecutive weeks] **PRIOR TO THE DATE OF THE MEETING** in a newspaper published in the place where the principal office of said corporation is located, [; and] **OR** if no newspaper is published in such place, [then] in a newspaper of general circulation in the Philippines. [, after sending such notice to each stockholder or member either by registered mail or by personal delivery at least thirty (30) days prior to said meeting.]

A VERIFIED REQUEST FOR DISSOLUTION SHALL BE FILED WITH THE COMMISSION STATING: (a) THE REASON FOR THE DISSOLUTION; (b) THE FORM, MANNER, AND TIME WHEN THE NOTICES WERE GIVEN; (c) NAMES OF THE STOCKHOLDERS AND DIRECTORS OR TRUSTEES, WHO APPROVED THE DISSOLUTION; (d) THE DATE, PLACE, AND TIME OF THE MEETING IN WHICH THE VOTE WAS MADE; AND (e) DETAILS OF PUBLICATION.

THE CORPORATION SHALL SUBMIT THE FOLLOWING TO THE COMMISSION: (a) A COPY OF THE RESOLUTION AUTHORIZING THE DISSOLUTION, [WHICH SHALL HAVE BEEN] CERTIFIED BY A MAJORITY OF THE BOARD OF DIRECTORS OR TRUSTEES AND COUNTERSIGNED BY THE SECRETARY OF THE CORPORATION; AND (b) PROOF OF PUBLICATION.

[A copy of the resolution authorizing the dissolution shall be certified by a majority of the board of directors or trustees and countersigned by the secretary of the corporation.]

WITHIN FIFTEEN (15) DAYS FROM RECEIPT OF THE VERIFIED REQUEST FOR DISSOLUTION, AND IN THE ABSENCE OF ANY WITHDRAWAL WITHIN SAID PERIOD, [The Securities and Exchange] THE Commission shall APPROVE THE REQUEST AND [thereupon] issue the certificate of dissolution. THE DISSOLUTION SHALL TAKE EFFECT ONLY UPON THE ISSUANCE BY THE COMMISSION OF A CERTIFICATE OF DISSOLUTION.

Sec. [119] **136. [Voluntary dissolution] DISSOLUTION where creditors are affected; PROCEDURE AND CONTENTS OF PETITION.** - Where the dissolution of a corporation may prejudice the rights of any creditor, [the petition] **A VERIFIED PETITION** for dissolution shall be filed with the [Securities and Exchange] Commission. The petition shall be signed by a majority of [its] **THE CORPORATION'S** board of directors or trustees [or other officers having the management of its affairs], verified by its president or secretary or one of its directors or trustees, and shall set forth all claims and demands against it, and that its dissolution was resolved upon by the affirmative vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock or [by] at least two-thirds (2/3) of the members at a meeting of its stockholders or members called for that purpose. **THE PETITION SHALL LIKEWISE STATE: (a) THE REASON FOR THE DISSOLUTION; (b) THE FORM, MANNER, AND TIME WHEN THE NOTICES WERE GIVEN; AND (c) THE DATE, PLACE, AND TIME OF THE MEETING IN WHICH THE VOTE WAS MADE. THE CORPORATION SHALL SUBMIT TO THE COMMISSION THE FOLLOWING: (a) A COPY OF THE RESOLUTION AUTHORIZING THE DISSOLUTION, CERTIFIED BY A MAJORITY OF THE BOARD OF DIRECTORS OR TRUSTEES AND COUNTERSIGNED BY THE SECRETARY OF THE CORPORATION; AND (b) A LIST OF ALL ITS CREDITORS.**

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

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

THE DISSOLUTION SHALL TAKE EFFECT ONLY UPON THE ISSUANCE BY THE COMMISSION OF A CERTIFICATE OF DISSOLUTION.

Section [120] **137. Dissolution by shortening corporate term.** - A voluntary dissolution may be effected by amending the articles of incorporation to shorten the corporate term pursuant to the provisions of this Code. A copy of the amended articles of incorporation shall be submitted to the [Securities and Exchange] Commission in accordance with this Code.

Upon [approval of the amended articles of incorporation of] the expiration of the shortened term, [as the case may be] **AS STATED IN THE APPROVED AMENDED ARTICLES OF INCORPORATION**, the corporation shall be deemed dissolved without any further proceedings, subject to the provisions of this Code on liquidation.

IN THE CASE OF EXPIRATION OF CORPORATE TERM, DISSOLUTION SHALL AUTOMATICALLY TAKE EFFECT ON THE DAY FOLLOWING THE LAST DAY OF THE CORPORATE TERM STATED IN THE ARTICLES OF INCORPORATION, WITHOUT THE NEED FOR THE ISSUANCE BY THE

COMMISSION OF A CERTIFICATE OF DISSOLUTION.

SECTION 138. WITHDRAWAL OF REQUEST AND PETITION FOR DISSOLUTION. - A WITHDRAWAL OF THE REQUEST FOR DISSOLUTION SHALL BE MADE IN WRITING, DULY VERIFIED BY ANY INCORPORATOR, DIRECTOR, SHAREHOLDER, OR MEMBER AND SIGNED BY THE SAME NUMBER OF INCORPORATORS, DIRECTORS, SHAREHOLDERS, OR MEMBERS NECESSARY TO REQUEST FOR A DISSOLUTION AS SET FORTH IN THE FOREGOING SECTIONS. THE WITHDRAWAL SHALL BE SUBMITTED NO LATER THAN FIFTEEN (15) DAYS FROM [THE] RECEIPT BY THE COMMISSION OF THE REQUEST FOR DISSOLUTION. UPON RECEIPT OF A WITHDRAWAL OF REQUEST FOR DISSOLUTION, THE COMMISSION SHALL WITHHOLD ACTION ON THE REQUEST FOR DISSOLUTION AND SHALL, AFTER INVESTIGATION: (a) MAKE A PRONOUNCEMENT THAT THE REQUEST FOR DISSOLUTION IS DEEMED WITHDRAWN; (b) DIRECT A JOINT MEETING OF THE BOARD OF DIRECTORS OR TRUSTEES AND THE STOCKHOLDERS OR MEMBERS FOR THE PURPOSE OF ASCERTAINING WHETHER TO PROCEED WITH DISSOLUTION; OR (c) ISSUE SUCH OTHER ORDERS AS IT MAY DEEM APPROPRIATE.

A WITHDRAWAL OF THE PETITION FOR DISSOLUTION SHALL BE IN [A] THE FORM OF A MOTION AND SIMILAR IN SUBSTANCE TO A WITHDRAWAL OF REQUEST FOR DISSOLUTION BUT SHALL BE VERIFIED AND FILED PRIOR TO PUBLICATION OF THE ORDER SETTING THE [DATE] DEADLINE FOR FILING OBJECTIONS TO THE PETITION.

Sec. [121] 139. Involuntary dissolution. - A corporation may be dissolved by the [Securities and Exchange] Commission **MOTU PROPRIO** OR upon filing of a verified complaint **BY ANY INTERESTED PARTY.** [and after proper notice and hearing on the grounds provided by existing laws, rules and regulations.] **THE FOLLOWING MAY BE GROUNDS FOR DISSOLUTION OF THE CORPORATION:**

1. NON-USE OF CORPORATE CHARTER AS PROVIDED UNDER SECTION 22 OF THIS CODE;
2. CONTINUOUS INOPERATION OF A CORPORATION AS PROVIDED UNDER SECTION 22 OF THIS CODE;

3. UPON RECEIPT OF A LAWFUL COURT ORDER DISSOLVING THE CORPORATION;
4. UPON FINDING BY FINAL JUDGMENT THAT THE CORPORATION PROCURED ITS INCORPORATION THROUGH FRAUD;
5. UPON FINDING BY FINAL JUDGMENT THAT THE CORPORATION:
 - i. [PROCURED ITS INCORPORATION THROUGH FRAUD;]
 - ii. WAS CREATED FOR THE PURPOSE OF COMMITTING, CONCEALING OR AIDING THE COMMISSION OF SECURITIES VIOLATIONS, SMUGGLING, TAX EVASION, MONEY LAUNDERING, OR GRAFT AND CORRUPT PRACTICES;
 - iii. COMMITTED OR AIDED IN THE COMMISSION OF SECURITIES VIOLATIONS, SMUGGLING, TAX EVASION, MONEY LAUNDERING, OR GRAFT AND CORRUPT PRACTICES, AND ITS STOCKHOLDERS KNEW;
 - iv. REPEATEDLY AND KNOWINGLY TOLERATED THE COMMISSION OF GRAFT AND CORRUPT PRACTICES OR OTHER FRAUDULENT OR ILLEGAL ACTS BY ITS DIRECTORS, TRUSTEES, OFFICERS, OR EMPLOYEES;
 - v. [REPEATEDLY AND WILLFULLY EXCEEDED THE AUTHORITY CONFERRED UPON IT BY LAW;]
 - vi. REPEATEDLY AND WILLFULLY FALSIFIED, MISSTATED, OR OTHERWISE MISREPRESENTED INFORMATION CONTAINED IN ITS REPORTORIAL REQUIREMENTS;
 - vii. REPEATEDLY AND WILLFULLY CONDUCTED ITS BUSINESS IN A FRAUDULENT OR OTHERWISE UNLAWFUL MANNER; OR
 - viii. VIOLATED THE PROVISIONS OF THIS CODE, PERTINENT LAWS, RULES AND REGULATIONS.]

IF THE CORPORATION IS ORDERED DISSOLVED BY FINAL JUDGMENT PURSUANT TO THE GROUNDS SET FORTH IN NO. 5, [ANY OF THE GROUNDS SET FORTH ABOVE,] ITS ASSETS, AFTER PAYMENT OF ITS LIABILITIES [INCLUDING CLAIMS THAT ARISE FROM THE DISSOLUTION OF THE CORPORATION DUE TO GRAFT AND CORRUPT PRACTICES,] SHALL, UPON

PETITION OF THE COMMISSION WITH THE APPROPRIATE COURT, BE FORFEITED IN FAVOR OF THE NATIONAL GOVERNMENT. [UPON PETITION OF THE COMMISSION WITH THE APPROPRIATE COURT.] SUCH FORFEITURE SHALL BE WITHOUT PREJUDICE TO THE RIGHTS OF INNOCENT STOCKHOLDERS AND EMPLOYEES FOR SERVICES RENDERED, AND TO [ANY] THE APPLICATION OF OTHER PENALTY OR SANCTION UNDER THIS CODE OR OTHER LAWS.

Sec. [122]140. *Corporate liquidation.* - **EXCEPT FOR BANKS, WHICH SHALL BE COVERED BY THE APPLICABLE PROVISIONS OF REPUBLIC ACT NO. 7653, AS AMENDED, AND REPUBLIC ACT NO. 3591, AS AMENDED, [E]very corporation whose charter expires [by its own limitation] PURSUANT TO ITS ARTICLES OF INCORPORATION, [or] is annulled by forfeiture [or otherwise], or whose corporate existence [for other purposes] is terminated in any other manner, shall nevertheless [be continued] REMAIN as a body corporate for three (3) years after the [time when it would have been so dissolved] EFFECTIVE DATE OF DISSOLUTION, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, [to] dispose of and convey its property, and [to] distribute its assets, but not for the purpose of continuing the business for which it was established.**

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At any time during said three (3) years, the corporation is authorized and empowered to convey all of its property to trustees for the benefit of stockholders, members, creditors, and other persons in interest. [From and a] After any such conveyance by the corporation of its property in trust for the benefit of its stockholders, members, creditors and others in interest, all interest which the corporation had in the property terminates, the legal interest vests in the trustees, and the beneficial interest in the stockholders, members, creditors or other persons-in-interest.

EXCEPT AS OTHERWISE PROVIDED FOR IN SECTIONS 94 AND 95 OF THIS CODE, upon the winding up of corporate affairs, any asset distributable to any creditor or stockholder or member who is unknown or cannot be found shall be escheated [to the city or municipality where such assets are located] IN FAVOR OF THE NATIONAL GOVERNMENT.

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

Sec. [123] **141. Definition and rights of foreign corporations.** – For [the] purposes of this Code, a foreign corporation is one formed, organized or existing under [any] laws other than [those of] the Philippines’ and whose laws allow Filipino citizens and corporations to do business in its own country or state. It shall have the right to transact business in the Philippines after [it shall have obtained] **OBTAINING** a license [to transact business in this country] **FOR THAT PURPOSE** in accordance with this Code and[,] a certificate of authority from the appropriate government agency.

Sec. [124] **142. Application to existing foreign corporations.** – Every foreign corporation which on the date of the effectivity of this Code is authorized to do business in the Philippines under a license [therefore] issued to it, shall continue to have such authority under the terms and condition of its license, subject to the provisions of this Code and other special laws.

Sec. [125] **143 Application for a license.** – A foreign corporation applying for a license to transact business in the Philippines shall submit to the [Securities and Exchange] Commission a copy of its articles of incorporation and by-laws, certified in accordance with law, and their translation to an official language of the Philippines, if necessary. The application shall be under oath and, unless already stated in its articles of incorporation, shall specifically set forth the following:

1. The date and term of incorporation;
2. The address, including the street number, of the principal office of the corporation in the country or state of incorporation;
3. The name and address of its resident agent authorized to accept summons and process in all legal proceedings and **ALL NOTICES AFFECTING THE CORPORATION**, pending the establishment of a local office[, all notices affecting the corporation];
4. The place in the Philippines where the corporation intends to operate;
5. The specific purpose or purposes which the corporation intends to pursue in the transaction of its business in the Philippines: Provided, That said purpose or purposes are those specifically stated in the certificate of

authority issued by the appropriate government agency;

6. The names and addresses of the present directors and officers of the corporation;
7. A statement of its authorized capital stock and the aggregate number of shares which the corporation has authority to issue, itemized by class[es], par value of shares, shares without par value, and series, if any;
8. A statement of its outstanding capital stock and the aggregate number of shares which the corporation has issued, itemized by class[es], par value of shares, shares without par value, and series, if any;
9. A statement of the amount actually paid in; and
10. Such additional information as may be necessary or appropriate in order to enable the [Securities and Exchange] Commission to determine whether such corporation is entitled to a license to transact business in the Philippines, and to determine and assess the fees payable.

Attached to the application for license shall be a [duly executed] certificate under oath **DULY EXECUTED** by the authorized official or officials of the jurisdiction of its incorporation, attesting to the fact that the laws of the country or state of the applicant allow Filipino citizens and corporations to do business therein, and that the applicant is an existing corporation in good standing. If [such] **THE** certificate is in a foreign language, a translation thereof in English under oath of the translator shall be attached [thereto] **TO THE APPLICATION.**

The application for a license to transact business in the Philippines shall likewise be accompanied by a statement under oath of the president or any other person authorized by the corporation, showing to the satisfaction of the [Securities and Exchange] Commission and **WHEN APPROPRIATE**, other governmental agencIES[y in the proper cases] that the applicant is solvent and in sound financial condition, [and] setting forth the assets and liabilities of the corporation as of the date not exceeding one (1) year immediately prior to the filing of the application.

Foreign banking, financial and insurance corporations shall, in addition to the above requirements, comply with the provisions of existing laws applicable to them. In the case of all other foreign corporations, no application for license to transact business in the Philippines

shall be accepted by the [Securities and Exchange] Commission without previous authority from the appropriate government agency, whenever required by law.

Sec. [126]144. Issuance of a license. - If the [Securities and Exchange] Commission is satisfied that the applicant has complied with all the requirements of this Code and other special laws, rules and regulations, the Commission shall issue a license [to the applicant] to transact business in the Philippines **TO THE APPLICANT** for the purpose or purposes specified in such license. Upon issuance of the license, such foreign corporation may commence to transact business in the Philippines and continue to do so for as long as it retains its authority to act as a corporation under the laws of the country or state of its incorporation, unless such license is sooner surrendered, revoked, suspended, or annulled in accordance with this Code or other special laws.

Within sixty (60) days after the issuance of the license to transact business in the Philippines, the licensee, except foreign banking or insurance corporations, shall deposit with the [Securities and Exchange] Commission for the benefit of present and future creditors of the licensee in the Philippines, securities satisfactory to the [Securities and Exchange] Commission, consisting of bonds or other evidence of indebtedness of the Government of the Philippines, its political subdivisions and instrumentalities, or of government-owned or controlled corporations and entities, shares of stock **OR DEBT SECURITIES THAT ARE REGISTERED UNDER THE SECURITIES REGULATION CODE** [in "registered enterprises" as this term is defined in Republic Act No. 5186], shares of stock in domestic corporations [registered] **LISTED** in the stock exchange, [or] shares of stock in domestic insurance companies and banks, **[OR] ANY FINANCIAL INSTRUMENT DETERMINED SUITABLE BY THE COMMISSION**, or any combination **THEREOF** [of these kinds of securities,] with an actual market value of at least [one] **FIVE** hundred thousand [(P100,000.)] **(P500, 000.00)** pesos **OR SUCH OTHER AMOUNT THAT MAY BE SET BY THE COMMISSION**; Provided, however, That within six (6) months after each fiscal year of the licensee, the [Securities and Exchange] Commission shall require the licensee to deposit additional securities **OR FINANCIAL INSTRUMENTS** equivalent in actual market value to two (2%) percent of the amount by which the licensee's gross income for that fiscal year exceeds [five] **TEN** million [(P5,000,000.00)]

(P10,000,000.00) pesos. The [Securities and Exchange] Commission shall also require **THE** deposit of additional securities **OR FINANCIAL INSTRUMENTS** if the actual market value of the **DEPOSITED** securities **OR FINANCIAL INSTRUMENTS** [on deposit] has decreased by at least ten (10%) percent of their actual market value at the time they were deposited. The [Securities and Exchange] Commission may at its discretion release part of the additional [securities] deposit[ed with it] if the gross income of the licensee has decreased, or if the actual market value of the total [securities on] deposit has increased, by more than ten (10%) percent of the **IR** actual market value [of the securities] at the time they were deposited. The [Securities and Exchange] Commission may, from time to time, allow the licensee to **MAKE** substitute **DEPOSITS** [other securities] for those already on deposit as long as the licensee is solvent. Such licensee shall be entitled to collect the interest or dividends on [the] **SUCH** [securities] deposit[ed]. In the event the licensee ceases to do business in the Philippines, **ITS** [the securities] deposit[ed as aforesaid] shall be returned, upon the licensee's application therefor and upon proof to the satisfaction of the [Securities and Exchange] Commission that the licensee has no liability to Philippine residents, including the Government of the Republic of the Philippines. **FOR PURPOSES OF COMPUTING THE SECURITIES DEPOSIT, THE COMPOSITION OF GROSS INCOME AND ALLOWABLE DEDUCTIONS THEREFROM SHALL BE IN ACCORDANCE WITH THE RULES OF THE COMMISSION.**

Sec. [127] 145. Who may be a resident agent. - A resident agent may be either an individual residing in the Philippines or a domestic corporation lawfully transacting business in the Philippines: Provided, That [in the case of] an individual **RESIDENT AGENT**[, he] must be of good moral character and of sound financial standing.

Sec. [128.] 146. Resident agent; service of process. - [The Securities and Exchange Commission shall require a] **As a condition [precedent] to the issuance of the license FOR A FOREIGN CORPORATION** to transact business in the Philippines [by any foreign corporation that], such corporation **SHALL** file with the [Securities and Exchange] Commission a written power of attorney designating some person who must be a resident of the Philippines, on whom any summons and other legal processes may be served in all actions or other legal proceedings against such corporation, and

Handwritten initials or signature.

consenting that service upon such resident agent shall be admitted and held as valid as if served upon the duly authorized officers of the foreign corporation at its home office. [Any s]Such foreign corporation shall likewise execute and file with the [Securities and Exchange] Commission an agreement or stipulation, executed by the proper authorities of said corporation, in form and substance as follows:

“The (name of foreign corporation) [does] hereby stipulates and agrees, in consideration of [its] being granted [by the Securities and Exchange Commission] a license to transact business in the Philippines, that if [at any time said] **THE** corporation shall cease to transact business in the Philippines, or shall be without any resident agent in the Philippines on whom any summons or other legal processes may be served, [then in any action or proceeding arising out of any business or transaction which occurred in the Philippines,] **THEN** service of any summons or other legal process may be made upon the [Securities and Exchange] Commission **IN ANY ACTION OR PROCEEDING ARISING OUT OF ANY BUSINESS OR TRANSACTION WHICH OCCURRED IN THE PHILIPPINES** and [that] such service shall have the same force and effect as if made upon the duly-authorized officers of the corporation at its home office.”

Whenever such service of summons or other process [shall be] **IS** made upon the [Securities and Exchange] Commission, the Commission shall, within ten (10) days thereafter, transmit by mail a copy of such summons or other legal process to the corporation at its home or principal office. The sending of such copy by the Commission shall be **A** necessary part of and shall complete such service. All expenses incurred by the Commission for such service shall be paid in advance by the party at whose instance the service is made.

[In case of a change of address of the resident agent, it] **IT** shall be **THE DUTY OF THE RESIDENT AGENT** [his or its duty] to immediately notify **THE COMMISSION** in writing **OF ANY CHANGE IN HIS OR HER ADDRESS** [the Securities and Exchange Commission of the new address].

Sec. [129] **147. Law applicable.** – A[ny] foreign corporation lawfully doing business in the Philippines shall be bound by all laws, rules

and regulations applicable to domestic corporations of the same class, except [such only as] **THOSE WHICH** provide for the creation, formation, organization or dissolution of corporations or those which fix the relations, liabilities, responsibilities, or duties of stockholders, members, or officers of corporations to each other or to the corporation.

Sec. [130] **148.. Amendments to articles of incorporation or by-laws of foreign corporations.** – Whenever the articles of incorporation or by-laws of a foreign corporation authorized to transact business in the Philippines are amended, such foreign corporation shall, within sixty (60) days after the amendment becomes effective, file with the [Securities and Exchange] Commission, and in the proper cases, with the appropriate government agency, a duly authenticated copy of the **AMENDED** articles of incorporation or by-laws[, as amended], indicating clearly in capital letters or [by] underscoring the change or changes made, duly certified by the authorized official or officials of the country or state of incorporation. [The] **SUCH** filing [thereof] shall not [of] **IN** itself enlarge or alter the purpose or purposes for which such corporation is authorized to transact business in the Philippines.

Sec. [131] **149. Amended license.** – A foreign corporation authorized to transact business in the Philippines shall obtain an amended license in the event it changes its corporate name, or desires to pursue [in the Philippines] other or additional purposes **IN THE PHILIPPINES**, by submitting an application [therefor to the Securities and Exchange] **WITH THE** Commission, favorably endorsed by the appropriate government agency in the proper cases.

Sec. [132] **150. Merger or consolidation involving a foreign corporation licensed in the Philippines.** – One or more foreign corporations authorized to transact business in the Philippines may merge or consolidate with any domestic corporation or corporations if [such is] permitted under Philippine laws and by the law of its incorporation: Provided, That the requirements on merger or consolidation as provided in this Code are followed.

Whenever a foreign corporation authorized to transact business in the Philippines shall be a party to a merger or consolidation in its home country or state as permitted by the law of its incorporation, such foreign corporation shall, within sixty (60) days after **THE EFFECTIVITY OF** such merger or consolidation [becomes

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effective], file with the [Securities and Exchange] Commission, and in proper cases, with the appropriate government agency, a copy of the articles of merger or consolidation duly authenticated by the proper official or officials of the country or state under [the] **WHOSE** laws [of which], **THE** merger or consolidation was effected: Provided, however, That if the absorbed corporation is the foreign corporation doing business in the Philippines, the latter shall at the same time file a petition for withdrawal of its license in accordance with this Title.

Sec. [133] **151. Doing business without a license.** – No foreign corporation transacting business in the Philippines without a license, or its successors or assigns, shall be permitted to maintain or intervene in any action, suit or proceeding in any court or administrative agency of the Philippines; but such corporation may be sued or proceeded against before Philippine courts or administrative tribunals on any valid cause of action recognized under Philippine laws.

Sec. [134] **152. Revocation of license.** – Without prejudice to other grounds provided [by] **UNDER** special laws, the license of a foreign corporation to transact business in the Philippines may be revoked or suspended by the [Securities and Exchange] Commission upon any of the following grounds:

1. Failure to file its annual report or pay any fees as required by this Code;
2. Failure to appoint and maintain a resident agent in the Philippines as required by this Title;
3. Failure, after change of its resident agent or of his address, to submit to the [Securities and Exchange] Commission a statement of such change as required by this Title;
4. Failure to submit to the [Securities and Exchange] Commission an authenticated copy of any amendment to its articles of incorporation or by-laws or of any articles of merger or consolidation within the time prescribed by this Title;
5. A misrepresentation of any material matter in any application, report, affidavit or other document submitted by such corporation pursuant to this Title;
6. Failure to pay any and all taxes, imposts, assessments or penalties, if any, lawfully due to the Philippine Government or any of its agencies or political subdivisions;
7. Transacting business in the Philippines outside of the purpose or purposes for which

such corporation is authorized under its license;

8. Transacting business in the Philippines as agent of or acting [for and i]On behalf of any foreign corporation or entity not duly licensed to do business in the Philippines; or
9. Any other ground as would render it unfit to transact business in the Philippines.

Sec. [135] **153. Issuance of certificate of revocation.** – Upon the revocation of [any such] **THE** license to transact business in the Philippines, the [Securities and Exchange] Commission shall issue a corresponding certificate of revocation, furnishing a copy thereof to the appropriate government agency in the proper cases.

The [Securities and Exchange] Commission shall also mail [to the corporation] **THE NOTICE AND COPY OF THE CERTIFICATE OF REVOCATION TO THE CORPORATION**, at its registered office in the Philippines [a notice of such revocation accompanied by a copy of the certificate of revocation].

Sec. [136] **154. Withdrawal of foreign corporations.** – Subject to existing laws and regulations, a foreign corporation licensed to transact business in the Philippines may be allowed to withdraw from the Philippines by filing a petition for withdrawal of license. No certificate of withdrawal shall be issued by the [Securities and Exchange] Commission unless all the following requirements are met:[;]

1. All claims which have accrued in the Philippines have been paid, compromised or settled;
2. All taxes, imposts, assessments, and penalties, if any, lawfully due to the Philippine Government or any of its agencies or political subdivisions have been paid; and
3. The petition for withdrawal of license has been published once a week for three (3) consecutive weeks in a newspaper of general circulation in the Philippines.

TITLE XVI – INVESTIGATIONS, OFFENSES, AND PENALTIES

Sec. **155. INVESTIGATION AND PROSECUTION OF OFFENSES.** – **THE COMMISSION MAY INVESTIGATE AN ALLEGED [MATERIAL] VIOLATION [OR THREATENED VIOLATION] OF THIS CODE, [ANY] RULE, REGULATION, OR ORDER OF THE COMMISSION.**

THE COMMISSION SHALL REFER ALL CRIMINAL COMPLAINTS FOR SUCH VIOLA-

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TIONS TO THE DEPARTMENT OF JUSTICE FOR PRELIMINARY INVESTIGATION AND PROSECUTION BEFORE THE PROPER COURT.

THE COMMISSION MAY PUBLISH ITS FINDINGS, ORDERS, OPINIONS, ADVISORIES, OR INFORMATION CONCERNING ANY SUCH VIOLATION, AS MAY BE RELEVANT TO THE GENERAL PUBLIC OR TO THE PARTIES CONCERNED, SUBJECT TO THE PROVISIONS OF THE DATA PRIVACY ACT AND OTHER PERTINENT LAWS.

SEC. 156. ADMINISTRATION OF OATHS, [AND] SUBPOENA OF WITNESSES AND DOCUMENTS. -THE COMMISSION, [OR] THROUGH ITS DESIGNATED OFFICER, MAY ADMINISTER OATHS AND AFFIRMATIONS, ISSUE SUBPOENA AND SUBPOENA DUCES TECUM, TAKE TESTIMONY IN ANY INQUIRY OR INVESTIGATION, AND MAY PERFORM OTHER ACTS NECESSARY TO THE PROCEEDINGS OR TO THE INVESTIGATION.

SECTION 157. CEASE AND DESIST ORDERS. - WHENEVER THE COMMISSION HAS REASONABLE BASIS TO BELIEVE THAT A PERSON HAS VIOLATED, OR IS ABOUT TO VIOLATE, [OR WILL CONTINUE TO VIOLATE] THIS CODE, [ANY] RULE, REGULATION, OR ORDER OF THE COMMISSION, IT MAY DIRECT SUCH PERSON TO DESIST FROM COMMITTING THE ACT CONSTITUTING THE VIOLATION.

THE COMMISSION MAY ISSUE A CEASE AND DESIST ORDER *EX PARTE* [] TO ENJOIN AN ACT OR PRACTICE WHICH IS FRAUDULENT OR CAN BE REASONABLY EXPECTED TO CAUSE SIGNIFICANT, IMMINENT, AND IRREPARABLE DANGER OR INJURY TO PUBLIC SAFETY OR WELFARE. THE *EX PARTE* ORDER SHALL BE VALID FOR A MAXIMUM PERIOD OF TWENTY (20) DAYS, WITHOUT PREJUDICE TO THE ORDER BEING MADE PERMANENT AFTER DUE NOTICE AND HEARING.

THEREAFTER, THE COMMISSION MAY PROCEED ADMINISTRATIVELY AGAINST SUCH PERSON IN ACCORDANCE WITH SECTION 159, AND/OR TRANSMIT EVIDENCE TO THE DEPARTMENT OF JUSTICE FOR PRELIMINARY INVESTIGATION OR CRIMINAL PROSECUTION AND/OR INITIATE CRIMINAL PROSECUTION FOR ANY VIOLATION OF THIS CODE, RULE OR REGULATION.

SEC. 158. CONTEMPT. - ANY PERSON WHO, WITHOUT JUSTIFIABLE CAUSE, FAILS OR REFUSES TO COMPLY WITH ANY

LAWFUL ORDER, DECISION, OR SUBPOENA ISSUED BY THE COMMISSION SHALL, AFTER DUE NOTICE AND HEARING, BE HELD IN CONTEMPT AND FINED [IN SUCH AMOUNT AS THE COMMISSION MAY DETERMINE.] IN AN AMOUNT NOT EXCEEDING THIRTY THOUSAND PESOS (P30,000). WHEN THE REFUSAL AMOUNTS TO CLEAR AND OPEN DEFIANCE OF THE COMMISSION'S ORDER, DECISION, OR SUBPOENA, THE COMMISSION [SHALL] MAY IMPOSE [APPROPRIATE DAILY FINES] A DAILY FINE OF ONE THOUSAND PESOS (PHP1,000) UNTIL THE ORDER, DECISION, OR SUBPOENA IS COMPLIED WITH.

SEC. 159. ADMINISTRATIVE SANCTIONS. - [UPON FINDING THAT A VIOLATION HAS BEEN COMMITTED, AND AFTER DUE NOTICE AND HEARING, TAKING INTO CONSIDERATION THE PARTICIPATION, NATURE, EFFECTS, FREQUENCY AND SERIOUSNESS OF THE VIOLATION, THE COMMISSION MAY:]

IF, AFTER DUE NOTICE AND HEARING, THE COMMISSION FINDS THAT ANY PROVISION OF THIS CODE, RULES OR REGULATIONS, OR ANY OF THE COMMISSION'S ORDERS HAS BEEN VIOLATED, THE COMMISSION MAY IMPOSE ANY OR ALL OF THE FOLLOWING SANCTIONS, TAKING INTO CONSIDERATION THE EXTENT OF PARTICIPATION, NATURE, EFFECTS, FREQUENCY AND SERIOUSNESS OF THE VIOLATION:

1. IMPOSE A FINE RANGING FROM FIVE THOUSAND PESOS (PHP5,000.00) TO TWO MILLION PESOS (PHP2,000,000), AND NOT MORE THAN ONE THOUSAND PESOS (PHP1,000) FOR EACH DAY OF CONTINUING VIOLATION BUT IN NO CASE TO EXCEED TWO MILLION PESOS (PHP2,000,000.00);
2. ISSUE A PERMANENT CEASE AND DESIST ORDER;
3. ORDER THE SUSPENSION OR REVOCATION OF THE CERTIFICATE OF INCORPORATION; AND
4. ORDER THE DISSOLUTION OF THE CORPORATION AND FORFEITURE OF ITS ASSETS UNDER THE CONDITIONS IN TITLE XIV OF THIS CODE.

SEC. 160. UNAUTHORIZED USE OF CORPORATE NAME; PENALTIES. - THE UNAUTHORIZED USE OF A CORPORATE NAME SHALL BE PUNISHED WITH A FINE

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RANGING FROM [FIFTY] TEN THOUSAND PESOS [(P50,000)] (P10,000) TO TWO HUNDRED THOUSAND PESOS (P200,000).

Sec. 161. *[CONCEALMENT OF] VIOLATION OF DISQUALIFICATION PROVISION; PENALTIES.* – A DIRECTOR, [OR] TRUSTEE, OR OFFICER WHO WILLFULLY HOLDS OFFICE [WILLFULLY CONCEALS THE] DESPITE THE KNOWLEDGE OF THE EXISTENCE OF A GROUND FOR HIS OR HER DISQUALIFICATION AS PROVIDED UNDER SECTION 27, OR WHO WILFULLY CONCEALS SUCH DISQUALIFICATION, SHALL [UPON ACCEPTANCE OF, OR WHILE HOLDING THE POST, SHALL, AT THE DISCRETION OF THE COURT,] BE PUNISHED BY A FINE RANGING FROM TEN THOUSAND PESOS (P10,000) TO TWO HUNDRED THOUSAND PESOS (P200,000) AT THE DISCRETION OF THE COURT, AND SHALL BE PERMANENTLY DISQUALIFIED FROM BEING A DIRECTOR, TRUSTEE OR OFFICER OF [FURTHER ACTING AS DIRECTOR OF] ANY CORPORATION. [CONCEALMENT SHALL BE WILLFUL WHEN THE DIRECTOR OR TRUSTEE ACCEPTS OR RETAINS THE POST DESPITE KNOWLEDGE OF THE EXISTENCE OF THE DISQUALIFICATION.] WHEN THE VIOLATION OF THIS PROVISION IS INJURIOUS OR DETRIMENTAL TO THE PUBLIC, THE PENALTY IS A FINE RANGING FROM TWENTY THOUSAND PESOS (P20,000) TO FOUR HUNDRED THOUSAND PESOS (P400,000).

Sec. 162. *VIOLATION OF DUTY TO MAINTAIN RECORDS, TO ALLOW THEIR INSPECTION OR REPRODUCTION; PENALTIES.* – THE UNJUSTIFIED FAILURE OR REFUSAL BY THE CORPORATION, OR BY THOSE RESPONSIBLE FOR KEEPING AND MAINTAINING CORPORATE RECORDS, TO COMPLY WITH SECTIONS 46, 74, 93, 179 AND OTHER PERTINENT RULES AND PROVISIONS OF THIS CODE ON [AND THE RULES WITH RESPECT TO] RETENTION, INSPECTION [OR] AND REPRODUCTION OF RECORDS SHALL BE PUNISHED WITH A FINE RANGING FROM TEN THOUSAND PESOS (P10,000) TO [ONE] TWO HUNDRED THOUSAND PESOS [(PHP100,000)] (P200,000), AT THE DISCRETION OF THE COURT, TAKING INTO CONSIDERATION THE SERIOUSNESS OF THE VIOLATION AND ITS IMPLICATIONS. WHEN THE VIOLATION OF THIS PROVISION IS INJURIOUS OR DETRIMENTAL TO THE PUBLIC, THE PENALTY IS A FINE RANGING FROM TWENTY THOUSAND

PESOS (P20,000) TO FOUR HUNDRED THOUSAND PESOS (P400,000).

THE PENALTIES IMPOSED UNDER THIS SECTION SHALL BE WITHOUT PREJUDICE TO THE COMMISSION'S EXERCISE OF ITS CONTEMPT POWERS UNDER SECTION 158 HEREOF.

SEC. 163. *WILLFUL CERTIFICATION OF INCOMPLETE, INACCURATE, FALSE, OR MISLEADING STATEMENTS OR REPORTS; PENALTIES.* – ANY PERSON WHO WILLFULLY CERTIFIES A REPORT [OR MATTER] REQUIRED UNDER THIS CODE KNOWING THAT THE SAME CONTAINS INCOMPLETE, INACCURATE, FALSE, OR MISLEADING INFORMATION OR STATEMENTS, SHALL BE PUNISHED WITH A FINE [OF NOT MORE THAN FIVE HUNDRED THOUSAND PESOS (P500,000)] RANGING FROM TWENTY THOUSAND PESOS (P20,000.00) TO TWO HUNDRED THOUSAND PESOS (P200,000). WHEN THE WRONGFUL CERTIFICATION IS INJURIOUS OR DETRIMENTAL TO THE PUBLIC, THE AUDITOR OR THE RESPONSIBLE PERSON MAY ALSO BE PUNISHED WITH A FINE [FINED OF NOT MORE THAN ONE MILLION PESOS (P1,000,000).] RANGING FROM FORTY THOUSAND PESOS (P40,000) TO FOUR HUNDRED THOUSAND PESOS (P400,000).

SEC. 164. *INDEPENDENT AUDITOR COLLUSION; PENALTIES.* – AN INDEPENDENT AUDITOR WHO, IN COLLUSION WITH THE CORPORATION'S DIRECTORS OR REPRESENTATIVES, CERTIFIES THE CORPORATION'S FINANCIAL STATEMENTS DESPITE ITS INCOMPLETENESS OR INACCURACY, FAILURE TO GIVE A FAIR AND ACCURATE PRESENTATION OF THE CORPORATION'S CONDITION, OR DESPITE CONTAINING FALSE OR MISLEADING STATEMENTS, SHALL BE PUNISHED WITH A FINE [OF NOT MORE THAN ONE MILLION PESOS (P1,000,000).] RANGING FROM ONE EIGHTY THOUSAND PESOS (P80,000) TO FIVE HUNDRED THOUSAND PESOS (P500,000). WHEN THE STATEMENT OR REPORT CERTIFIED IS FRAUDULENT, OR HAS THE EFFECT OF CAUSING INJURY TO THE GENERAL PUBLIC, THE AUDITOR OR RESPONSIBLE OFFICER MAY BE PUNISHED WITH A FINE [OF NOT MORE THAN TWO MILLION PESOS (P2,000,000).] RANGING FROM ONE HUNDRED THOUSAND PESOS (P100,000.00) TO SIX HUNDRED THOUSAND PESOS (P600,000).

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SEC. 165. OBTAINING CORPORATE REGISTRATION THROUGH FRAUD; PENALTIES. – THOSE RESPONSIBLE FOR THE FORMATION OF A CORPORATION THROUGH FRAUD, OR WHO ASSISTED DIRECTLY OR INDIRECTLY THEREIN, SHALL BE PUNISHED WITH A FINE RANGING FROM [FIVE HUNDRED THOUSAND PESOS (P500,000) TO TWO MILLION PESOS (P2,000,000).] TWO HUNDRED THOUSAND PESOS (P200,000) TO TWO MILLION PESOS (P2,000,000). WHEN THE VIOLATION OF THIS PROVISION IS INJURIOUS OR DETRIMENTAL TO THE PUBLIC, THE PENALTY IS A FINE RANGING FROM FOUR HUNDRED THOUSAND PESOS (P400,000) TO FIVE MILLION PESOS (P5,000,000).

Sec. 166. FRAUDULENT CONDUCT OF BUSINESS; PENALTIES. – A CORPORATION THAT CONDUCTS ITS BUSINESS [ITS] THROUGH FRAUD SHALL BE PUNISHED WITH A FINE RANGING FROM [FIVE HUNDRED THOUSAND PESOS (P500,000.00) TO TWO MILLION PESOS (P2,000,000.00).] TWO HUNDRED THOUSAND PESOS (P200,000.00) TO TWO MILLION PESOS (P2,000,000). WHEN THE VIOLATION OF THIS PROVISION IS INJURIOUS OR DETRIMENTAL TO THE PUBLIC, THE PENALTY IS A FINE RANGING FROM FOUR HUNDRED THOUSAND PESOS (P400,000) TO FIVE MILLION PESOS (P5,000,000).

[**Sec. 167. THEFT OF IDENTITY; PENALTIES.** – A CORPORATION, NATURAL PERSON, OR GROUP OF PERSONS, WHO OBTAINS AND WILLFULLY USES THE IDENTIFYING INFORMATION OF A NATURAL OR JURIDICAL PERSON WITHOUT THE LATTER'S CONSENT, FOR ANY UNLAWFUL OR FRAUDULENT PURPOSE DESIGNED TO (A) SECURE AN UNFAIR GAIN; OR (B) CAUSE ANOTHER PERSON TO SUFFER A LOSS, SHALL BE PUNISHED WITH A FINE RANGING FROM FIVE HUNDRED THOUSAND PESOS (P500,000.00) TO TWO MILLION PESOS (P2,000,000.00).]

Sec. 167. ACTING AS INTERMEDIARIES FOR GRAFT AND CORRUPT PRACTICES; PENALTIES. – A CORPORATION USED FOR FRAUD, [OR] FOR [COMMISSION] COMMITTING OR [CONCEALMENT] CONCEALING [OF] GRAFT AND CORRUPT PRACTICES SHALL BE LIABLE FOR A FINE RANGING FROM [ONE MILLION (P1,000,000.00) TO FIVE MILLION (P5,000,000.00) PESOS.] ONE HUNDRED THOUSAND PESOS (P100,000.00) TO FIVE MILLION PESOS (5,000,000.00).

WHEN COUPLED WITH A FINDING THAT ANY OF ITS DIRECTORS, OFFICER, EMPLOYEES, AGENTS, OR REPRESENTATIVES ARE ENGAGED IN GRAFT AND CORRUPT PRACTICES, THE CORPORATION'S FAILURE TO INSTALL: a) SAFEGUARDS FOR THE TRANSPARENT AND LAWFUL DELIVERY OF SERVICES; AND b) POLICIES, CODE OF ETHICS, AND PROCEDURES AGAINST GRAFT AND CORRUPTION, [WHEN COUPLED WITH A FINDING THAT ANY OF ITS DIRECTORS, OFFICER, EMPLOYEES, AGENTS, OR REPRESENTATIVES ENGAGED IN GRAFT AND CORRUPT PRACTICES,] SHALL BE *PRIMA FACIE* EVIDENCE OF CORPORATE LIABILITY UNDER THIS SECTION.

Sec. 168. ENGAGING INTERMEDIARIES FOR GRAFT AND CORRUPT PRACTICES; PENALTIES. – A CORPORATION THAT APPOINTS AN INTERMEDIARY WHO ENGAGES IN GRAFT AND CORRUPT PRACTICES FOR THE CORPORATION'S BENEFIT OR INTEREST, SHALL BE [FINED IN THE AMOUNT OF ONE MILLION PESOS (P1,000,000).] PUNISHED WITH A FINE RANGING FROM ONE HUNDRED THOUSAND PESOS (P100,000) TO ONE MILLION PESOS (1,000,000).

Sec. 169. TOLERATING GRAFT AND CORRUPT PRACTICES; PENALTIES. – A DIRECTOR, TRUSTEE, OR OFFICER WHO KNOWINGLY FAILS TO SANCTION, REPORT OR FILE THE APPROPRIATE ACTION WITH PROPER AGENCIES, ALLOWS OR TOLERATES THE GRAFT AND CORRUPT PRACTICES OR FRAUDULENT ACTS COMMITTED BY A CORPORATION'S DIRECTORS, TRUSTEES, OFFICERS, OR EMPLOYEES, SHALL BE [FINED IN THE AMOUNT OF ONE MILLION PESOS (P1,000,000.00).] PUNISHED WITH A FINE RANGING FROM FIVE HUNDRED THOUSAND PESOS (P500,000) TO ONE MILLION PESOS (P1,000,000).

SEC. 170. RETALIATION AGAINST WHISTLEBLOWERS. – A WHISTLEBLOWER REFERS TO ANY PERSON WHO PROVIDES TRUTHFUL INFORMATION RELATING TO THE COMMISSION OR POSSIBLE COMMISSION OF ANY OFFENSE OR VIOLATION UNDER THIS CODE. ANY PERSON WHO, KNOWINGLY AND WITH INTENT TO RETALIATE, COMMITS ACTS DETRIMENTAL TO A WHISTLEBLOWER SUCH AS INTERFERING WITH THE LAWFUL EMPLOYMENT OR LIVELIHOOD OF THE WHISTLEBLOWER, SHALL, AT THE DISCRETION OF

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THE COURT, BE PUNISHED WITH A FINE RANGING FROM [FIVE HUNDRED THOUSAND PESOS (P500,000)] ONE HUNDRED THOUSAND PESOS (P100,000) TO ONE MILLION PESOS (P1,000,000.00) [AND/OR IMPRISONMENT OF FIVE (5) TO TEN (10) YEARS.]

SEC. [144]171. *OTHER violations of the code; SEPARATE LIABILITY.* – Violations of any of the other provisions of this code or its amendments not otherwise specifically penalized therein shall be punished by a fine of not less than [one] TEN Thousand [P1,000.00] pesos (P10,000.00) but not more than ONE MILLION [ten thousand (P10,000.00)] Pesos (P1,000,000.00) [or by imprisonment for not less than thirty (30) days but not more than five (5) years, or both, in the discretion of the court]. If the violation is committed by a corporation, the same may, after notice and hearing, be dissolved in appropriate proceedings before the [Securities and Exchange] Commission: Provided, [t]That such dissolution shall not preclude the institution of appropriate action against the director, trustee, or officer of the corporation responsible for said violation: [p]Provided, further, [t]That nothing in this section shall be construed to repeal the other causes for dissolution of a corporation provided in this [c]Code.

LIABILITY FOR ANY OF THE FOREGOING OFFENSES SHALL BE SEPARATE FROM ANY OTHER ADMINISTRATIVE, CIVIL, OR CRIMINAL LIABILITY UNDER THIS CODE AND OTHER LAWS.

SEC. 172. *LIABILITY OF DIRECTORS, TRUSTEES, OFFICERS, OR OTHER EMPLOYEES.* – IF THE OFFENDER IS A CORPORATION, THE PENALTY MAY, AT THE DISCRETION OF THE COURT, BE IMPOSED UPON SUCH CORPORATION AND/OR UPON ITS DIRECTORS, TRUSTEES, STOCKHOLDERS, MEMBERS, OFFICERS, OR EMPLOYEES RESPONSIBLE FOR THE VIOLATION OR INDISPENSABLE TO ITS COMMISSION.

SEC. 173. *LIABILITY OF AIDERS AND ABETTORS AND OTHER SECONDARY LIABILITY.* – ANYONE WHO SHALL AID, ABET, COUNSEL, COMMAND, INDUCE, OR PROCURE ANY VIOLATION OF THIS CODE, OR ANY RULE, REGULATION OR ORDER OF THE COMMISSION SHALL BE PUNISHED WITH A FINE NOT EXCEEDING THAT IMPOSED ON THE PRINCIPAL OFFENDERS, AT THE DISCRETION OF THE COURT, AFTER TAKING INTO ACCOUNT THEIR PARTICIPA-

TION IN THE OFFENSE. [WHEN THE OFFENSE IS OF SUCH NATURE AND EXTENT AS TO AFFECT OR ENDANGER PUBLIC INTEREST OR NATIONAL ECONOMY, THE AIDER OR ABETTOR MAY SUFFER THE PENALTY OF IMPRISONMENT.]

Title XVII: Miscellaneous Provisions

Sec. [137] 174. *Outstanding capital stock defined.* – The term “outstanding capital stock”, as used in this Code, means the total shares of stock issued under binding subscription agreements to subscribers or stockholders, whether [or not] fully or partially paid, except treasury shares.

Sec. [138] 175. *Designation of governing boards.* – The provisions of specific provisions of this Code to the contrary notwithstanding, non-stock or special corporations may, through their articles of incorporation or their by-laws, designate their governing boards by any name other than as board of trustees.

Sec. [139] 176. *COLLECTION AND USE OF REGISTRATION, Incorporation and other fees.* – [The Securities and Exchange Commission is hereby authorized to collect and receive fees as authorized by law or by rules and regulations promulgated by the Commission.] **FOR A MORE EFFECTIVE IMPLEMENTATION OF THIS CODE, THE COMMISSION IS HEREBY AUTHORIZED TO COLLECT, RETAIN, AND USE FEES, FINES, AND OTHER CHARGES PURSUANT TO THIS CODE AND ITS RULES AND REGULATIONS. THE AMOUNT COLLECTED SHALL BE DEPOSITED AND MAINTAINED IN A SEPARATE ACCOUNT WHICH SHALL FORM A FUND FOR ITS MODERNIZATION AND TO AUGMENT ITS OPERATIONAL EXPENSES SUCH AS, BUT NOT LIMITED TO, CAPITAL OUTLAY, INCREASE IN COMPENSATION AND BENEFITS COMPARABLE WITH PREVAILING RATES IN THE PRIVATE SECTOR [CONSISTENT WITH R.A. NO. 6758 OTHERWISE KNOWN AS “THE SALARY STANDARDIZATION LAW”, AS AMENDED,] REASONABLE EMPLOYEE ALLOWANCE, EMPLOYEE HEALTH CARE SERVICES AND OTHER INSURANCE, EMPLOYEE CAREER ADVANCEMENT AND PROFESSIONALIZATION, LEGAL ASSISTANCE, SEMINARS AND OTHER PROFESSIONAL FEES.**

Sec. [140]177. *NATIONALITY AND Stock ownership in [certain] corporations.* – THE COMMISSION SHALL DETERMINE THE NATIONALITY OF A CORPORATION

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[BASED ON THE OUTSTANDING CAPITAL STOCK ENTITLED TO VOTE,] **IN ACCORDANCE WITH THE CONSTITUTION, JURISPRUDENCE, AND APPLICABLE LAWS.**

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

THE CONGRESS MAY SET [M]maximum limits [by the Batasang Pambansa] for stock[holdings] ownership of individuals or groups of individuals related to each other by consanguinity, affinity, or by close business interests, in corporations declared [by it] to be vested with [a] public interest pursuant to the provisions of this section, or whenever [it is] necessary to [achieve national objectives,] prevent **ANTI-COMPETITIVE PRACTICES AS PROVIDED IN REPUBLIC ACT NO. 10667, "THE PHILIPPINE COMPETITION ACT"**, or to implement national economic policies designed to promote [the] general welfare and [foster] economic development, **AS** declared in laws, rules, and regulations.

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

Sec. [141]178 . [Annual report] **REPORTORIAL REQUIREMENTS** of corporations. – **EXCEPT AS OTHERWISE PROVIDED IN THIS CODE OR IN THE RULES ISSUED BY THE COMMISSION,** every corporation, domestic or foreign, [lawfully] doing business in the Philippines shall submit to the [Securities and Exchange] Commission:

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

1. **ANNUAL FINANCIAL STATEMENTS AUDITED BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT** [, ACCREDITED BY THE COMMISSION]; **PROVIDED, THAT IF THE TOTAL ASSETS OR TOTAL LIABILITIES OF THE CORPORATION ARE LESS THAN SIX HUNDRED THOUSAND PESOS [P600,000.00] THE FINANCIAL STATEMENTS SHALL BE CERTIFIED UNDER OATH BY THE CORPORATION'S TREASURER OR CHIEF FINANCIAL OFFICER; AND**

2. **A GENERAL INFORMATION SHEET. [;]** CORPORATIONS VESTED WITH PUBLIC INTEREST MUST ALSO SUBMIT THE FOLLOWING:

1. A DIRECTOR OR TRUSTEE COMPENSATION REPORT;
2. A DIRECTOR OR TRUSTEE APPRAISAL OR PERFORMANCE REPORT AND THE STANDARDS OR CRITERIA USED TO ASSESS EACH DIRECTOR OR TRUSTEE[; AND].

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

THE COMMISSION MAY PLACE THE CORPORATION UNDER DELINQUENT STATUS [SHOULD THE CORPORATION] IN CASE OF FAILURE TO SUBMIT THE REPORTORIAL REQUIREMENTS THREE (3) TIMES, CONSECUTIVELY OR INTERMITTENTLY, WITHIN A PERIOD OF FIVE (5) YEARS.

ANY PERSON REQUIRED TO FILE ANY REPORT WITH THE COMMISSION MAY REMOVE ANY CONFIDENTIAL INFORMATION FROM SUCH REQUIRED REPORT, PROVIDED THAT HE OR SHE FILES WITH THE COMMISSION SUCH CONFIDENTIAL INFORMATION IN A SUPPLEMENTAL REPORT PROMINENTLY LABELED "CONFIDENTIAL", TOGETHER WITH A REQUEST FOR CONFIDENTIAL TREATMENT OF THE REPORT AND THE SPECIFIC GROUNDS FOR THE GRANT THEREOF.

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Sec. [142]179. *VISITORIAL POWER AND Confidential nature of examination results.* – THE COMMISSION SHALL EXERCISE VISITORIAL POWERS OVER ALL CORPORATIONS, WHICH POWERS SHALL INCLUDE THE EXAMINATION AND INSPECTION OF RECORDS, REGULATION AND SUPERVISION OF ACTIVITIES, ENFORCEMENT OF COMPLIANCE, AND IMPOSITION OF SANCTIONS IN ACCORDANCE WITH THIS CODE.

SHOULD THE CORPORATION, WITHOUT JUSTIFIABLE CAUSE, REFUSE OR OBSTRUCT THE COMMISSION'S EXERCISE OF ITS VISITORIAL POWERS, THE COMMISSION MAY REVOKE ITS CERTIFICATE OF INCORPORATION. REVOCATION SHALL BE WITHOUT PREJUDICE TO THE IMPOSITION OF OTHER PENALTIES AND SANCTIONS UNDER THIS CODE.

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

Sec. [143]180. *[Rule-making power] POWERS, FUNCTIONS, [Securities and Exchange] AND JURISDICTION of the Commission* – The [Securities and Exchange] Commission shall have the power and authority TO:

1. EXERCISE SUPERVISION AND JURISDICTION OVER ALL CORPORATIONS AND PERSONS ACTING ON THEIR BEHALF, EXCEPT AS OTHERWISE PROVIDED UNDER THIS CODE;

PURSUANT TO PRESIDENTIAL DECREE 902-A, THE COMMISSION SHALL RETAIN JURISDICTION OVER PENDING CASES INVOLVING INTRACORPORATE DISPUTES SUBMITTED FOR FINAL RESOLUTION. THE COMMISSION SHALL RETAIN JURISDICTION OVER PENDING SUSPENSION OF PAYMENT/REHABILITATION

CASES FILED AS OF 30 JUNE 2000 UNTIL FINALLY DISPOSED.

2. IMPOSE SANCTIONS FOR THE VIOLATION OF THIS CODE, ITS IMPLEMENTING RULES, AND ORDERS OF THE COMMISSION;
3. PROMOTE CORPORATE GOVERNANCE THROUGH, AMONG OTHERS, REQUIRING ADDITIONAL SUBMISSIONS TO THE COMMISSION;
4. ISSUE OPINIONS TO CLARIFY THE APPLICATION OF LAWS, RULES, AND REGULATIONS;
5. [to implement the provisions of this Code, and to promulgate rules and regulations reasonably necessary to enable it to perform its duties hereunder, particularly in the prevention of fraud and abuses on the part of the controlling stockholders, members, directors, trustees or officers.] ISSUE CEASE AND DESIST ORDERS *EX PARTE* TO PREVENT IMMINENT FRAUD OR INJURY TO THE PUBLIC[.];
6. HOLD CORPORATIONS IN DIRECT AND INDIRECT CONTEMPT;
7. ORDER THE CONDUCT OF STOCKHOLDERS' OR MEMBERS' MEETINGS UNDER ITS SUPERVISION AND [OTHER] DETERMINE APPROPRIATE [ORDERS] DETAILS, INCLUDING [SETTING OF] THE TIME AND PLACE OF THE MEETING, THE RECORD DATE OR DATES TO DETERMINE WHICH STOCKHOLDERS ARE ENTITLED TO NOTICE OF THE ELECTION AND TO VOTE THEREAT, AND THE FORM OF NOTICE OF SUCH ELECTION;
8. ISSUE SUBPOENA DUCES TECUM AND SUMMON WITNESSES TO APPEAR IN PROCEEDINGS BEFORE THE COMMISSION;
9. IN APPROPRIATE CASES, ORDER THE EXAMINATION, SEARCH AND SEIZURE OF DOCUMENTS, PAPERS, FILES AND RECORDS, [TAX RETURNS,] AND BOOKS OF ACCOUNTS OF ANY ENTITY OR PERSON UNDER INVESTIGATION AS MAY BE NECESSARY FOR THE PROPER DISPOSITION OF THE CASES, SUBJECT TO THE PROVISIONS OF EXISTING LAWS;
10. SUSPEND OR REVOKE THE CERTIFICATE OF INCORPORATION AFTER PROPER NOTICE AND HEARING;

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11. DISSOLVE OR IMPOSE SANCTIONS, UPON FINAL COURT ORDER, ON CORPORATIONS FOR COMMITTING, AIDING IN THE COMMISSION OF, OR IN ANY MANNER FURTHERING SECURITIES VIOLATIONS, SMUGGLING, TAX EVASION, MONEY LAUNDERING, GRAFT AND CORRUPT PRACTICES, OR OTHER FRAUDULENT OR ILLEGAL ACTS;
12. ISSUE WRITS OF EXECUTION AND ATTACHMENT TO ENFORCE PAYMENT OF FEES, ADMINISTRATIVE FINES, AND OTHER DUES COLLECTIBLE UNDER THIS CODE;
13. PRESCRIBE THE NUMBER OF INDEPENDENT DIRECTORS AND THE MINIMUM CRITERIA IN DETERMINING THE INDEPENDENCE OF A DIRECTOR;
14. IMPOSE OR RECOMMEND NEW MODES BY WHICH A STOCKHOLDER, MEMBER, DIRECTOR, OR TRUSTEE MAY ATTEND MEETINGS OR CAST THEIR VOTES, AS TECHNOLOGY MAY ALLOW, TAKING INTO ACCOUNT THE COMPANY'S SCALE, NUMBER OF SHAREHOLDERS OR MEMBERS, STRUCTURE AND OTHER FACTORS CONSISTENT WITH THE BASIC RIGHT OF CORPORATE SUFFRAGE;
15. FORMULATE AND ENFORCE STANDARDS, GUIDELINES, POLICIES, RULES, AND REGULATIONS TO CARRY OUT THE PROVISIONS OF THIS CODE; AND
16. EXERCISE SUCH OTHER POWERS PROVIDED BY LAW OR THOSE, WHICH MAY BE NECESSARY OR INCIDENTAL TO CARRYING OUT, THE POWERS EXPRESSLY GRANTED TO THE COMMISSION.

IN EXERCISING ITS POWER TO, AMONG OTHERS, IMPOSE CORPORATE PENALTIES AND ADDITIONAL REQUIREMENTS FOR MONITORING AND SUPERVISION, THE COMMISSION SHALL GIVE DUE REGARD TO THE SIZE, NATURE, AND CAPACITY OF THE CORPORATION.

NO COURT BELOW THE COURT OF APPEALS SHALL HAVE JURISDICTION TO ISSUE A RESTRAINING ORDER, PRELIMINARY INJUNCTION, OR PRELIMINARY MANDATORY INJUNCTION IN ANY CASE, DISPUTE, OR CONTROVERSY THAT[,] DIRECTLY OR INDIRECTLY[,] INTERFERES WITH THE EXERCISE OF THE POWERS, DUTIES AND RESPONSIBILITIES OF THE COMMISSION THAT FALLS EXCLUSIVELY WITHIN ITS JURISDICTION.

SECTION [182] 181. *DEVELOPMENT AND IMPLEMENTATION OF ELECTRONIC FILING AND MONITORING SYSTEM*— THE COMMISSION SHALL DEVELOP AND IMPLEMENT AN ELECTRONIC FILING AND MONITORING SYSTEM. THE COMMISSION SHALL PROMULGATE RULES TO FACILITATE AND EXPEDITE, AMONG OTHERS, CORPORATE NAME RESERVATION AND REGISTRATION, INCORPORATION, SUBMISSION OF REPORTS, NOTICES, AND DOCUMENTS REQUIRED UNDER THIS CODE, AND SHARING OF PERTINENT INFORMATION WITH OTHER GOVERNMENT AGENCIES. [THE COMMISSION SHALL HAVE FULL DISCRETION TO DETERMINE WHICH SYSTEMS ALLOW THE MOST EFFECTIVE IMPLEMENTATION OF THIS CODE.]

SEC. [183] 182. *ARBITRATION FOR UNLISTED CORPORATIONS*. — AN ARBITRATION AGREEMENT MAY BE PROVIDED [FOR] IN THE ARTICLES OF INCORPORATION OR BY-LAWS OF AN UNLISTED CORPORATION. WHEN SUCH AN AGREEMENT IS IN PLACE, DISPUTES BETWEEN THE CORPORATION, ITS STOCKHOLDERS OR MEMBERS, WHICH ARISE FROM THE IMPLEMENTATION OF THE ARTICLES OF INCORPORATION OR BY-LAWS, OR FROM INTRACORPORATE RELATION, SHALL BE REFERRED TO ARBITRATION. A DISPUTE SHALL BE NON-ARBITRABLE WHEN IT INVOLVES CRIMINAL OFFENSES AND[,] INTERESTS OF THIRD PARTIES, [OR WHEN IT WILL PRECLUDE THE COMMISSION FROM EXERCISING ITS AUTHORITY UNDER THIS CODE.]

THE ARBITRATION AGREEMENT SHALL BE BINDING ON THE CORPORATION, ITS DIRECTORS, TRUSTEES, OFFICERS, AND EXECUTIVES OR MANAGERS.

TO BE ENFORCEABLE, THE AGREEMENT SHOULD INDICATE THE NUMBER OF ARBITRATORS AND THE PROCEDURE FOR THEIR APPOINTMENT. THE POWER TO APPOINT THE ARBITRATORS FORMING THE ARBITRAL TRIBUNAL SHALL BE GRANTED TO A DESIGNATED INDEPENDENT THIRD PARTY. SHOULD THE THIRD PARTY FAIL TO APPOINT THE ARBITRATORS IN THE MANNER AND WITHIN THE PERIOD SPECIFIED IN THE ARBITRATION AGREEMENT, THE PARTIES MAY REQUEST THE COMMISSION TO APPOINT THE ARBITRATORS. IN ANY CASE, ARBITRATORS MUST BE ACCREDITED OR MUST

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BELONG TO ORGANIZATIONS ACCREDITED BY THE COMMISSION [OR BELONG TO ACCREDITED ORGANIZATIONS].

THE ARBITRAL TRIBUNAL SHALL HAVE THE POWER TO RULE ON ITS OWN JURISDICTION AND/OR ON QUESTIONS RELATING TO THE VALIDITY OF THE ARBITRATION AGREEMENT. WHEN AN INTRACORPORATE DISPUTE IS FILED WITH A REGIONAL TRIAL COURT, THE COURT SHALL DISMISS THE CASE BEFORE THE TERMINATION OF THE PRETRIAL CONFERENCE, IF IT DETERMINES THAT AN ARBITRATION AGREEMENT IS WRITTEN IN THE CORPORATION'S ARTICLES OF INCORPORATION, BY-LAWS, OR IN A SEPARATE AGREEMENT.

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

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

THE COMMISSION SHALL FORMULATE THE RULES AND REGULATIONS, WHICH SHALL GOVERN ARBITRATION UNDER THIS SECTION.

SEC. [184] 183. JURISDICTION OVER CORPORATIONS OF SPECIAL CHARACTER. – THE POWERS, AUTHORITIES, AND RESPONSIBILITIES OF THE COMMISSION INVOLVING PARTY-LIST ORGANIZATIONS ARE TRANSFERRED TO THE COMMISSION ON ELECTIONS (COMELEC).

WITHIN SIX (6) MONTHS AFTER THE EFFECTIVITY OF THESE AMENDMENTS, THE MONITORING, SUPERVISION, AND REGULATION OF SUCH CORPORATIONS SHALL BE DEEMED AUTOMATICALLY TRANSFERRED TO THE COMELEC.

FOR THIS PURPOSE, THE COMELEC, IN COORDINATION WITH THE COMMISSION, SHALL PROMULGATE CORRESPONDING IMPLEMENTING RULES FOR THE TRANSFER OF JURISDICTION OVER THE ABOVE-MENTIONED CORPORATIONS.

SEC. [185] 184. APPLICABILITY OF THE CODE. – [THE RULES AND REGULATIONS RELATING TO REGISTRATION, REGULATION, AND MONITORING AND SUPERVISION ISSUED BY OTHER GOVERNMENT AGENCIES ACTING AS PRIMARY REGULATORS OF SPECIAL CORPORATIONS, INsofar AS THEY ARE NOT INCONSISTENT WITH THIS CODE AND ITS AMENDMENTS, SHALL BE GIVEN EFFECT.]

NOTHING IN THIS LAW SHALL BE CONSTRUED AS AMENDING EXISTING PROVISIONS OF SPECIAL LAWS GOVERNING THE REGISTRATION, REGULATION, MONITORING AND SUPERVISION OF SPECIAL CORPORATIONS SUCH AS BANKS, NON-BANK FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES.

NOTWITHSTANDING ANY PROVISION TO THE CONTRARY, REGULATORS SUCH AS THE BANGKO SENTRAL NG PILIPINAS AND THE INSURANCE COMMISSION SHALL EXERCISE PRIMARY AUTHORITY OVER SPECIAL CORPORATIONS SUCH AS BANKS, NON-BANK FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES UNDER THEIR SUPERVISION AND REGULATION.

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

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

SEC. 187. Repealing Clause. – BATAS PAMBANSA 68 AND [A] any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with any provision of this Act [is] ARE hereby repealed or modified accordingly.

SEC. 188. Applicability to existing corporations – A corporation lawfully existing and doing business in the Philippines affected by the new requirements of this Code shall be given a period of not more than two (2) years from the effectivity of these amendments within which to comply.

SEC. 189. Effectivity Clause. – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in at least two (2) newspapers of general circulation, whichever date comes earlier.

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REQUEST OF SENATOR SOTTO

Senator Sotto requested the Senate Secretary to furnish the Members with a copy of the proposed individual amendments of Senator Drilon on Senate Bill No. 1280 so that individual amendments of the other senators may be tackled the following day.

APPROVAL OF SENATOR DRILON'S AMENDMENT BY SUBSTITUTION

Senator Drilon moved that the Body approve his 130-page amendment by substitution without prejudice to allowing the members of the Chamber to go through the amendments page by page for their own individual amendments, if any.

Senator Villanueva concurred with the proposal of Senator Drilon.

Senate President Pimentel stated that in the event that Senator Drilon's amendments were approved, the Body would be working on the bill as amended by substitution in the period of individual amendments.

Upon query by Senator Lacson, Senator Drilon confirmed that further individual amendments by the other Members would be amendments to the amendments as approved by the Body that day.

Acting on the motion of Senator Drilon, there being no objection, the Body approved the 130-page amendment by substitution of Senate Bill No. 1280 without prejudice to further individual amendments by the other Members.

SUSPENSION OF CONSIDERATION OF SENATE BILL NO. 1280

Upon motion of Senator Sotto, there being no objection, the Body suspended consideration of the bill.

RETRIEVAL FROM THE ARCHIVES OF PROPOSED SENATE RESOLUTION NO. 332

Upon motion of Senator Sotto, there being no objection, the Body approved the retrieval from the Archives of Proposed Senate Resolution No. 335 (condolences of the Senate on the death on Hon. Leticia Ramos-Shahani).

COMMITTEE REFERRAL OF PROPOSED SENATE RESOLUTION NO. 335

As a consequence, upon motion of Senator Sotto, there being no objection, the Chair referred Proposed Senate Resolution No. 335 to the Committee on Rules.

REPORT OF SENATOR SOTTO

Senator Sotto recalled that last March 13, 2017, acting on the letter sent by Senator De Lima, chairman of the Committee on Electoral Reforms and People's Participation and of the Joint Congressional Oversight Committee on the Automated Election System, he manifested the designation of Senator Pangilinan as her vice chairman to the said committees which was questioned by Senator Gordon who pointed out that he was already designated the vice chairman on August 1, 2016, and had, in fact, scheduled hearings.

In consideration of Senator Gordon's intervention, Senator Sotto said that his manifestation was referred to the Committee on Rules for further review. He informed the Body that he was already ready to make a report on the outcome of the study conducted by the Committee on Rules.

Senator Sotto said that after going through the pertinent provisions of the *Rules of the Senate* and other precedents, the Committee on Rules came up with the following findings and decisions regarding the letter of Senator De Lima and the corresponding reaction and request of Senator Gordon:

1. The designation of Senator Pangilinan as vice chairman of the Committee on Electoral Reforms and People's Participation and of the Joint Congressional Oversight Committee on the Automated Election System is valid and binding pursuant to Section 18, Rule X of the *Rules of the Senate*, which reads:

Sec. 18. The membership of the permanent committees, including their respective Chairmen, shall be chosen by the Senate. The Chairman of each committee may designate the Vice Chairman or such Vice Chairmen of his committee and create such subcommittees as may be deemed necessary.

2. To the statement of Senator Gordon "that suddenly there will be another vice-chairman",

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Senator Gordon was not being replaced as vice chairman of the said committees, but that Senator Pangilinan was merely added as another vice chairman, as authorized in Section 18, Rule X of the *Rules of the Senate*.

Senator Drilon concurred and seconded the motion to adopt the ruling of the Committee on Rules as reported by Senator Sotto.

Senator Sotto conveyed the request of Senator Lacson to hear from Senator Gordon first before the Body formally adopts the ruling. Senate President Pimentel agreed that the Body could still defer action on the motion.

SUSPENSION OF SESSION

Upon motion of Senator Sotto, the session was suspended.

It was 5:17 p.m.

RESUMPTION OF SESSION

At 5:28 p.m., the session was resumed.

MANIFESTATION OF SENATOR SOTTO

Senator Sotto reported to the Body that he had talked to Senator Gordon on the telephone regarding the decision of the Committee on Rules on the designation of Senator Pangilinan as second vice chairman of the Committee on Electoral Reforms and People's Participation and vice chairman* of the Congressional Oversight Committee on the Automated Election System, based on the request of Senator De Lima in her letter sent to the Committee on Rules which he manifested on the floor last March 13, 2017. He said that Senator Gordon did not see any problem with the designation of Senator Pangilinan as second vice chairman; however, he was advised to ask the permission of Senator De Lima should he want to conduct hearings on behalf of the Committee.

APPROVAL OF THE REPORT

Upon motion of Senator Sotto, there being no objection, the Body approved the report of the Committee on Rules which was seconded by Senator Drilon.

* As corrected by Senator Sotto on May 8, 2017

COAUTHOR

Upon her request and with the approval of Senator Lacson, Senator Hontiveros was made coauthor of Senate Bill No. 1369 (establishing a Technical Education and Skills Development Authority (TESDA) Regional Training Center in the Mimaropa Region).

SUSPENSION OF SESSION

At 5:29 p.m., the session was suspended.

RESUMPTION OF SESSION

At 5:35 p.m., the session was resumed.

MOTION TO RECONSIDER THE APPROVAL ON SECOND READING OF HOUSE BILL NO. 4682

Senator Sotto sought the unanimous consent of the Body to reconsider the approval of House Bill No. 4682 on Second Reading.

PARLIAMENTARY INQUIRY OF SENATOR DRILON

Senator Drilon inquired what the effect would be of the motion to reconsider on the provision in the Senate *Rules* which requires that a motion for reconsideration must be filed within two session days from the time the vote was taken provided the movant voted affirmatively.

Senator Sotto said that he predicated his motion with the "unanimous consent of the Body" because his motion was beyond the two session days as required by the Rules.

Senator Drilon stated that he would have no objection if the net effect of the motion is to suspend Section 91 of the *Rules*. He stated that if in the future, there is an objection to the suspension of the Rules, the reconsideration cannot be entertained after two session days. Senator Sotto agreed.

INQUIRY OF THE CHAIR

Asked by Senate President Pimentel on the reason for the motion to reconsider the approval on Second Reading of House Bill No. 4682, Senator Angara, sponsor of the measure, explained that his

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staff found out that based on Comelec records that the correct spelling of Barangay Cumawas is with a letter "o" and not "u," and that spelling it differently would have the effect of creating a new barangay which would have to go through a plebiscite again. He clarified that Barangay Comawas is already an existing barangay which is being created by law so as to entitle it to the Internal Revenue Allotment (IRA).

**RECONSIDERATION OF THE APPROVAL
OF HOUSE BILL NO. 4682
ON SECOND READING**

Upon motion of Sotto, there being no objection, the Body reconsidered the approval, on Second Reading, of House Bill No. 4682, entitled,

AN ACT CREATING A BARANGAY TO
BE KNOWN AS BARANGAY
CUMAWAS IN THE CITY OF
BISLIG, PROVINCE OF SURIGAO
DEL SUR.

As a consequence, upon motion of Senator Sotto, there being no objection, the Body reopened the period of individual amendments.

Thereupon, the Chair recognized Senator Angara, sponsor of the measure, for his individual amendments.

ANGARA AMENDMENTS

As proposed by Senator Angara, there being no objection, the following individual amendments were approved by the Body, one after the other:

1. As an omnibus amendment, all references to the word "Cumawas," shall be replaced with the word COMAWAS;

2. Replace the date "November 13, 1996" with SEPTEMBER 9, 1996; and
3. On the title of the bill, replace the word "CUMAWAS" with COMAWAS.

**TERMINATION OF THE PERIOD
OF INDIVIDUAL AMENDMENTS**

Upon motion of Senator Sotto, there being no objection, the Body closed the period of individual amendments.

**APPROVAL OF HOUSE BILL NO. 4682
ON SECOND READING**


Submitted to a vote, there being no objection, House Bill No. 4682 was approved on Second Reading.

ADJOURNMENT OF SESSION

Upon motion of Senator Sotto, there being no objection, the Chair declared the session adjourned until three o'clock in the afternoon of the following day.

It was 5:43 p.m.

I hereby certify to the correctness of the foregoing.


ATTY. LUTGARDO B. BARBO
Secretary of the Senate

Approved on May 3, 2017