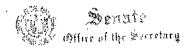
SIXTEENTH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES

First Regular Session



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SENATE S. No. 192

Introduced by Senator Miriam Defensor Santiago

**EXPLANATORY NOTE** 

Appraisal right is the right of a dissenting stockholder to demand appraisal and payment of the fair value of his stocks from the corporation. It allows a stockholder who dissents and votes against a proposed corporate action to withdraw from the corporation by demanding payment of the fair value of his shares. It may be exercised by any stockholder whenever a major change in his contract of investment occurs which he does not agree and which the law presumes he did not foresee when he bought his shares.

The Corporation Code, Section 37, on a private corporation's power to extend or shorten its corporate term, provides that a dissenting stockholder may exercise his appraisal right in case of an extension of corporate term. However, Section 81 of the same Code, which enumerates the instances when the appraisal right may be exercised, provides that the appraisal right be exercised in both cases of lengthening and shortening the term of corporate existence.

The lengthening and shortening of corporate term results in a substantial change in a stockholder's contract of investment with a corporation. The corporation's term of existence is a major factor in considering whether to buy shares in a corporate or not. This bill seeks to harmonize Sections 7 and 81 by clearly allowing the appraisal right in both cases of lengthening and shortening the term of corporate existence.

\* This bill was originally filed during the Thirteenth Congress, First Regular Session.



## SIXTEENTH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES First Regular Session

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SENATE S. No. **1921** 

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## Introduced by Senator Miriam Defensor Santiago

AN ACT

AMENDING BATAS PAMBANSA BLG. 68, OTHERWISE KNOWN AS THE CORPORATION CODE, SECTION 37, GRANTING STOCKHOLDERS THE RIGHT OF APPRAISAL WHEN THE TERM OF CORPORATE EXISTENCE IS EXTENDED

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

SECTION 1. Batas Pambansa Blg. 68, otherwise known as the Corporation Code, Section 37 is hereby amended to read as follows:

"SECTION 37. Power to extend or shorten corporate term. - A private corporation may extend or shorten its term as stated in the articles of incorporation when approved by a majority vote of the board of directors or trustees and ratified at a meeting by the stockholders representing at least two thirds (2/3) of the outstanding capital stock or by at least two-thirds (2/3) of the members in case of non-stock corporations. Written notice of the proposed action and of the time and place of the meeting shall be addressed to each stockholder or member at his place of residence as shown on the books of the corporation and deposited to the addressee in the post office with postage prepaid, or served personally; PROVIDED, THAT IN CASE OF EXTENSION OF CORPORATE TERM, ANY DISSENTING STOCKHOLDER MAY EXERCISE HIS APPRAISAL RIGHT UNDER THE CONDITIONS PROVIDED IN THIS CODE."

SECTION 2. Repealing Clause. - Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule, or regulation contrary to or inconsistent with the provisions of this Act is hereby repealed, modified, or amended accordingly.

- SECTION 3. Effectivity Clause. This Act shall take effect fifteen (15) days after its
- 2 publication in at least two (2) newspapers of general circulation.

Approved,