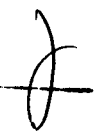


SEVENTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)



'16 JUL 20 P 4:07

SENATE
S.B. No. 692

RECEIVED BY: 

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

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

EXPLANATORY NOTE

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

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

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

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

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

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


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

leads to loss of income and livelihood for families, and the loss of legacy and dreams for entrepreneurs and employees.

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

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

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


Senator Paolo Benigno "Bam" A. Aquino IV

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

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

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

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

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

17 xxx xxx xxx"

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

19 "Sec. 7. *Founders' shares.* - Founders' shares classified as such in
20 the articles of incorporation may be given certain rights and privileges not
21 enjoyed by the owners of other stocks, provided that where the exclusive
22 right to vote and be voted for in the election of directors is granted, it
23 must be for a limited period not to exceed five (5) years subject **FROM**
24 **THE DATE OF THE** approval of the [Securities and Exchange] Commission.
25 **PROVIDED, THAT THE EXCLUSIVE RIGHT TO VOTE OR BE VOTED FOR**
26 **SHALL NOT BE ALLOWED IF ITS EXERCISE WILL VIOLATE THE RULES AND**
27 **REGULATIONS OF THE COMMISSION, COMMONWEALTH ACT NO. 108,**
28 **AND REPUBLIC ACT 7042; PROVIDED, FURTHER, THAT THE SAID RIGHT**
29 **SHALL BE GRANTED ONLY ONCE.**

30 **AFTER THE LAPSE OF THE FIVE-YEAR PERIOD, THE SHARES SHALL**
31 **AUTOMATICALLY HAVE THE SAME VOTING RIGHTS AND PRIVILEGES AS**
32 **COMMON SHARES."**

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

1 "Sec. 8. *Redeemable shares.* –Redeemable shares may be issued
2 by the corporation when expressly so provided in the articles of
3 incorporation. [They may be purchased or taken up by the corporation
4 upon the expiration of a fixed period, regardless of the existence of
5 unrestricted retained earnings in the books of the corporation, and upon
6 such other terms and conditions as may be stated in the articles of
7 incorporation, which terms and conditions must also be stated in the
8 certificate of stock representing said shares.] **THE CORPORATION MAY
9 REDEEM THE SAID SHARES ONLY IF, AFTER SUCH REDEMPTION, IT SHALL
10 STILL HAVE SUFFICIENT ASSETS IN ITS BOOKS TO COVER LIABILITIES
11 INCLUSIVE OF THE SUBSCRIBED CAPITAL STOCK, AND SUCH
12 REDEMPTION IS IN ACCORDANCE WITH THE TERMS AND CONDITIONS
13 STATED IN THE ARTICLES OF INCORPORATION AND/OR THE CERTIFICATE
14 OF STOCK REPRESENTING SAID SHARES SUBJECT TO SUCH OTHER RULES
15 AND REGULATIONS THAT MAY BE ISSUED BY THE COMMISSION.**

16 **EXCEPT AS PROVIDED IN THE IMMEDIATELY PRECEDING
17 PARAGRAPH, NO CORPORATION SHALL REDEEM, REPURCHASE OR
18 REACQUIRE ITS OWN SHARES OF WHATEVER CLASS, UNLESS, AFTER
19 USHC REDEMPTION, REPURCHASE OR REACQUISITION, IT HAS
20 SUFFICIENT LIQUID ASSETS IN ITS BOOKS TO COVER LIABILITIES
21 INCLUSIVE OF THE SUBSCRIBED CAPITAL STOCK; PROVIDED, THAT SUCH
22 REQUIREMENT SHALL NOT APPLY IF THE REDEMPTION, REPURCHASE OR
23 REACQUISITION IS MADE UNDER ANY OF THE FOLLOWING
24 CIRCUMSTANCES:**

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

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

29 **c) UPON INSTRUCTION TO A CLOSE CORPORATION BY THE
30 COMMISSION TO RESOLVE A DEADLOCK.**

31 **d) A DACION EN PAGO IN FAVOR OF THE CORPORATION OR
32 CONVEYANCE OF SHARES TO THE CORPORATION IN PAYMENT OR
33 SATISFACTION OF A DEBT OR LIABILITY TO THE CORPORATION."**

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

2 “Sec. 10. *Number and qualifications of incorporators.* - Any number
3 of **PERSONS**, natural **OR JURIDICAL**, [persons not less than five (5)] but not
4 more than fifteen (15), all of legal age and a majority of whom are
5 residents of the Philippines], may form a private corporation for any lawful
6 purpose or purposes. Each of the incorporators of a stock corporation
7 must own or be a subscriber to at least one (1) share of the capital stock of
8 the corporation. **PROVIDED, THAT A CORPORATION WITH ONLY A SINGLE**
9 **STOCKHOLDER, WHETHER NATURAL OR JURIDICAL, IS CONSIDERED A**
10 **ONE PERSON CORPORATION COVERED BY TITLE XII, CHAPTER III, AND A**
11 **CORPORATION WITH TOTAL ASSETS MORE THAN THREE MILLION PESOS**
12 **(PHP3,000,000.00) BUT NOT MORE THAN FIFTEEN MILLION PESOS**
13 **(PHP15,000,000.00), THE AMOUNTS OF WHICH MAY BE REVISED BY THE**
14 **COMMISSION, REGARDLESS OF THE NUMBER OF INCORPORATORS IS**
15 **CONSIDERED A SMALL CORPORATION. ”**

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

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

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

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

14 SEC. 6. A new section is hereby included in Section 12 in Title II,
15 Incorporation and Organization of Private Corporations, to be worded as
16 follows:

17 "SEC. 12. REGULAR MONITORING. – A CORPORATION WITH A
18 PERPETUAL TERM OR A TERM EXCEEDING TWENTY-FIVE YEARS SHALL BE
19 SUBJECT TO A PERIODIC REVIEW BY THE COMMISSION AND SHALL
20 SUBMIT PROOF OF ITS INTENTION TO CONTINUE OPERATIONS BY
21 COMPLYING WITH THE REPORTORIAL REQUIREMENTS THE COMMISSION
22 MAY PRESCRIBE THEREFOR ON THE TWENTY-FIFTH YEAR AND EVERY
23 TWENTY-FIVE YEARS THEREAFTER, OR AT SUCH INTERVALS AS THE
24 COMMISSION MAY LATER DETERMINE. THE COMMISSION SHALL CHARGE
25 SUCH PENALTIES AS IT MAY DEEM APPROPRIATE AND WITHHOLD
26 ACTION ON ANY MATTER BROUGHT BY THE CORPORATION, INCLUDING
27 BUT NOT LIMITED TO APPLICATIONS FOR THE AMENDMENTS OF THE
28 ARTICLES OF INCORPORATION AND/OR BY-LAWS AND THE ISSUANCE OF
29 CERTIFICATIONS OF GOOD STANDING OR THOSE REQUIRED FOR
30 TRANSACTIONS WITH OTHER GOVERNMENT AGENCIES, UNTIL FULL
31 COMPLIANCE WITH THE COMMISSION'S REPORTORIAL REQUIREMENTS IS
32 MADE."

33 SEC. 7. Section 12 of the Code is hereby amended as Section 13 and
34 amended to read as follows:

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

14 **SEC. 8.** Section 13 of the Code is hereby renumbered as Section 14 and amended
15 to read as follows:

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

34 **SEC. 9.** Section 14 of the Code is hereby renumbered as Section 15 and amended
35 to read as follows:

1 "Sec. [14]15. *Contents of articles of incorporation.* - All
2 corporations organized under this Code shall file with the [Securities and
3 Exchange] Commission articles of incorporation in any of the official
4 languages, duly signed and acknowledged by all of the incorporators,
5 containing substantially the following matters, except as otherwise
6 prescribed by this Code or by special law:

7 1. The name of the corporation;

8 xxx xxx xxx

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

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

19 xxx xxx xxx

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

24 10. **IF IT BE A STOCK CORPORATION, A STATEMENT OF THE**
25 **TREASURER, WHO SHALL BE AN INCORPORATOR, THAT AT LEAST**
26 **TWENTY-FIVE PERCENT (25%) OF THE NUMBER OF SHARES IN THE**
27 **AUTHORIZED CAPITAL STOCK OF THE CORPORATION HAS BEEN**
28 **SUBSCRIBED AND AT LEAST TWENTY-FIVE PERCENT (25%) OF THE TOTAL**
29 **SUBSCRIPTION HAS BEEN FULLY PAID TO HIM IN ACTUAL CASH AND/OR**
30 **IN PROPERTY THE FAIR VALUATION OF WHICH IS EQUAL TO AT LEAST**
31 **TWENTY-FIVE (25%) PERCENT OF THE SAID SUBSCRIPTION, SUCH PAID-**

1 UP CAPITAL BEING NOT LESS THAN SIXTY TWO THOUSAND FIVE
2 HUNDRED PESOS (P62,500.00) ;" AND

3 xxx xxx xxx

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

13 ARTICLES OF INCORPORATION OR AMENDMENTS THERETO MAY
14 BE FILED IN THE FORM OF AN ELECTRONIC DOCUMENT, IN ACCORDANCE
15 WITH THE RULES AND REGULATIONS OF THE COMMISSION ON THE USE
16 OF ELECTRONIC DATA MESSAGES."

17 SEC. 10. Section 15 is hereby renumbered as Section 16 and amended to delete
18 the form on the Treasurer's Affidavit and to read as follows:

19 "Sec. [15]16. *Form[s] of articles of incorporation; Filing.* - Unless
20 otherwise prescribed by special law, articles of incorporation of all
21 domestic corporations shall comply substantially with the following form:

22 ARTICLES OF INCORPORATION
23 OF

24 _____
25 (Name of Corporation)
26

27 KNOW ALL [MEN] PERSONS BY THESE PRESENTS:
28

29 xxx xxx xxx
30
31

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

11 **ELEVENTH: THAT THE INCORPORATORS UNDERTAKE TO CHANGE THE**
12 **NAME OF THE CORPORATION AS HEREIN PROVIDED, OR AS AMENDED**
13 **THEREAFTER, IMMEDIATELY UPON RECEIPT OR NOTICE OR DIRECTIVE**
14 **FROM THE SECURITIES AND EXCHANGE COMMISSION THAT ANOTHER**
15 **CORPORATION, PARTNERSHIP OR PERSON HAS ACQUIRED A PRIOR**
16 **RIGHT TO THE USE OF THAT NAME OR THAT THE NAME HAS BEEN**
17 **DECLARED MISLEADING, DECEPTIVE, CONFUSINGLY SIMILAR TO A**
18 **REGISTERED NAME, OR CONTRARY TO PUBLIC MORALS, GOOD**
19 **CUSTOMS OR PUBLIC POLICY.**

20 xxx xxx xxx

21
22 IN WITNESS WHEREOF, we have hereunto signed these Articles of
23 Incorporation, this day of, [19] 20..... in
24 the City/Municipality of, Province of
25, Republic of the Philippines.

26 xxx xxx xxx

27 [TREASURER'S AFFIDAVIT

28 xxx xxx xxx

29 NOTARY PUBLIC

30 My commission expires on, 19

31 Doc. No.;

1 Page No.;
2 Book No.;
3 Series of 19]

4 **SEC. 11.** Section 16 of the Code is hereby renumbered as Section 17 and amended
5 to delete "Securities and Exchange" from "Securities and Exchange Commission"
6 in each instance.

7 **SEC. 12.** Section 17 of the Code is hereby renumbered as Section 18 amended to
8 read as follows:

9 "Sec. [17]18. *Grounds when articles of incorporation or amendment*
10 *may be rejected or disapproved.* – The [Securities and Exchange]
11 Commission may reject the articles of incorporation or disapprove any
12 amendment thereto if the same is not in compliance with the
13 requirements of this Code: Provided, That the Commission shall give the
14 incorporators, **DIRECTORS, TRUSTEES OR OFFICERS** a reasonable time
15 within which to correct or modify the objectionable portions of the articles
16 or amendment. The following are grounds for such rejection or
17 disapproval:

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

21 xxx xxx xxx

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

1 THE COMMISSION MAY REQUIRE AN ENDORSEMENT OR
2 FAVORABLE RECOMMENDATION FROM OTHER APPROPRIATE
3 GOVERNMENT AGENCIES.

4 **SEC. 13.** Section 18 of the Code is hereby renumbered as Section 19 and amended
5 to read as follows:

6 "Sec. [18]19. *Corporate name.* - No corporate name may be
7 allowed by the [Securities and Exchange] Commission if the proposed
8 name is [identical or deceptively or confusingly similar] **NOT**
9 **DISTINGUISHABLE** [to that of] **FROM THAT ALREADY RESERVED OR**
10 **REGISTERED IN FAVOR OF** any existing corporation or to any other name
11 already protected by law, or **WHEN THE SAME** is [patently deceptive,
12 confusing or] contrary to existing laws.

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

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

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

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

1 **WHEN A CORPORATE NAME IS REMOVED FROM REGISTRATION,**
2 **THE CORPORATION SHALL IMMEDIATELY CEASE FROM USING THE SAME**
3 **AND APPLY FOR THE REGISTRATION OF A NEW CORPORATE NAME.**
4 **SIMILARLY, A CORPORATION DIRECTED BY FINAL JUDGMENT TO**
5 **CHANGE ITS CORPORATE NAME SHALL NOT USE THE SAME IN ITS**
6 **OPERATIONS OR IN ANY OTHER WAY, EVEN AFTER ITS DISSOLUTION OR**
7 **REVOCATION AS A CORPORATION.**

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

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

27 **SEC. 14.** Section 19 of the Code is hereby renumbered as Section 20 and amended
28 to read as follows:

29 "Sec. [19]20. **REGISTRATION, INCORPORATION AND**
30 **commencement of corporate existence. – A PERSON OR GROUP OF**
31 **PERSONS DESIRING TO INCORPORATE SHALL SUBMIT THE INTENDED**
32 **CORPORATE NAME TO THE COMMISSION FOR VERIFICATION. IF THE**
33 **COMMISSION FINDS THAT THE NAME IS DISTINGUISHABLE, THE NAME**
34 **SHALL BE RESERVED IN FAVOR OF THE INCORPORATORS. THE**
35 **INCORPORATORS SHALL THEN: (A) SUBMIT, AS MAY BE APPLICABLE,**

1 **THEIR ARTICLES OF INCORPORATION, THEIR BY-LAWS, AND SUCH OTHER**
2 **DOCUMENTS AND/OR INFORMATION AS MAY BE REQUIRED BY THE**
3 **COMMISSION; AND (B) PAY THE PRESCRIBED FEES.**

4 **INCORPORATORS SHALL HAVE THE OPTION OF RESERVING A**
5 **CORPORATE NAME, SUBMITTING THE REQUIREMENTS FOR**
6 **INCORPORATION AND PAYING THE PRESCRIBED FEES EITHER THROUGH**
7 **THE MANUAL PROCESS AT THE OFFICE OF THE COMMISSION OR**
8 **THROUGH ANY OTHER SYSTEM OF REGISTRATION AND INCORPORATION**
9 **WHICH THE COMMISSION MAY ESTABLISH, SUBJECT TO THE**
10 **CORRESPONDING RULES AND PROCEDURES THE COMMISSION SHALL**
11 **PRESCRIBE THEREFOR.**

12 **IF THE COMMISSION FINDS THAT THE SUBMITTED DOCUMENTS,**
13 **INFORMATION AND PAYMENT ARE COMPLETE AND IN FULL**
14 **COMPLIANCE OF THE REQUIREMENTS UNDER THIS CODE AND THE**
15 **RULES OF THE COMMISSION, AND THERE IS NO OTHER GROUND TO**
16 **REJECT OR DISAPPROVE ANY OF THE SUBMISSIONS, THE COMMISSION**
17 **SHALL ISSUE THE CORRESPONDING CERTIFICATE OF INCORPORATION**
18 **AND REGISTER THE CORPORATE NAME EARLIER RESERVED.**

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

32 **SEC. 15.** Section 20 and 21 of the Code are hereby renumbered as Section 21 and
33 22, respectively.

1 **SEC. 16.** Section 22 of the Code is hereby renumbered as Section 23 and amended
2 to read as follows:

3 “Sec. [22]**23.** *Effects of non-use of corporate charter and*
4 *continuous inoperation of a corporation; DELINQUENCY AND*
5 **REVOCATION.** – If a corporation does not formally organize and
6 commence [the transaction of] its business or the construction of its
7 works within [two (2)] **FIVE (5)** years from the date of its incorporation, its
8 [corporate powers cease and the corporation] **CERTIFICATE OF**
9 **INCORPORATION** shall be deemed [dissolved] **REVOKED AS OF THE DAY**
10 **FOLLOWING THE END OF SAID FIVE-YEAR PERIOD, WITHOUT NEED OF**
11 **FURTHER ACTION BY THE COMMISSION.**

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

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

34 **ONCE COMPLIANCE WITH THE COMMISSION’S REQUIREMENTS**
35 **AND PAYMENT OF FINES AND PENALTIES ARE COMPLETED, THE**

1 COMMISSION SHALL ISSUE AN ORDER LIFTING THE DELINQUENCY
2 STATUS. FAILURE TO RESUME OPERATIONS, COMPLY WITH THE
3 COMMISSION'S REQUIREMENTS, AND PAY THE PENALTIES PRESCRIBED
4 WITHIN THE PERIOD GIVEN BY THE COMMISSION OR ANY EXTENSION
5 GRANTED BY IT, HOWEVER, SHALL RENDER THE CORPORATION'S
6 CERTIFICATE OF INCORPORATION REVOKED AS OF THE LAPSE OF SAID
7 PERIOD WITHOUT NEED OF FURTHER ACTION BY THE COMMISSION.

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

15 ONCE THE REVOCATION BECOMES FINAL, *I.E.* AFTER THE LAPSE
16 OF FIFTEEN DAYS FROM THE DATE OF REVOCATION, THE CORPORATION
17 SHALL BE BANNED FROM ANY FURTHER USE OF THE CORPORATE NAME
18 AND SHALL BE DISSOLVED IN ACCORDANCE WITH THE PROVISIONS ON
19 DISSOLUTION UNDER TITLE XIV OF THIS CODE.

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

25 **SEC. 17.** Section 23 of the Code is hereby renumbered as Section 24 and amended
26 to read as follows:

27 "Sec. [23]24. *The board of directors or trustees.* - Unless otherwise
28 provided in this Code, the corporate powers of all corporations formed
29 under this Code shall be exercised, all business conducted and all property
30 of such corporations controlled and held by the board of directors or
31 trustees [to be elected from among the holders of stocks, or where there
32 is no stock, from among the members of the corporation,] who shall hold
33 office for one (1) year until their successors are elected and qualified.

1 **ONE PERSON CORPORATIONS SHALL HAVE ONLY ONE (1)**
2 **DIRECTOR OR TRUSTEE. SMALL CORPORATIONS SHALL HAVE AS MANY**
3 **DIRECTORS AS THERE ARE INCORPORATORS, NOT EXCEEDING THREE (3).**
4 **A CORPORATION SHALL BE DEEMED TO BE A SMALL CORPORATION**
5 **WHEN IT HAS ONLY TWO (2) OR THREE (3) INCORPORATORS AND ITS**
6 **TOTAL ASSETS DO NOT EXCEED FIVE MILLION PESOS (PHP5,000,000.00)**
7 **OR SUCH OTHER AMOUNT THAT THE COMMISSION MAY DETERMINE.**

8 **CORPORATIONS IMBUED WITH PUBLIC INTEREST, AS MAY BE**
9 **DEFINED BY THE COMMISSION, SHALL HAVE AT LEAST ONE (1)**
10 **INDEPENDENT DIRECTOR OR TRUSTEE, OR SUCH OTHER MINIMUM**
11 **NUMBER WHICH THE COMMISSION MAY DETERMINE AS NECESSARY**
12 **FOR GOOD CORPORATE GOVERNANCE. THE COMMISSION SHALL**
13 **FURTHER PRESCRIBE THE MINIMUM STANDARDS OR CRITERIA IN**
14 **DETERMINING THE INDEPENDENCE OF A DIRECTOR.**

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

23 **Trustees of non-stock corporations [must be members thereof],**
24 **OTHER THAN INDEPENDENT TRUSTEES, SHALL BE ELECTED FROM**
25 **AMONG THE MEMBERS OF THE CORPORATION. IF ANY SUCH TRUSTEE**
26 **CEASES TO BE A MEMBER OF THE CORPORATION, HE SHALL THEREBY**
27 **CEASE TO BE A TRUSTEE.**

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

31 **IT SHALL BE THE DUTY OF ALL DIRECTORS OR TRUSTEES TO**
32 **ATTEND ALL MEETINGS OF THE BOARD AND OF THE STOCKHOLDERS OR**
33 **MEMBERS AND THEIR ABSENCE MAY BE EXCUSED ONLY FOR**

1 JUSTIFIABLE REASONS. WHEN RELATED PARTY TRANSACTIONS OR SELF-
2 DEALINGS OF A DIRECTOR ARE TAKEN UP, THE CONCERNED DIRECTOR
3 SHALL ABSENT HIMSELF FROM THE MEETING AND HIS ABSENCE SHALL
4 NOT BE COUNTED AGAINST HIM. DIRECTORS AND TRUSTEES SHALL
5 HAVE SUCH OTHER DUTIES AND RESPONSIBILITIES PROVIDED IN THE
6 CORPORATION'S BY-LAWS AND AS MAY BE PRESCRIBED BY THE
7 COMMISSION FOR GOOD CORPORATE GOVERNANCE.

8 SEC. 18. Section 24 of the Code is hereby renumbered as Section 25 and amended
9 to read as follows:

10 "Sec. [24]25. *Election of directors or trustees.* – OTHER THAN IN
11 INSTANCES WHEN THE EXCLUSIVE RIGHT IS WITHHELD FOR HOLDERS OF
12 FOUNDERS' SHARES UNDER SECTION 7, EACH STOCKHOLDER OR
13 MEMBER SHALL HAVE THE RIGHT TO NOMINATE ANY DIRECTOR OR
14 TRUSTEE WHO POSSESSES ALL OF THE QUALIFICATIONS AND NONE OF
15 THE DISQUALIFICATIONS SET FORTH IN THIS CODE OR IN THE RULES OF
16 THE COMMISSION.

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

25 EACH STOCKHOLDER OR MEMBER SHALL HAVE THE RIGHT TO
26 VOTE IN PERSON, BY REMOTE COMMUNICATION, BY PROXY, AND/OR *IN*
27 *ABSENTIA*; PROVIDED THAT VOTING BY REMOTE COMMUNICATION OR
28 *IN ABSENTIA* MAY BE RESORTED TO ONLY WHEN ALLOWED EITHER BY
29 THE BY-LAWS OF THE CORPORATION OR BY A MAJORITY OF THE BOARD
30 OF DIRECTORS AND WHEN THE CORPORATION HAS INSTITUTED
31 REASONABLE MEASURES TO VERIFY THAT THE PERSON PERMITTED TO
32 PARTICIPATE OR VOTE BY REMOTE COMMUNICATION OR *IN ABSENTIA*
33 IS A STOCKHOLDER OR MEMBER, OR A HOLDER OF A PROXY FROM A
34 STOCKHOLDER OR MEMBER, AND TO RECORD ALL VOTES AND OTHER
35 ACTIONS TAKEN AT THE MEETING. WHEN ATTENDANCE AT THE

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

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

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

35 IT SHALL BE UNDERSTOOD THAT CANDIDATES FOR DIRECTOR OR
36 TRUSTEE receiving the highest number of votes FROM AMONG THE

1 **NOMINEES FOR REGULAR DIRECTORS OR TRUSTEES** shall be declared
2 elected **AND THAT, IN THE ELECTION OF INDEPENDENT DIRECTORS, THE**
3 **CANDIDATE FOR INDEPENDENT DIRECTOR RECEIVING THE HIGHEST**
4 **NUMBER OF VOTES FROM AMONG THE NOMINEES FOR INDEPENDENT**
5 **DIRECTORS SHALL BE DECLARED ELECTED**

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

14 **SEC. 19.** Section 25 of the Code is hereby renumbered as Section 26 and amended
15 to read as follows:

16 "Sec. [25]**26. Corporate officers; quorum.** - Immediately after their
17 election, the directors of a corporation must formally organize by the
18 election of a president **OR CHIEF EXECUTIVE OFFICER**, who shall be a
19 director, a treasurer **OR CHIEF FINANCIAL OFFICER**, who [may or may not]
20 **SHALL** be a director, a secretary who shall be a resident and citizen of the
21 Philippines, **AND, IF THE CORPORATION IS IMBUED WITH PUBLIC**
22 **INTEREST, A COMPLIANCE OFFICER WHO SHALL REPORT DIRECTLY TO A**
23 **COMPLIANCE COMMITTEE COMPOSED OF AT LEAST THREE (3)**
24 **DIRECTORS**, and such other officers as may be provided for in the by-laws.
25 Any two (2) or more positions may be held concurrently by the same
26 person, except that no one shall act as president and secretary or as
27 president and treasurer at the same time.

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

1 officers which shall require the vote of a majority of all the members of
2 the board.

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

9 **SEC. 20.** Section 26 of the Code is hereby renumbered as Section 27 and amended
10 to read as follows:

11 "Sec. [26]27. *Report of election of directors, trustees and officers*],
12 **NON-HOLDING OF ELECTION AND CESSATION FROM OFFICE.** - Within
13 thirty (30) days after the election of the directors, trustees and officers of
14 the corporation, the secretary, or any other officer of the corporation,
15 shall submit to the [Securities and Exchange] Commission, the names,
16 nationalities, **SHAREHOLDINGS** and residences of the directors, trustees,
17 and officers elected.

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

25 **WHEN PERTAINING TO THE ORIGINAL SCHEDULE, THE REPORT OF**
26 **NON-HOLDING SHALL FURTHER SPECIFY A NEW DATE FOR THE**
27 **ELECTION, WHICH SHALL NOT BE LATER THAN THIRTY DAYS FROM THE**
28 **ORIGINAL DATE.**

29 **IF NO NEW DATE HAS BEEN DESIGNATED, OR IF THE NEWLY-**
30 **SCHEDULED ELECTION BE LIKEWISE NOT HELD, THE COMMISSION MAY,**
31 **MOTU PROPRIO OR UPON THE APPLICATION OF ANY STOCKHOLDER,**
32 **MEMBER, DIRECTOR OR TRUSTEE AND AFTER VERIFICATION OF THE**

1 **NON-HOLDING OF THE ELECTION OF DIRECTORS OR TRUSTEES, REQUIRE**
2 **THE CORPORATE SECRETARY ON RECORD TO IMMEDIATELY ISSUE A LIST**
3 **OF STOCKHOLDERS OR MEMBERS, THEIR ADDRESSES AND CONTACT**
4 **NUMBERS AND SIMILAR INFORMATION, AND SUMMARILY ORDER THAT**
5 **THE ELECTION BE HELD. IN THIS REGARD, THE COMMISSION SHALL**
6 **HAVE THE POWER TO ISSUE SUCH ORDERS AS MAY BE APPROPRIATE,**
7 **INCLUDING, WITHOUT LIMITATION, ORDERS DESIGNATING THE TIME**
8 **AND PLACE OF THE ELECTION, THE RECORD DATE OR DATES FOR**
9 **DETERMINATION OF STOCKHOLDERS OR MEMBERS ENTITLED TO**
10 **NOTICE OF THE ELECTION AND TO VOTE THEREAT, AND THE FORM OF**
11 **NOTICE OF SUCH ELECTION.**

12 **THE SHARES OF STOCK OR MEMBERSHIP REPRESENTED AT SUCH**
13 **MEETING AND ENTITLED TO VOTE THEREAT, EITHER IN PERSON, BY**
14 **REMOTE COMMUNICATION, *IN ABSENTIA*, OR BY PROXY, SHALL**
15 **CONSTITUTE A QUORUM FOR THE PURPOSE OF SUCH MEETING,**
16 **NOTWITHSTANDING ANY PROVISION OF THE ARTICLES OF**
17 **INCORPORATION OR BY-LAWS TO THE CONTRARY. THE MEETING**
18 **SCHEDULED BY THE COMMISSION AND THE ELECTION HELD THEREAT**
19 **SHALL HAVE THE SAME EFFECT OF A VALID MEETING AND ELECTION OF**
20 **THE CORPORATION.**

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

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

33 **SEC. 21.** Section 27 of the Code is hereby renumbered as Section 28 and amended
34 to read as follows:

1 "Sec. [27]28. *Disqualification of directors, trustees or officers.* –
2 **THE FOLLOWING PERSONS SHALL BE DISQUALIFIED FROM BEING**
3 **ELECTED AS DIRECTOR, TRUSTEE OR OFFICER OF ANY CORPORATION:**

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

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

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

19 4. **THOSE WHO HAVE BEEN CONVICTED BY FINAL JUDGMENT**
20 **OF ANY THREE OF THE OFFENSES AND/OR VIOLATIONS IN PARAGRAPHS**
21 **1 TO 3 ABOVE, REGARDLESS OF WHEN THE JUDGMENTS BECAME FINAL.**

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

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

1 **SEC. 22.** Section 28 of the Code is hereby renumbered as Section 29 and amended
2 to read as follows:

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

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

1 **SEC. 23.** Section 29 of the Code is hereby renumbered as Section 30 and amended
2 to read as follows:

3 “Sec. [29]30. *Vacancies in the office of director or trustee.* - Any
4 vacancy occurring in the board of directors or trustees [other than by
5 removal by the stockholders or members or by expiration of term, may be
6 filled by the vote of at least a majority of the remaining directors or
7 trustees, if still constituting a quorum; otherwise, said vacancies] must be
8 filled by the stockholders in a regular or special meeting called for that
9 purpose.

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

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

33 Any directorship or trusteeship to be filled by reason of an
34 increase in the number of directors or trustees shall be filled only by an
35 election at a regular or at a special meeting of stockholders or members

1 duly called for the purpose, or in the same meeting authorizing the
2 increase of directors or trustees if so stated in the notice of the meeting.

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

5 **SEC. 24.** Section 30 of the Code is hereby renumbered as Section 31 and amended
6 to read as follows:

7 *"Sec. [30]31. Compensation of directors. –In the absence of any*
8 *provision in the by-laws fixing **THE PARAMETERS OF** their compensation,*
9 *the directors **OR TRUSTEES** shall not receive any compensation [,] as such*
10 *directors **OR TRUSTEES**, except for reasonable per diems: *Provided,**
11 *however, That any such compensation other than per diems may be*
12 *granted to directors **OR TRUSTEES** by the vote of the stockholders*
13 *representing at least a majority of the outstanding capital stock **OR BY***
14 ***MAJORITY OF THE MEMBERS** at a regular or special meeting.*

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

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

26 **THE CORPORATION SHALL SUBMIT AN ANNUAL REPORT ON THE**
27 **COMPENSATION OF DIRECTORS OR TRUSTEES AS PRESCRIBED UNDER**
28 **THIS CODE."**

29 **SEC. 25.** Sections 31 to 34 are hereby renumbered as Sections 32 to 35
30 respectively.

1 **SEC. 26.** Section 35 of the Code is hereby renumbered as Section 36 and amended
2 to read as follows:

3 “Sec. [35]36. *Executive committee AND OTHER SPECIAL*
4 **COMMITTEES.** - The by-laws of a corporation may create an executive
5 committee, composed of not less than three members of the board, to be
6 appointed by the board. Said committee may act, by majority vote of all
7 its members, on such specific matters within the competence of the
8 board, as may be delegated to it in the by-laws or on a majority vote of
9 the board, except with respect to: (1) approval of any action for which
10 shareholders' approval is also required; (2) the filling of vacancies in the
11 board; (3) the amendment or repeal of by-laws or the adoption of new by-
12 laws; (4) the amendment or repeal of any resolution of the board which
13 by its express terms is not so amendable or repealable; and (5) a
14 distribution of cash dividends to the shareholders.

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

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

28 **SEC. 27.** Section 36 of the Code is hereby renumbered as Section 37 and amended
29 to read as follows:

30 “Sec. [36]37. *Corporate powers and capacity.* - Every corporation
31 incorporated under this Code has the power and capacity:

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

1 "Sec. [38]39. Power to increase or decrease capital stock; incur,
2 create or increase bonded indebtedness. – xxx xxx xxx

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

5 xxx xxx xxx

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

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

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

3 xxx xxx xxx

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

7 **SEC. 30.** Section 39 is hereby renumbered as Section 40.

8 **SEC. 31.** Section 40 of the Code is hereby renumbered as Section 41 and amended
9 to read as follows:

10 "Sec. [40]41. *Sale or other disposition of assets.* - Subject to the
11 provisions of existing laws on illegal combinations and monopolies **AND**
12 **SUBJECT, FURTHER, TO SEC. 81 OF THIS CODE ON DE FACTO MERGERS,** a
13 corporation may, by a majority vote of its board of directors or trustees,
14 sell, lease, exchange, mortgage, pledge or otherwise dispose of [all or
15 substantially all of] its property and assets, including its goodwill, upon
16 such terms and conditions and for such consideration, which may be
17 money, stocks, bonds or other instruments for the payment of money or
18 other property or consideration, as its board of directors or trustees may
19 deem expedient.

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

29 Written notice of the proposed action and of the time and place of
30 the meeting shall be addressed to each stockholder or member at his
31 place of residence as shown on the books of the corporation and

1 deposited to the addressee in the post office with postage prepaid, or
2 served personally: Provided, That any dissenting stockholder may exercise
3 his appraisal right under the conditions provided in this Code.

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

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

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

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

25 **SEC. 32.** Section 41 and 42 are hereby renumbered as Section 42 and 43,
26 respectively.

27 **SEC. 33.** Section 43 of the Code is hereby renumbered as Section 44 and amended
28 to read as follows:

29 “Sec. [42]44. *Power to declare dividends.* - The board of directors
30 of a stock corporation may declare dividends out of the unrestricted
31 retained earnings which **SHALL BE DETERMINED IN ACCORDANCE WITH**

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

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

22 **SEC. 34.** Section 44 and 45 are hereby renumbered as Section 45 and 46,
23 respectively.

24 **SEC. 35.** Section 46 of the Code is hereby renumbered as Section 47 and amended
25 to read as follows:

26 “Sec. [46]47. *Adoption of by-laws.* - Every corporation formed
27 under this Code must, within one (1) month after receipt of official notice
28 of the issuance of its certificate of incorporation by the [Securities and
29 Exchange] Commission, adopt a code of by-laws for its government not
30 inconsistent with this Code. For the adoption of by-laws by the
31 corporation the affirmative vote of the stockholders representing at least
32 a majority of the outstanding capital stock, or of at least a majority of the
33 members in case of non-stock corporations, shall be necessary. The by-
34 laws shall be signed by the stockholders or members voting for them and
35 shall be kept in the principal office of the corporation, subject to the

1 inspection of the stockholders or members during office hours. A copy
2 thereof, duly certified to by a majority of the directors or trustees
3 countersigned by the secretary of the corporation, shall be filed with the
4 [Securities and Exchange] Commission, which shall be attached to the
5 original articles of incorporation.

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

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

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

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

25 **SEC. 36.** Section 47 of the Code is hereby renumbered as Section 48 and amended
26 to read as follows:

27 "Sec. [47]48. *Contents of by-laws.* - Subject to the provisions of the
28 Constitution, this Code, other special laws, and the articles of
29 incorporation, a private corporation [may] **SHALL** provide in its by-laws
30 for:

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

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

9 xxx xxx xxx

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

17 xxx xxx xxx

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

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

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

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

14 **13.A SYSTEM, INCLUDING THE APPOINTMENT OF A COMPLIANCE**
15 **OFFICER, THAT WILL MONITOR COMPLIANCE WITH THE RULES AND**
16 **REGULATIONS ON GOOD CORPORATE GOVERNANCE; AND**

17 **[10] 14. Such other matters as may be necessary for the proper or**
18 **convenient transaction of its corporate business and affairs OR AS MAY**
19 **BE DEEMED NECESSARY BY THE COMMISSION FOR THE PROMOTION OF**
20 **GOOD GOVERNANCE AND/OR ITS POLICY AGAINST GRAFT AND**
21 **CORRUPTION.**

22 **THE COMMISSION SHALL FORMULATE AND MAKE AVAILABLE**
23 **SAMPLE BY-LAWS WITH THE FOREGOING REQUIREMENTS."**

24 **SEC. 37.** Section 48 of the Code is hereby renumbered as Section 49 and amended
25 to read as follows:

26 "Section [48]49. Amendment to by-laws. – The board of directors
27 or trustees, by a majority vote thereof, and the owners of at least [a
28 majority] **TWO-THIRDS (2/3)** of the outstanding capital stock, or at least
29 [a majority] **TWO-THIRDS (2/3)** of the members of a non-stock
30 corporation, at a regular or special meeting duly called for the purpose,
31 may amend or repeal any by-laws or adopt new by-laws. The owners of
32 two-thirds (2/3) of the outstanding capital stock or two-thirds (2/3) of the
33 members in a non-stock corporation may delegate to the board of

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

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

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

20 **SEC. 38.** Section 49 is hereby renumbered as Section 50.

21 **SEC. 39.** Section 50 of the Code is hereby renumbered as Section 51 and amended
22 to read as follows:

23 "Sec. [50]51. *Regular and special meetings of stockholders or*
24 *members.* - Regular meetings of stockholders or members shall be held
25 annually on a date fixed in the by-laws, or if not so fixed, on any date in
26 April of every year as determined by the board of directors or trustees.:
27 *Provided,* That written notice of regular meetings shall be sent to all
28 stockholders or members of record at least [two (2)] **THIRTY (30) DAYS**
29 prior to the meeting, unless a [different] **LONGER** period is required by
30 the by-laws **OR BY ANY RELEVANT LAW OR REGULATION, AND IN SUCH A**
31 **MANNER AS TO BE RECEIVED AT LEAST FIVE DAYS BEFORE THE**
32 **SCHEDULED MEETING.**

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

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

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

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

13 **(iii) THE MATTERS DISCUSSED AND**
14 **RESOLUTIONS REACHED,**

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

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

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

28 **c. A DETAILED, DESCRIPTIVE, BALANCED AND**
29 **COMPREHENSIBLE ASSESSMENT OF THE CORPORATION'S**
30 **PERFORMANCE WHICH SHALL INCLUDE INFORMATION ON THE**

1 **CHANGES IN THE CORPORATION OR ITS BUSINESS AND ITS**
2 **STRATEGY;**

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

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

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

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

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

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

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

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

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

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

12 n. **DETAILS OF THE ORIENTATION PROGRAM FOR**
13 **NEW DIRECTORS.**

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

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

27 Notice of any meeting may be waived, expressly or impliedly, by
28 any stockholder or member[.]; **PROVIDED THAT GENERAL WAIVERS OF**
29 **NOTICE IN THE ARTICLES OF INCORPORATION OR THE BY-LAWS SHALL**
30 **NOT BE ALLOWED; PROVIDED, FURTHER, THAT ATTENDANCE AT A**
31 **MEETING SHALL CONSTITUTE A WAIVER OF NOTICE OF SUCH MEETING,**

1 **EXCEPT WHEN THE PERSON ATTENDS A MEETING FOR THE EXPRESS**
2 **PURPOSE OF OBJECTING AT THE BEGINNING OF THE MEETING, TO THE**
3 **TRANSACTION OF ANY BUSINESS BECAUSE THE MEETING IS NOT**
4 **LAWFULLY CALLED OR CONVENED.**

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

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

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

24 **SEC. 40.** Section 51 of the Code is hereby renumbered as Section 52 and amended
25 to read as follows:

26 *"Sec. [51]52. Place and time of meetings of stockholders of*
27 *members. - Stockholder's or member's meetings, whether regular or*
28 *special, shall be held in the PRINCIPAL OFFICE OF THE CORPORATION AS*
29 **SET FORTH IN THE ARTICLES OF INCORPORATION, OR, IF NOT**
30 **PRACTICABLE, IN THE** city or municipality where the principal office of the
31 corporation is located [, and if practicable in the principal office of the
32 corporation]: Provided, That Metro Manila shall, for purposes of this
33 section, be considered a city or municipality.

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

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

23 **(A) THE AGENDA FOR THE MEETING;**

24 **(B) A PROXY FORM;**

25 **(C) WHEN ATTENDANCE IS ALLOWED BY REMOTE**
26 **COMMUNICATION, THE FACT THEREOF AND THE**
27 **REQUIREMENTS AND PROCEDURES TO BE FOLLOWED**
28 **WHEN A STOCKHOLDER OR MEMBER ELECTS SUCH**
29 **OPTION;**

30 **(D) WHEN VOTING IS ALLOWED *IN ABSENTIA*, THE FACT**
31 **THEREOF AND THE REQUIREMENTS AND PROCEDURES**
32 **TO BE FOLLOWED WHEN A STOCKHOLDER OR MEMBER**
33 **ELECTS SUCH OPTION;**

1 **(E) WHEN THE MEETING IS FOR THE ELECTION OF**
2 **DIRECTORS OR TRUSTEES, THE REQUIREMENTS AND**
3 **PROCEDURE FOR NOMINATING AND THE CURRICULUM**
4 **VITAE OR OTHER RELEVANT INFORMATION OF THOSE**
5 **ALREADY NOMINATED INCLUDING, BUT NOT LIMITED**
6 **TO, SUCH NOMINEES' OTHER EXECUTIVE FUNCTIONS OR**
7 **MEMBERSHIP IN OTHER BOARDS;**

8 **(F) OTHER EXPLANATORY MATERIALS OR A STATEMENT**
9 **THAT SUCH EXPLANATORY MATERIALS ARE AVAILABLE**
10 **FOR INSPECTION DURING OFFICE HOURS AT THE**
11 **CORPORATION'S PRINCIPAL OFFICE AND/OR ONLINE AT**
12 **THE CORPORATION'S WEBSITE, OR THAT SOFT COPIES**
13 **THEREOF MAY BE SENT TO A STOCKHOLDER OR MEMBER**
14 **UPON HIS REQUEST; AND**

15 **(G) THE PROCEDURE FOR MAKING INQUIRIES OR SOLICITING**
16 **ADDITIONAL INFORMATION ABOUT THE AGENDA ITEMS**
17 **BEFORE THE MEETING.**

18 **WHEN ALLOWED BY THE BY-LAWS OF THE CORPORATION,**
19 **NOTICES OF MEETING MAY BE SENT ELECTRONICALLY, PROVIDED THAT**
20 **THE SAME IS DONE IN ACCORDANCE WITH THE RULES OF THE**
21 **COMMISSION AND, PROVIDED FURTHER, THAT ANY STOCKHOLDER OR**
22 **MEMBER MAY, AT ANY TIME, OPT OUT OF RECEIVING NOTICE BY**
23 **ELECTRONIC COMMUNICATION AND REQUEST THAT WRITTEN NOTICE**
24 **BE SENT IN A TRADITIONAL MANNER, I.E. BY PERSONAL SERVICE, BY**
25 **POST OR BY COURIER.**

26 All proceedings had and any business transacted at any meeting of
27 the stockholders or members, if within the powers or authority of the
28 corporation, shall be valid even if the meeting be improperly held or
29 called, provided all the stockholders or members of the corporation are
30 present or duly represented at the meeting **AND NONE OF THEM**
31 **EXPRESSLY STATE AT THE BEGINNING OF THE MEETING THAT THE**
32 **PURPOSE OF THEIR ATTENDANCE IS TO OBJECT TO THE TRANSACTION**
33 **OF ANY BUSINESS BECAUSE THE MEETING IS NOT LAWFULLY CALLED OR**
34 **CONVENED."**

1 **SEC. 41.** Section 52 is hereby renumbered as Section 53.

2 **SEC. 42.** Section 53 of the Code is hereby renumbered as Section 54 and amended
3 to read as follows:

4 “Sec. [53]54. *Regular and special meetings of directors or trustees.*
5 - Regular meetings of the board of directors or trustees of every
6 corporation shall be held monthly, unless the by-laws provide otherwise.

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

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

16 **DIRECTORS OR TRUSTEES CANNOT ATTEND OR VOTE BY PROXY**
17 **AT BOARD MEETINGS; HOWEVER, WHEN ALLOWED BY THE BY-LAWS,**
18 **THEY CAN ATTEND BOARD MEETINGS THROUGH REMOTE**
19 **COMMUNICATION SUCH AS VIDEOCONFERENCING, TELECONFERENCING**
20 **OR OTHER TECHNOLOGY THAT ALLOWS THEM A REASONABLE**
21 **OPPORTUNITY TO PARTICIPATE.”**

22 **SEC. 43.** Sections 54 to 57 are hereby renumbered as Section 55 to 58,
23 respectively.

24 **SEC. 44.** Section 58 of the Code is hereby renumbered as Section 59 and amended
25 to read as follows:

26 “Sec. [58]59. **MANNER OF VOTING; Proxies.** - Stockholders and
27 members may vote in person, *IN ABSENTIA* or by proxy in all meetings of
28 stockholders or members. **VOTING DONE WHEN ATTENDANCE IS BY**
29 **REMOTE COMMUNICATION SHALL BE EQUIVALENT TO VOTING IN**
30 **PERSON. A STOCKHOLDER OR MEMBER MAY VOTE WITHOUT**

1 **ATTENDING THE MEETING FOR AS LONG AS THE VOTE IS CAST AND**
2 **RECEIVED ON OR BEFORE THE TALLY OF VOTES IS COMPLETED AT THE**
3 **MEETING, AND THE VOTE IS MADE IN ACCORDANCE WITH THE**
4 **CORPORATION'S REQUIREMENTS AND PROCEDURES FOR VOTING *IN***
5 ***ABSENTIA*. THE COMMISSION SHALL PRESCRIBE THE MINIMUM**
6 **STANDARDS AND GUIDELINES FOR VOTING WHEN ATTENDANCE IS**
7 **DONE BY REMOTE COMMUNICATION OR WHEN VOTING IS *IN ABSENTIA*.**

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

13 **SEC. 45.** Section 59 of the Code is hereby renumbered as Section 60 and amended
14 to read as follows:

15 "Sec. [59]**60.** *Voting Trusts.* –One or more stockholders of a stock
16 corporation may create a voting trust for the purpose of conferring upon
17 a trustee or trustees the right to vote and other rights pertaining to the
18 shares for a period not exceeding five (5) years at any time: Provided, That
19 in the case of a voting trust specifically required as a condition in a loan
20 agreement, said voting trust may be for a period exceeding five (5) years
21 but shall automatically expire upon full payment of the loan. A voting
22 trust agreement must be in writing and notarized, and shall specify the
23 terms and conditions thereof. A certified copy of such agreement shall be
24 filed with the corporation and with the [Securities and Exchange]
25 Commission [; otherwise, said agreement is ineffective and
26 unenforceable] **AND SHALL BE EFFECTIVE AND ENFORCEABLE ONLY**
27 **UPON APPROVAL THEREOF BY THE COMMISSION.** The certificate or
28 certificates of stock covered by the voting trust agreement shall be
29 cancelled and new ones shall be issued in the name of the trustee or
30 trustees stating that they are issued pursuant to said agreement. In the
31 books of the corporation, it shall be noted that the transfer in the name of
32 the trustee or trustees is made pursuant to said voting trust agreement."

33 **SEC. 46.** Section 60 is hereby renumbered as Section 61.

1 **SEC. 47.** Section 61 of the Code is hereby renumbered as Section 62 and amended
2 to delete "Securities and Exchange" from "Securities and Exchange Commission".

3 **SEC. 48.** Section 62 of the Code is hereby renumbered as Section 63 and amended
4 to read as follows:

5 "Sec. [62]**63.** *Consideration for stocks.* - Stocks shall not be issued
6 for a consideration less than the par or issued price thereof. Consideration
7 for the issuance of stock may be any or a combination of any two or more
8 of the following:

9 1. Actual cash paid to the corporation;

10 2. Property, tangible or intangible, actually received by the
11 corporation and necessary or convenient for its use and lawful purposes
12 at a fair valuation equal to the par or issued value of the stock issued;

13 3. Labor performed for or services actually rendered to the
14 corporation;

15 4. Previously incurred indebtedness of the corporation;

16 5. Amounts transferred from unrestricted retained earnings
17 to stated capital; [and]

18 6. Outstanding shares exchanged for stocks in the event of
19 reclassification or conversion[.];

20 7. **SHARES OF STOCK OF ANOTHER CORPORATION; AND**

21 8. **SUCH OTHER FORM OF CONSIDERATION THAT THE**
22 **COMMISSION MAY DETERMINE TO BE ACCEPTABLE SUBJECT TO THE**
23 **PROVISIONS OF THE CODE.**

24 Where the consideration is other than actual cash, or consists of
25 intangible property such as patents or copyrights, the valuation thereof
26 shall initially be determined by the incorporators or the board of
27 directors, **WHO SHALL THEN SUBMIT SUCH DETERMINATION, WITH**

1 **SUPPORTING DOCUMENTS AS THE COMMISSION MAY PRESCRIBE, FOR**
2 **THE [subject to] approval[by] OF the [Securities and Exchange]**
3 **Commission.**

4 xxx xxx xxx”

5 **SEC. 49.** Section 63 of the Code is hereby renumbered as Section 64 and amended
6 to read as follows:

7 “Sec. [63]64. *Certificate of stock and transfer of shares.* - The
8 capital stock of stock corporations shall be divided into shares for which
9 certificates signed by the president or vice president, countersigned by
10 the secretary or assistant secretary, and sealed with the seal of the
11 corporation shall be issued in accordance with the by-laws. Shares of
12 stock so issued are personal property and may be transferred by delivery
13 of the certificate or certificates indorsed by the owner or his attorney-in-
14 fact or other person legally authorized to make the transfer. No transfer,
15 however, shall be valid, except as between the parties, until the transfer is
16 recorded in the books of the corporation so as to show the names of the
17 parties to the transaction, the date of the transfer, the number of the
18 certificate or certificates and the number of shares transferred; **THE**
19 **COMMISSION MAY REQUIRE CORPORATIONS WHOSE SECURITIES ARE**
20 **TRADED IN AN EXCHANGE OR OTHER AUTHORIZED TRADING MARKETS**
21 **TO ISSUE ITS SECURITIES OR SHARES OF STOCKS IN UNCERTIFICATED OR**
22 **SCRIPLESS FORM BY VIRTUE OF, AND IN ACCORDANCE WITH, THE RULES**
23 **OF THE COMMISSION.**

24 xxx xxx xxx”

25 **SEC. 50.** Sections 64 to 73 of the Code are hereby renumbered as Sections 65 to
26 74, respectively.

27 **SEC. 51.** Section 74 of the Code is hereby renumbered as Section 75 and amended
28 to read as follows:

29 “Sec. [74]75. *Books to be kept; stock transfer agent.* – Every
30 corporation shall keep and carefully preserve at its principal office **ALL**
31 **INFORMATION RELATIVE TO THE CORPORATION INCLUDING, BUT NOT**

1 LIMITED TO: (a) THE ARTICLES OF INCORPORATION AND BY-LAWS OF
2 THE CORPORATION AND ALL THEIR AMENDMENTS, (b) THE CURRENT
3 OWNERSHIP STRUCTURE AND VOTING RIGHTS OF THE CORPORATION,
4 INCLUDING LISTS OF STOCKHOLDERS OR MEMBERS, GROUP
5 STRUCTURES, INTRA-GROUP RELATIONS, OWNERSHIP DATA, AND
6 BENEFICIAL OWNERSHIP, (c) THE NAMES AND ADDRESSES OF ALL THE
7 MEMBERS OF THE BOARD OF DIRECTORS OR TRUSTEES AND OF THE
8 EXECUTIVE OFFICERS, (d) a record of all business transactions, (e) A
9 RECORD OF THE RESOLUTIONS OF THE BOARD OF DIRECTORS OR
10 TRUSTEES AND OF THE STOCKHOLDERS OR MEMBERS, (f) COPIES OF THE
11 LATEST REPORTORIAL REQUIREMENTS SUBMITTED TO THE
12 COMMISSION, and (g) THE minutes of all meetings of stockholders or
13 members, or of the board of directors or trustees[.]. SUCH MINUTES [in
14 which] shall [be] set forth in detail, **AMONG OTHERS:** the time and place
15 of holding the meeting, how authorized, the notice given, **THE AGENDA**
16 **THEREFOR**, whether the meeting was regular or special, if special its
17 object, those present and absent, **THE VOTING AND VOTE TABULATION**
18 **PROCEDURES USED AND THE RESULTS OF ALL VOTING DONE, THE**
19 **OPPORTUNITY GIVEN TO STOCKHOLDERS OR MEMBERS TO ASK**
20 **QUESTIONS, AS WELL AS A RECORD OF THE QUESTIONS THEY ASKED**
21 **AND THE ANSWERS RECEIVED**, and every act done or ordered done at the
22 meeting. Upon the demand of any director, trustee, stockholder or
23 member, the time when any director, trustee, stockholder or member
24 entered or left the meeting must be noted in the minutes; and on a
25 similar demand, the yeas and nays must be taken on any motion or
26 proposition, and a record thereof carefully made. The protest of any
27 director, trustee, stockholder or member on any action or proposed
28 action must be recorded in full on his demand.

29 The **FOREGOING** records **SHALL BE RETAINED FOR SUCH PERIODS**
30 **AS THE COMMISSION MAY PRESCRIBE BY RULE AND**, [of all business
31 transactions of the corporation and the minutes of any meetings]
32 **REGARDLESS OF THE FORM IN WHICH THEY ARE STORED**, shall be open
33 to inspection by any director, trustee, stockholder or member of the
34 corporation, **IN PERSON OR BY COUNSEL OR OTHER REPRESENTATIVE**
35 **POSSESSING AND EXHIBITING DUE AUTHORITY**, at reasonable hours on
36 business days and he may demand, in writing, for [a copy of] **COPIES** of
37 **SUCH RECORDS OR** excerpts from said records [or minutes,] at his
38 expense. **THE INSPECTING OR REPRODUCING PARTY UNDER THIS**

1 **SECTION SHALL REMAIN BOUND BY CONFIDENTIALITY UNDER**
2 **PREVAILING LAWS.**

3 **IF A REQUEST FOR INSPECTION AND/OR REPRODUCTION IS**
4 **DENIED, THE AGGRIEVED PARTY MAY REPORT THE DENIAL TO THE**
5 **COMMISSION. WITHIN FIVE (5) DAYS FROM RECEIPT OF SUCH REPORT,**
6 **THE COMMISSION SHALL CONDUCT A SUMMARY INVESTIGATION AND**
7 **ISSUE AN ORDER EITHER DIRECTING THE INSPECTION/REPRODUCTION**
8 **REQUESTED OR FINDING THAT THE REQUESTING PARTY, NOT BEING A**
9 **STOCKHOLDER OR MEMBER OF RECORD, IS NOT ENTITLED TO THE**
10 **RIGHT.**

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

27 **THE DIRECTOR, TRUSTEE, STOCKHOLDER OR MEMBER WHOSE**
28 **RIGHT TO INSPECTION AND/OR REPRODUCTION OF RECORDS WAS**
29 **DENIED MAY FILE, BEFORE A COURT OF COMPETENT JURISDICTION, AN**
30 **ACTION TO COMPEL INSPECTION OF CORPORATE RECORDS SHOWING**
31 **THAT, DESPITE THE LAPSE OF FIVE (5) DAYS FROM RECEIPT OF HIS**
32 **WRITTEN REQUEST OR DEMAND AND DESPITE HAVING BEEN ORDERED**
33 **BY THE COMMISSION TO DO SO, THE CORPORATION, OR AN OFFICER OR**
34 **AGENT THEREOF, REFUSED TO ALLOW THE INSPECTION AND/OR**
35 **REPRODUCTION OR FAILED TO REPLY TO THE WRITTEN REQUEST OR**
36 **DEMAND OR THE ORDER OF THE COMMISSION. THE COURT MAY,**

1 **AFTER SUMMARY PROCEEDINGS, ORDER THE CORPORATION TO PERMIT**
2 **THE INSPECTION AND/OR REPRODUCTION OR ISSUE ANY SUCH OTHER**
3 **OR FURTHER RELIEF AS IT MAY DEEM JUST AND PROPER.**

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

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

27 **SEC. 52.** Section 75 of the Code is hereby renumbered as Section 76 and amended
28 to read as follows:

29 "Sec. [75]76. *Right to financial statements.* - Within ten (10) days
30 from receipt of a written request of any stockholder or member, the
31 corporation shall furnish to him its most recent financial statement, **IN**
32 **THE FORM AND SUBSTANCE OF THE FINANCIAL REPORTING REQUIRED**
33 **BY THE COMMISSION,** [which shall include a balance sheet as of the end
34 of the last taxable year and a profit or loss statement for said taxable

1 year, showing in reasonable detail its assets and liabilities and the result
2 of its operations.]

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

9 However, if the [paid-up capital] **TOTAL ASSETS OR TOTAL**
10 **LIABILITIES** of the corporation [is] **ARE** less than [P50,000.00] **P500,000.00**
11 **OR SUCH HIGHER AMOUNT AS MAY BE LATER SET BY THE COMMISSION,**
12 the financial statements may be certified under oath by the
13 **CORPORATION'S** treasurer or [any responsible officer of the corporation]
14 **CHIEF FINANCIAL OFFICER AND PRESIDENT OR CHIEF EXECUTIVE**
15 **OFFICER."**

16 **SEC. 53.** Section 76 of the Code is hereby renumbered as Section 77.

17 **SEC. 54.** Section 77 of the Code is hereby renumbered as Section 78 and amended
18 to read as follows:

19 "Sec. [77]**78.** *Stockholder's or member's approval.* - Upon approval
20 by majority vote of each of the board of directors or trustees of the
21 constituent corporations of the plan of merger or consolidation, the same
22 shall be submitted for approval by the stockholders or members of each
23 of such corporations at separate corporate meetings duly called for the
24 purpose. Notice of such meetings shall be given to all stockholders or
25 members of the respective corporations **IN THE SAME MANNER AS**
26 **NOTICE OF REGULAR OR SPECIAL MEETINGS UNDER SECTION 51.** [, at
27 least two (2) weeks prior to the date of the meeting, either personally or
28 by registered mail.] Said notice shall state, **IN ADDITION TO THE**
29 **REQUIREMENTS FOR NOTICE OF REGULAR OR SPECIAL MEETINGS**
30 **UNDER SECTION 51,** the purpose of the meeting and shall include a copy
31 or a summary of the plan of merger or consolidation.

32 xxx xxx xxx"

1 **SEC. 55.** Section 78 of the Code is hereby renumbered as Section 79 and amended
2 to read as follows:

3 “Sec. [78]79. *Articles of merger or consolidation.* - After the
4 approval by the stockholders or members as required by the preceding
5 section, articles of merger or articles of consolidation shall be executed by
6 each of the constituent corporations, to be signed by the president or
7 vice-president and certified by the secretary or assistant secretary of each
8 corporation setting forth:

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

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

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

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

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

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

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

25 **SEC. 56.** Section 79 of the Code is hereby renumbered as Section 80 and amended
26 to read as follows:

27 “Sec. [79]80. *Effectivity of merger or consolidation.* - The articles of
28 merger or of consolidation, signed and certified as herein above required,

1 shall be submitted to the [Securities and Exchange] Commission in
2 quadruplicate for its approval: Provided, That in the case of merger or
3 consolidation of banks or banking institutions, building and loan
4 associations, trust companies, insurance companies, public utilities,
5 educational institutions and other special corporations governed by
6 special laws, the favorable recommendation of the appropriate
7 government agency shall first be obtained[.]; **PROVIDED, FURTHER, THAT**
8 **THE SUBMISSION OF ARTICLES OF MERGER OR CONSOLIDATION, IN THE**
9 **FORM OF AN ELECTRONIC DOCUMENT, SHALL BE IN ACCORDANCE WITH**
10 **THE RULES AND REGULATIONS OF THE COMMISSION ON THE USE OF**
11 **ELECTRONIC DATA MESSAGES.** If the Commission is satisfied that the
12 merger or consolidation of the corporations concerned is not inconsistent
13 with the provisions of this Code and existing laws, it shall issue a
14 certificate of merger or of consolidation, at which time the merger or
15 consolidation shall be effective.

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

24 **SEC. 57.** Section 80 of the Code is hereby renumbered as Section 81.

25 **SEC. 58.** A new provision is inserted in the Code as Section 81 as follows:

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

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

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

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

8 **c. THE REMAINING ASSETS ARE NOT SUFFICIENT FOR**
9 **THE CONTINUATION OF THE SELLER CORPORATION'S ORDINARY**
10 **OPERATIONS, OR**

11 **d. UNDER CIRCUMSTANCES CONGRUOUS TO THE**
12 **FOREGOING.**

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

17 **a. THE SELLER CORPORATION BECOMES MERELY A**
18 **SHELL CORPORATION,**

19 **b. THE SELLER CORPORATION HAS NO OPERATIONS**
20 **WHICH ARE BY THEMSELVES ECONOMICALLY VIABLE,**

21 **c. THE SELLER CORPORATION IS RENDERED**
22 **INCAPABLE OF DOING BUSINESS EXCEPT THROUGH THE BUYER**
23 **CORPORATION, OR**

24 **d. UNDER CIRCUMSTANCES CONGRUOUS TO THE**
25 **FOREGOING.**

26 **3. THERE IS AN INTEGRATION OF THE SELLER**
27 **CORPORATION'S PRODUCTIVE ASSETS AND OPERATIONS INTO THE**
28 **BUYER CORPORATION'S OWN BUSINESS OR A CONTINUITY OF THE**
29 **SELLER CORPORATION'S BUSINESS IN THE BUSINESS OF THE BUYER**
30 **CORPORATION. SUCH INTEGRATION OR CONTINUITY SHALL BE DEEMED**
31 **TO EXIST WHEN THE BUYER CORPORATION, WHETHER WHOLLY OR IN**
32 **PART, CONTINUES THE SELLER CORPORATION'S BUSINESS IN TERMS OF**
33 **MANAGEMENT, PERSONNEL, PHYSICAL LOCATION, ASSETS, PROCESS,**
34 **TECHNOLOGY ACTIVITIES, OR GENERAL BUSINESS OPERATIONS, OR**
35 **INTEGRATES AND COMBINES THESE ASPECTS WITH ITS OWN BUSINESS**

1 MODEL, WHETHER OR NOT THERE IS A COMPLETE IDENTITY OR
2 UNIFORMITY IN EVERY MATERIAL CHARACTERISTIC.

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

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

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

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

17 SEC. 59. Section 81 of the Code is hereby renumbered as Section 83 and amended
18 to read as follows:

19 "Sec.[81]83. *Instances of appraisal right; REMEDY AGAINST*
20 *OPPRESSIVE ACTS.* - Any stockholder of a corporation shall have the right
21 to dissent and demand payment of the fair value of his shares in the
22 following instances:

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

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

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

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

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

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

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

14 8. WHEN DIRECTORS ENGAGE IN SELF-DEALING OR
15 THERE IS NO OR INADEQUATE DISCLOSURE OR MATERIAL FACTS
16 AND THEIR FINANCIAL IMPACT; AND

17 9. IN INSTANCES WHEN THE CORPORATION IS
18 VIOLATING THE PROVISIONS OF THIS CODE, ITS RULES, OR OTHER
19 LAWS.”

20 **SEC. 60.** Sections 82 and 83 of the Code are hereby renumbered as Sections 84
21 and 85, respectively.

22 **SEC. 61.** Section 84 of the Code is hereby renumbered as Section 86 and amended
23 to delete “Securities and Exchange” from “Securities and Exchange Commission”
24 in each instance.

25 **SEC. 62.** Sections 85 to 88 of the Code are hereby renumbered as Sections 87 to
26 90 accordingly.

27 **SEC. 63.** Section 89 of the Code is hereby renumbered as Section 91 and amended
28 to read as follows:

1 “Sec. [89]91. *Right to vote.* –**EXCEPT AS OTHERWISE PROVIDED IN**
2 **THIS CODE**, the right of the members of any class or classes to vote may
3 be limited, broadened or denied to the extent specified in the articles of
4 incorporation or the by-laws. Unless so limited, broadened or denied,
5 each member, regardless of class, shall be entitled to one vote.

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

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

13 **SEC. 64.** Sections 90 and 91 of the Code are hereby renumbered as Sections 92
14 and 93, respectively.

15 **SEC. 65.** Section 92 of the Code is hereby renumbered as Section 94 and amended
16 to read as follows:

17 “Sec. [92]94. *Election and term of trustees.*–[Unless otherwise
18 provided in the articles of incorporation or the by-laws,]The board of
19 trustees of non-stock corporations **SHALL BE IN SUCH NUMBER AS MAY**
20 **BE FIXED IN THE ARTICLES OF INCORPORATION OR BY-LAWS** [, which
21 may be more than]NOT EXCEEDING fifteen (15) [in number as may be
22 fixed in their articles of incorporation or by-laws, shall]. **THEY SHALL**
23 **HOLD OFFICE FOR ONE YEAR UNTIL THEIR SUCCESSORS ARE ELECTED**
24 **AND QUALIFIED.**[as soon as organized, so classify themselves that the
25 term of office of one-third (1/3) of their number shall expire every year;
26 and subsequent elections of trustees comprising one-third (1/3) of the
27 board of trustees shall be held annually and trustees so elected shall have
28 a term of three (3) years.] Trustees [thereafter] elected to fill vacancies
29 occurring before the expiration of a particular term shall hold office only
30 for the unexpired period.

1 **SEC. 69.** Sections 104, 105, and 107 of the Code are hereby amended by deleting
2 "Securities and Exchange" from "Securities Exchange Commission" in each
3 instance and, in Section 107, changing "Ministry of Education and Culture" to
4 "Department of Education Culture and Sports". Further, Sections 104 to 107 are
5 renumbered as Sections 106 to 109 accordingly.

6 **SEC. 70.** Section 108 of the Code is hereby deleted.

7 **SEC. 71.** Sections 109 and 110 of the Code is hereby renumbered as Sections 110
8 and 111, respectively.

9 **SEC. 72.** Sections 111, 112, 113, 114, 115, and 116 of the Code are hereby
10 amended by deleting "Securities and Exchange" from "Securities Exchange
11 Commission" in each instance. Further, Sections 111 to 116 are renumbered as
12 Sections 112 to 117 accordingly.

13 **SEC. 73.** A new chapter is hereby added to Title XIII on Special Corporations and
14 the succeeding provisions are renumbered accordingly.

15 **CHAPTER III**

16 **ONE PERSON CORPORATIONS**

17 **SEC. 118. *APPLICABILITY OF PROVISIONS TO ONE PERSON***
18 ***CORPORATIONS.*** –THE PROVISIONS OF THIS CODE ARE APPLICABLE TO
19 **ONE PERSON CORPORATIONS EXCEPT AS OTHERWISE PROVIDED IN THIS**
20 **TITLE AND IN THE OTHER SPECIFIC PROVISIONS OF THIS CODE.**

21 **SEC. 119. *ONE PERSON CORPORATION.*** –A ONE PERSON
22 **CORPORATION IS A CORPORATION WITH ONLY A SINGLE STOCKHOLDER**
23 **WHO IS A NATURAL PERSON OR A JURIDICAL PERSON.**

24 **SEC. 120. *SINGLE STOCKHOLDER.*** – FOR PURPOSES OF THIS
25 **CODE, THE FOLLOWING SHALL BE DEEMED A SINGLE STOCKHOLDER:**

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

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

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

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

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

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

25 (3) IF THE SINGLE STOCKHOLDER IS A TRUST,
26 ESTATE OR ACCOUNT, IT SHALL CLEARLY INDICATE THE
27 NAME, NATIONALITY AND RESIDENCE OF THE TRUSTEE,
28 ADMINISTRATOR, EXECUTOR, GUARDIAN, CONSERVATOR,
29 CUSTODIAN OR OTHER PERSON EXERCISING FIDUCIARY
30 CAPACITIES AND ATTACH PROOF OF SUCH AUTHORITY TO
31 ACT ON BEHALF OF THE TRUST, ESTATE OR ACCOUNT;

32 (4) IN ACCORDANCE WITH SECTION 127, IT
33 SHALL DESIGNATE A NOMINEE AND ALTERNATE NOMINEE
34 AND ATTACH THERETO THEIR PRIOR WRITTEN CONSENT,

1 AS WELL AS STATE THE COMPENSATION THEY SHALL
2 RECEIVE AND THE EXTENT OF OR LIMITATIONS ON THEIR
3 AUTHORITY;

4 (5) THE ARTICLES OF INCORPORATION SHALL
5 BE ACCOMPANIED BY A SWORN STATEMENT BY THE
6 STOCKHOLDER AS TO THE AMOUNT OF THE CAPITAL
7 STOCK AND THAT THE SAME HAS BEEN PAID IN FULL AND
8 MAINTAINED IN AN ACCOUNT SEPARATE FROM THAT OF
9 THE STOCKHOLDER;

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

14 (7) THERE SHALL BE ATTACHED TO THE
15 ARTICLES OF INCORPORATION INTERNAL PROCEDURES
16 FOR WHISTLEBLOWERS AS SET FORTH IN SECTION 47,
17 SUBPARAGRAPH 12 OF THIS CODE.

18 THE ONE PERSON CORPORATION SHALL BE EXEMPT FROM THE
19 FILING OF BY-LAWS.

20 **SEC. 122. PROHIBITION AGAINST MULTIPLE ONE PERSON**
21 **CORPORATIONS. – ANY PERSON, TRUST, ESTATE OR ACCOUNT MAY**
22 **ONLY INCORPORATE AND MAINTAIN ONE PERSON CORPORATION AT**
23 **ANY GIVEN INSTANCE. A ONE PERSON CORPORATION MAY NOT**
24 **INCORPORATE A NEW ONE PERSON CORPORATION.**

25 **SEC. 123. DISPLAY OF CORPORATE NAME. – A ONE PERSON**
26 **CORPORATION SHALL INDICATE EITHER BELOW OR AT THE END OF ITS**
27 **CORPORATE NAME, THE WORDS “ONE PERSON CORPORATION” OR THE**
28 **LETTERS “OPC”, WHEREVER ITS NAME IS PRINTED, AFFIXED, ENGRAVED**
29 **OR OTHERWISE PRESENTED.**

30 **SEC. 124. SINGLE STOCKHOLDER AS DIRECTOR, PRESIDENT AND**
31 **TREASURER. – THE SINGLE STOCKHOLDER SHALL BE THE SOLE DIRECTOR,**
32 **PRESIDENT (OR CHIEF EXECUTIVE OFFICER) AND TREASURER (OR CHIEF**
33 **FINANCE OFFICER) OF THE ONE PERSON CORPORATION.**

1 **SEC. 125. CORPORATE SECRETARY AND OTHER OFFICERS. –**
2 **WITHIN FIFTEEN DAYS FROM THE ISSUANCE OF ITS CERTIFICATE OF**
3 **INCORPORATION, THE ONE PERSON CORPORATION SHALL APPOINT A**
4 **CORPORATE SECRETARY, WHO SHALL BE OTHER THAN THE SINGLE**
5 **STOCKHOLDER, AND NOTIFY THE COMMISSION THEREOF WITHIN FIVE**
6 **DAYS FROM APPOINTMENT.**

7 **THE ONE PERSON CORPORATION MAY APPOINT SUCH OTHER**
8 **OFFICERS AS IT MAY DEEM NECESSARY.**

9 **SEC. 126. SPECIAL FUNCTIONS OF THE CORPORATE SECRETARY. –**
10 **IN ADDITION TO THE FUNCTIONS DESIGNATED BY THE ONE PERSON**
11 **CORPORATION AND REQUIRED ELSEWHERE IN THIS CODE, THE**
12 **CORPORATE SECRETARY SHALL:**

13 **(a) BE RESPONSIBLE FOR MAINTAINING THE MINUTES-BOOK**
14 **OF THE CORPORATION;**

15 **(b) NOTIFY THE NOMINEE, OR ALTERNATE NOMINEE AS THE**
16 **CASE MAY BE, OF THE DEATH OR INCAPACITY OF THE**
17 **SINGLE STOCKHOLDER, WHICH NOTICE SHALL BE GIVEN**
18 **NOT LATER THAN FIVE (5) DAYS FROM THE SINGLE**
19 **STOCKHOLDER'S DEATH OR INCAPACITY;**

20 **(c) NOTIFY THE COMMISSION OF THE DEATH OF THE SINGLE**
21 **STOCKHOLDER WITHIN A PERIOD OF FIVE (5) DAYS FROM**
22 **SUCH DEATH AND STATING IN SUCH NOTICE THE NAMES,**
23 **RESIDENCES AND CONTACT DETAILS OF ALL KNOWN**
24 **LEGAL HEIRS; AND**

25 **(d) CALL THE NOMINEE OR ALTERNATIVE NOMINEE TO A**
26 **MEETING WITH THE KNOWN LEGAL HEIRS AND GIVE**
27 **GUIDANCE ON THE OPTIONS OF THE LEGAL HEIRS WITH**
28 **REGARD TO THE ONE PERSON CORPORATION, INCLUDING**
29 **THE ELECTION OF A NEW DIRECTOR, AMENDING THE**
30 **ARTICLES OF INCORPORATION AND OTHER ANCILLARY**
31 **AND/OR CONSEQUENTIAL MATTERS.**

32 **SEC. 127. NOMINEE AND ALTERNATE NOMINEE. – THE SINGLE**
33 **STOCKHOLDER SHALL DESIGNATE A NOMINEE AND AN ALTERNATE**

1 **NOMINEE WHO SHALL, IN THE EVENT OF THE SINGLE STOCKHOLDER'S**
2 **DEATH OR INCAPACITY AND AFTER RECEIVING DUE NOTICE THEREOF**
3 **FROM THE CORPORATE SECRETARY, TAKE THE PLACE OF THE SINGLE**
4 **STOCKHOLDER AS DIRECTOR AND MANAGE THE AFFAIRS OF THE**
5 **CORPORATION AS PROVIDED IN THE ARTICLES OF INCORPORATION.**

6 **THE ARTICLES OF INCORPORATION SHALL STATE THE NAMES,**
7 **RESIDENCES AND CONTACT DETAILS OF THE NOMINEE AND ALTERNATE**
8 **NOMINEE, THE COMPENSATION THEY SHALL BE ENTITLED TO RECEIVE,**
9 **AS WELL AS THE EXTENT OF AND LIMITATIONS ON THEIR AUTHORITY IN**
10 **MANAGING THE AFFAIRS OF THE ONE PERSON CORPORATION.**

11 **THE WRITTEN CONSENT OF THE NOMINEE AND ALTERNATE**
12 **NOMINEE SHALL BE SUBMITTED TO THE COMMISSION TOGETHER WITH**
13 **THE FILING OF THE ONE PERSON CORPORATION'S ARTICLES OF**
14 **INCORPORATION. SUCH CONSENT MAY BE WITHDRAWN IN WRITING**
15 **BY FURNISHING COPIES THEREOF TO THE SINGLE STOCKHOLDER AND**
16 **THE COMMISSION ANYTIME BEFORE THE DEATH OR INCAPACITY OF THE**
17 **SINGLE STOCKHOLDER.**

18 **THE NOMINEE SHALL, IN THE EVENT OF THE SINGLE**
19 **STOCKHOLDER'S DEATH OR INCAPACITY AND AFTER RECEIVING DUE**
20 **NOTICE THEREOF FROM THE CORPORATE SECRETARY, TAKE THE PLACE**
21 **OF THE SINGLE STOCKHOLDER AS DIRECTOR AND MANAGE THE AFFAIRS**
22 **OF THE ONE PERSON CORPORATION.**

23 **SEC. 128. TERM OF NOMINEE AND ALTERNATE NOMINEE. -**
24 **WHEN THE INCAPACITY OF THE SINGLE STOCKHOLDER IS TEMPORARY,**
25 **THE NOMINEE SHALL SIT AS DIRECTOR AND MANAGE THE AFFAIRS OF**
26 **THE ONE PERSON CORPORATION ONLY UNTIL THE SINGLE**
27 **STOCKHOLDER, BY HIS OWN DETERMINATION, REGAINS HIS CAPACITY.**
28 **IN CASE OF DEATH OR PERMANENT INCAPACITY OF THE SINGLE**
29 **STOCKHOLDER, THE NOMINEE SHALL SIT AS DIRECTOR AND MANAGE**
30 **THE AFFAIRS OF THE ONE PERSON CORPORATION ONLY UNTIL THE**
31 **LEGAL HEIRS OF THE SINGLE STOCKHOLDER HAVE BEEN LAWFULLY**
32 **DETERMINED, THE SHARES ARE TRANSFERRED IN THEIR NAME, AND/OR**
33 **THEY HAVE DESIGNATED ONE OF THEM TO ACT ON THEIR BEHALF AS**
34 **THE SINGLE STOCKHOLDER OF THE ONE PERSON CORPORATION.**

1 THE ALTERNATE NOMINEE SHALL SIT AS DIRECTOR AND MANAGE
2 THE ONE PERSON CORPORATION IN CASE OF THE NOMINEE'S INABILITY,
3 INCAPACITY OR DEATH AND ONLY FOR THE SAME TERM AND UNDER
4 THE SAME CONDITIONS APPLICABLE TO THE NOMINEE.

5 SEC. 129. *CHANGE OF NOMINEE OR ALTERNATE NOMINEE.*— THE
6 SINGLE STOCKHOLDER MAY, AT ANY TIME, CHANGE THE NAME OF THE
7 NOMINEE OR ALTERNATE NOMINEE BY SUBMITTING NEW NAMES AND
8 NEW WRITTEN CONSENTS TO THE COMMISSION, WHICH SHALL BE
9 APPENDED TO THE ONE PERSON CORPORATION'S ARTICLES OF
10 INCORPORATION. THE ARTICLES OF INCORPORATION NEED NOT BE
11 AMENDED FOR SUCH CHANGE IN NOMINEE OR ALTERNATE NOMINEE.

12 SEC. 130. *RECORDS IN LIEU OF MEETINGS.* — NO STOCKHOLDERS
13 MEETING NEED BE HELD IN A ONE PERSON CORPORATION. WHEN
14 ACTION IS NEEDED ON ANY MATTER, IT SHALL BE SUFFICIENT, FOR
15 PURPOSES OF VALIDITY, IF THE RESOLUTION THEREON IS MADE IN
16 WRITING, SIGNED AND DATED BY THE SINGLE STOCKHOLDER/DIRECTOR,
17 AND RECORDED IN THE MINUTES-BOOK OF THE ONE PERSON
18 CORPORATION. THE DATE RECORDED IN THE MINUTES-BOOK SHALL BE
19 DEEMED TO BE THE DATE OF THE MEETING FOR ALL PURPOSES UNDER
20 THIS CODE.

21 SEC. 131. *MINUTES-BOOK.* — EACH ONE PERSON CORPORATION
22 SHALL MAINTAIN A MINUTES-BOOK IN WHICH SHALL BE ENTERED IN
23 WRITING ALL ACTIONS, DECISIONS, RESOLUTIONS TAKEN BY THE ONE
24 PERSON CORPORATION, SIGNED AND DATED BY THE SINGLE
25 STOCKHOLDER/DIRECTOR, AT THE TIME THE ACTION, DECISION OR
26 RESOLUTION IS MADE.

27 SEC. 132. *CO-MINGLING OF PROPERTY.* — WHERE THE SINGLE
28 STOCKHOLDER CANNOT PROVE THAT THE PROPERTY OF THE ONE
29 PERSON CORPORATION IS INDEPENDENT OF HIS OWN PROPERTY, HE
30 SHALL ASSUME THE JOINT AND SEVERAL LIABILITY FOR THE DEBTS AND
31 OTHER LIABILITIES OF THE ONE PERSON CORPORATION.

32 SEC. 133. *REPORTORIAL SUBMISSIONS.* — THE ONE PERSON
33 CORPORATION SHALL SUBMIT THE FOLLOWING TO THE COMMISSION

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

- 3 1. FINANCIAL STATEMENTS CERTIFIED BY THE CHIEF EXECUTIVE
4 OFFICER AND CORPORATE SECRETARY AND DULY AUDITED BY
5 AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT
6 ACCREDITED BY THE BOARD OF ACCOUNTANCY;
- 7 2. A REPORT CONTAINING EXPLANATIONS OR COMMENTS BY
8 THE CHIEF EXECUTIVE DIRECTOR ON EVERY QUALIFICATION,
9 RESERVATION OR ADVERSE REMARK OR DISCLAIMER MADE
10 BY THE AUDITOR IN HIS REPORT; AND
- 11 3. A DISCLOSURE OF ALL SELF-DEALINGS AND RELATED PARTY
12 TRANSACTIONS ENTERED INTO BETWEEN THE ONE PERSON
13 CORPORATION AND THE SINGLE STOCKHOLDER.

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

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

29 **SEC. 135. CHANGE IN STATUS OF A ONE PERSON CORPORATION.**
30 – A ONE PERSON CORPORATION MAY BE CONVERTED INTO A REGULAR
31 STOCK CORPORATION AFTER DUE NOTICE TO THE SEC OF SUCH FACT, OF
32 THE CIRCUMSTANCES LEADING TO THE CONVERSION, AND OF
33 COMPLIANCE WITH ALL OTHER REQUIREMENTS FOR STOCK

1 CORPORATIONS UNDER THIS CODE AND APPLICABLE RULES. SUCH
2 NOTICE SHALL BE FILED WITH THE SEC WITHIN SIXTY (60) DAYS FROM
3 THE OCCURRENCE OF THE CIRCUMSTANCES LEADING TO THE
4 CONVERSION INTO A REGULAR STOCK CORPORATION. IF ALL
5 REQUIREMENTS HAVE BEEN DULY COMPLIED WITH, THE SEC SHALL
6 FORTHWITH ISSUE AN AMENDED CERTIFICATE OF INCORPORATION
7 REFLECTING THE CONVERSION.

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

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

23 SEC. 74. Section 117 of the Code is hereby renumbered as Section 136 and
24 amended to read as follows:

25 "TITLE XIV – DISSOLUTION"

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

30 1. AUTOMATICALLY BY EXPIRATION OF THE CORPORATE
31 TERM STATED IN THE ARTICLES OF INCORPORATION, AS ORIGINALLY

1 **STATED, OR AS LENGTHENED OR SHORTENED IN ACCORDANCE WITH**
2 **THE PROVISIONS OF THIS CODE.**

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

5 **a. HAS NOT COMMENCED BUSINESS,**

6 **b. BEING A STOCK CORPORATION, HAS NOT ISSUED**
7 **SHARES,**

8 **c. HAS NO DEBTS OR OTHER LIABILITIES, AND**

9 **d. HAS RECEIVED NO PAYMENTS ON SUBSCRIPTIONS**
10 **FOR SHARES IN THE CASE OF STOCK CORPORATIONS, OR**
11 **CONTRIBUTIONS IN THE CASE OF NON-STOCK CORPORATIONS,**
12 **OR, HAVING RECEIVED THEM, HAS RETURNED THEM TO THOSE**
13 **ENTITLED THERETO, LESS AMOUNTS DISBURSED FOR LAWFUL**
14 **EXPENSES.**

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

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

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

26 **4. BY ORDER OF THE COMMISSION WHEN THE**
27 **CORPORATION:**

1 a. **FAILED TO COMMENCE OR CONTINUE ITS**
2 **BUSINESS OR THE CONSTRUCTION OF ITS WORKS AND THE**
3 **REVOCAION OF ITS CERTIFICATE OF INCORPORATION HAS**
4 **ATTAINED FINALITY IN ACCORDANCE WITH SECTION 22 OF THIS**
5 **CODE;**

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

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

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

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

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

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

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

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

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

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

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

23 SEC. 75. Section 118 of the Code is hereby renumbered as Section 137 and
24 amended to read as follows:

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

1 a. **STATING THE NAME OF THE CORPORATION AND**
2 **THE NAMES AND ADDRESSES OF THE INCORPORATORS AND**
3 **DIRECTORS OR TRUSTEES;**

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

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

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

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

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

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

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

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

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

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

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

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

29 **e. STATING WHEN THE NOTICES TO SHAREHOLDERS**
30 **OR MEMBERS WERE GIVEN, THE MANNER AND FORM IN WHICH**
31 **THEY WERE GIVEN, THE DETAILS OF PUBLICATION AND**

1 **ATTACHING PROOF THEREOF, AND THE DATE, PLACE, AND TIME**
2 **OF THE MEETING IN WHICH THE VOTE WAS MADE; AND**

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

7
8 **WITHIN FIFTEEN (15) DAYS FROM RECEIPT OF THE VERIFIED REQUEST**
9 **FOR DISSOLUTION, AND IN THE ABSENCE OF ANY WITHDRAWAL WITHIN**
10 **SAID PERIOD, [The Securities and Exchange] THE Commission shall**
11 **APPROVE THE REQUEST AND** thereupon issue the certificate of
12 dissolution.”

13 **SEC. 76.** Section 119 of the Code is hereby renumbered as Section 138 and
14 amended to read as follows:

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

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

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

20 **SEC. 77.** Section 120 of the Code is hereby renumbered as Section 139 and
21 amended to read as follows:

22 "Sec. [120]139. **WITHDRAWAL OF REQUEST FOR** Dissolution [by
23 shortening corporate term] **AND WITHDRAWAL OF PETITION FOR**
24 **DISSOLUTION.** – [A voluntary dissolution may be effected by amending
25 the articles of incorporation to shorten the corporate term pursuant to
26 the provisions of this Code. A copy of the amended articles of
27 incorporation shall be submitted to the Securities and Exchange
28 Commission in accordance with this Code. Upon approval of the amended
29 articles of incorporation of the expiration of the shortened term, as the
30 case may be, the corporation shall be deemed dissolved without any
31 further proceedings, subject to the provisions of this Code on liquidation.]

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

- 33 a. **BE MADE IN WRITING;**

1 b. BE DULY VERIFIED BY ANY INCORPORATOR,
2 DIRECTOR, SHAREHOLDER OR MEMBER;

3 c. HAVE THE SIGNATURES OF THE SAME NUMBER OF
4 INCORPORATORS, DIRECTORS, SHAREHOLDERS OR MEMBERS
5 NECESSARY TO REQUEST FOR A DISSOLUTION AS SET FORTH IN
6 THE FOREGOING SECTIONS; AND

7 d. BE SUBMITTED WITHIN FIFTEEN (15) DAYS FROM
8 THE RECEIPT BY THE COMMISSION OF THE REQUEST FOR
9 DISSOLUTION.

10 UPON RECEIPT OF A DULY SUBMITTED WITHDRAWAL OF
11 REQUEST FOR DISSOLUTION, THE COMMISSION SHALL WITHHOLD
12 ACTION ON THE REQUEST FOR DISSOLUTION AND SHALL, AFTER
13 INVESTIGATION, ISSUE AN ORDER:

14 a. WITHHOLDING THE ISSUANCE OF THE CERTIFICATE
15 OF DISSOLUTION AND DEEMING THE REQUEST FOR DISSOLUTION
16 WITHDRAWN; OR

17 b. DIRECTING THAT A JOINT MEETING OF THE BOARD
18 AND OF THE STOCKHOLDERS BE HELD FOR THE PURPOSE OF
19 ASCERTAINING WHETHER OR NOT TO PROCEED WITH
20 DISSOLUTION.

21 THE COMMISSION SHALL HAVE THE POWER TO ISSUE SUCH
22 ORDERS AS MAY BE APPROPRIATE, INCLUDING, WITHOUT LIMITATION,
23 ORDERS DESIGNATING THE TIME AND PLACE OF THE JOINT MEETING,
24 DIRECTING THE SENDING OF NOTICES, AND SPECIFYING THE FORM OF
25 SUCH NOTICE. THE CONDUCT OF THE JOINT MEETING SHALL BE
26 SUPERVISED BY THE COMMISSION THROUGH A DULY AUTHORIZED
27 REPRESENTATIVE WHO SHALL, IMMEDIATELY AFTER THE JOINT
28 MEETING, CERTIFY ITS OUTCOME WITH A RECOMMENDATION AS TO
29 WHETHER THE CERTIFICATE OF DISSOLUTION SHOULD BE ISSUED OR THE
30 REQUEST FOR DISSOLUTION BE DEEMED ABANDONED. THEREAFTER,
31 THE COMMISSION SHALL ISSUE AN ORDER EITHER APPROVING THE

1 **WITHDRAWAL OF THE REQUEST OR A CERTIFICATE OF DISSOLUTION OR**
2 **PROCEEDING TO ACT ON SUCH REQUEST.**

3 **A MOTION FOR THE WITHDRAWAL OF THE PETITION FOR**
4 **DISSOLUTION SHALL BE SIMILAR IN SUBSTANCE AS A WITHDRAWAL OF**
5 **REQUEST FOR DISSOLUTION BUT SHALL BE VERIFIED AND FILED PRIOR**
6 **TO PUBLICATION OF THE ORDER SETTING THE DATE FOR OBJECTIONS TO**
7 **THE PETITION. THE COMMISSION SHALL RESOLVE THE MOTION WITHIN**
8 **THE SAME PROCEEDINGS AS THE PETITION AND ISSUE AN ORDER**
9 **DEEMING THE PETITION WITHDRAWN OR DENYING THE WITHDRAWAL**
10 **AND PROCEEDING TO HEAR OBJECTIONS ON THE PETITION.”**

11 **SEC. 78.** Section 121 of the Code is hereby renumbered as Section 140 and
12 amended to read as follows:

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

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

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

31 **SEC. 79.** Section 122 of the Code is hereby renumbered as Section 141 and
32 amended to read as follows:

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

11 xxx xxxxxx

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

17 xxx xxx xxx"

18 **SEC. 80.** Section 125 is amended to delete "Securities and Exchange" from
 19 "Securities and Exchange Commission" in each instance. Further, Sections 123,
 20 124 and 125 of the Code are hereby renumbered as Sections 142, 143 and 144,
 21 respectively.

22 **SEC. 81.** Section 126 of the Code is hereby renumbered as Section 145 and
 23 amended to read as follows:

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

1 surrendered, revoked, suspended or annulled in accordance with this Code
2 or other special laws.

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

1 **SUCH** [securities]depositS[ed]. In the event the licensee ceases to do
2 business in the Philippines, **ITS** [the securities] depositS[ed as aforesaid]
3 shall be returned, upon the licensee's application therefor and upon proof
4 to the satisfaction of the [Securities and Exchange] Commission that the
5 licensee has no liability to Philippine residents, including the Government
6 of the Republic of the Philippines. **FOR PURPOSES OF COMPUTING THE**
7 **SECURITIES DEPOSIT, THE COMPOSITION OF GROSS INCOME AND**
8 **ALLOWABLE DEDUCTIONS THEREFROM SHALL BE IN ACCORDANCE WITH**
9 **THE RULES OF THE COMMISSION."**

10 **SEC. 82.** Sections 128, 130, 131, 132, 134, 135, and 136 of the Code are hereby
11 amended to delete "Securities and Exchange" from "Securities and Exchange
12 Commission" in each instance. Further, Sections 127 to 136 are hereby
13 renumbered as Sections 146 to 155 accordingly.

14 **SEC. 83.** A new title is inserted in the Code containing Sections 156 to 175, thus:

15 **TITLE XVI – INVESTIGATIONS, OFFENSES**
16 **AND PENALTIES**

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

26 **THE COMMISSION MAY PUBLISH INFORMATION CONCERNING**
27 **ANY SUCH VIOLATIONS, AND TO INVESTIGATE ANY FACT, CONDITION,**
28 **PRACTICE OR MATTER WHICH IT MAY DEEM NECESSARY OR PROPER TO**
29 **AID IN THE ENFORCEMENT OF THE PROVISIONS OF THIS CODE, IN THE**
30 **PRESCRIBING OF RULES AND REGULATIONS THEREUNDER, OR IN**
31 **SECURING INFORMATION TO SERVE AS A BASIS FOR RECOMMENDING**
32 **FURTHER LEGISLATION CONCERNING THE MATTERS TO WHICH THIS**
33 **CODE RELATES: *PROVIDED, HOWEVER,* THAT ANY PERSON REQUESTED**

1 OR SUBPOENAED TO PRODUCE DOCUMENTS OR TESTIFY IN ANY
2 INVESTIGATION SHALL SIMULTANEOUSLY BE NOTIFIED IN WRITING OF
3 THE PURPOSE OF SUCH INVESTIGATION: *PROVIDED, FURTHER*, THAT ALL
4 CRIMINAL COMPLAINTS FOR VIOLATION OF THIS CODE, AND THE
5 IMPLEMENTING RULES AND REGULATIONS ENFORCED OR
6 ADMINISTERED BY THE COMMISSION SHALL BE REFERRED TO THE
7 DEPARTMENT OF JUSTICE FOR PRELIMINARY INVESTIGATION AND
8 PROSECUTION BEFORE THE PROPER COURT: *PROVIDED, FURTHERMORE*,
9 THAT IN INSTANCES WHERE THE LAW ALLOWS INDEPENDENT CIVIL OR
10 CRIMINAL PROCEEDINGS OF VIOLATIONS ARISING FROM THE SAME ACT,
11 THE COMMISSION SHALL TAKE APPROPRIATE ACTION TO IMPLEMENT
12 THE SAME.

13 **SEC. 157. ADMINISTRATION OF OATHS, AND SUBPOENA OF**
14 **WITNESSES AND DOCUMENTS.** – FOR THE PURPOSE OF THE
15 INVESTIGATIONS IN THE PRECEDING SECTION, OR ANY OTHER
16 PROCEEDING UNDER THIS CODE, THE COMMISSION OR ANY OFFICER
17 DESIGNATED BY IT IS EMPOWERED TO ADMINISTER OATHS AND
18 AFFIRMATIONS, SUBPOENA WITNESSES, COMPEL ATTENDANCE, TAKE
19 EVIDENCE, REQUIRE THE PRODUCTION OF ANY BOOK, PAPER,
20 CORRESPONDENCE, MEMORANDUM, OR OTHER RECORD WHICH THE
21 COMMISSION DEEMS RELEVANT OR MATERIAL TO THE INQUIRY, AND TO
22 PERFORM SUCH OTHER ACTS NECESSARY IN THE CONDUCT OF SUCH
23 INVESTIGATION OR PROCEEDINGS.

24 **SECTION 158. CEASE AND DESIST ORDERS.** – WHENEVER IT SHALL
25 APPEAR TO THE COMMISSION THAT ANY PERSON HAS ENGAGED OR IS
26 ABOUT TO ENGAGE IN ANY ACT OR PRACTICE CONSTITUTING A
27 VIOLATION OF ANY PROVISION OF THIS CODE, ANY RULE, REGULATION
28 OR ORDER THEREUNDER, IT MAY ISSUE AN ORDER FOR SUCH PERSON TO
29 DESIST FROM COMMITTING SUCH ACT OR PRACTICE. AFTER FINDING
30 THAT SUCH PERSON HAS ENGAGED IN ANY SUCH ACT OR PRACTICE AND
31 THAT THERE IS A REASONABLE LIKELIHOOD OF SUCH PERSON
32 CONTINUING FURTHER OR FUTURE VIOLATIONS, THE COMMISSION MAY
33 ISSUE, *EX PARTE* A CEASE AND DESIST ORDER ENJOINING SUCH PERSON
34 FROM FURTHER OR FUTURE VIOLATIONS FOR A MAXIMUM PERIOD OF
35 TWENTY (20) DAYS.

1 **THEREAFTER, THE COMMISSION MAY PROCEED**
2 **ADMINISTRATIVELY AGAINST SUCH PERSON IN ACCORDANCE WITH**
3 **SECTION 160, AND/OR TRANSMIT SUCH EVIDENCE AS MAY BE AVAILABLE**
4 **CONCERNING ANY VIOLATION OF ANY PROVISION OF THIS CODE, OR ANY**
5 **RULE, REGULATION OR ORDER THEREUNDER, TO THE DEPARTMENT OF**
6 **JUSTICE, WHICH MAY INSTITUTE THE APPROPRIATE CRIMINAL**
7 **PROCEEDINGS UNDER THIS CODE, AND/OR TO THE PROPER COURT,**
8 **TRIBUNAL, OR QUASI-JUDICIAL AGENCY IN INSTANCES WHERE THE LAW**
9 **ALLOWS INDEPENDENT CIVIL OR CRIMINAL PROCEEDINGS OF**
10 **VIOLATIONS ARISING FROM THE SAME ACT.**

11 **SEC. 159. CONTEMPT. – ANY PERSON WHO, WITHIN HIS POWER**
12 **BUT WITHOUT JUSTIFIABLE OR LAWFUL CAUSE, FAILS OR REFUSES TO**
13 **COMPLY WITH ANY LAWFUL ORDER, DECISION OR SUBPOENA ISSUED BY**
14 **THE COMMISSION SHALL, AFTER DUE NOTICE AND HEARING, BE GUILTY**
15 **OF CONTEMPT OF THE COMMISSION. SUCH PERSON SHALL BE FINED IN**
16 **SUCH AMOUNT AS THE COMMISSION MAY DETERMINE. WHEN THE**
17 **FAILURE OR REFUSAL IS A CLEAR AND OPEN DEFIANCE OF THE**
18 **COMMISSION’S ORDER, DECISION OR SUBPOENA, THE PERSON SHALL BE**
19 **FINED ON A DAILY BASIS IN AN AMOUNT THE COMMISSION MAY**
20 **DETERMINE AND DETAINED UNDER AN ARREST ORDER ISSUED BY THE**
21 **COMMISSION UNTIL SUCH ORDER, DECISION OR SUBPOENA IS COMPLIED**
22 **WITH.**

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

29 **(A) A FINE RANGING FROM FIVE THOUSAND PESOS**
30 **(PHP5,000.00) TO TWO MILLION PESOS (PHP2,000,000.00) PLUS**
31 **NOT MORE THAN ONE THOUSAND PESOS (PHP1,000.00) FOR**
32 **EACH DAY OF CONTINUING VIOLATION, IN NO CASE TO EXCEED**
33 **TWO MILLION PESOS (PHP2,000,000.00);**

34 **(B) ARREST AND DETENTION IN CONNECTION WITH**
35 **ITS CONTEMPT POWER UNDER SECTION 159;**

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

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

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

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

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

29 **Sec. 162. CONCEALMENT OF DISQUALIFICATION; PENALTIES.** –
30 EACH WILLFUL OR DELIBERATE CONCEALMENT BY A DIRECTOR OR
31 TRUSTEE OF ANY DISQUALIFICATION UNDER SECTION 27 ALREADY
32 EXISTING AT THE TIME HE ACCEPTED THE POST, SHALL BE PUNISHED BY A
33 FINE RANGING FROM FIFTY THOUSAND PESOS (PHP50,000.00) TO TWO

1 HUNDRED THOUSAND PESOS (PHP200,000.00) AND/OR IMPRISONMENT
2 OF SIX (6) MONTHS TO TWO (2) YEARS AT THE DISCRETION OF THE
3 COURT, AND BY A PERMANENT DISQUALIFICATION FROM FURTHER
4 ACTING AS DIRECTOR OF ANY CORPORATION. FOR PURPOSES OF THIS
5 SECTION, CONCEALMENT SHALL BE WILLFUL OR DELIBERATE WHEN,
6 DESPITE HAVING KNOWLEDGE OF THE EXISTENCE OF THE
7 DISQUALIFICATION, THE DIRECTOR OR TRUSTEE ACCEPTS THE POST.

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

20 THE PENALTIES IMPOSED UNDER THIS SECTION SHALL BE IN
21 ADDITION TO THE SANCTIONS IMPOSED BY THE COMMISSION IN THE
22 EXERCISE OF ITS CONTEMPT POWERS UNDER SECTION 159 TO COMPEL
23 COMPLIANCE WITH THE DUTIES UNDER THE MENTIONED PROVISIONS.

24 **SEC. 164. KNOWING OR WILLFUL CERTIFICATION OF INCOMPLETE,**
25 **INACCURATE, FALSE OR MISLEADING STATEMENTS OR REPORTS;**
26 **PENALTIES. – ANY PERSON WHO CERTIFIES ANY REPORT OR MATTER AS**
27 **SET FORTH IN THIS CODE KNOWING, OR BEING IN A POSITION TO KNOW,**
28 **THAT THE SAME IS INCOMPLETE, INACCURATE, OR CONTAINS FALSE OR**
29 **MISLEADING INFORMATION OR STATEMENTS SHALL BE PUNISHED WITH**
30 **A FINE RANGING FROM TWO HUNDRED THOUSAND PESOS**
31 **(PHP200,000.00) TO TWO MILLION PESOS (PHP2,000,000.00) AND/OR**
32 **IMPRISONMENT OF TWO (2) TO TEN (10) YEARS. WHEN THE VIOLATION**
33 **IS WILLFUL, THE PENALTY SHALL BE A FINE RANGING FROM FOUR**
34 **HUNDRED THOUSAND PESOS (PHP400,000.00) TO FOUR MILLION PESOS**
35 **(PHP4,000,000.00) AND/OR IMPRISONMENT OF FOUR (4) TO TWENTY**
36 **(20) YEARS.**

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

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

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

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

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

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

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

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

33 **Sec. 171. TOLERATING GRAFT AND CORRUPT PRACTICES;**
34 **PENALTIES.** –A DIRECTOR, TRUSTEE, OR OFFICER OF THE CORPORATION
35 WHO KNOWINGLY ALLOWS OR TOLERATES THE COMMISSION OF GRAFT

1 AND CORRUPT PRACTICES OR OTHER FRAUDULENT ACTS BY ITS
2 DIRECTORS, TRUSTEES, OFFICERS, OR EMPLOYEES, FAILING TO SANCTION
3 THEM, REPORT THEIR ACTIONS TO THE PROPER AGENCIES, AND/OR FILE
4 THE APPROPRIATE ACTION AGAINST THEM, SHALL BE PUNISHED BY A
5 FINE OF ONE MILLION PESOS (PHP1,000,000.00) AND IMPRISONMENT
6 TEN (10) YEARS.

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

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

32 LIABILITY FOR ANY OF THE FOREGOING OFFENSES SHALL BE
33 SEPARATE FROM AND WITHOUT PREJUDICE TO ANY OTHER
34 ADMINISTRATIVE CIVIL, CRIMINAL LIABILITY UNDER THIS CODE AND
35 OTHER LAWS.

1 **SEC. 174. LIABILITY OF DIRECTORS, TRUSTEES, OFFICERS OR OTHER**
2 **EMPLOYEES. – IF THE OFFENDER IS A CORPORATION THE PENALTY MAY,**
3 **AT THE DISCRETION OF THE COURT, BE IMPOSED UPON SUCH**
4 **CORPORATION AND/OR UPON ITS DIRECTORS, TRUSTEES,**
5 **STOCKHOLDERS, MEMBERS, OFFICERS OR EMPLOYEES RESPONSIBLE FOR**
6 **THE VIOLATION OR INDISPENSABLE TO ITS COMMISSION.**

7 **SEC. 175. LIABILITY OF AIDERS AND ABETTORS AND OTHER**
8 **SECONDARY LIABILITY. – ANYONE WHO SHALL AID, ABET, COUNSEL,**
9 **COMMAND, INDUCE OR PROCURE ANY VIOLATION OF THIS CODE, OR**
10 **ANY RULE, REGULATION OR ORDER OF THE COMMISSION OR WHO SHALL**
11 **ASSIST THE ACT OR OMISSION OF ANY PERSON PRIMARILY LIABLE FOR**
12 **THE VIOLATION, WITH KNOWLEDGE OR IN RECKLESS DISREGARD THAT**
13 **SUCH ACT OR OMISSION IS WRONGFUL SHALL BE PUNISHED WITH A FINE**
14 **AND/OR IMPRISONMENT NOT EXCEEDING THAT IMPOSED ON THE**
15 **PRINCIPAL OFFENDERS, AT THE DISCRETION OF THE COURT AFTER**
16 **TAKING INTO ACCOUNT THEIR PARTICIPATION IN THE OFFENSE. “**

17 **SEC. 84.** Title XVI on Miscellaneous Provisions is hereby renumbered as Title XVII.

18 **SEC. 85.** Sections 137 and 138 of the Code are renumbered as Sections 176 and
19 177, respectively.

20 **SEC. 86.** Section 139 of the Code is hereby renumbered as Section 179 and
21 amended to read as follows:

22 “**Sec. [130] 179. COLLECTION AND USE OF REGISTRATION, Incorporation**
23 **and other fees. – [The Securities and Exchange] FOR A MORE EFFECTIVE AND**
24 **EXPEDITIOUS IMPLEMENTATION OF THIS CODE, THE Commission is hereby**
25 **authorized to collect, [and] receive AND RETAIN, WITHOUT NEED OF SEPARATE**
26 **APPROVAL FROM ANY GOVERNMENT AGENCY, AND SUBJECT ONLY TO**
27 **EXISTING ACCOUNTING AND AUDITING RULES AND REGULATIONS, ALL fees,**
28 **FINES AND OTHER CHARGES COLLECTED BY THE COMMISSION PURSUANT TO**
29 **THIS CODE AND ITS RULES AND REGULATIONS. THIS AMOUNT, WHICH SHALL BE**
30 **IN ADDITION TO THE COMMISSION’S ANNUAL BUDGET, SHALL BE DEPOSITED**
31 **AND MAINTAINED IN A SEPARATED ACCOUNT OR FUND, WHICH MAY BE USED**
32 **AND DISBURSED DIRECTLY BY THE COMMISSION. [as authorized by law or by**
33 **rules and regulations promulgated by the Commission.]**”

1 THE COMMISSION SHALL USE SUCH RETENTION MONEY IN ITS
2 OPERATIONS IN THE MANNER IT SHALL DEEM FIT INCLUDING, BUT NOT LIMITED
3 TO:

4 (A) UPGRADING ITS FACILITIES AND EQUIPMENT OUTLAY;

5 (B) INCREASING THE COMPENSATION AND BENEFITS OF ITS EMPLOYEES
6 AS APPROVED BY THE COMMISSION EN BANC, BASED ON JOB
7 EVALUATION STUDIES AND COMPENSATION SURVEYS AND
8 CONSISTENT WITH THE GENERAL PRINCIPLES LAID DOWN IN RA NO.
9 6758, OTHERWISE KNOWN AS THE "SALARY STANDARDIZATION
10 LAW";

11 (C) PROVIDING APPROPRIATE ALLOWANCES TO ITS EMPLOYEES,
12 PROVIDED THAT SAID ALLOWANCES SHALL NOT EXCEED ONE
13 HUNDRED PERCENT (100%) OF THEIR BASIC SALARY;

14 (D) PROVIDING OTHER EMPLOYEE BENEFITS AND PRIVILEGES SUCH AS

15 a. MEDICAL AND HOSPITALIZATION BENEFITS TO SUPPLEMENT
16 STATUTORY HEALTH BENEFITS,

17 b. MANDATORY ANNUAL EXECUTIVE CHECK-UP OF THE
18 CHAIRPERSON, COMMISSIONERS, DIRECTORS AND ASSISTANT
19 DIRECTORS,

20 c. ACCIDENT INSURANCE FOR EMPLOYEES FOR TRAVELS DONE
21 IN THE PERFORMANCE OF THEIR OFFICIAL DUTIES AND
22 FUNCTIONS, AND

23 d. A PROVIDENT FUND CONSISTING OF JOINT CONTRIBUTIONS
24 BY THE COMMISSION AND ITS EMPLOYEES.

25 (E) MAKING PROVISIONS FOR THE DEVELOPMENT OF ITS EMPLOYEES'
26 KNOWLEDGE AND SKILLS AND/OR THE ENHANCEMENT OF THEIR
27 ACADEMIC GROWTH THROUGH

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- a. THE GRANT OF SCHOLARSHIPS TO DESERVING EMPLOYEES, PROVIDED THAT SCHOLARS UNDER THIS PROVISION SHALL BE SELECTED ON THE BASIS OF COMPETITIVE EXAMINATION OR EVALUATION, AND THEIR ATTENDANCE SHALL NOT IMPEDE IN THE EFFICIENCY OF SERVICES RENDERED BY THE COMMISSION;

- b. THE COVERAGE OF REGISTRATION AND INCIDENTAL COSTS FOR ATTENDANCE AT SEMINARS, CONFERENCES AND WORKSHOPS WHETHER IN THE PHILIPPINES OR ABROAD, PROVIDED THAT SUCH ATTENDANCE SHALL NOT IMPEDE IN THE EFFICIENCY OF SERVICES RENDERED BY THE COMMISSION; AND

- c. ALL OTHER REQUIREMENTS TO IMPROVE THE DELIVERY OF ITS SERVICES UNDER THIS CODE TO THE PUBLIC. EVERY FIVE (5) YEARS THE COMMISSION SHALL DETERMINE WHETHER THE FEES, FINES AND CHARGES COLLECTED ARE SUFFICIENT TO MEET ITS BUDGETARY REQUIREMENTS FOR THE NEXT FIVE YEARS. IF SO, THE COMMISSION SHALL RECEIVE NO FUNDS FROM THE ANNUAL BUDGET OF THE NATIONAL GOVERNMENT FOR THAT PERIOD; IF NOT, THE COMMISSION SHALL CONTINUE TO RECEIVE ITS ANNUAL BUDGET UNTIL SUCH TIME AS THE FEES, FINES AND OTHER CHARGES FROM ITS COLLECTIONS ARE SUFFICIENT TO FULLY FUND ITS OPERATIONS."

SEC. 87. Section 140 of the Code is hereby renumbered as Section 180 and amended to read as follows:

"Sec. [140]180. NATIONALITY AND Stock ownership OF [in certain] corporations. -THE NATIONALITY OF A CORPORATION SHALL BE DETERMINED BY COMPUTING THE REQUIRED PERCENTAGE OF FILIPINO OWNERSHIP BASED ON BOTH (A) THE ENTIRE OUTSTANDING CAPITAL STOCK, AND (b) THE VOTING STOCKS, TAKING INTO CONSIDERATION THE FULL BENEFICIAL OWNERSHIP OF THE STOCKS.

EXCEPT WHEN THE CORPORATION IS REQUIRED BY THE CONSTITUTION OR BY STATUTE TO BE WHOLLY NATIONALIZED, OR WHEN THE

1 CORPORATION HAS A CORPORATE STOCKHOLDER OWNING LESS THAN
2 60% OF BOTH ITS OUTSTANDING CAPITAL STOCK AND VOTING STOCKS,
3 THE CONTROL TEST SHALL BE APPLIED WHEN DETERMINING ITS
4 NATIONALITY.
5

6 EXCEPT WHEN A MORE STRINGENT MEASURE IS REQUIRED IN THE
7 CONSTITUTION OR OTHER LAWS, A CORPORATION SHALL BE DEEMED A
8 PHILIPPINE NATIONAL WHEN:
9

10 (A) IT IS ORGANIZED UNDER THE LAWS OF THE PHILIPPINES
11 AND AT LEAST SIXTY PERCENT (60%) OF THE CAPITAL
12 STOCK OUTSTANDING AND ENTITLED TO VOTE IS OWNED
13 AND HELD BY CITIZENS OF THE PHILIPPINES, PROVIDED,
14 THAT WHERE A CORPORATION AND ITS NON-FILIPINO
15 STOCKHOLDERS OWN STOCKS IN ANOTHER
16 CORPORATION, AT LEAST SIXTY PERCENT (60%) OF THE
17 CAPITAL STOCKS OUTSTANDING AND ENTITLED TO VOTE
18 OF BOTH CORPORATIONS MUST BE OWNED AND HELD BY
19 CITIZENS OF THE PHILIPPINES AND AT LEAST SIXTY
20 PERCENT (60%) OF THE MEMBERS OF THE BOARD OF
21 DIRECTORS OF BOTH CORPORATIONS MUST BE CITIZENS
22 OF THE PHILIPPINES; OR

23 (B) ALTHOUGH ORGANIZED ABROAD, IT IS REGISTERED AS
24 DOING BUSINESS IN THE PHILIPPINES UNDER THIS CODE
25 AND ONE HUNDRED PERCENT (100%) OF THE CAPITAL
26 STOCK OUTSTANDING AND ENTITLED TO VOTE IS WHOLLY
27 OWNED BY FILIPINOS.
28

29 [Pursuant to the duties specified by Article XIV of the Constitution, the]
30 THE National Economic and Development Authority shall, from time to
31 time, UPON FINDING OR RECOMMENDATION FROM THE COMMISSION
32 OR FROM OTHER APPROPRIATE GOVERNMENT AGENCIES, make a
33 determination of whether the corporate vehicle has been used by any
34 corporation or by business or industry to frustrate the provisions thereof
35 or of applicable laws, and shall submit to the [Batasang Pambansa]
36 CONGRESS, whenever deemed necessary, a report of its findings,
37 including recommendations for their prevention or correction.
38

39 Maximum limits may be set by the [Batasang Pambansa] CONGRESS for
40 stockholdings in corporations declared by it to be vested with a public
41 interest pursuant to the provisions of this section, belonging to individuals
42 or groups of individuals related to each other by consanguinity or affinity
43 or by close business interests, or whenever it is necessary to achieve
44 national objectives, prevent illegal monopolies or combinations in

1 restraint or trade, or to implement national economic policies declared in
2 laws, rules and regulations designed to promote the general welfare and
3 foster economic development.
4

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

13 **SEC. 88.** Section 141 of the Code is hereby renumbered as Section 181 and
14 amended to read as follows:

15 "Sec. [141]181. [*Annual report*] **REPORTORIAL REQUIREMENTS** of
16 *corporations*. – **EXCEPT AS OTHERWISE PROVIDED IN THIS CODE**, every
17 corporation, domestic or foreign, [lawfully] doing business in the
18 Philippines shall submit to the [Securities and Exchange] Commission, **IN**
19 **THE FORM AND SUBSTANCE PRESCRIBED BY IT:**

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

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

30 **2. A GENERAL INFORMATION SHEET;**

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

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

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

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

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

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

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

21 7. SUCH OTHER REPORTS THAT THE COMMISSION MAY
22 REQUIRE BY RULE.

23 THE FOREGOING REPORTORIAL REQUIREMENTS SHALL BE
24 ACCOMPANIED BY A CERTIFICATION FROM THE CHAIRMAN OF THE
25 BOARD, THE PRESIDENT, THE TREASURER AND THE CORPORATE
26 SECRETARY (OR THEIR EQUIVALENT) TO WIT:

27 1. AS TO THE ANNUAL FINANCIAL STATEMENTS,
28 THAT THE INFORMATION CONTAINED THEREIN IS COMPLETE,
29 FAIRLY AND ACCURATELY PRESENTS, IN ALL MATERIAL
30 RESPECTS, THE FINANCIAL CONDITION OF THE CORPORATION

1 AND DOES NOT CONTAIN ANY FALSE OR MISLEADING
2 STATEMENT OR MISREPRESENTATION;

3 2. AS TO THE GENERAL INFORMATION SHEET, THAT
4 THE INFORMATION CONTAINED THEREIN IS COMPLETE,
5 ACCURATE AND DOES NOT CONTAIN ANY FALSE OR
6 MISLEADING STATEMENT OR MISREPRESENTATION; AND

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

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

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

24 **SEC. 89.** Section 142 of the Code is hereby renumbered as Section 182 and
25 amended to read as follows:

26 "Sec. [142]182. **VISITORIAL POWER AND Confidential nature of**
27 **examination results.** – **THE COMMISSION SHALL EXERCISE VISITORIAL**
28 **POWERS OVER ALL CORPORATIONS REGISTERED WITH IT. THESE**
29 **VISITORIAL POWERS SHALL INCLUDE, BUT NOT BE LIMITED TO**
30 **EXAMINATION, INVESTIGATION, INSPECTION OF RECORDS REGARDLESS**
31 **OF THE FORM IN WHICH THE INFORMATION IS CONTAINED,**
32 **REGULATION AND SUPERVISION OF ACTIVITIES, ENFORCING**

1 COMPLIANCE AND IMPOSING SANCTIONS IN ACCORDANCE WITH THIS
2 CODE.

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

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

18 **SEC. 90.** Section 143 of Code is hereby renumbered as Section 183 and amended
19 to read as follows:

20 "Sec. [143]183. [Rule-making power] **POWERS AND FUNCTIONS** of
21 the [Securities and Exchange] Commission **AND JURISDICTION OVER**
22 **ACTIONS.** – CONSISTENT WITH AND IN ADDITION TO THE POWERS AND
23 FUNCTIONS PROVIDED IN PRESIDENTIAL DECREE NO. 902-A, THE
24 SECURITIES REGULATION CODE, THE INVESTMENT HOUSES LAW, THE
25 FINANCING COMPANY ACT AND OTHER LAWS, [The Securities and
26 Exchange] Commission shall have [the power and authority], **AMONG**
27 **OTHERS, THE FOLLOWING POWERS AND FUNCTIONS:**

28 1. HAVE JURISDICTION AND SUPERVISION OVER ALL
29 CORPORATIONS, REGISTERED WITH IT, EXCEPT AS OTHERWISE
30 PROVIDED UNDER THIS CODE;

31 2. FORMULATE POLICIES AND RECOMMENDATIONS
32 ON ISSUES PERTAINING TO THE REGULATION AND SUPERVISION

1 OF CORPORATIONS, AND PROPOSE LEGISLATION AND
2 AMENDMENTS THERETO;

3 3. APPROVE OR REJECT APPLICATIONS, ISSUE OR
4 REVOKE OTHER CERTIFICATIONS, REQUIRE
5 ADDITIONALSUBMISSIONS OR AMENDMENTS THERETO;

6 4. REGULATE, INVESTIGATE, SUPERVISE THE
7 ACTIVITIES OF PERSONS TO ENSURE COMPLIANCE WITH THIS
8 CODE;

9 5. IMPOSE SANCTIONS FOR THE VIOLATIONS OF THIS
10 CODE AND ITS RULES, REGULATIONS AND ORDERS OF THE
11 COMMISSION ISSUED PURSUANT THERETO;

12 6. PROMOTE CORPORATE GOVERNANCE AND, IN
13 FURTHERANCE THEREOF, EXPAND OR ADD TO THE
14 REQUIREMENTS WITH RESPECT TO, AMONG OTHERS, THE
15 CONTENTS OF THE BY-LAWS, THE QUALIFICATIONS AND
16 DISQUALIFICATIONS OF DIRECTORS, AND THE RECORDS THAT
17 MUST BE ON HAND AT THE CORPORATION'S ADDRESS OF
18 RECORD AND THE ANNUAL REPORTS THAT MUST BE SUBMITTED
19 TO THE COMMISSION;

20 7. PREPARE, APPROVE, AMEND OR REPEAL RULES,
21 REGULATIONS AND ORDERS, AND ISSUE OPINIONS AND PROVIDE
22 GUIDANCE ON AND SUPERVISE COMPLIANCE WITH SUCH RULES,
23 REGULATIONS AND ORDERS

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

1 9. PUNISH FOR CONTEMPT OF THE COMMISSION,
2 BOTH DIRECT AND INDIRECT;

3 10. COMPEL THE OFFICERS OF ANY REGISTERED
4 CORPORATION TO CALL MEETINGS OF STOCKHOLDERS OR
5 MEMBERS UNDER ITS SUPERVISION AND TO ISSUE SUCH ORDERS
6 AS MAY BE APPROPRIATE, INCLUDING, WITHOUT LIMITATION,
7 ORDERS DESIGNATING THE TIME AND PLACE OF THE ELECTION,
8 THE RECORD DATE OR DATES FOR DETERMINATION OF
9 STOCKHOLDERS ENTITLED TO NOTICE OF THE ELECTION AND TO
10 VOTE THEREAT, AND THE FORM OF NOTICE OF SUCH ELECTION;

11 11. ISSUE SUBPOENA DUCES TECUM AND SUMMON
12 WITNESSES TO APPEAR IN PROCEEDINGS BEFORE THE
13 COMMISSION AND IN APPROPRIATE CASES ORDER THE
14 EXAMINATION, SEARCH AND SEIZURE OF ALL DOCUMENTS,
15 PAPERS, FILES AND RECORDS, TAX RETURNS, AND BOOKS OF
16 ACCOUNTS OF ANY ENTITY OR PERSON UNDER INVESTIGATION
17 AS MAY BE NECESSARY FOR THE PROPER DISPOSITION OF THE
18 CASES BEFORE IT, SUBJECT TO THE PROVISIONS OF EXISTING
19 LAWS;

20 12. SUSPEND OR REVOKE, AFTER PROPER NOTICE AND
21 HEARING, THE CERTIFICATE OF INCORPORATION OF
22 CORPORATIONS UPON ANY OF THE GROUNDS PROVIDED UNDER
23 THIS CODE OR WHEN DIRECTED BY FINAL JUDGMENT OF A
24 COURT OF COMPETENT JURISDICTION;

25 13. DISSOLVE OR OTHERWISE SANCTION
26 CORPORATIONS CREATED FOR, COMMITTING, AIDING IN THE
27 COMMISSION OF, OR IN ANY MANNER FURTHERING SECURITIES
28 VIOLATIONS, SMUGGLING, TAX EVASION, MONEY
29 LAUNDERING, GRAFT AND CORRUPT PRACTICES OR OTHER
30 FRAUDULENT OR ILLEGAL ACTS;

31 14. ISSUE WRITS OF EXECUTION AND OF ATTACHMENT
32 TO ENFORCE PAYMENT OF THE FEES, ADMINISTRATIVE FINES
33 AND OTHER DUES COLLECTIBLE UNDER THIS CODE;

1 **15. EXERCISE SUCH OTHER POWERS AS MAY BE**
2 **PROVIDED BY LAW AS WELL AS THOSE WHICH MAY BE IMPLIED**
3 **FROM, OR WHICH ARE NECESSARY OR INCIDENTAL TO CARRYING**
4 **OUT THE EXPRESS POWERS GRANTED TO THE COMMISSION TO**
5 **ACHIEVE THE OBJECTIVES AND PURPOSES OF THIS CODE AND**
6 **SUCH OTHER LAWS.**

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

13 **SEC. 91.** Section 144 of the Code is hereby deleted, amended and transferred to
14 Section 174.

15 **SEC. 92.** A new provision is inserted in the Code as Section 184:

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

27 **SEC. 93.** A new provision is inserted in the Code as Section 185:

28 **"SEC. 185. ARBITRATION. – WHEN THE ARTICLES OF**
29 **INCORPORATION OR BY-LAWS OF A DOMESTIC UNLISTED CORPORATION**
30 **SO PROVIDE, ANY OR ALL DISPUTES BETWEEN OR AMONG THE**
31 **CORPORATION, ITS STOCKHOLDERS OR MEMBERS, AND DIRECTORS**
32 **ARISING OUT OF THE IMPLEMENTATION OF THEIR ARTICLES OF**

1 INCORPORATION OR BY-LAWS, AS WELL AS OTHER CONTROVERSIES
2 ARISING OUT OF THEIR INTRACORPORATE RELATIONS, INCLUDING BUT
3 NOT LIMITED TO CONTROVERSIES IN THE ELECTION OR APPOINTMENT OF
4 THE CORPORATION'S DIRECTORS, TRUSTEES, OFFICERS OR MANAGERS,
5 SHALL BE REFERRED TO ARBITRATION. HOWEVER, A DISPUTE SHALL NOT
6 BE SUBMITTED TO ARBITRATION WHEN SUCH WILL LIMIT OR PRECLUDE
7 ANY RIGHT, ACTION OR DETERMINATION BY THE COMMISSION THAT IT
8 WOULD OTHERWISE BE AUTHORIZED TO ADOPT, ADMINISTER OR
9 ENFORCE UNDER THIS CODE AND EXISTING LAWS. SUCH DISPUTE SHALL
10 BE DEEMED EXCLUDED FROM THE AGREEMENT TO ARBITRATE, WHICH
11 SHALL OTHERWISE REMAIN VALID AND BINDING.

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

15 TO BE VALID, THE AGREEMENT TO ARBITRATE IN THE ARTICLES OF
16 INCORPORATION OR THE BY-LAWS SHOULD INDICATE THE NUMBER AND
17 PROCEDURE FOR THE APPOINTMENT OF ARBITRATORS AND GRANT TO A
18 DESIGNATED THIRD, INDEPENDENT, AND EXTERNAL PARTY OR BODY THE
19 POWER TO APPOINT THE ARBITRATORS. IF THE THIRD PARTY OR BODY
20 FAILS TO APPOINT THE ARBITRATORS IN THE MANNER AND WITHIN THE
21 PERIOD SPECIFIED IN THE AGREEMENT TO ARBITRATE, EACH PARTY TO
22 THE ARBITRATION MAY REQUEST THAT THE APPOINTMENT OF THE
23 ARBITRATORS BE MADE BY THE COMMISSION. ARBITRATORS SHALL BE
24 THOSE WHO ARE EITHER DULY ACCREDITED BY THE COMMISSION OR
25 MEMBERS OF ORGANIZATIONS DULY-ACCREDITED BY THE COMMISSION.

26 THE ARBITRAL TRIBUNAL SHALL HAVE FULL AUTHORITY TO RESOLVE
27 ALL ISSUES RELATING TO ITS JURISDICTION AND/OR THE VALIDITY OR
28 EFFECTIVITY OF THE ARBITRATION AGREEMENT. A REGIONAL TRIAL
29 COURT BEFORE WHICH AN INTRACORPORATE DISPUTE IS FILED SHALL,
30 BEFORE THE TERMINATION OF THE PRETRIAL CONFERENCE, DISMISS THE
31 CASE UPON DETERMINING THE EXISTENCE OF AN AGREEMENT TO
32 ARBITRATE IN THE ARTICLES OF INCORPORATION OR BY-LAWS OF THE
33 CORPORATION, ANY AMENDMENT THEREOF, OR IN A SEPARATE
34 AGREEMENT.

35 THE ARBITRAL TRIBUNAL SHALL HAVE THE POWER TO GRANT

1 INTERIM MEASURES NECESSARY TO ENSURE ENFORCEMENT OF THE
2 AWARD, TO PREVENT A MISCARRIAGE OF JUSTICE, OR TO OTHERWISE
3 PROTECT THE RIGHTS OF THE PARTIES.

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

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

12 SEC. 94. A new provision is inserted in the Code as Section 186 and the
13 succeeding provisions are re-numbered accordingly and amended as follows:

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

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

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

1 **SEC. 95.** A new provision is inserted in this Code as Section 187 and the
2 succeeding provisions are re-numbered accordingly and amended as follows:

3 **“SEC. 187. THE RULES AND REGULATIONS IN RELATION TO THE REGISTRATION,**
4 **REGULATION AND MONITORING ISSUED BY OTHER GOVERNMENT AGENCIES**
5 **ACTING AS PRIMARY REGULATORS OF SPECIAL CORPORATIONS, INsofar AS**
6 **THEY ARE NOT INCOSISTENT WITH THIS CODE AND ITS AMENDMENTS, SHALL BE**
7 **GIVEN EFFECT.”**

8 **SEC. 96. *Implementing Rules and Regulations.*** – Within sixty (60) days from the
9 effectivity of this Act, the Securities and Exchange Commission shall promulgate
10 the necessary rules and regulations for the effective implementation of this Act.

11 **SEC. 97. *Separability Clause.*** – If any provision of this Act is declared invalid or
12 unconstitutional, other provisions hereof which are not affected thereby shall
13 continue to be in full force and effect.

14 **SEC. 98. *Repealing Clause.*** – Any law, presidential decree or issuance, executive
15 order, letter of instruction, administrative order, rule or regulation contrary to or
16 inconsistent with any provision of this Act is hereby repealed or modified
17 accordingly.

18 **SEC. 99. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
19 publication in the *Official Gazette* or in two (2) newspapers of general circulation
20 in the Philippines.

21 *Approved,*