



## HOUSE OF REPRESENTATIVES

H. No. 8374

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BY REPRESENTATIVES ROMUALDO, BRAVO (M.V.), GONZALES (A.P.), BIRON, BATOCABE, GARBIN, CO, SALCEDA, UYBARRETA, OLIVAREZ, SARMIENTO (E.M.), PIMENTEL, MACEDA, NIETO, DALIPE, BULUT-BEGTANG, BERTIZ, TOLENTINO, GONZALEZ, ACOP, ERMITA-BUHAIN, DAZA, BAUTISTA-BANDIGAN, DUAVIT, ADVINCULA, AGARAO, FLOIRENDO, TREÑAS, BELMONTE (R.), SALO, VILLARIN, CANAMA, MONTORO, BELARO, SALON, MENDING, LOPEZ (M.L.), PINEDA, PANGANIBAN, TAN (A.), ESCUDERO, SUANSING (E.), ROQUE, ZUBIRI, GO (M.), SILVERIO, VERGARA, TAN (M.), RODRIGUEZ (M.), ALVAREZ (F.), TAMBUNTING, RELAMPAGOS, LIMKAICHONG, ACOSTA-ALBA, SAVELLANO, LOPEZ (C.), UY (J.), GARCIA (J.E.), ABAYA, EVARDONE, JAVIER, CAGAS, JALOSJOS, ROMUALDEZ, RODRIGUEZ (I.), DURANO, ONG (H.), SAGARBARRIA, LAOGAN, DIMAPORO (A.), MARCOLETA, TUPAS, MENDOZA, ARCILLAS, CHAVEZ, EUSEBIO, BILLONES, PRIMICIAS-AGABAS AND SY-ALVARADO, PER COMMITTEE REPORT NO. 885

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### AN ACT PROVIDING FOR THE REVISED CORPORATION CODE OF THE PHILIPPINES

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

- 1 TITLE I  
2 GENERAL PROVISIONS  
3 DEFINITIONS AND CLASSIFICATIONS

1           SECTION 1. *Title of the Code.* – This Code shall be known as  
2 the “Revised Corporation Code of the Philippines”.

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

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

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

18           SEC. 5. *Corporators and Incorporators, Stockholders and*  
19 *Members.* – Corporators are those who compose a corporation,  
20 whether as stockholders or shareholders in a stock corporation or as  
21 members in a nonstock corporation. Incorporators are those  
22 stockholders or members mentioned in the articles of incorporation  
23 as originally forming and composing the corporation and who are  
24 signatories thereof.

25           SEC. 6. *Classification of Shares.* – The classification of  
26 shares, their corresponding rights, privileges, or restrictions, and  
27 their stated par value, if any, must be indicated in the articles of

1 incorporation. Each share shall be equal in all respects to every  
2 other share, except as otherwise provided in the articles of  
3 incorporation and in the certificate of stock.

4 The shares in stock corporations may be divided into classes  
5 or series of shares, or both. No share may be deprived of voting  
6 rights except those classified and issued as "preferred" or  
7 "redeemable" shares, unless otherwise provided in this Code:  
8 *Provided*, That there shall always be a class or series of shares with  
9 complete voting rights.

10 Holders of nonvoting shares shall be entitled to vote on the  
11 following matters:

- 12 (a) Amendment of the articles of incorporation;  
13 (b) Adoption and amendment of bylaws;  
14 (c) Sale, lease, exchange, mortgage, pledge, or other disposition  
15 of all or substantially all of the corporate property;  
16 (d) Incurring, creating, or increasing bonded indebtedness;  
17 (e) Increase or decrease of capital stock;  
18 (f) Merger or consolidation of the corporation with another  
19 corporation or other corporations;  
20 (g) Investment of corporate funds in another corporation or  
21 business in accordance with this Code; and  
22 (h) Dissolution of the corporation.

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

26 The shares or series of shares may or may not have a par  
27 value: *Provided*, That banks, trust, insurance, and preneed

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

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

15 Shares of capital stock issued without par value shall be  
16 deemed fully paid and nonassessable and the holder of such shares  
17 shall not be liable to the corporation or to its creditors in respect  
18 thereto: *Provided*, That no-par value shares must be issued for a  
19 consideration of at least Five pesos (P5.00) per share: *Provided*,  
20 *further*, That the entire consideration received by the corporation  
21 for its no-par value shares shall be treated as capital and shall not  
22 be available for distribution as dividends.

23 A corporation may further classify its shares for the purpose  
24 of ensuring compliance with constitutional or legal requirements.

25 SEC. 7. *Founders' Shares.* – Founders' shares may be given  
26 certain rights and privileges not enjoyed by the owners of other  
27 stocks. Where the exclusive right to vote and be voted for in the



1 election of directors is granted, it must be for a limited period not to  
2 exceed five (5) years from the date of incorporation or approval of  
3 increase of additional authorized capital stock: *Provided*, That such  
4 exclusive right shall not be allowed if its exercise will violate  
5 Commonwealth Act No. 108, otherwise known as the Anti-Dummy  
6 Law; Republic Act No. 7042, otherwise known as the Foreign  
7 Investments Act of 1991; and other pertinent laws.

8       SEC. 8. *Redeemable Shares*. – Redeemable shares may be  
9 issued by the corporation when expressly provided in the articles of  
10 incorporation. They are shares which may be purchased by the  
11 corporation from the holders of such shares upon the expiration of a  
12 fixed period, regardless of the existence of unrestricted retained  
13 earnings in the books of the corporation, and upon such other terms  
14 and conditions stated in the articles of incorporation and the  
15 certificate of stock representing the shares, subject to rules and  
16 regulations issued by the Commission.

17       SEC. 9. *Treasury Shares*. – Treasury shares are shares of  
18 stock which have been issued and fully paid for, but subsequently  
19 reacquired by the issuing corporation through purchase,  
20 redemption, donation, or some other lawful means. Such shares  
21 may again be disposed of for a reasonable price fixed by the board of  
22 directors.

## 23                                   TITLE II

### 24                               INCORPORATION AND ORGANIZATION OF 25                                   PRIVATE CORPORATIONS

26       SEC. 10. *Number and Qualifications of Incorporators*. – Any  
27 person, partnership, association or corporation, singly or jointly  
28 with others but not more than fifteen (15) in number, may organize

1 a corporation for any lawful purpose or purposes: *Provided*, That  
2 natural persons who are licensed to practice a profession, and  
3 partnerships or associations organized for the purpose of practicing  
4 a profession, shall not be allowed to organize as a corporation unless  
5 otherwise provided under special laws. Incorporators who are  
6 natural persons must be of legal age.

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

9 A corporation with a single stockholder is considered a one  
10 person corporation as described in Title XIII, Chapter III of this  
11 Code.

12 SEC. 11. *Corporate Term.* - A corporation shall have  
13 perpetual existence unless its certificate of incorporation provides  
14 otherwise. A corporate term for a specific period may be extended  
15 or shortened by amending the articles of incorporation: *Provided*,  
16 That no extension may be made earlier than three (3) years prior to  
17 the original or subsequent expiry date(s) unless there are justifiable  
18 reasons for an earlier extension as may be determined by the  
19 Commission: *Provided, further*, That such extension of the  
20 corporate term shall take effect only on the day following the  
21 original or subsequent expiry date(s).

22 A corporation whose term has expired may, at any time, apply  
23 for a revival of its corporate existence, together with all the rights  
24 and privileges under its certificate of incorporation and subject to all  
25 of its duties, debts and liabilities existing prior to the expiration of  
26 its corporate term. Upon approval by the Commission, the  
27 corporation shall be deemed revived and an amended certificate of

1 incorporation shall be issued, giving it perpetual existence, unless  
2 its application for revival provides otherwise.

3 No application for revival of certificate of incorporation of  
4 banks, banking and quasi-banking institutions, preneed, insurance  
5 and trust companies, nonstock savings and loan associations,  
6 pawnshops, corporations engaged in money service business, and  
7 other financial intermediaries shall be approved by the Commission  
8 unless accompanied by a favorable recommendation of the  
9 appropriate government agency.

10 SEC. 12. *Minimum Capital Stock Required of Stock*  
11 *Corporations.* – Stock corporations shall not be required to have a  
12 minimum authorized capital stock, except as otherwise specifically  
13 provided by special law, and subject to the provisions of Section 13  
14 hereof.

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

21 (a) The name of the corporation;

22 (b) The specific purpose or purposes for which the corporation  
23 is being formed. Where a corporation has more than one stated  
24 purpose, the articles of incorporation shall indicate the primary  
25 purpose and the secondary purpose or purposes: *Provided*, That a  
26 nonstock corporation may not include a purpose which would  
27 change or contradict its nature as such;

1 (c) The place where the principal office of the corporation is to  
2 be located, which must be within the Philippines;

3 (d) The term for which the corporation is to exist, if the  
4 corporation has not elected perpetual existence;

5 (e) The names, nationalities, and residence addresses of the  
6 incorporators;

7 (f) The number of directors or trustees, which shall not be  
8 more than fifteen (15);

9 (g) The names, nationalities, and residence addresses of  
10 persons who shall act as directors or trustees until the first regular  
11 directors or trustees are duly elected and qualified in accordance  
12 with this Code;

13 (h) If it be a stock corporation, the amount of its authorized  
14 capital stock, number of shares into which it is divided, the par  
15 value of each, names, nationalities, and residence addresses of the  
16 original subscribers, amount subscribed and paid by each on the  
17 subscription, and a statement that some or all of the shares are  
18 without par value, if applicable;

19 (i) If it be a nonstock corporation, the amount of its capital,  
20 the names, nationalities, and residence addresses of the  
21 contributors, and amount contributed by each;

22 (j) If it be a stock corporation, a certification of the  
23 treasurer, who shall be an incorporator, that at least twenty-five  
24 percent (25%) of the number of shares in the corporation's  
25 authorized capital stock has been subscribed, and at least twenty-  
26 five percent (25%) of the value of the total subscription has been  
27 fully paid in actual cash and/or in property, the fair valuation of

1 which is equal to at least twenty-five percent (25%) of the value of  
2 the said subscription; and

3 (k) Such other matters consistent with law and which the  
4 incorporators may deem necessary and convenient.

5 An arbitration agreement may be provided in the articles of  
6 incorporation pursuant to Section 181 of this Code.

7 The articles of incorporation and applications for amendments  
8 thereto may be filed with the Commission in the form of an  
9 electronic document, in accordance with the Commission's rules and  
10 regulations on electronic filing.

11 SEC. 14. *Form of Articles of Incorporation.* – Unless  
12 otherwise prescribed by special law, the articles of incorporation of  
13 all domestic corporations shall comply substantially with the  
14 following form:

15 Articles of Incorporation

16 of

17 \_\_\_\_\_  
18 (Name of Corporation)

19 The undersigned incorporators, all of legal age and have  
20 this day voluntarily agreed to form a (stock) (nonstock)  
21 corporation under the laws of the Republic of the  
22 Philippines and certify the following:

23 First: That the name of said corporation shall be

24 "\_\_\_\_\_, Inc., Corporation or OPC";



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

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

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

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

<i>Name</i>	<i>Nationality</i>	<i>Residence</i>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

19  
 20 Sixth: That the number of directors or trustees of the  
 21 corporation shall be \_\_\_\_\_; and the names,  
 22 nationalities, and residence addresses of the first  
 23 directors or trustees of the corporation are as follows:

<i>Name</i>	<i>Nationality</i>	<i>Residence</i>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

1 Seventh: That the authorized capital stock of the  
 2 corporation is \_\_\_\_\_ PESOS (P\_\_\_\_\_), divided  
 3 into \_\_\_\_\_ shares with the par value of \_\_\_\_\_  
 4 PESOS (P\_\_\_\_\_ ) per share.

5 (In case all the shares are without par value): That  
 6 the capital stock of the corporation is  
 7 \_\_\_\_\_ shares without par value.

8 (In case some shares have par value and some are  
 9 without par value): That the capital stock of said  
 10 corporation consists of \_\_\_\_\_  
 11 shares, of which \_\_\_\_\_ shares have a  
 12 par value of \_\_\_\_\_ PESOS (P\_\_\_\_\_ )  
 13 each, and of which \_\_\_\_\_ shares are  
 14 without par value.

15 Eighth: That the number of shares of the authorized  
 16 capital stock above-stated has been subscribed as  
 17 follows:

Name of Subscriber	Nationality	No. of Shares Subscribed	Amount Subscribed	Amount Paid

18 (Modify No. 8 if shares are with no-par value. In case the  
 19 corporation is nonstock, Nos. 7 and 8 of the above articles  
 20 may be modified accordingly, and it is sufficient if the  
 21 articles state the amount of capital or money contributed

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

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

16 Tenth: That the incorporators undertake to change the  
17 name of the corporation immediately upon receipt of  
18 notice from the Commission that another corporation,  
19 partnership or person has acquired a prior right to the  
20 use of such name, that the name has been declared not  
21 distinguishable from a name already registered or  
22 reserved for the use of another corporation, or that it is  
23 contrary to law, public morals, good customs or public  
24 policy.

1 Eleventh: (Corporations which will engage in any  
2 business or activity reserved for Filipino citizens shall  
3 provide the following):

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

11 IN WITNESS WHEREOF, we have hereunto signed these  
12 Articles of Incorporation, this \_\_\_\_\_ day of  
13 \_\_\_\_\_, 20\_\_\_\_ in the City/Municipality  
14 of \_\_\_\_\_, Province of \_\_\_\_\_,  
15 Republic of the Philippines.

16 \_\_\_\_\_  
17 \_\_\_\_\_  
18 \_\_\_\_\_

(Names and signatures of the incorporators)

(Name and signature of Treasurer)

22 SEC. 15. *Amendment of Articles of Incorporation.* - Unless  
23 otherwise prescribed by this Code or by special law, and for  
24 legitimate purposes, any provision or matter stated in the articles of  
25 incorporation may be amended by a majority vote of the board of  
26 directors or trustees and the vote or written assent of the  
27 stockholders representing at least two-thirds (2/3) of the  
28 outstanding capital stock, without prejudice to the appraisal right of

1 dissenting stockholders in accordance with the provisions of this  
2 Code. The articles of incorporation of a nonstock corporation may be  
3 amended by the vote or written assent of at least two-thirds (2/3)  
4 of the members.

5 The original and amended articles together shall contain all  
6 provisions required by law to be set out in the articles of  
7 incorporation. Amendments to the articles shall be indicated by  
8 underscoring the change or changes made, and a copy thereof duly  
9 certified under oath by the corporate secretary and a majority of the  
10 directors or trustees, with a statement that the amendments have  
11 been duly approved by the required vote of the stockholders or  
12 members, shall be submitted to the Commission.

13 The amendments shall take effect upon their approval by the  
14 Commission or from the date of filing with the said Commission if  
15 not acted upon within six (6) months from the date of filing for a  
16 cause not attributable to the corporation.

17 *SEC. 16. Grounds When Articles of Incorporation or*  
18 *Amendment may be Disapproved.* - The Commission may  
19 disapprove the articles of incorporation or any amendment thereto if  
20 the same is not compliant with the requirements of this Code:  
21 *Provided,* That the Commission shall give the incorporators,  
22 directors, trustees, or officers a reasonable time from receipt of the  
23 disapproval within which to modify the objectionable portions of the  
24 articles or amendment. The following are grounds for such  
25 disapproval:

26 (a) The articles of incorporation or any amendment thereto is  
27 not substantially in accordance with the form prescribed herein;



1 (b) The purpose or purposes of the corporation are patently  
2 unconstitutional, illegal, immoral or contrary to government rules  
3 and regulations;

4 (c) The certification concerning the amount of capital stock  
5 subscribed and/or paid is false; and

6 (d) The required percentage of Filipino ownership of the  
7 capital stock under existing laws or the Constitution has not been  
8 complied with.

9 No articles of incorporation or amendment to articles of  
10 incorporation of banks, banking and quasi-banking institutions,  
11 preneed, insurance and trust companies, nonstock savings and  
12 loan associations (NSSLAs), pawnshops, and other financial  
13 intermediaries shall be approved by the Commission unless  
14 accompanied by a favorable recommendation of the appropriate  
15 government agency to the effect that such articles or amendment is  
16 in accordance with law.

17 SEC. 17. *Corporate Name.* – No corporate name shall be  
18 allowed by the Commission if it is not distinguishable from that  
19 already reserved or registered for the use of another corporation, or  
20 if such name is already protected by law, or when its use is contrary  
21 to existing law, rules and regulations.

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

24 (a) The word “corporation”, “company”, “incorporated”,  
25 “limited”, “limited liability”, or an abbreviation of one of such  
26 words; and

1 (b) Punctuations, articles, conjunctions, contractions,  
2 prepositions, abbreviations, different tenses, spacing, or number of  
3 the same word or phrase.

4 The Commission, upon determination that the corporate name  
5 is: (1) not distinguishable from a name already reserved or  
6 registered for the use of another corporation; (2) already protected  
7 by law; or (3) contrary to law, rules and regulations, may summarily  
8 order the corporation to immediately cease and desist from using  
9 such name and require the corporation to register a new one. The  
10 Commission shall also cause the removal of all visible signages,  
11 marks, advertisements, labels, prints and other effects bearing such  
12 corporate name. Upon the approval of the new corporate name, the  
13 Commission shall issue a certificate of incorporation under the  
14 amended name.

15 If the corporation fails to comply with the Commission's order,  
16 the Commission may hold the corporation and its responsible  
17 directors or officers in contempt and/or hold them administratively,  
18 civilly and/or criminally liable under this Code and other applicable  
19 laws and/or revoke the registration of the corporation.

20 *SEC. 18. Registration, Incorporation and Commencement of*  
21 *Corporate Existence.* – A person or group of persons desiring to  
22 incorporate shall submit the intended corporate name to the  
23 Commission for verification. If the Commission finds that the name  
24 is distinguishable from a name already reserved or registered for  
25 the use of another corporation, not protected by law and not  
26 contrary to law, rules and regulations, the name shall be reserved in

1 favor of the incorporators. The incorporators shall then submit  
2 their articles of incorporation and bylaws to the Commission.

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

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

15 SEC. 19. *De facto Corporations.* – The due incorporation of  
16 any corporation claiming in good faith to be a corporation under this  
17 Code, and its right to exercise corporate powers, shall not be  
18 inquired into collaterally in any private suit to which such  
19 corporation may be a party. Such inquiry may be made by the  
20 Solicitor General in a *quo warranto* proceeding.

21 SEC. 20. *Corporation by Estoppel.* – All persons who assume  
22 to act as a corporation knowing it to be without authority to do so  
23 shall be liable as general partners for all debts, liabilities and  
24 damages incurred or arising as a result thereof: *Provided, however,*  
25 *That when any such ostensible corporation is sued on any*  
26 *transaction entered by it as a corporation or on any tort committed*  
27 *by it as such, it shall not be allowed to use its lack of corporate*

1 personality as a defense. Anyone who assumes an obligation to an  
2 ostensible corporation as such cannot resist performance thereof on  
3 the ground that there was in fact no corporation.

4       SEC. 21. *Effects of Non-Use of Corporate Charter and*  
5 *Continuous Inoperation.* – If a corporation does not formally  
6 organize and commence its business within five (5) years from the  
7 date of its incorporation, its certificate of incorporation shall be  
8 deemed revoked as of the day following the end of the five (5)-year  
9 period.

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

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

22       The Commission shall give reasonable notice to, and  
23 coordinate with the appropriate regulatory agency prior to the  
24 suspension or revocation of the certificate of incorporation of  
25 companies under their special regulatory jurisdiction.

## TITLE III

## BOARD OF DIRECTORS/TRUSTEES AND OFFICERS

1  
2  
3       SEC. 22. *The Board of Directors or Trustees of a Corporation;*  
4 *Qualification and Term.* – Unless otherwise provided in this Code,  
5 the board of directors or trustees shall exercise the corporate  
6 powers, conduct all business, and control all properties of the  
7 corporation.

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

16       The board of the following corporations vested with public  
17 interest shall have independent directors constituting at least  
18 twenty percent (20%) of such board:

19       (a) Corporations covered by Section 17.2 of Republic Act  
20 No. 8799, otherwise known as "The Securities Regulation Code",  
21 namely those whose securities are registered with the Commission,  
22 corporations listed with an exchange or with assets of at least Fifty  
23 million pesos (P50,000,000.00) and having two hundred (200) or  
24 more holders of shares, with at least one hundred (100) shares of a  
25 class of its equity shares;

26       (b) Banks and quasi-banks, nonstock savings and loan  
27 associations, pawnshops, corporations engaged in money service



1 business, preneed, trust and insurance companies, and other  
2 financial intermediaries; and

3 (c) Other corporations vested with public interest as may be  
4 determined by the Commission.

5 An independent director is a person who, apart from  
6 shareholdings and fees received from the corporation, is  
7 independent of management and free from any business or other  
8 relationship which could, or could reasonably be perceived to  
9 materially interfere with the exercise of independent judgment in  
10 carrying out the responsibilities as a director.

11 Independent directors must be elected by a majority of the  
12 shareholders present or entitled to vote *in absentia* during the  
13 election of directors. Independent directors shall be subject to rules  
14 and regulations governing their qualifications, disqualifications,  
15 voting requirements, duration of term and term limit, maximum  
16 number of board memberships and other requirements that the  
17 Commission will prescribe to strengthen their independence and  
18 align with international best practices.

19 SEC. 23. *Election of Directors or Trustees.* – Except when the  
20 exclusive right is reserved for holders of founders' shares under  
21 Section 7 of this Code, each stockholder or member shall have the  
22 right to nominate any director or trustee who possesses all of the  
23 qualifications and none of the disqualifications set forth in this  
24 Code.

25 At all elections of directors or trustees, there must be present,  
26 either in person or through a representative authorized to act by  
27 written proxy, the owners of majority of the outstanding capital

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

8 A stockholder or member who participates through remote  
9 communication or *in absentia*, shall be deemed present for purposes  
10 of quorum.

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

13 In stock corporations, stockholders entitled to vote shall have  
14 the right to vote the number of shares of stock standing in their own  
15 names in the stock books of the corporation at the time fixed in the  
16 bylaws or where the bylaws are silent, at the time of the election.  
17 The said stockholder may: (a) vote such number of shares for as  
18 many persons as there are directors to be elected; (b) cumulate said  
19 shares and give one (1) candidate as many votes as the number of  
20 directors to be elected multiplied by the number of the shares  
21 owned; or (c) distribute them on the same principle among as many  
22 candidates as may be seen fit: *Provided*, That the total number of  
23 votes cast shall not exceed the number of shares owned by the  
24 stockholders as shown in the books of the corporation multiplied by  
25 the whole number of directors to be elected: *Provided, however*, That  
26 no delinquent stock shall be voted. Unless otherwise provided in the  
27 articles of incorporation or in the bylaws, members of nonstock

1 corporations may cast as many votes as there are trustees to be  
2 elected but may not cast more than one (1) vote for one (1)  
3 candidate. Nominees for directors or trustees receiving the highest  
4 number of votes shall be declared elected.

5 If no election is held, or the owners of majority of the  
6 outstanding capital stock or majority of the members entitled to  
7 vote are not present in person, by proxy, or through remote  
8 communication or not voting *in absentia* at the meeting, such  
9 meeting may be adjourned and the corporation shall proceed in  
10 accordance with Section 25 of this Code.

11 The directors or trustees elected shall perform their duties as  
12 prescribed by law, rules of good corporate governance, and bylaws  
13 of the corporation.

14 SEC. 24. *Corporate Officers.* – Immediately after their  
15 election, the directors of a corporation must formally organize and  
16 elect a president, treasurer, secretary, and such other officers as  
17 may be provided in the bylaws. If the corporation is vested with  
18 public interest, the board shall also elect a compliance officer. The  
19 same person may hold two (2) or more positions concurrently, except  
20 that no one shall act as president and secretary or as president and  
21 treasurer at the same time, unless otherwise allowed in this Code.

22 The president and the treasurer must be directors and at least  
23 one of them must be a resident of the Philippines. The corporate  
24 secretary must be a resident of the Philippines.

25 The officers shall manage the corporation and perform such  
26 duties as may be provided in the bylaws and/or as resolved by the  
27 board of directors.

1           SEC. 25. *Report of Election of Directors, Trustees and Officers,*  
2 *Non-holding of Election and Cessation from Office.* – Within thirty  
3 (30) days after the election of the directors, trustees and officers of  
4 the corporation, the secretary, or any other officer of the  
5 corporation, shall submit to the Commission, the names,  
6 nationalities, shareholdings, and residence addresses of the  
7 directors, trustees and officers elected.

8           The non-holding of elections and the reasons therefor shall be  
9 reported to the Commission within thirty (30) days from the date of  
10 the scheduled election. The report shall specify a new date for the  
11 election, which shall not be later than sixty (60) days from the  
12 scheduled date.

13           If no new date has been designated, or if the rescheduled  
14 election is likewise not held, the Commission may, upon the  
15 application of a stockholder, member, director or trustee, and after  
16 verification of the unjustified non-holding of the election, summarily  
17 order that an election be held. The Commission shall have the  
18 power to issue such orders as may be appropriate, including orders  
19 directing the issuance of a notice stating the time and place of the  
20 election, designated presiding officer, and the record date or dates  
21 for the determination of stockholders or members entitled to vote.

22           Notwithstanding any provision of the articles of incorporation  
23 or bylaws to the contrary, the shares of stock or membership  
24 represented at such meeting and entitled to vote shall constitute a  
25 quorum for purposes of conducting an election under this section.

26           Should a director, trustee or officer die, resign or in any  
27 manner cease to hold office, the secretary, or the director, trustee or

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

4 SEC. 26. *Disqualification of Directors, Trustees or Officers.* –

5 A person shall be disqualified from being a director, trustee or  
6 officer of any corporation if, within five (5) years prior to the election  
7 or appointment as such, the person was convicted by final judgment:

8 (a) Of an offense punishable by imprisonment for a period  
9 exceeding six (6) years;

10 (b) For violating this Code;

11 (c) For violating Republic Act No. 8799, otherwise known as  
12 "The Securities Regulation Code";

13 (d) Found administratively liable for any offense involving  
14 fraud, theft, estafa, counterfeiting, misappropriation, forgery,  
15 bribery, false oath, perjury and other fraudulent acts; and

16 (e) By a foreign court or equivalent foreign regulatory  
17 authority for acts, violations or misconduct similar to those  
18 enumerated in paragraphs (a), (b) and (c) above.

19 The foregoing is without prejudice to qualifications or other  
20 disqualifications, which the Commission, the primary regulatory  
21 agency, or the Philippine Competition Commission may impose in  
22 its promotion of good corporate governance or as a sanction in its  
23 administrative proceedings.

24 SEC. 27. *Removal of Directors or Trustees.* – Any director  
25 or trustee of a corporation may be removed from office by a vote of  
26 the stockholders holding or representing at least two-thirds (2/3) of  
27 the outstanding capital stock, or in a nonstock corporation, by a



1 vote of at least two-thirds (2/3) of the members entitled to vote:  
2 *Provided*, That such removal shall take place either at a regular  
3 meeting of the corporation or at a special meeting called for the  
4 purpose, and in either case, after previous notice to stockholders or  
5 members of the corporation of the intention to propose such removal  
6 at the meeting. A special meeting of the stockholders or members  
7 for the purpose of removing any director or trustee must be called  
8 by the secretary on order of the president, or upon written demand  
9 of the stockholders representing or holding at least a majority of the  
10 outstanding capital stock, or a majority of the members entitled to  
11 vote. If there is no secretary, or if the secretary, despite demand,  
12 fails or refuses to call the special meeting or to give notice thereof,  
13 the stockholder or member of the corporation signing the demand  
14 may call for the meeting by directly addressing the stockholders or  
15 members. Notice of the time and place of such meeting, as well as of  
16 the intention to propose such removal, must be given by publication  
17 or by written notice prescribed in this Code. Removal may be with  
18 or without cause: *Provided*, That removal without cause may not be  
19 used to deprive minority stockholders or members of the right of  
20 representation to which they may be entitled under Section 23 of  
21 this Code.

22 The Commission shall, *motu proprio* or upon verified  
23 complaint, and after due notice and hearing, order the removal of a  
24 director or trustee elected despite the disqualification, or whose  
25 disqualification arose or is discovered subsequent to an election. The  
26 removal of a disqualified director shall be without prejudice to other  
27 sanctions that the Commission may impose on the board of directors

1 or trustees who, with knowledge of the disqualification, failed to  
2 remove such director or trustee.

3 SEC. 28. *Vacancies in the Office of Director or Trustee;*  
4 *Emergency Board.* – Any vacancy occurring in the board of directors  
5 or trustees other than by removal 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  
8 must be filled by the stockholders in a regular or special meeting  
9 called for that purpose.

10 When the vacancy is due to term expiration, the election shall  
11 be held no later than the day of such expiration at a meeting called  
12 for that purpose. When the vacancy arises as a result of removal by  
13 the stockholders or members, the election may be held on the same  
14 day of the meeting authorizing the removal and this fact must be so  
15 stated in the agenda and notice of said meeting. In all other cases,  
16 the election must be held no later than forty-five (45) days from the  
17 time the vacancy arose. A director or trustee elected to fill a vacancy  
18 shall be referred to as replacement director or trustee and shall  
19 serve only for the unexpired term of the predecessor in office.

20 However, when the vacancy prevents the remaining directors  
21 from constituting a quorum and emergency action is required to  
22 prevent grave, substantial, and irreparable loss or damage to the  
23 corporation, the vacancy may be temporarily filled from among the  
24 officers of the corporation by unanimous vote of the remaining  
25 directors or trustees. The action by the designated director or  
26 trustee shall be limited to the emergency action necessary, and the  
27 term shall cease within a reasonable time from the termination of

1 the emergency or upon election of the replacement director or  
2 trustee, whichever comes earlier. The corporation must notify the  
3 Commission within three (3) days from the creation of the  
4 emergency board, stating therein the reason for its creation.

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

11 In all elections to fill vacancies under this section, the  
12 procedure set forth in Sections 23 and 25 of this Code shall apply.

13 SEC. 29. *Compensation of Directors or Trustees.* – In the  
14 absence of any provision in the bylaws fixing their compensation,  
15 the directors or trustees shall not receive any compensation in their  
16 capacity as such, except for reasonable per diems: *Provided,*  
17 *however,* That the stockholders representing at least a majority of  
18 the outstanding capital stock or majority of the members may grant  
19 directors or trustees with compensation and approve the amount  
20 thereof at a regular or special meeting.

21 In no case shall the total yearly compensation of directors  
22 exceed ten percent (10%) of the net income before income tax of the  
23 corporation during the preceding year.

24 Directors or trustees shall not participate in the  
25 determination of their own per diems or compensation.

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

4 SEC. 30. *Liability of Directors, Trustees or Officers.* –  
5 Directors or trustees who willfully and knowingly vote for or assent  
6 to patently unlawful acts of the corporation or who are guilty of  
7 gross negligence or bad faith in directing the affairs of the  
8 corporation or acquire any personal or pecuniary interest in conflict  
9 with their duty as such directors or trustees shall be liable jointly  
10 and severally for all damages resulting therefrom suffered by the  
11 corporation, its stockholders or members and other persons.

12 A director, trustee or officer shall not attempt to acquire, or  
13 acquire any interest adverse to the corporation in respect of any  
14 matter which has been reposed in them in confidence, and upon  
15 which, equity imposes a disability upon themselves to deal in their  
16 own behalf; otherwise, the said director, trustee or officer shall be  
17 liable as a trustee for the corporation and must account for the  
18 profits which otherwise would have accrued to the corporation.

19 SEC. 31. *Dealings of Directors, Trustees or Officers with the*  
20 *Corporation.* – A contract of the corporation with one (1) or more of  
21 its directors, trustees, officers or their spouses and relatives within  
22 the fourth civil degree of consanguinity or affinity is voidable, at the  
23 option of such corporation, unless all the following conditions are  
24 present:

25 (a) The presence of such director or trustee in the board  
26 meeting in which the contract was approved was not necessary to  
27 constitute a quorum for such meeting;

1 (b) The vote of such director or trustee was not necessary for  
2 the approval of the contract;

3 (c) The contract is fair and reasonable under the  
4 circumstances;

5 (d) In case of corporations vested with public interest,  
6 material contracts are approved by at least two-thirds (2/3) of the  
7 entire membership of the board, with at least a majority of the  
8 independent directors voting to approve the material contract; and

9 (e) In case of an officer, the contract has been previously  
10 authorized by the board of directors.

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

20 SEC. 32. *Contracts Between Corporations with Interlocking*  
21 *Directors.* - Except in cases of fraud, and provided the contract  
22 is fair and reasonable under the circumstances, a contract between  
23 two (2) or more corporations having interlocking directors shall not  
24 be invalidated on that ground alone: *Provided*, That if the interest  
25 of the interlocking director in one (1) corporation is substantial and  
26 the interest in the other corporation or corporations is merely  
27 nominal, the contract shall be subject to the provisions of the



1 preceding section insofar as the latter corporation or corporations  
2 are concerned.

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

6         SEC. 33. *Disloyalty of a Director.* – Where a director, by  
7 virtue of the office, acquires for a business opportunity which should  
8 belong to the corporation, thereby obtaining profits to the prejudice  
9 of such corporation, the director must account for and refund to the  
10 latter all such profits, unless the act has been ratified by a vote of  
11 the stockholders owning or representing at least two-thirds (2/3) of  
12 the outstanding capital stock. This provision shall be applicable,  
13 notwithstanding the fact that the director risked one's own funds in  
14 the venture.

15         SEC. 34. *Executive, Management, and Other Special*  
16 *Committees.* – If the bylaws so provide, the board may create an  
17 executive committee composed of at least three (3) directors. Said  
18 committee may act, by majority vote of all its members, on such  
19 specific matters within the competence of the board, as may be  
20 delegated to it in the bylaws or by majority vote of the board,  
21 except with respect to the: (a) approval of any action for which  
22 shareholders' approval is also required; (b) filling of vacancies in the  
23 board; (c) amendment or repeal of bylaws or the adoption of new  
24 bylaws; (d) amendment or repeal of any resolution of the board  
25 which by its express terms is not amendable or repealable; and  
26 (e) distribution of cash dividends to the shareholders.

1           The bylaws may authorize the board of directors to create  
2 special committees of temporary or permanent nature and to  
3 determine the members' term, composition, compensation, powers,  
4 and responsibilities.

#### 5                                   TITLE IV

#### 6                                   POWERS OF CORPORATIONS

7           SEC. 35. *Corporate Powers and Capacity.* – Every corporation  
8 incorporated under this Code has the power and capacity:

9           (a) To sue and be sued in its corporate name;

10          (b) To have perpetual existence unless the certificate of  
11 incorporation provides otherwise;

12          (c) To adopt and use a corporate seal;

13          (d) To amend its articles of incorporation in accordance with  
14 the provisions of this Code;

15          (e) To adopt bylaws, not contrary to law, morals or public  
16 policy, and to amend or repeal the same in accordance with this  
17 Code;

18          (f) In case of stock corporations, to issue or sell stocks to  
19 subscribers and to sell treasury stocks in accordance with the  
20 provisions of this Code; and to admit members to the corporation if  
21 it be a nonstock corporation;

22          (g) To purchase, receive, take or grant, hold, convey, sell,  
23 lease, pledge, mortgage, and otherwise deal with such real and  
24 personal property, including securities and bonds of other  
25 corporations, as the transaction of the lawful business of the  
26 corporation may reasonably and necessarily require, subject to the  
27 limitations prescribed by law and the Constitution;

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

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

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

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

14           SEC. 36. *Power to Extend or Shorten Corporate Term.* – A  
15 private corporation may extend or shorten its term as stated in the  
16 articles of incorporation when approved by a majority vote of the  
17 board of directors or trustees, and ratified at a meeting by the  
18 stockholders or members representing at least two-thirds (2/3) of  
19 the outstanding capital stock of its members. Written notice of the  
20 proposed action and the time and place of the meeting shall be sent  
21 to stockholders or members at their respective place of residence as  
22 shown in the books of the corporation, and must either be deposited  
23 to the addressee in the post office with postage prepaid, served  
24 personally, or when allowed in the bylaws or done with the consent  
25 of the stockholder, sent electronically in accordance with the rules  
26 and regulations of the Commission on the use of electronic data  
27 messages. In case of extension of corporate term, a dissenting

1 stockholder may exercise the right of appraisal under the conditions  
2 provided in this Code.

3       SEC. 37. *Power to Increase or Decrease Capital Stock; Incur,*  
4 *Create or Increase Bonded Indebtedness.* – No corporation shall  
5 increase or decrease its capital stock or incur, create or increase any  
6 bonded indebtedness unless approved by a majority vote of the  
7 board of directors and by two-thirds (2/3) of the outstanding capital  
8 stock at a stockholders' meeting duly called for the purpose. Written  
9 notice of the time and place of the stockholders' meeting and the  
10 purpose for said meeting must be sent to the stockholders at their  
11 places of residence as shown in the books of the corporation and  
12 served on the stockholders personally, or through electronic means  
13 recognized in the corporation's bylaws and/or the Commission's  
14 rules as a valid mode for service of notices.

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

18       (a) That the requirements of this section have been complied  
19 with;

20       (b) The amount of the increase or diminution of the capital  
21 stock;

22       (c) In case of an increase of the capital stock, the amount of  
23 capital stock or number of shares of no-par stock thereof actually  
24 subscribed, the names, nationalities and addresses of the persons  
25 subscribing, the amount of capital stock or number of no-par stock  
26 subscribed by each, and the amount paid by each on the  
27 subscription in cash or property, or the amount of capital stock or

1 number of shares of no-par stock allotted to each stockholder if  
2 such increase is for the purpose of making effective stock dividend  
3 therefor authorized;

4 (d) Any bonded indebtedness to be incurred, created or  
5 increased;

6 (e) The amount of stock represented at the meeting; and

7 (f) The vote authorizing the increase or diminution of the  
8 capital stock, or the incurring, creating or increasing of any bonded  
9 indebtedness.

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

17 One of the duplicate certificates shall be kept on file in the  
18 office of the corporation and the other shall be filed with the  
19 Commission and attached to the original articles of incorporation.  
20 After approval by the Commission and the issuance by the  
21 Commission of its certificate of filing, the capital stock shall be  
22 deemed increased or decreased and the incurring, creating or  
23 increasing of any bonded indebtedness authorized, as the certificate  
24 of filing may declare: *Provided*, That the Commission shall not  
25 accept for filing any certificate of increase of capital stock unless  
26 accompanied by a sworn statement of the treasurer of the  
27 corporation lawfully holding office at the time of the filing of the



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

9 Nonstock corporations may incur, create or increase bonded  
10 indebtedness when approved by a majority of the board of trustees  
11 and of at least two-thirds (2/3) of the members in a meeting duly  
12 called for the purpose.

13 Bonds issued by a corporation shall be registered with the  
14 Commission, which shall have the authority to determine the  
15 sufficiency of the terms thereof.

16 SEC. 38. *Power to Deny Preemptive Right.* – All stockholders  
17 of a stock corporation shall enjoy preemptive right to subscribe to  
18 all issues or disposition of shares of any class, in proportion to their  
19 respective shareholdings, unless such right is denied by the articles  
20 of incorporation or an amendment thereto: *Provided,* That such  
21 preemptive right shall not extend to shares issued in compliance  
22 with laws requiring stock offerings or minimum stock ownership by  
23 the public; or to shares issued in good faith with the approval of the  
24 stockholders representing two-thirds (2/3) of the outstanding capital  
25 stock, in exchange for property needed for corporate purposes or in  
26 payment of a previously contracted debt.

1           SEC. 39. *Sale or Other Disposition of Assets.* – Subject to the  
2 provisions of Republic Act No. 10667, otherwise known as the  
3 “Philippine Competition Act”, and other related laws, a corporation  
4 may, by a majority vote of its board of directors or trustees, sell,  
5 lease, exchange, mortgage, pledge, or otherwise dispose of its  
6 property and assets, upon such terms and conditions and for such  
7 consideration, which may be money, stocks, bonds, or other  
8 instruments for the payment of money or other property or  
9 consideration, as its board of directors or trustees may deem  
10 expedient.

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

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

21           The determination of whether or not the sale involves all or  
22 substantially all of the corporation’s properties and assets must be  
23 computed based on its net asset value, as shown in its latest  
24 financial statements. A sale or other disposition shall be deemed to  
25 cover substantially all the corporate property and assets if  
26 thereby the corporation would be rendered incapable of continuing

1 the business or accomplishing the purpose for which it was  
2 incorporated.

3 Written notice of the proposed action and of the time and  
4 place for the meeting shall be addressed to stockholders or members  
5 at their places of residence as shown in the books of the corporation  
6 and deposited to the addressee in the post office with postage  
7 prepaid, served personally, or when allowed by the bylaws or done  
8 with the consent of the stockholder, sent electronically: *Provided,*  
9 That any dissenting stockholder may exercise the right of appraisal  
10 under the conditions provided in this Code.

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

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

24 SEC. 40. *Power to Acquire Own Shares.* – Provided that the  
25 corporation has unrestricted retained earnings in its books to cover  
26 the shares to be purchased or acquired, a stock corporation shall  
27 have the power to purchase or acquire its own shares for a

1 legitimate corporate purpose or purposes, including the following  
2 cases:

3 (a) To eliminate fractional shares arising out of stock  
4 dividends;

5 (b) To collect or compromise an indebtedness to the  
6 corporation, arising out of unpaid subscription, in a delinquency  
7 sale, and to purchase delinquent shares sold during said sale; and

8 (c) To pay dissenting or withdrawing stockholders entitled to  
9 payment for their shares under the provisions of this Code.

10 SEC. 41. *Power to Invest Corporate Funds in Another*  
11 *Corporation or Business or for Any Other Purpose.* – Subject to the  
12 provisions of this Code, a private corporation may invest its funds in  
13 any other corporation, business, or for any purpose other than the  
14 primary purpose for which it was organized, when approved by a  
15 majority of the board of directors or trustees and ratified by the  
16 stockholders representing at least two-thirds (2/3) of the  
17 outstanding capital stock, or by at least two-thirds (2/3) of the  
18 members in the case of nonstock corporations, at a meeting duly  
19 called for the purpose. Written notice of the proposed investment  
20 and the time and place of the meeting shall be addressed to each  
21 stockholder or member at the place of residence as shown in the  
22 books of the corporation and deposited to the addressee in the post  
23 office with postage prepaid, served personally, or sent electronically  
24 in accordance with the rules and regulations of the Commission on  
25 the use of electronic data message, when allowed by the bylaws or  
26 done with the consent of the stockholders: *Provided*, That any  
27 dissenting stockholder shall have appraisal right as provided in this

1 Code: *Provided, however,* That where the investment by the  
2 corporation is reasonably necessary to accomplish its primary  
3 purpose as stated in the articles of incorporation, the approval of the  
4 stockholders or members shall not be necessary.

5 SEC. 42. *Power to Declare Dividends.* – The board of  
6 directors of a stock corporation may declare dividends out of the  
7 unrestricted retained earnings which shall be payable in cash,  
8 property, or in stock to all stockholders on the basis of outstanding  
9 stock held by them: *Provided,* That any cash dividends due on  
10 delinquent stock shall first be applied to the unpaid balance on the  
11 subscription plus costs and expenses, while stock dividends shall be  
12 withheld from the delinquent stockholders until their unpaid  
13 subscription is fully paid: *Provided, further,* That no stock dividend  
14 shall be issued without the approval of stockholders representing at  
15 least two-thirds (2/3) of the outstanding capital stock at a regular or  
16 special meeting duly called for the purpose.

17 Stock corporations are prohibited from retaining surplus  
18 profits in excess of one hundred percent (100%) of their paid-in  
19 capital stock, except: (a) when justified by definite corporate  
20 expansion projects or programs approved by the board of directors;  
21 or (b) when the corporation is prohibited under any loan agreement  
22 with financial institutions or creditors, whether local or foreign,  
23 from declaring dividends without their consent, and such consent  
24 has not yet been secured; or (c) when it can be clearly shown that  
25 such retention is necessary under special circumstances obtaining  
26 in the corporation, such as when there is need for special reserve for  
27 probable contingencies.



1           SEC. 43. *Power to Enter into Management Contract.* – No  
2 corporation shall conclude a management contract with another  
3 corporation unless such contract is approved by the board of  
4 directors and by stockholders owning at least the majority of the  
5 outstanding capital stock, or by at least a majority of the members  
6 in the case of a nonstock corporation, of both the managing and the  
7 managed corporation, at a meeting duly called for the purpose:  
8 *Provided, That* (a) where a stockholder or stockholders representing  
9 the same interest of both the managing and the managed  
10 corporations own or control more than one-third (1/3) of the total  
11 outstanding capital stock entitled to vote of the managing  
12 corporation; or (b) where a majority of the members of the board of  
13 directors of the managing corporation also constitute a majority of  
14 the members of the board of directors of the managed corporation,  
15 then the management contract must be approved by the  
16 stockholders of the managed corporation owning at least two-thirds  
17 (2/3) of the total outstanding capital stock entitled to vote, or by at  
18 least two-thirds (2/3) of the members in the case of a nonstock  
19 corporation. These shall apply to any contract whereby a  
20 corporation undertakes to manage or operate all or substantially all  
21 of the business of another corporation, whether such contracts are  
22 called service contracts, operating agreements or otherwise:  
23 *Provided, however, That* such service contracts or operating  
24 agreements which relate to the exploration, development,  
25 exploitation or utilization of natural resources may be entered  
26 into for such periods as may be provided by pertinent laws or  
27 regulations.

1 No management contract shall be entered into for a period  
2 longer than five (5) years for any one (1) term.

3 SEC. 44. *Ultra Vires Acts of Corporations.* – No corporation  
4 shall possess or exercise corporate powers other than those  
5 conferred by this Code or by its articles of incorporation and except  
6 as necessary or incidental to the exercise of the powers conferred.

#### 7 TITLE V

#### 8 BYLAWS

9 SEC. 45. *Adoption of Bylaws.* – For the adoption of bylaws  
10 by the corporation, the affirmative vote of the stockholders  
11 representing at least a majority of the outstanding capital stock, or  
12 of at least a majority of the members in case of nonstock  
13 corporations, shall be necessary. The bylaws shall be signed by the  
14 stockholders or members voting for them and shall be kept in the  
15 principal office of the corporation, subject to the inspection of the  
16 stockholders or members during office hours. A copy thereof, duly  
17 certified by a majority of the directors or trustees and countersigned  
18 by the secretary of the corporation, shall be filed with the  
19 Commission and attached to the original articles of incorporation.

20 Notwithstanding the provisions of the preceding paragraph,  
21 bylaws may be adopted and filed prior to incorporation; in such  
22 case, such bylaws shall be approved and signed by all the  
23 incorporators and submitted to the Commission, together with the  
24 articles of incorporation.

25 In all cases, bylaws shall be effective only upon the issuance  
26 by the Commission of a certification that the bylaws are in  
27 accordance with this Code.

1           The Commission shall not accept for filing the bylaws or any  
2 amendment thereto of any bank, banking institution, building and  
3 loan association, trust company, insurance company, public utility,  
4 educational institution, or other special corporations governed by  
5 special laws, unless accompanied by a certificate of the appropriate  
6 government agency to the effect that such bylaws or amendments  
7 are in accordance with law.

8           SEC. 46. *Contents of Bylaws.* – A private corporation may  
9 provide the following in its bylaws:

10           (a) The time, place and manner of calling and conducting  
11 regular or special meetings of the directors or trustees;

12           (b) The time and manner of calling and conducting regular or  
13 special meetings and mode of notifying the stockholders or members  
14 thereof;

15           (c) The required quorum in meetings of stockholders or  
16 members and the manner of voting therein;

17           (d) The modes by which a stockholder, member, director, or  
18 trustee may attend meetings and cast their votes;

19           (e) The form for proxies of stockholders and members and the  
20 manner of electing them;

21           (f) The directors' or trustees' qualifications, duties and  
22 responsibilities, the guidelines for setting the compensation of  
23 directors or trustees and officers, and the maximum number of  
24 other board representations that an independent director or trustee  
25 may have which shall, in no case, be more than the number  
26 prescribed by the Commission;

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

3 (h) The manner of election or appointment and the term of  
4 office of all officers other than directors or trustees;

5 (i) The penalties for violation of the bylaws;

6 (j) In the case of stock corporations, the manner of issuing  
7 stock certificates; and

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

11 An arbitration agreement may be provided in the bylaws  
12 pursuant to Section 181 of this Code.

13 SEC. 47. *Amendment to Bylaws.* – A majority of the board  
14 of directors or trustees, and the owners of at least a majority of the  
15 outstanding capital stock, or at least a majority of the members of a  
16 nonstock corporation, at a regular or special meeting duly called for  
17 the purpose, may amend or repeal the bylaws or adopt new  
18 bylaws. The owners of two-thirds (2/3) of the outstanding capital  
19 stock or two-thirds (2/3) of the members in a nonstock corporation  
20 may delegate to the board of directors or trustees the power to  
21 amend or repeal the bylaws or adopt new bylaws: *Provided*, That  
22 any power delegated to the board of directors or trustees to amend  
23 or repeal the bylaws or adopt new bylaws shall be considered as  
24 revoked whenever stockholders owning or representing a majority of  
25 the outstanding capital stock or majority of the members shall so  
26 vote at a regular or special meeting.

1           Whenever the bylaws are amended or new bylaws are  
2 adopted, the corporation shall file with the Commission such  
3 amended or new bylaws and, if applicable, the stockholders' or  
4 members' resolution authorizing the delegation of the power to  
5 amend and/or adopt new bylaws, duly certified under oath by the  
6 corporate secretary and a majority of the directors or trustees.

7           The amended or new bylaws shall only be effective upon the  
8 issuance by the Commission of a certification that the same is in  
9 accordance with this Code and other relevant laws.

#### 10   TITLE VI

#### 11   MEETINGS

12           SEC. 48. *Kinds of Meetings.* – Meetings of directors,  
13 trustees, stockholders, or members may be regular or special.

14           SEC. 49. *Regular and Special Meetings of Stockholders or*  
15 *Members.* – Regular meetings of stockholders or members shall  
16 be held annually on a date fixed in the bylaws, or if not so fixed, on  
17 any date after April 15 of every year as determined by the board of  
18 directors or trustees: *Provided,* That written notice of regular  
19 meetings shall be sent to all stockholders or members of record at  
20 least twenty-one (21) days prior to the meeting, unless a different  
21 period is required in the bylaws, law, or regulation: *Provided,*  
22 *further,* That written notice of regular meetings may be sent to all  
23 stockholders or members of record through electronic mail or such  
24 other manner as the Commission shall allow under its guidelines.

25           At each regular meeting of stockholders or members, the  
26 board of directors or trustees shall endeavor to present to  
27 stockholders or members the following:



1 (a) The minutes of the most recent regular meeting which  
2 shall include, among others:

3 (1) A description of the voting and vote tabulation procedures  
4 used in the current meeting;

5 (2) A description of the opportunity given to stockholders or  
6 members to ask questions and a record of the questions asked and  
7 answers given;

8 (3) The matters discussed and resolutions reached;

9 (4) A record of the voting results for each agenda item;

10 (5) A list of the directors or trustees, officers and stockholders  
11 or members who attended the meeting; and

12 (6) Such other items that the Commission may require in the  
13 interest of good corporate governance and the protection of minority  
14 stockholders;

15 (b) A members' list for nonstock corporations and, for stock  
16 corporations, material information on the current stockholders, and  
17 their voting rights;

18 (c) A detailed, descriptive, balanced and comprehensible  
19 assessment of the corporation's performance, which shall include  
20 information on any material change in the corporation's business,  
21 strategy, and other affairs;

22 (d) A financial report for the preceding year, which shall  
23 include financial statements duly signed and certified in accordance  
24 with this Code and the rules the Commission may prescribe, a  
25 statement on the adequacy of the corporation's internal controls or  
26 risk management systems, and a statement of all external audit and  
27 non-audit fees;

1 (e) An explanation of the dividend policy and the fact of  
2 payment of dividends or the reasons for nonpayment thereof;

3 (f) Director or trustee profiles which shall include, among  
4 others, their qualifications and relevant experience, length of  
5 service in the corporation, trainings and continuing education  
6 attended, and their board representations in other corporations;

7 (g) A director or trustee attendance report, indicating the  
8 attendance of each director or trustee at each of the meetings of the  
9 board and its committees and in regular or special stockholder  
10 meetings;

11 (h) Appraisals and performance reports for the board and the  
12 criteria and procedure for assessment;

13 (i) A director or trustee compensation report prepared in  
14 accordance with this Code and the rules the Commission may  
15 prescribe;

16 (j) Director disclosures on self-dealings and related party  
17 transactions; and/or

18 (k) The profiles of directors nominated or seeking election or  
19 reelection.

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

23 Special meetings of stockholders or members shall be held at  
24 any time deemed necessary or as provided in the bylaws: *Provided,*  
25 *however,* That at least one (1) week written notice shall be sent to  
26 all stockholders or members, unless a different period is provided in  
27 the bylaws, law or regulation.

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

3           Notice of any meeting may be waived, expressly or impliedly,  
4 by any stockholder or member: *Provided*, That general waivers of  
5 notice in the articles of incorporation or the bylaws shall not be  
6 allowed: *Provided, further*, That attendance at a meeting shall  
7 constitute a waiver of notice of such meeting, except when the  
8 person attends a meeting for the express purpose of objecting to the  
9 transaction of any business because the meeting is not lawfully  
10 called or convened.

11           Whenever for any cause, there is no person authorized to call  
12 a meeting, the Commission, upon petition of a stockholder or  
13 member on a showing of good cause therefor, may issue an order  
14 directing the petitioning stockholder or member to call a meeting of  
15 the corporation by giving proper notice required by this Code or the  
16 bylaws. The petitioning stockholder or member shall preside  
17 thereat until at least a majority of the stockholders or members  
18 present have chosen from among themselves, a presiding officer.

19           Unless the bylaws provide for a longer period, the stock and  
20 transfer book or membership book shall be closed at least twenty  
21 (20) days for regular meetings and seven (7) days for special  
22 meetings before the scheduled date of the meeting.

23           In case of postponement of stockholders' or members' regular  
24 meetings, written notice thereof and the reason therefor shall be  
25 sent to all stockholders or members of record at least two (2) weeks  
26 prior to the date of the meeting, unless a different period is required  
27 under the bylaws, law or regulation.

1           The right to vote may be exercised in person, through a proxy,  
2 or when so authorized in the bylaws, the stockholders or members  
3 may also vote through remote communication or *in absentia*. The  
4 Commission shall issue the rules and regulations governing  
5 participation and voting through remote communication or *in*  
6 *absentia*, taking into account the company's scale, number of  
7 shareholders or members, structure, and other factors consistent  
8 with the protection and promotion of shareholders' or members'  
9 meetings.

10           SEC. 50. *Place and Time of Meetings of Stockholders or*  
11 *Members.* – Stockholders' or members' meetings, whether regular  
12 or special, shall be held in the principal office of the corporation as  
13 set forth in the articles of incorporation, or, if not practicable, in the  
14 city or municipality where the principal office of the corporation is  
15 located: *Provided*, That any city or municipality in Metro Manila,  
16 Metro Cebu, Metro Davao, and other Metropolitan areas shall, for  
17 purposes of this section, be considered a city or municipality.

18           Written notice of meetings shall be sent through the means of  
19 communication provided in the bylaws, which notice shall state the  
20 time, place and purpose of the meetings.

21           Each notice of meeting shall further be accompanied by the  
22 following:

23           (a) The agenda for the meeting;

24           (b) A proxy form which shall be submitted to the corporate  
25 secretary within a reasonable time prior to the meeting;

26           (c) When attendance, participation, and voting are allowed by  
27 remote communication or *in absentia*, the requirements and

1 procedures to be followed when a stockholder or member elects  
2 either option; and

3 (d) When the meeting is for the election of directors or  
4 trustees, the requirements and procedure for nomination.

5 All proceedings and any business transacted at a meeting of  
6 the stockholders or members, if within the powers or authority of  
7 the corporation, shall be valid even if the meeting is improperly held  
8 or called: *Provided*, That all the stockholders or members of the  
9 corporation are present or duly represented at the meeting and not  
10 one of them expressly states at the beginning of the meeting that  
11 the purpose of their attendance is to object to the transaction of any  
12 business because the meeting is not lawfully called or convened.

13 SEC. 51. *Quorum in Meetings.* – Unless otherwise provided  
14 in this Code or in the bylaws, a quorum shall consist of the  
15 stockholders representing a majority of the outstanding capital  
16 stock or a majority of the members in the case of nonstock  
17 corporations.

18 SEC. 52. *Regular and Special Meetings of Directors or*  
19 *Trustees; Quorum.* – Unless the articles of incorporation or the  
20 bylaws provides for a greater majority, a majority of the directors or  
21 trustees as stated in the articles of incorporation shall constitute a  
22 quorum to transact corporate business, and every decision reached  
23 by at least a majority of the directors or trustees constituting a  
24 quorum, except for the election of officers which shall require the  
25 vote of a majority of all the members of the board, shall be valid as a  
26 corporate act.



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

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

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

14 Directors or trustees who cannot attend or vote at board  
15 meetings can participate and vote through remote communication  
16 such as videoconferencing, teleconferencing, or other alternative  
17 modes of communication that allow them reasonable opportunities  
18 to participate.

19 A director or trustee who has a potential interest in any  
20 related party transaction must recuse from voting on the approval  
21 of the related party transaction without prejudice to compliance  
22 with the requirements of Section 31 of this Code.

23 SEC. 53. *Who Shall Preside at Meetings.* – The president shall  
24 preside at all meetings of the directors or trustees as well as of the  
25 stockholders or members, unless the bylaws provide otherwise.

26 SEC. 54. *Right to Vote of Pledgors, Mortgagors, and*  
27 *Administrators.* – In case of pledged or mortgaged shares in stock

1 corporations, the pledgor or mortgagor shall have the right to attend  
2 and vote at meetings of stockholders, unless the pledgee or  
3 mortgagee is expressly given by the pledgor or mortgagor such right  
4 in writing which is recorded in the appropriate corporate books.

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

9 SEC. 55. *Voting in Case of Joint Ownership of Stock.* – The  
10 consent of all the co-owners shall be necessary in voting shares of  
11 stock owned jointly by two (2) or more persons, unless there is a  
12 written proxy, signed by all the co-owners, authorizing one (1) or  
13 some of them or any other person to vote such share or shares:  
14 *Provided*, That when the shares are owned in an “and/or” capacity  
15 by the holders thereof, any one of the joint owners can vote said  
16 shares or appoint a proxy therefor.

17 SEC. 56. *Voting Right for Treasury Shares.* – Treasury shares  
18 shall have no voting right as long as such shares remain in the  
19 Treasury.

20 SEC. 57. *Manner of Voting; Proxies.* – Stockholders and  
21 members may vote in person or by proxy in all meetings of  
22 stockholders or members.

23 When so authorized in the bylaws or by a majority of the  
24 board of directors, the stockholders or members of corporations may  
25 also vote through remote communication or *in absentia*: *Provided*,  
26 That the votes are received before the corporation finishes the tally  
27 of votes.

1           A stockholder or member who participates through remote  
2 communication or *in absentia* shall be deemed present for purposes  
3 of quorum.

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

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

16           SEC. 58. *Voting Trusts.* – One or more stockholders of a stock  
17 corporation may create a voting trust for the purpose of conferring  
18 upon a trustee or trustees the right to vote and other rights  
19 pertaining to the shares for a period not exceeding five (5) years at  
20 any time: *Provided*, That in the case of a voting trust specifically  
21 required as a condition in a loan agreement, said voting trust may  
22 be for a period exceeding five (5) years but shall automatically  
23 expire upon full payment of the loan. A voting trust agreement  
24 must be in writing and notarized, and shall specify the terms and  
25 conditions thereof. A certified copy of such agreement shall be filed  
26 with the corporation and with the Commission; otherwise, the  
27 agreement is ineffective and unenforceable. The certificate or

1 certificates of stock covered by the voting trust agreement shall be  
2 cancelled and new ones shall be issued in the name of the trustee or  
3 trustees, stating that they are issued pursuant to said agreement.  
4 The books of the corporation shall state that the transfer in the  
5 name of the trustee or trustees is made pursuant to the voting trust  
6 agreement.

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

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

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

20 No voting trust agreement shall be entered into for purposes  
21 of circumventing the laws against anti-competitive agreements,  
22 abuse of dominant position, anti-competitive mergers and  
23 acquisitions, violation of nationality and capital requirements, or for  
24 the perpetuation of fraud.

25 Unless expressly renewed, all rights granted in a voting trust  
26 agreement shall automatically expire at the end of the agreed  
27 period. The voting trust certificates as well as the certificates of

1 stock in the name of the trustee or trustees shall thereby be deemed  
2 cancelled and new certificates of stock shall be reissued in the name  
3 of the transferors.

4 The voting trustee or trustees may vote by proxy or in any  
5 manner authorized under the bylaws unless the agreement  
6 provides otherwise.

## 7 TITLE VII

### 8 STOCKS AND STOCKHOLDERS

9 SEC. 59. *Subscription Contract.* – Any contract for the  
10 acquisition of unissued stock in an existing corporation or a  
11 corporation still to be formed shall be deemed a subscription within  
12 the meaning of this Title, notwithstanding the fact that the parties  
13 refer to it as a purchase or some other contract.

14 SEC. 60. *Pre-incorporation Subscription.* – A subscription of  
15 shares in a corporation still to be formed shall be irrevocable for a  
16 period of at least six (6) months from the date of subscription,  
17 unless all of the other subscribers consent to the revocation, or the  
18 corporation fails to incorporate within the same period or within a  
19 longer period stipulated in the contract of subscription. No  
20 pre-incorporation subscription may be revoked after the articles of  
21 incorporation is submitted to the Commission.

22 SEC. 61. *Consideration for Stocks.* – Stocks shall not be  
23 issued for a consideration less than the par or issued price thereof.  
24 Consideration for the issuance of stock may be:

25 (a) Actual cash paid to the corporation;

26 (b) Property, tangible or intangible, actually received by the  
27 corporation and necessary or convenient for its use and lawful



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

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

5 (d) Previously incurred indebtedness of the corporation;

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

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

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

11 (h) Other generally accepted form of consideration.

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

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

20 The issued price of no-par value shares may be fixed in the  
21 articles of incorporation or by the board of directors pursuant to  
22 authority conferred by the articles of incorporation or the bylaws,  
23 or if not so fixed, by the stockholders representing at least a  
24 majority of the outstanding capital stock at a meeting duly called for  
25 the purpose.

26 SEC. 62. *Certificate of Stock and Transfer of Shares.* - The  
27 capital stock of corporations shall be divided into shares for which

1 certificates signed by the president or vice president, countersigned  
2 by the secretary or assistant secretary, and sealed with the seal of  
3 the corporation shall be issued in accordance with the bylaws.  
4 Shares of stock so issued are personal property and may be  
5 transferred by delivery of the certificate or certificates indorsed by  
6 the owner, his attorney-in-fact, or any other person legally  
7 authorized to make the transfer. No transfer, however, shall be  
8 valid, except as between the parties, until the transfer is recorded in  
9 the books of the corporation showing the names of the parties to the  
10 transaction, the date of the transfer, the number of the certificate or  
11 certificates, and the number of shares transferred. The Commission  
12 may require corporations whose securities are traded in trading  
13 markets and which can reasonably demonstrate their capability to  
14 do so to issue their securities or shares of stocks in uncertificated or  
15 scripless form in accordance with the rules of the Commission.

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

18 SEC. 63. *Issuance of Stock Certificates.* – No certificate of  
19 stock shall be issued to a subscriber until the full amount of the  
20 subscription together with interest and expenses (in case of  
21 delinquent shares), if any is due, has been paid.

22 SEC. 64. *Liability of Directors for Watered Stocks.* – A  
23 director or officer of a corporation who: (a) consents to the issuance  
24 of stocks for a consideration less than its par or issued value;  
25 (b) consents to the issuance of stocks for a consideration other than  
26 cash, valued in excess of its fair value; or (c) having knowledge of  
27 the insufficient consideration, does not file a written objection with

1 the corporate secretary, shall be liable to the corporation or its  
2 creditors, solidarily with the stockholder concerned for the  
3 difference between the value received at the time of issuance of the  
4 stock and the par or issued value of the same.

5 SEC. 65. *Interest on Unpaid Subscriptions.* – Subscribers to  
6 stocks shall be liable to the corporation for interest on all unpaid  
7 subscriptions from the date of subscription, if so required by and at  
8 the rate of interest fixed in the bylaws. If no rate of interest is fixed  
9 in the bylaws, the prevailing legal rate shall apply.

10 SEC. 66. *Payment of Balance of Subscription.* – Subject to  
11 the provisions of the subscription contract, the board of directors  
12 may, at any time, declare due and payable to the corporation unpaid  
13 subscriptions and may collect the same or such percentage thereof,  
14 in either case, with accrued interest, if any, as it may deem  
15 necessary.

16 Payment of unpaid subscription or any percentage thereof,  
17 together with any interest accrued, shall be made on the date  
18 specified in the subscription contract or on the date stated in the  
19 call made by the board. Failure to pay on such date shall render the  
20 entire balance due and payable and shall make the stockholder  
21 liable for interest at the legal rate on such balance, unless a  
22 different interest rate is provided in the bylaws. The interest shall  
23 be computed from the date specified, until full payment of the  
24 subscription. If no payment is made within thirty (30) days from the  
25 said date, all stocks covered by the subscription shall thereupon  
26 become delinquent and shall be subject to sale as hereinafter  
27 provided, unless the board of directors orders otherwise.

1           SEC. 67. *Delinquency Sale.* – The board of directors may,  
2 by resolution, order the sale of delinquent stock and shall  
3 specifically state the amount due on each subscription plus all  
4 accrued interest, and the date, time and place of the sale which  
5 shall not be less than thirty (30) days nor more than sixty (60) days  
6 from the date the stocks become delinquent.

7           Notice of the sale, with a copy of the resolution, shall be sent  
8 to every delinquent stockholder either personally, by registered  
9 mail, or through other means provided in the bylaws. The same  
10 shall be published once a week for two (2) consecutive weeks in a  
11 newspaper of general circulation in the province or city where the  
12 principal office of the corporation is located.

13           Unless the delinquent stockholder pays to the corporation, on  
14 or before the date specified for the sale of the delinquent stock, the  
15 balance due on the former's subscription, plus accrued interest,  
16 costs of advertisement and expenses of sale, or unless the board of  
17 directors otherwise orders, said delinquent stock shall be sold at a  
18 public auction to such bidder who shall offer to pay the full amount  
19 of the balance on the subscription together with accrued interest,  
20 costs of advertisement and expenses of sale, for the smallest  
21 number of shares or fraction of a share. The stock so purchased  
22 shall be transferred to such purchaser in the books of the  
23 corporation and a certificate for such stock shall be issued in the  
24 purchaser's favor. The remaining shares, if any, shall be credited in  
25 favor of the delinquent stockholder who shall likewise be entitled to  
26 the issuance of a certificate of stock covering such shares.

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

11           SEC. 68. *When Sale may be Questioned.* – No action to  
12 recover delinquent stock sold can be sustained upon the ground of  
13 irregularity or defect in the notice of sale, or in the sale itself of the  
14 delinquent stock, unless the party seeking to maintain such action  
15 first pays or tenders to the party holding the stock the sum for  
16 which the same was sold, with interest from the date of sale at the  
17 legal rate. No such action shall be maintained unless a complaint is  
18 filed within six (6) months from the date of sale.

19           SEC. 69. *Court Action to Recover Unpaid Subscription.* –  
20 Nothing in this Code shall prevent the corporation from collecting  
21 through court action, the amount due on any unpaid subscription,  
22 with accrued interest, costs and expenses.

23           SEC. 70. *Effect of Delinquency.* – No delinquent stock shall  
24 be voted for, be entitled to vote, or be represented at any  
25 stockholder's meeting, nor shall the holder thereof be entitled to any  
26 of the rights of a stockholder except the right to dividends in  
27 accordance with the provisions of this Code, until and unless



1 payment is made by the holder such delinquent stock for the  
2 amount due on the subscription with accrued interest, and the costs  
3 and expenses of advertisement, if any.

4 SEC. 71. *Rights of Unpaid Shares, Non-delinquent.* – Holders  
5 of subscribed shares not fully paid which are not delinquent shall  
6 have all the rights of a stockholder.

7 SEC. 72. *Lost or Destroyed Certificates.* – The following  
8 procedure shall be followed by a corporation in issuing new  
9 certificates of stock in lieu of those which have been lost, stolen or  
10 destroyed:

11 (a) The registered owner of a certificate of stock in a  
12 corporation or such person's legal representative shall file with the  
13 corporation an affidavit in triplicate setting forth, if possible, the  
14 circumstances as to how the certificate was lost, stolen or destroyed,  
15 the number of shares represented by such certificate, the serial  
16 number of the certificate and the name of the corporation which  
17 issued the same. The owner of such certificate of stock shall also  
18 submit such other information and evidence as may be deemed  
19 necessary;

20 (b) After verifying the affidavit and other information and  
21 evidence with the books of the corporation, the corporation shall  
22 publish a notice in a newspaper of general circulation in the  
23 place where the corporation has its principal office, once a week for  
24 three (3) consecutive weeks at the expense of the registered owner  
25 of the certificate of stock which has been lost, stolen or destroyed.  
26 The notice shall state the name of the corporation, the name of the  
27 registered owner, the serial number of the certificate, the number of

1 shares represented by such certificate, and shall state that after the  
2 expiration of one (1) year from the date of the last publication, if no  
3 contest has been presented to the corporation regarding the  
4 certificate of stock, the right to make such contest shall be barred  
5 and the corporation shall cancel the lost, destroyed or stolen  
6 certificate of stock in its books. In lieu thereof, the corporation shall  
7 issue a new certificate of stock, unless the registered owner files a  
8 bond or other security as may be required, effective for a period of  
9 one (1) year, for such amount and in such form and with such  
10 sureties as may be satisfactory to the board of directors, in which  
11 case a new certificate may be issued even before the expiration of  
12 the one (1) year period provided herein. If a contest has been  
13 presented to the corporation or if an action is pending in court  
14 regarding the ownership of the certificate of stock which has been  
15 lost, stolen or destroyed, the issuance of the new certificate of stock  
16 in lieu thereof shall be suspended until the court renders a final  
17 decision regarding the ownership of the certificate of stock which  
18 has been lost, stolen or destroyed.

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

## 24 TITLE VIII

### 25 CORPORATE BOOKS AND RECORDS

26 SEC. 73. *Books to be Kept; Stock Transfer Agent.* - Every  
27 corporation shall keep and carefully preserve at its principal office

1 all information relating to the corporation including, but not limited  
2 to:

3 (a) The articles of incorporation and bylaws of the  
4 corporation and all their amendments;

5 (b) The current ownership structure and voting rights of the  
6 corporation, including lists of stockholders or members, group  
7 structures, intra-group relations, ownership data, and beneficial  
8 ownership;

9 (c) The names and addresses of all the members of the board  
10 of directors or trustees and the executive officers;

11 (d) A record of all business transactions;

12 (e) A record of the resolutions of the board of directors or  
13 trustees and of the stockholders or members;

14 (f) Copies of the latest reportorial requirements submitted to  
15 the Commission; and

16 (g) The minutes of all meetings of stockholders or members,  
17 or of the board of directors or trustees. Such minutes shall set forth  
18 in detail, among others: the time and place of the meeting held, how  
19 it was authorized, the notice given, the agenda therefor, whether  
20 the meeting was regular or special, its object if special, those  
21 present and absent, and every act done or ordered done at the  
22 meeting. Upon the demand of a director, trustee, stockholder or  
23 member, the time when any director, trustee, stockholder or  
24 member entered or left the meeting must be noted in the minutes;  
25 and on a similar demand, the yeas and nays must be taken on any  
26 motion or proposition, and a record thereof carefully made. The

1 protest of a director, trustee, stockholder or member on any action  
2 or proposed action must be recorded in full upon their demand.

3 Corporate records, regardless of the form in which they are  
4 stored, shall be open to inspection by any director, trustee,  
5 stockholder or member of the corporation in person or by a  
6 representative at reasonable hours on business days, and a demand  
7 in writing may be made by such director, trustee or stockholder at  
8 their expense, copies of such records or excerpts from said records.  
9 The inspecting or reproducing party shall remain bound by  
10 confidentiality rules under prevailing laws, such as the rules on  
11 trade secrets or processes under Republic Act No. 10173, otherwise  
12 known as the "Data Privacy Act of 2012"; Republic Act No. 8799,  
13 otherwise known as "The Securities Regulation Code"; and the  
14 Rules of Court.

15 A requesting party who is not a stockholder or member of  
16 record, or is a competitor, director, officer, controlling stockholder or  
17 otherwise represents the interests of a competitor shall have no  
18 right to inspect or demand reproduction of corporate records.

19 Any stockholder who shall abuse the rights granted under this  
20 section shall be penalized under Section 171 of this Code, without  
21 prejudice to the provisions of Republic Act No. 10173, otherwise  
22 known as the "Data Privacy Act of 2012".

23 Any officer or agent of the corporation who shall refuse to  
24 allow the inspection and/or reproduction of records in accordance  
25 with the provisions of this Code shall be liable to such director,  
26 trustee, stockholder or member for damages, and in addition, shall  
27 be guilty of an offense which shall be punishable under Section 161

1 of this Code: *Provided*, That if such refusal is made pursuant to a  
2 resolution or order of the board of directors or trustees, the liability  
3 under this section for such action shall be imposed upon the  
4 directors or trustees who voted for such refusal: *Provided, further*,  
5 That it shall be a defense to any action under this section that the  
6 person demanding to examine and copy excerpts from the  
7 corporation's records and minutes has improperly used any  
8 information secured through any prior examination of the records or  
9 minutes of such corporation or of any other corporation, or was not  
10 acting in good faith or for a legitimate purpose in making the  
11 demand to examine or reproduce corporate records, or is a  
12 competitor, director, officer, controlling stockholder or otherwise  
13 represents the interests of a competitor.

14         If the corporation denies or does not act on a demand for  
15 inspection and/or reproduction, the aggrieved party may report such  
16 to the Commission. Within five (5) days from receipt of such report,  
17 the Commission shall conduct a summary investigation and issue  
18 an order directing the inspection or reproduction of the requested  
19 records.

20         Stock corporations must also keep a stock and transfer book,  
21 which shall contain a record of all stocks in the names of the  
22 stockholders alphabetically arranged; the installments paid and  
23 unpaid on all stocks for which subscription has been made, and the  
24 date of payment of any installment; a statement of every alienation,  
25 sale or transfer of stock made, the date thereof, by and to whom  
26 made; and such other entries as the bylaws may prescribe. The  
27 stock and transfer book shall be kept in the principal office of the



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

4 A stock transfer agent or one engaged principally in the  
5 business of registering transfers of stocks in behalf of a stock  
6 corporation shall be allowed to operate in the Philippines upon  
7 securing a license from the Commission and the payment of a fee to  
8 be fixed by the Commission, which shall be renewable annually:  
9 *Provided*, That a stock corporation is not precluded from performing  
10 or making transfers of its own stocks, in which case all the rules  
11 and regulations imposed on stock transfer agents, except the  
12 payment of a license fee herein provided, shall be applicable:  
13 *Provided, further*, That the Commission may require stock  
14 corporations which transfer and/or trade stocks in secondary  
15 markets to have an independent transfer agent.

16 *SEC. 74. Right to Financial Statements.* – A corporation shall  
17 furnish a stockholder or member, within ten (10) days from receipt  
18 of their written request, its most recent financial statement, in the  
19 form and substance of the financial reporting required by the  
20 Commission.

21 At the regular meeting of stockholders or members, the board  
22 of directors or trustees shall present to such stockholders or  
23 members a financial report of the operations of the corporation for  
24 the preceding year, which shall include financial statements, duly  
25 signed and certified in accordance with this Code, and the rules the  
26 Commission may prescribe.



1 trustees of the constituent corporations of the plan of merger or  
2 consolidation, the same shall be submitted for approval by the  
3 stockholders or members of each of such corporations at separate  
4 corporate meetings duly called for the purpose. Notice of such  
5 meetings shall be given to all stockholders or members of the  
6 respective corporations in the same manner as giving notice of  
7 regular or special meetings under Section 49 of this Code. The  
8 notice shall state the purpose of the meeting and include a copy or a  
9 summary of the plan of merger or consolidation.

10 The affirmative vote of stockholders representing at least  
11 two-thirds (2/3) of the outstanding capital stock of each corporation  
12 in the case of stock corporations or at least two-thirds (2/3) of the  
13 members in the case of nonstock corporations shall be necessary for  
14 the approval of such plan. Any dissenting stockholder may exercise  
15 the right of appraisal in accordance with this Code: *Provided*, That  
16 if after the approval by the stockholders of such plan, the board of  
17 directors decides to abandon the plan, the right of appraisal shall be  
18 extinguished.

19 Any amendment to the plan of merger or consolidation may be  
20 made: *Provided*, That such amendment is approved by a majority  
21 vote of the respective boards of directors or trustees of all the  
22 constituent corporations and ratified by the affirmative vote of  
23 stockholders representing at least two-thirds (2/3) of the  
24 outstanding capital stock or of two-thirds (2/3) of the members of  
25 each of the constituent corporations. Such plan, together with any  
26 amendment, shall be considered as the agreement of merger or  
27 consolidation.

1           SEC. 77. *Articles of Merger or Consolidation.* – After the  
2 approval by the stockholders or members as required by the  
3 preceding section, articles of merger or articles of consolidation shall  
4 be executed by each of the constituent corporations, to be signed by  
5 the president or vice president and certified by the secretary or  
6 assistant secretary of each corporation setting forth:

7           (a) The plan of the merger or the plan of consolidation;

8           (b) As to stock corporations, the number of shares  
9 outstanding, or in the case of nonstock corporations, the number of  
10 members;

11           (c) As to each corporation, the number of shares or members  
12 voting for or against such plan, respectively;

13           (d) The carrying amounts and fair values of the assets and  
14 liabilities of the respective companies as of the agreed cut-off date;

15           (e) The method to be used in the merger or consolidation of  
16 accounts of the companies;

17           (f) The provisional or pro-forma values, as merged or  
18 consolidated, using the accounting method; and

19           (g) Such other information as may be prescribed by the  
20 Commission.

21           SEC. 78. *Effectivity of Merger or Consolidation.* – The articles  
22 of merger or of consolidation, signed and certified as required by  
23 this Code, shall be submitted to the Commission in quadruplicate  
24 for its approval: *Provided*, That in the case of merger or  
25 consolidation of banks or banking institutions, loan associations,  
26 trust companies, insurance companies, public utilities, educational  
27 institutions, and other special corporations governed by special

1 laws, the favorable recommendation of the appropriate government  
2 agency shall first be obtained. If the Commission is satisfied that  
3 the merger or consolidation of the corporations concerned is not  
4 inconsistent with the provisions of this Code and existing laws, it  
5 shall issue a certificate approving the articles and plan of merger or  
6 of consolidation, at which time the merger or consolidation shall be  
7 effective: *Provided*, That, if the merger or consolidation requires  
8 notification pursuant to Republic Act No. 10667, otherwise known  
9 as the "Philippine Competition Act", and its implementing rules and  
10 regulations, the merger or consolidation shall become effective only  
11 after the Philippine Competition Commission has concluded its  
12 review of the transaction.

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

21 *SEC. 79. Effects of Merger or Consolidation.* – The merger or  
22 consolidation shall have the following effects:

23 (a) The constituent corporations shall become a single  
24 corporation which, in case of merger, shall be the surviving  
25 corporation designated in the plan of merger; and, in case of  
26 consolidation, shall be the consolidated corporation designated in  
27 the plan of consolidation;



1           (b) The separate existence of the constituent corporations  
2 shall cease, except that of the surviving or the consolidated  
3 corporation;

4           (c) The surviving or the consolidated corporation shall  
5 possess all the rights, privileges, immunities, and powers and shall  
6 be subject to all the duties and liabilities of a corporation organized  
7 under this Code;

8           (d) The surviving or the consolidated corporation shall  
9 possess all the rights, privileges, immunities and franchises of each  
10 constituent corporation; and all real or personal property, all  
11 receivables due on whatever account, including subscriptions to  
12 shares and other choses in action, and every other interest of,  
13 belonging to, or due to each constituent corporation, shall be  
14 deemed transferred to and vested in such surviving or consolidated  
15 corporation without further act or deed; and

16           (e) The surviving or consolidated corporation shall be  
17 responsible for all the liabilities and obligations of each constituent  
18 corporation as though such surviving or consolidated corporation  
19 had itself incurred such liabilities or obligations; and any pending  
20 claim, action or proceeding brought by or against any constituent  
21 corporation may be prosecuted by or against the surviving or  
22 consolidated corporation. The rights of creditors or liens upon the  
23 property of such constituent corporations shall not be impaired by  
24 the merger or consolidation.

## TITLE X

## APPRAISAL RIGHT

SEC. 80. *When the Right of Appraisal May Be Exercised.* -

Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of the shares in the following instances:

(a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

(b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code; and

(c) In case of merger or consolidation.

SEC. 81. *How Right is Exercised.* - The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: *Provided*, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

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

15           SEC. 82. *Effect of Demand and Termination of Right.* – From  
16 the time of demand for payment of the fair value of a stockholder's  
17 shares until either the abandonment of the corporate action  
18 involved or the purchase of the said shares by the corporation, all  
19 rights accruing to such shares, including voting and dividend rights,  
20 shall be suspended in accordance with the provisions of this Code,  
21 except the right of such stockholder to receive payment of the fair  
22 value thereof: *Provided*, That if the dissenting stockholder is not  
23 paid the value of the said shares within thirty (30) days after the  
24 award, the voting and dividend rights shall immediately be  
25 restored.

26           SEC. 83. *When Right to Payment Ceases.* – No demand for  
27 payment under this Title may be withdrawn unless the corporation

1 consents thereto. If, however, such demand for payment is  
2 withdrawn with the consent of the corporation, or if the proposed  
3 corporate action is abandoned or rescinded by the corporation or  
4 disapproved by the Commission where such approval is necessary,  
5 or if the Commission determines that such stockholder is not  
6 entitled to the appraisal right, then the right of the stockholder to  
7 be paid the fair value of the shares shall cease, the status as the  
8 stockholder shall be restored, and all dividend distributions which  
9 would have accrued on the shares shall be paid to the stockholder.

10       SEC. 84. *Who Bears Costs of Appraisal.* – The costs and  
11 expenses of appraisal shall be borne by the corporation, unless the  
12 fair value ascertained by the appraisers is approximately the same  
13 as the price which the corporation may have offered to pay the  
14 stockholder, in which case they shall be borne by the latter. In the  
15 case of an action to recover such fair value, all costs and expenses  
16 shall be assessed against the corporation, unless the refusal of the  
17 stockholder to receive payment was unjustified.

18       SEC. 85. *Notation on Certificates; Rights of Transferee.* –  
19 Within ten (10) days after demanding payment for shares held, a  
20 dissenting stockholder shall submit the certificates of stock  
21 representing the shares to the corporation for notation that such  
22 shares are dissenting shares. Failure to do so shall, at the option of  
23 the corporation, terminate the rights under this Title. If shares  
24 represented by the certificates bearing such notation are  
25 transferred, and the certificates consequently cancelled, the rights  
26 of the transferor as a dissenting stockholder under this Title shall  
27 cease and the transferee shall have all the rights of a regular

1 stockholder; and all dividend distributions which would have  
2 accrued on such shares shall be paid to the transferee.

### 3 TITLE XI

#### 4 NONSTOCK CORPORATION

5 SEC. 86. *Definition.* – For purposes of this Code and subject  
6 to its provisions on dissolution, a nonstock corporation is one where  
7 no part of its income is distributable as dividends to its members,  
8 trustees, or officers: *Provided*, That any profit which a nonstock  
9 corporation may obtain incidental to its operations shall, whenever  
10 necessary or proper, be used for the furtherance of the purpose or  
11 purposes for which the corporation was organized, subject to the  
12 provisions of this Title.

13 The provisions governing stock corporations, when pertinent,  
14 shall be applicable to nonstock corporations, except as may be  
15 covered by specific provisions of this Title.

16 SEC. 87. *Purposes.* – Nonstock corporations may be formed  
17 or organized for charitable, religious, educational, professional,  
18 cultural, fraternal, literary, scientific, social, civic service, or similar  
19 purposes, like trade, industry, agricultural and like chambers, or  
20 any combination thereof, subject to the special provisions of this  
21 Title governing particular classes of non-stock corporations.

#### 22 CHAPTER I

#### 23 MEMBERS

24 SEC. 88. *Right to Vote.* – The right of the members of any  
25 class or classes to vote may be limited, broadened, or denied to the  
26 extent specified in the articles of incorporation or the bylaws.



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

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

7 SEC. 89. *Nontransferability of Membership*. – Membership  
8 in a nonstock corporation and all rights arising therefrom are  
9 personal and nontransferable, unless the articles of incorporation or  
10 the bylaws otherwise provide.

11 SEC. 90. *Termination of Membership*. – Membership shall  
12 be terminated in the manner and for the causes provided in the  
13 articles of incorporation or the bylaws. Termination of membership  
14 shall extinguish all rights of a member in the corporation or in its  
15 property, unless otherwise provided in the articles of incorporation  
16 or the bylaws.

## 17 CHAPTER II

### 18 TRUSTEES AND OFFICERS

19 SEC. 91. *Election and Term of Trustees*. – The number of  
20 trustees shall be fixed in the articles of incorporation or bylaws but  
21 shall not exceed fifteen (15). They shall hold office for not more  
22 than three (3) years until their successors are elected and qualified.  
23 Trustees elected to fill vacancies occurring before the expiration of a  
24 particular term shall hold office only for the unexpired period.

25 Except with respect to independent trustees of nonstock  
26 corporations vested with public interest, no person shall be elected  
27 as trustee unless one is a member of the corporation.

1 Unless otherwise provided in the articles of incorporation or  
 2 the bylaws, the members may directly elect officers of a nonstock  
 3 corporation.

4 SEC. 92. *List of Members and Proxies, Place of Meetings.* -  
 5 The corporation shall, at all times, keep a list of its members and  
 6 their proxies in the form the Commission may require. The list shall  
 7 be updated to reflect the members and proxies of record twenty (20)  
 8 days prior to any scheduled election. The bylaws may provide that  
 9 the members of a nonstock corporation may hold their regular  
 10 or special meetings at any place even outside the place where the  
 11 principal office of the corporation is located: *Provided*, That proper  
 12 notice is sent to all members indicating the date, time and place of  
 13 the meeting: *Provided, further*, That the place of meeting shall be  
 14 within Philippine territory.

### 15 CHAPTER III

#### 16 DISTRIBUTION OF ASSETS IN NONSTOCK CORPORATIONS

17 SEC. 93. *Rules of Distribution.* - The assets of a nonstock  
 18 corporation undergoing the process of dissolution for reasons other  
 19 than those set forth in Section 139 of this Code shall be applied and  
 20 distributed as follows:

21 (a) All liabilities and obligations of the corporation shall be  
 22 paid, satisfied and discharged, or adequate provision shall be made  
 23 therefor;

24 (b) Assets held by the corporation upon a condition requiring  
 25 return, transfer or conveyance, and which condition occurs by  
 26 reason of the dissolution, shall be returned, transferred or conveyed  
 27 in accordance with such requirements;

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

10           (d) Assets other than those mentioned in the preceding  
11 paragraphs, if any, shall be distributed in accordance with the  
12 provisions of the articles of incorporation or the bylaws, to the  
13 extent that the articles of incorporation or the bylaws determine the  
14 distributive rights of members, or any class or classes of members,  
15 or provide for distribution; and

16           (e) In any other case, assets may be distributed to such  
17 persons, societies, organizations or corporations, whether or not  
18 organized for profit, as may be specified in a plan of distribution  
19 adopted pursuant to this Chapter.

20           SEC. 94. *Plan of Distribution of Assets.* – A plan providing for  
21 the distribution of assets, consistent with the provisions of this  
22 Title, may be adopted by a nonstock corporation in the process of  
23 dissolution in the following manner:

24           (a) The board of trustees shall, by majority vote, adopt a  
25 resolution recommending a plan of distribution and directing the  
26 submission thereof to a vote at a regular or special meeting of  
27 members having voting rights;

1 (b) Each member entitled to vote shall be given a written  
2 notice setting forth the proposed plan of distribution or a summary  
3 thereof and the date, time and place of such meeting within the  
4 time and in the manner provided in this Code for the giving of  
5 notice of meetings; and

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

9 TITLE XII

10 CLOSE CORPORATIONS

11 SEC. 95. *Definition and Applicability of Title.* - A close  
12 corporation, within the meaning of this Code, is one whose articles  
13 of incorporation provides that: (a) all the corporation's issued stock  
14 of all classes, exclusive of treasury shares, shall be held of record by  
15 not more than a specified number of persons, not exceeding twenty  
16 (20); (b) all the issued stock of all classes shall be subject to one (1)  
17 or more specified restrictions on transfer permitted by this Title;  
18 and (c) the corporation shall not list in any stock exchange or make  
19 any public offering of its stocks of any class. Notwithstanding the  
20 foregoing, a corporation shall not be deemed a close corporation  
21 when at least two-thirds (2/3) of its voting stock or voting rights is  
22 owned or controlled by another corporation which is not a close  
23 corporation within the meaning of this Code.

24 Any corporation may be incorporated as a close corporation,  
25 except mining or oil companies, stock exchanges, banks, insurance  
26 companies, public utilities, educational institutions and

1 corporations declared to be vested with public interest in accordance  
2 with the provisions of this Code.

3 The provisions of this Title shall primarily govern close  
4 corporations: *Provided*, That other Titles in this Code shall apply  
5 suppletorily, except as otherwise provided under this Title.

6 SEC. 96. *Articles of Incorporation.* - The articles of  
7 incorporation of a close corporation may provide for:

8 (a) A classification of shares or rights, the qualifications for  
9 owning or holding the same, and restrictions on their transfers,  
10 subject to the provisions of the following section;

11 (b) A classification of directors into one (1) or more classes,  
12 each of whom may be voted for and elected solely by a particular  
13 class of stock; and

14 (c) Greater quorum or voting requirements in meetings of  
15 stockholders or directors than those provided in this Code.

16 The articles of incorporation of a close corporation may  
17 provide that the business of the corporation shall be managed by the  
18 stockholders of the corporation rather than by a board of directors.  
19 So long as this provision continues in effect, no meeting of  
20 stockholders need be called to elect directors: *Provided*, That the  
21 stockholders of the corporation shall be deemed to be directors for  
22 the purpose of applying the provisions of this Code, unless the  
23 context clearly requires otherwise: *Provided, further*, That the  
24 stockholders of the corporation shall be subject to all liabilities of  
25 directors.

26 The articles of incorporation may likewise provide that all  
27 officers or employees or that specified officers or employees shall be



1 elected or appointed by the stockholders, instead of by the board of  
2 directors.

3       SEC. 97. *Validity of Restrictions on Transfer of Shares.* –

4 Restrictions on the right to transfer shares must appear in the  
5 articles of incorporation, in the bylaws, as well as in the certificate  
6 of stock; otherwise, the same shall not be binding on any purchaser  
7 in good faith. Said restrictions shall not be more onerous than  
8 granting the existing stockholders or the corporation the option to  
9 purchase the shares of the transferring stockholder with such  
10 reasonable terms, conditions or period stated. If, upon the  
11 expiration of said period, the existing stockholders or the  
12 corporation fails to exercise the option to purchase, the transferring  
13 stockholder may sell their shares to any third person.

14       SEC. 98. *Effects of Issuance or Transfer of Stock in Breach of*  
15 *Qualifying Conditions.* –

16       (a) If a stock of a close corporation is issued or transferred to  
17 any person who is not eligible thereof under any provision of the  
18 articles of incorporation, and if the certificate for such stock  
19 conspicuously shows the qualifications of the persons entitled to be  
20 holders of record thereof, such person is conclusively presumed to  
21 have notice of the fact of the ineligibility to be a stockholder.

22       (b) If the articles of incorporation of a close corporation states  
23 the number of persons, not exceeding twenty (20), who are entitled  
24 to be stockholders of record, and if the certificate for such stock  
25 conspicuously states such number, and the issuance or transfer of  
26 stock to any person would cause the stock to be held by more than  
27 such number of persons, the person to whom such stock is issued or

1 transferred is conclusively presumed to have notice of this fact.

2 (c) If a stock certificate of a close corporation conspicuously  
3 shows a restriction on transfer of the corporation's stock and the  
4 transferee acquires the stock in violation of such restriction, the  
5 transferee is conclusively presumed to have notice of the fact that  
6 the stock was acquired in violation of the restriction.

7 (d) Whenever a person to whom stock of a close corporation  
8 has been issued or transferred has or is conclusively presumed  
9 under this section to have notice of: (1) the person's ineligibility to  
10 be a stockholder of the corporation; or (2) that the transfer of stock  
11 would cause the stock of the corporation to be held by more than  
12 the number of persons permitted under its articles of incorporation;  
13 or (3) that the transfer violates a restriction on transfer of stock,  
14 and the corporation may, at its option, refuse to register the  
15 transfer in the name of the transferee.

16 (e) The provisions of subsection (d) shall not be applicable if  
17 the transfer of stock, though contrary to subsections (a), (b) or (c),  
18 has been consented to by all the stockholders of the close  
19 corporation, or if the close corporation has amended its articles of  
20 incorporation in accordance with this Title.

21 (f) The term "transfer", as used in this section, is not limited  
22 to a transfer for value.

23 (g) The provisions of this section shall not impair any right  
24 which the transferee may have to either rescind the transfer or  
25 recover the stock under any express or implied warranty.

26 SEC. 99. *Agreements by Stockholders.* -

27 (a) Agreements duly signed and executed by and among all

1 stockholders before the formation and organization of a close  
2 corporation shall survive the incorporation and shall continue to be  
3 valid and binding between such stockholders, if such be their  
4 intent, to the extent that such agreements are consistent with the  
5 articles of incorporation, irrespective of where the provisions of  
6 such agreements are contained, except those required by this Title  
7 to be embodied in said articles of incorporation.

8 (b) A written agreement signed by two (2) or more  
9 stockholders may provide that in exercising any voting right, the  
10 shares held by them shall be voted as provided as agreed, or in  
11 accordance with a procedure agreed upon by them.

12 (c) No provision in a written agreement signed by the  
13 stockholders, relating to any phase of corporate affairs, shall be  
14 invalidated between the parties on the ground that its effect is to  
15 make them partners among themselves.

16 (d) A written agreement among some or all of the  
17 stockholders in a close corporation shall not be invalidated on the  
18 ground that it relates to the conduct of the business and affairs of  
19 the corporation as to restrict or interfere with the discretion or  
20 powers of the board of directors: *Provided*, That such agreement  
21 shall impose on the stockholders who are parties thereto the  
22 liabilities for managerial acts imposed on directors by this Code.

23 (e) Stockholders actively engaged in the management or  
24 operation of the business and affairs of a close corporation shall be  
25 held to strict fiduciary duties to each other and among themselves.  
26 The stockholders shall be personally liable for corporate torts

1 unless the corporation has obtained reasonably adequate liability  
2 insurance.

3       SEC. 100. *When a Board Meeting is Unnecessary or*  
4 *Improperly Held.* – Unless the bylaws provide otherwise, any action  
5 taken by the directors of a close corporation without a meeting  
6 called properly and with due notice shall nevertheless be deemed  
7 valid if:

8       (a) Before or after such action is taken, a written consent  
9 thereto is signed by all the directors; or

10       (b) All the stockholders have actual or implied knowledge of  
11 the action and make no prompt objection in writing; or

12       (c) The directors are accustomed to take informal action with  
13 the express or implied acquiescence of all the stockholders; or

14       (d) All the directors have express or implied knowledge of the  
15 action in question and none of them makes a prompt objection in  
16 writing.

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

22       SEC. 101. *Preemptive Right in Close Corporations.* – The  
23 preemptive right of stockholders in close corporations shall extend  
24 to all stock to be issued, including reissuance of treasury shares,  
25 whether for money, property or personal services, or in payment of  
26 corporate debts, unless the articles of incorporation provide  
27 otherwise.

1           SEC. 102. *Amendment of Articles of Incorporation.* – Any  
2 amendment to the articles of incorporation which seeks to delete or  
3 remove any provision required by this Title or to reduce a quorum  
4 or voting requirement stated in said articles of incorporation shall  
5 require the affirmative vote of at least two-thirds (2/3) of the  
6 outstanding capital stock, whether with or without voting rights, or  
7 of such greater proportion of shares as may be specifically provided  
8 in the articles of incorporation for amending, deleting or removing  
9 any of the aforesaid provisions, at a meeting duly called for the  
10 purpose.

11           SEC. 103. *Deadlocks.* – Notwithstanding any contrary  
12 provision in the close corporation's articles of incorporation, bylaws,  
13 or stockholders' agreement, if the directors or stockholders are so  
14 divided on the management of the corporation's business and affairs  
15 that the votes required for a corporate action cannot be obtained,  
16 with the consequence that the business and affairs of the  
17 corporation can no longer be conducted to the advantage of the  
18 stockholders generally, the Commission, upon written petition by  
19 any stockholder, shall have the power to arbitrate the dispute. In  
20 the exercise of such power, the Commission shall have authority to  
21 make appropriate orders, such as: (a) cancelling or altering any  
22 provision contained in the articles of incorporation, bylaws, or any  
23 stockholders' agreement; (b) cancelling, altering or enjoining a  
24 resolution or act of the corporation or its board of directors,  
25 stockholders, or officers; (c) directing or prohibiting any act of the  
26 corporation or its board of directors, stockholders, officers, or other  
27 persons party to the action; (d) requiring the purchase at their fair



1 value of shares of any stockholder, either by the corporation  
2 regardless of the availability of unrestricted retained earnings in its  
3 books, or by the other stockholders; (e) appointing a provisional  
4 director; (f) dissolving the corporation; or (g) granting such other  
5 relief as the circumstances may warrant.

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

20 *SEC. 104. Withdrawal of Stockholder or Dissolution of*  
21 *Corporation.* - In addition and without prejudice to other rights  
22 and remedies available under this Title, any stockholder of a close  
23 corporation may, for any reason, compel the corporation to purchase  
24 shares held at fair value, which shall not be less than the par or  
25 issued value, when the corporation has sufficient assets in its books  
26 to cover its debts and liabilities exclusive of capital stock: *Provided,*  
27 That any stockholder of a close corporation may, by written petition

1 to the Commission, compel the dissolution of such corporation  
2 whenever any acts of the directors, officers, or those in control of  
3 the corporation is illegal, fraudulent, dishonest, oppressive or  
4 unfairly prejudicial to the corporation or any stockholder, or  
5 whenever corporate assets are being misapplied or wasted.

6 TITLE XIII

7 SPECIAL CORPORATIONS

8 CHAPTER I

9 EDUCATIONAL CORPORATIONS

10 SEC. 105. *Incorporation.* - Educational corporations shall be  
11 governed by special laws and by the general provisions of this Code.

12 SEC. 106. *Board of Trustees.* - Trustees of educational  
13 institutions organized as nonstock corporations shall not be less  
14 than five (5) nor more than fifteen (15): *Provided*, That the  
15 number of trustees shall be in multiples of five (5).

16 Unless otherwise provided in the articles of incorporation or  
17 bylaws, the board of trustees of incorporated schools, colleges, or  
18 other institutions of learning shall, as soon as organized, so classify  
19 themselves that the term of office of one-fifth ( $1/5$ ) of their number  
20 shall expire every year. Trustees thereafter elected to fill vacancies,  
21 occurring before the expiration of a particular term, shall hold office  
22 only for the unexpired period. Trustees elected thereafter to fill  
23 vacancies caused by expiration of term shall hold office for five (5)  
24 years. A majority of the trustees shall constitute a quorum for the  
25 transaction of business. The powers and authority of trustees shall  
26 be defined in the bylaws.

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

## 4 CHAPTER II

### 5 RELIGIOUS CORPORATIONS

6 SEC. 107. *Classes of Religious Corporations.* - Religious  
7 corporations may be incorporated by one (1) or more persons. Such  
8 corporations may be classified into corporations sole and religious  
9 societies.

10 Religious corporations shall be governed by this Chapter and  
11 by the general provisions on nonstock corporations insofar as  
12 applicable.

13 SEC. 108. *Corporation Sole.* - For the purpose of  
14 administering and managing, as trustee, the affairs, property and  
15 temporalities of any religious denomination, sect or church, a  
16 corporation sole may be formed by the chief archbishop, bishop,  
17 priest, minister, rabbi, or other presiding elder of such religious  
18 denomination, sect or church.

19 SEC. 109. *Articles of Incorporation.* - In order to become a  
20 corporation sole, the chief archbishop, bishop, priest, minister,  
21 rabbi, or presiding elder of any religious denomination, sect or  
22 church must file with the Commission articles of incorporation  
23 setting forth the following:

24 (a) That the applicant chief archbishop, bishop, priest,  
25 minister, rabbi, or presiding elder represents the religious  
26 denomination, sect or church who desires to become a corporation  
27 sole;

1           (b) That the rules, regulations and discipline of the religious  
2 denomination, sect or church are consistent with becoming a  
3 corporation sole and do not forbid it;

4           (c) That such chief archbishop, bishop, priest, minister,  
5 rabbi, or presiding elder is charged with the administration of the  
6 temporalities and the management of the affairs, estate and  
7 properties of the religious denomination, sect, or church within the  
8 territorial jurisdiction, so described succinctly in the articles of  
9 incorporation;

10          (d) The manner by which any vacancy occurring in the office  
11 of chief archbishop, bishop, priest, minister, rabbi, or presiding  
12 elder is required to be filled, according to the rules, regulations or  
13 discipline of the religious denomination, sect or church; and

14          (e) The place where the principal office of the corporation sole  
15 is to be established and located, which place must be within the  
16 territory of the Philippines.

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

20          SEC. 110. *Submission of the Articles of Incorporation.* – The  
21 articles of incorporation must be verified, by affidavit or affirmation  
22 of the chief archbishop, bishop, priest, minister, rabbi, or presiding  
23 elder, as the case may be, and accompanied by a copy of the  
24 commission, certificate of election or letter of appointment of such  
25 chief archbishop, bishop, priest, minister, rabbi, or presiding elder,  
26 duly certified to be correct by any notary public.

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

13 SEC. 111. *Acquisition and Alienation of Property.* - A  
14 corporation sole may purchase and hold real estate and personal  
15 property for its church, charitable, benevolent, or educational  
16 purposes, and may receive bequests or gifts for such purposes. Such  
17 corporation may sell or mortgage real property held by it by  
18 obtaining an order for that purpose from the Regional Trial Court of  
19 the province where the property is situated upon proof that the  
20 notice of the application for leave to sell or mortgage has been made  
21 through publication or as directed by the Court, and that it is in the  
22 interest of the corporation that leave to sell or mortgage be granted.  
23 The application for leave to sell or mortgage must be made by  
24 petition, duly verified, by the chief archbishop, bishop, priest,  
25 minister, rabbi, or presiding elder acting as corporation sole, and  
26 may be opposed by any member of the religious denomination, sect,  
27 or church represented by the corporation sole: *Provided*, That in



1 cases where the rules, regulations, and discipline of the religious  
2 denomination, sect or church, religious society, or order concerned  
3 represented by such corporation sole regulate the method of  
4 acquiring, holding, selling, and mortgaging real estate and personal  
5 property, such rules, regulations and discipline shall control, and  
6 the intervention of the courts shall not be necessary.

7       SEC. 112. *Filling of Vacancies.* – The successors in office of  
8 any chief archbishop, bishop, priest, minister, rabbi, or presiding  
9 elder in a corporation sole shall become the corporation sole on their  
10 accession to office and shall be permitted to transact business as  
11 such upon filing a copy of their commission, certificate of election, or  
12 letters of appointment, duly certified by any notary public with the  
13 Commission.

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

23       SEC. 113. *Dissolution.* – A corporation sole may be dissolved  
24 and its affairs settled voluntarily by submitting to the Commission  
25 a verified declaration of dissolution, setting forth:

26       (a) The name of the corporation;

27       (b) The reason for dissolution and winding up;

1 (c) The authorization for the dissolution of the corporation by  
2 the particular religious denomination, sect or church; and

3 (d) The names and addresses of the persons who are to  
4 supervise the winding up of the affairs of the corporation.

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

8 SEC. 114. *Religious Societies.* – Unless forbidden by competent  
9 authority, the Constitution, pertinent rules, regulations, or  
10 discipline of the religious denomination, sect or church of which it  
11 is a part, any religious society, religious order, diocese, or synod, or  
12 district organization of any religious denomination, sect or church,  
13 may, upon written consent and/or by an affirmative vote at a  
14 meeting called for the purpose of at least two-thirds (2/3) of its  
15 membership, incorporate for the administration of its temporalities  
16 or for the management of its affairs, properties, and estate by filing  
17 with the Commission, articles of incorporation verified by the  
18 affidavit of the presiding elder, secretary, or clerk or other member  
19 of such religious society or religious order, or diocese, synod, or  
20 district organization of the religious denomination, sect, or church,  
21 setting forth the following:

22 (a) That the religious society or religious order, or diocese,  
23 synod, or district organization is a religious organization of a  
24 religious denomination, sect or church;

25 (b) That at least two-thirds (2/3) of its membership has given  
26 written consent or has voted to incorporate, at a duly convened  
27 meeting of the body;

1 (c) That the incorporation of the religious society or religious  
2 order, or diocese, synod, or district organization is not forbidden by  
3 competent authority or by the Constitution, rules, regulations or  
4 discipline of the religious denomination, sect or church of which it  
5 forms part;

6 (d) That the religious society or religious order, or diocese,  
7 synod, or district organization desires to incorporate for the  
8 administration of its affairs, properties and estate;

9 (e) The place within the Philippines where the principal  
10 office of the corporation is to be established and located; and

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

### 17 CHAPTER III

#### 18 ONE PERSON CORPORATIONS

19 SEC. 115. *Applicability of Provisions to One Person*  
20 *Corporations.* – The provisions of this Title shall primarily apply  
21 to one person corporations. Other provisions of this Code apply  
22 suppletorily, except as otherwise provided in this Title.

23 SEC. 116. *One Person Corporation.* – A one person corporation  
24 is a corporation with a single stockholder: *Provided*, That only a  
25 natural person, trust, or an estate may form a one person  
26 corporation.

1 Banks and quasi-banks, preneed, trust, insurance, public and  
2 publicly-listed companies, and non-chartered government-owned  
3 and -controlled corporations may not incorporate as one person  
4 corporations: *Provided, further,* That a natural person who is  
5 licensed to exercise a profession may not organize as a one person  
6 corporation for the purpose of exercising such profession except as  
7 otherwise provided under special laws.

8 SEC. 117. *Minimum Capital Stock Required for One Person*  
9 *Corporation.* – A one person corporation shall not be required  
10 to have a minimum authorized capital stock except as otherwise  
11 provided by special law.

12 SEC. 118. *Articles of Incorporation.* – A one person corporation  
13 shall file articles of incorporation in accordance with the  
14 requirements under Section 14 of this Code. It shall likewise  
15 substantially contain the following:

16 (a) If the single stockholder is a trust or an estate, the name,  
17 nationality, and residence of the trustee, administrator, executor,  
18 guardian, conservator, custodian, or other person exercising  
19 fiduciary duties together with the proof of such authority to act on  
20 behalf of the trust or estate; and

21 (b) Name, nationality, residence of the nominee and alternate  
22 nominee, and the extent, coverage and limitation of the authority.

23 SEC. 119. *Bylaws.* – The one person corporation is not  
24 required to submit and file corporate bylaws.

25 SEC. 120. *Display of Corporate Name.* – A one person  
26 corporation shall indicate the letters “OPC” either below or at the  
27 end of its corporate name.

1           SEC. 121. *Single Stockholder as Director, President.* – The  
2 single stockholder shall be the sole director and president of the one  
3 person corporation.

4           SEC. 122. *Treasurer, Corporate Secretary, and Other Officers.*  
5 – Within fifteen (15) days from the issuance of its certificate of  
6 incorporation, the one person corporation shall appoint a treasurer,  
7 corporate secretary, and other officers as it may deem necessary,  
8 and notify the Commission thereof within five (5) days from  
9 appointment.

10           The single stockholder may not be appointed as the corporate  
11 secretary.

12           A single stockholder who is likewise the self-appointed  
13 treasurer of the corporation shall give a bond to the Commission in  
14 such a sum as may be required: *Provided, That,* the said  
15 stockholder/treasurer shall undertake in writing to faithfully  
16 administer the one person corporation's funds to be received as  
17 treasurer, and to disburse and invest the same according to the  
18 articles of incorporation as approved by the Commission. The bond  
19 shall be renewed every two (2) years or as often as may be required.

20           SEC. 123. *Special Functions of the Corporate Secretary.* – In  
21 addition to the functions designated by the one person corporation,  
22 the corporate secretary shall:

23           (a) Be responsible for maintaining the minutes book and/or  
24 records of the corporation;

25           (b) Notify the nominee or alternate nominee of the death or  
26 incapacity of the single stockholder, which notice shall be given no  
27 later than five (5) days from such occurrence;



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

5 (d) Call the nominee or alternate nominee and the known  
6 legal heirs to a meeting and advise the legal heirs with regard to,  
7 among others, the election of a new director, amendment of the  
8 articles of incorporation, and other ancillary and/or consequential  
9 matters.

10 SEC. 124. *Nominee and Alternate Nominee.* – The single  
11 stockholder shall designate a nominee and an alternate nominee  
12 who shall, in the event of the single stockholder's death or  
13 incapacity, take the place of the single stockholder as director and  
14 shall manage the corporation's affairs.

15 The articles of incorporation shall state the names, residence  
16 addresses and contact details of the nominee and alternate  
17 nominee, as well as the extent and limitations of their authority in  
18 managing the affairs of the one person corporation.

19 The written consent of the nominee and alternate nominee  
20 shall be attached to the application for incorporation. Such consent  
21 may be withdrawn in writing any time before the death or  
22 incapacity of the single stockholder.

23 SEC. 125. *Term of Nominee and Alternate Nominee.* – When  
24 the incapacity of the single stockholder is temporary, the nominee  
25 shall sit as director and manage the affairs of the one person  
26 corporation until the stockholder, by self determination, regains the  
27 capacity to assume such duties.

1           In case of death or permanent incapacity of the single  
2 stockholder, the nominee shall sit as director and manage the  
3 affairs of the one person corporation until the legal heirs of the  
4 single stockholder have been lawfully determined, and the heirs  
5 have designated one of them or have agreed that the estate shall be  
6 the single stockholder of the one person corporation.

7           The alternate nominee shall sit as director and manage the  
8 one person corporation in case of the nominee's inability, incapacity,  
9 death, or refusal to discharge the functions as director and manager  
10 of the corporation, and only for the same term and under the same  
11 conditions applicable to the nominee.

12           SEC. 126. *Change of Nominee or Alternate Nominee.* - The  
13 single stockholder may, at any time, change its nominee and  
14 alternate nominee by submitting to the Commission the names of  
15 the new nominees and their corresponding written consent. For this  
16 purpose, the articles of incorporation need not be amended.

17           SEC. 127. *Minutes Book.* - A one person corporation shall  
18 maintain a minutes book which shall contain all actions, decisions,  
19 and resolutions taken by the one person corporation.

20           SEC. 128. *Records in Lieu of Meetings.* - When action is  
21 needed on any matter, it shall be sufficient to prepare a written  
22 resolution, signed and dated by the single stockholder, and recorded  
23 in the minutes book of the one person corporation. The date of  
24 recording in the minutes book shall be deemed to be the date of the  
25 meeting for all purposes under this Code.

1           SEC. 129. *Reportorial Requirements.* - The one person  
2 corporation shall submit the following within such period as the  
3 Commission may prescribe:

4           (a) Annual financial statements audited by an independent  
5 certified public accountant: *Provided*, That if the total assets or  
6 total liabilities of the corporation are less than Three million pesos  
7 (P3,000,000.00), the financial statements shall be certified under  
8 oath by the corporation's treasurer and president;

9           (b) A report containing explanations or comments by the  
10 president on every qualification, reservation, or adverse remark or  
11 disclaimer made by the auditor in the latter's report;

12           (c) A disclosure of all self-dealings and related party  
13 transactions entered into between the one person corporation and  
14 the single stockholder; and

15           (d) Other reports as the Commission may require.

16           For purposes of this provision, the fiscal year of a one person  
17 corporation shall be that set forth in its articles of incorporation or,  
18 in the absence thereof, the calendar year.

19           The Commission may place the corporation under delinquent  
20 status should the corporation fail to submit the reportorial  
21 requirements three (3) times, consecutively or intermittently,  
22 within a period of five (5) years.

23           SEC. 130. *Liability of Single Shareholder.* - A sole  
24 shareholder claiming limited liability has the burden of  
25 affirmatively showing that the corporation was adequately financed.

26           Where the single stockholder cannot prove that the property  
27 of the one person corporation is independent of the stockholder's

1 personal property, the stockholder shall be jointly and severally  
2 liable for the debts and other liabilities of the one person  
3 corporation.

4 The principles of piercing the corporate veil applies with equal  
5 force to one person corporations as with other corporations.

6 SEC. 131. *Conversion from an Ordinary Corporation to a One*  
7 *Person Corporation.* – When a single stockholder acquires all the  
8 stocks of an ordinary stock corporation, the latter may apply for  
9 conversion into a one person corporation, subject to the submission  
10 of such documents as the Commission may require. If the  
11 application for conversion is approved, the Commission shall issue  
12 an amended certificate of incorporation reflecting the conversion.  
13 The one person corporation converted from an ordinary stock  
14 corporation shall succeed the latter and be legally responsible for all  
15 the latter's outstanding liabilities as of the date of conversion.

16 SEC. 132. *Conversion from a One Person Corporation to an*  
17 *Ordinary Stock Corporation.* – A one person corporation may be  
18 converted into an ordinary stock corporation after due notice to the  
19 Commission of such fact and of the circumstances leading to the  
20 conversion, and after compliance with all other requirements  
21 for stock corporations under this Code and applicable rules. Such  
22 notice shall be filed with the Commission within sixty (60) days  
23 from the occurrence of the circumstances leading to the conversion  
24 into an ordinary stock corporation. If all requirements have been  
25 complied with, the Commission shall issue an amended certificate of  
26 incorporation reflecting the conversion.

1           In case of death of the single stockholder, the nominee or  
2 alternate nominee shall transfer the shares to the duly designated  
3 legal heir or estate within seven (7) days from receipt of either an  
4 affidavit of heirship or self-adjudication executed by a sole heir, or  
5 any other legal document declaring the legal heirs of the single  
6 stockholder and notify the Commission of the transfer. Within sixty  
7 (60) days from the transfer of the shares, the legal heirs shall notify  
8 the Commission of their decision to either wind up and dissolve the  
9 one person corporation or convert it into an ordinary stock  
10 corporation.

11           The ordinary stock corporation converted from a one person  
12 corporation shall succeed the latter and be legally responsible for all  
13 the latter's outstanding liabilities as of the date of conversion.

#### 14   TITLE XIV

#### 15   DISSOLUTION

16           SEC. 133. *Methods of Dissolution.* – A corporation formed or  
17 organized under the provisions of this Code may be dissolved  
18 voluntarily or involuntarily.

19           SEC. 134. *Voluntary Dissolution Where No Creditors are*  
20 *Affected.* – If dissolution of a corporation does not prejudice the  
21 rights of any creditor having a claim against it, the dissolution may  
22 be effected by majority vote of the board of directors or trustees, and  
23 by a resolution adopted by the affirmative vote of the stockholders  
24 owning at least majority of the outstanding capital stock or majority  
25 of the members of a meeting to be held upon the call of the directors  
26 or trustees.



1           At least twenty (20) days prior to the meeting, notice shall be  
2 given to each shareholder or member of record personally, by  
3 registered mail, or by any means authorized under its bylaws,  
4 whether or not entitled to vote at the meeting, in the manner  
5 provided in Section 50 of this Code and shall state that the purpose  
6 of the meeting is to vote on the dissolution of the corporation. Notice  
7 of the time, place, and object of the meeting shall be published once  
8 prior to the date of the meeting in a newspaper published in the  
9 place where the principal office of said corporation is located, or if  
10 no newspaper is published in such place, in a newspaper of general  
11 circulation in the Philippines.

12           A verified request for dissolution shall be filed with the  
13 Commission stating: (a) the reason for the dissolution; (b) the form,  
14 manner, and time when the notices were given; (c) names of the  
15 stockholders and directors or members and trustees, who approved  
16 the dissolution; (d) the date, place, and time of the meeting in which  
17 the vote was made; and (e) details of publication.

18           The corporation shall submit the following to the Commission:  
19 (1) a copy of the resolution authorizing the dissolution, certified by a  
20 majority of the board of directors or trustees and countersigned by  
21 the secretary of the corporation; (2) proof of publication; and  
22 (3) favorable recommendation from the appropriate regulatory  
23 agency, when necessary.

24           Within fifteen (15) days from receipt of the verified request for  
25 dissolution, and in the absence of any withdrawal within said  
26 period, the Commission shall approve the request and issue the

1 certificate of dissolution. The dissolution shall take effect only upon  
2 the issuance by the Commission of a certificate of dissolution.

3 No application for dissolution of banks, banking and  
4 quasi-banking institutions, preneed, insurance and trust  
5 companies, nonstock savings and loan associations, pawnshops,  
6 and other financial intermediaries shall be approved by the  
7 Commission unless accompanied by a favorable recommendation of  
8 the appropriate government agency.

9 SEC. 135. *Voluntary Dissolution Where Creditors are Affected;*  
10 *Procedure and Contents of Petition.* – Where the dissolution of a  
11 corporation may prejudice the rights of any creditor, a verified  
12 petition for dissolution shall be filed with the Commission. The  
13 petition shall be signed by a majority of the corporation's board of  
14 directors or trustees, verified by its president or secretary or one of  
15 its directors or trustees, and shall set forth all claims and demands  
16 against it, and that its dissolution was resolved upon by the  
17 affirmative vote of the stockholders representing at least two-thirds  
18 (2/3) of the outstanding capital stock or at least two-thirds (2/3) of  
19 the members at a meeting of its stockholders or members called for  
20 that purpose. The petition shall likewise state: (a) the reason for  
21 the dissolution; (b) the form, manner, and time when the notices  
22 were given; and (c) the date, place, and time of the meeting in which  
23 the vote was made. The corporation shall submit to the Commission  
24 the following: (1) a copy of the resolution authorizing the  
25 dissolution, certified by a majority of the board of directors or  
26 trustees and countersigned by the secretary of the corporation; and  
27 (2) a list of all its creditors.

1           If the petition is sufficient in form and substance, the  
2 Commission shall, by an order reciting the purpose of the petition,  
3 fix a deadline for filing objections to the petition which date shall  
4 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  
8 city where the principal office of the corporation is situated, or if  
9 there be no such newspaper, then in a newspaper of general  
10 circulation in the Philippines, and a similar copy shall be posted for  
11 three (3) consecutive weeks in three (3) public places in such  
12 municipality or city.

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

21           The dissolution shall take effect only upon the issuance by the  
22 Commission of a certificate of dissolution.

23           SEC. 136. *Dissolution by Shortening Corporate Term.* – A  
24 voluntary dissolution may be effected by amending the articles of  
25 incorporation to shorten the corporate term pursuant to the  
26 provisions of this Code. A copy of the amended articles of

1 incorporation shall be submitted to the Commission in accordance  
2 with this Code.

3         Upon the expiration of the shortened term, as stated in the  
4 approved amended articles of incorporation, the corporation shall be  
5 deemed dissolved without any further proceedings, subject to the  
6 provisions of this Code on liquidation.

7         In the case of expiration of corporate term, dissolution shall  
8 automatically take effect on the day following the last day of the  
9 corporate term stated in the articles of incorporation, without the  
10 need for the issuance by the Commission of a certificate of  
11 dissolution.

12         SEC. 137. *Withdrawal of Request and Petition for Dissolution.*

13         - A withdrawal of the request for dissolution shall be made in  
14 writing, duly verified by any incorporator, director, trustee,  
15 shareholder, or member and signed by the same number of  
16 incorporators, directors, trustees, shareholders, or members  
17 necessary to request for dissolution as set forth in the foregoing  
18 sections. The withdrawal shall be submitted no later than fifteen  
19 (15) days from receipt by the Commission of the request for  
20 dissolution. Upon receipt of a withdrawal of request for dissolution,  
21 the Commission shall withhold action on the request for dissolution  
22 and shall, after investigation: (a) make a pronouncement that the  
23 request for dissolution is deemed withdrawn; (b) direct a joint  
24 meeting of the board of directors or trustees and the stockholders or  
25 members for the purpose of ascertaining whether to proceed with  
26 dissolution; or (c) issue such other orders as it may deem  
27 appropriate.

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

6           SEC. 138. *Involuntary Dissolution.* – A corporation may be  
7 dissolved by the Commission *motu proprio* or upon filing of a  
8 verified complaint by any interested party. The following may be  
9 grounds for dissolution of the corporation:

10           (a) Non-use of corporate charter as provided under Section 21  
11 of this Code;

12           (b) Continuous inoperation of a corporation as provided  
13 under Section 21 of this Code;

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

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

18           (e) Upon finding by final judgment that the corporation:

19           (1) Was created for the purpose of committing, concealing or  
20 aiding the commission of securities violations, smuggling, tax  
21 evasion, money laundering, or graft and corrupt practices;

22           (2) Committed or aided in the commission of securities  
23 violations, smuggling, tax evasion, money laundering, or graft and  
24 corrupt practices, and its stockholders knew; and

25           (3) Repeatedly and knowingly tolerated the commission of  
26 graft and corrupt practices or other fraudulent or illegal acts by its  
27 directors, trustees, officers, or employees.



1           If the corporation is ordered dissolved by final judgment  
2 pursuant to the grounds set forth in subparagraph (e) hereof, its  
3 assets, after payment of its liabilities, shall, upon petition of the  
4 Commission with the appropriate court, be forfeited in favor of the  
5 national government. Such forfeiture shall be without prejudice to  
6 the rights of innocent stockholders and employees for services  
7 rendered, and to the application of other penalty or sanction under  
8 this Code or other laws.

9           The Commission shall give reasonable notice to, and  
10 coordinate with, the appropriate regulatory agency prior to the  
11 involuntary dissolution of companies under their special regulatory  
12 jurisdiction.

13           SEC. 139. *Corporate Liquidation.* – Except for banks, which  
14 shall be covered by the applicable provisions of Republic Act  
15 No. 7653, otherwise known as the New Central Bank Act, as  
16 amended, and Republic Act No. 3591, otherwise known as the  
17 Philippine Deposit Insurance Corporation Charter, as amended,  
18 every corporation whose charter expires pursuant to its articles of  
19 incorporation, is annulled by forfeiture, or whose corporate  
20 existence is terminated in any other manner, shall nevertheless  
21 remain as a body corporate for three (3) years after the effective  
22 date of dissolution, for the purpose of prosecuting and defending  
23 suits by or against it and enabling it to settle and close its affairs,  
24 dispose of and convey its property, and distribute its assets, but not  
25 for the purpose of continuing the business for which it was  
26 established.

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

10           Except as otherwise provided for in Sections 93 and 94 of this  
11 Code, upon the winding up of corporate affairs, any asset  
12 distributable to any creditor or stockholder or member who is  
13 unknown or cannot be found shall be escheated in favor of the  
14 national government.

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

## 19   TITLE XV

### 20   FOREIGN CORPORATIONS

#### 21           SEC. 140. *Definition and Rights of Foreign Corporations.* –

22 For purposes of this Code, a foreign corporation is one formed,  
23 organized or existing under laws other than the Philippines and  
24 whose laws allow Filipino citizens and corporations to do business  
25 in its own country or State. It shall have the right to transact  
26 business in the Philippines after obtaining a license for that purpose

1 in accordance with this Code and a certificate of authority from the  
2 appropriate government agency.

3       SEC. 141. *Application to Existing Foreign Corporations.* –  
4 Every foreign corporation which on the date of the effectivity of this  
5 Code is authorized to do business in the Philippines under a license  
6 issued to it shall continue to have such authority under the terms  
7 and conditions of its license, subject to the provisions of this Code  
8 and other special laws.

9       SEC. 142. *Application for a License.* – A foreign corporation  
10 applying for a license to transact business in the Philippines shall  
11 submit to the Commission a copy of its articles of incorporation and  
12 bylaws, certified in accordance with law, and their translation to an  
13 official language of the Philippines, if necessary. The application  
14 shall be under oath and, unless already stated in its articles of  
15 incorporation, shall specifically set forth the following:

16       (a) The date and term of incorporation;

17       (b) The address, including the street number, of the principal  
18 office of the corporation in the country or state of incorporation;

19       (c) The name and address of its resident agent authorized to  
20 accept summons and process in all legal proceedings and all notices  
21 affecting the corporation, pending the establishment of a local  
22 office;

23       (d) The place in the Philippines where the corporation  
24 intends to operate;

25       (e) The specific purpose or purposes which the corporation  
26 intends to pursue in the transaction of its business in the  
27 Philippines: *Provided*, That said purpose or purposes are those

1 specifically stated in the certificate of authority issued by the  
2 appropriate government agency;

3 (f) The names and addresses of the present directors and  
4 officers of the corporation;

5 (g) A statement of its authorized capital stock and the  
6 aggregate number of shares which the corporation has authority to  
7 issue, itemized by class, par value of shares, shares without par  
8 value, and series, if any;

9 (h) A statement of its outstanding capital stock and the  
10 aggregate number of shares which the corporation has issued,  
11 itemized by class, par value of shares, shares without par value,  
12 and series, if any;

13 (i) A statement of the amount actually paid in; and

14 (j) Such additional information as may be necessary or  
15 appropriate in order to enable the Commission to determine  
16 whether such corporation is entitled to a license to transact  
17 business in the Philippines, and to determine and assess the fees  
18 payable.

19 Attached to the application for license shall be a certificate  
20 under oath duly executed by the authorized official or officials of the  
21 jurisdiction of its incorporation, attesting to the fact that the laws of  
22 the country or State of the applicant allow Filipino citizens and  
23 corporations to do business therein, and that the applicant is an  
24 existing corporation in good standing. If the certificate is in a  
25 foreign language, a translation thereof in English under oath of the  
26 translator shall be attached to the application.

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

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

16           SEC. 143. *Issuance of a License.* - If the Commission is  
17 satisfied that the applicant has complied with all the requirements  
18 of this Code and other special laws, rules and regulations, the  
19 Commission shall issue a license to transact business in the  
20 Philippines to the applicant for the purpose or purposes specified in  
21 such license. Upon issuance of the license, such foreign corporation  
22 may commence to transact business in the Philippines and continue  
23 to do so for as long as it retains its authority to act as a corporation  
24 under the laws of the country or State of its incorporation, unless  
25 such license is sooner surrendered, revoked, suspended, or annulled  
26 in accordance with this Code or other special laws. Within sixty  
27 (60) days after the issuance of the license to transact business in the



1 Philippines, the licensee, except foreign banking or insurance  
2 corporations, shall deposit with the Commission for the benefit of  
3 present and future creditors of the licensee in the Philippines,  
4 securities satisfactory to the Commission, consisting of bonds or  
5 other evidence of indebtedness of the Government of the  
6 Philippines, its political subdivisions and instrumentalities, or of  
7 government-owned or -controlled corporations and entities, shares  
8 of stock or debt securities that are registered under Republic Act  
9 No. 8799, otherwise known as "The Securities Regulation Code",  
10 shares of stock in domestic corporations listed in the stock  
11 exchange, shares of stock in domestic insurance companies and  
12 banks, any financial instrument determined suitable by the  
13 Commission, or any combination thereof with an actual market  
14 value of at least Five hundred thousand pesos (P500,000.00) or such  
15 other amount that may be set by the Commission: *Provided,*  
16 *however,* That within six (6) months after each fiscal year of the  
17 licensee, the Commission shall require the licensee to deposit  
18 additional securities or financial instruments equivalent in actual  
19 market value to two percent (2%) of the amount by which the  
20 licensee's gross income for that fiscal year exceeds Ten million pesos  
21 (P10,000,000.00). The Commission shall also require the deposit of  
22 additional securities or financial instruments if the actual market  
23 value of the deposited securities or financial instruments has  
24 decreased by at least ten percent (10%) of their actual market value  
25 at the time they were deposited. The Commission may, at its  
26 discretion, release part of the additional deposit if the gross income  
27 of the licensee has decreased, or if the actual market value of the

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

14       SEC. 144. *Who May be a Resident Agent.* – A resident agent  
15 may be either an individual residing in the Philippines or a  
16 domestic corporation lawfully transacting business in the  
17 Philippines: *Provided*, That an individual resident agent must be of  
18 good moral character and of sound financial standing: *Provided*,  
19 *further*, That in case of a domestic corporation who will act as a  
20 resident agent, it must likewise be of sound financial standing and  
21 must show proof that it is in good standing as certified by the  
22 Commission.

23       SEC. 145. *Resident Agent; Service of Process.* – As a condition  
24 to the issuance of the license for a foreign corporation to transact  
25 business in the Philippines, such corporation shall file with the  
26 Commission a written power of attorney designating a person who  
27 must be a resident of the Philippines, on whom summons and other

1 legal processes may be served in all actions or other legal  
2 proceedings against such corporation, and consenting that service  
3 upon such resident agent shall be admitted and held as valid as if  
4 served upon the duly authorized officers of the foreign corporation  
5 at its home office. Such foreign corporation shall likewise execute  
6 and file with the Commission an agreement or stipulation, executed  
7 by the proper authorities of said corporation, in form and substance  
8 as follows:

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

20       Whenever such service of summons or other process is made  
21 upon the Commission, the Commission shall, within ten (10) days  
22 thereafter, transmit by mail a copy of such summons or other legal  
23 process to the corporation at its home or principal office. The  
24 sending of such copy by the Commission shall be a necessary part of  
25 and shall complete such service. All expenses incurred by the  
26 Commission for such service shall be paid in advance by the party  
27 at whose instance the service is made.

1           It shall be the duty of the resident agent to immediately notify  
2 the Commission in writing of any change in the resident agent's  
3 address.

4           SEC. 146. *Law Applicable.* – A foreign corporation lawfully  
5 doing business in the Philippines shall be bound by all laws, rules  
6 and regulations applicable to domestic corporations of the same  
7 class, except those which provide for the creation, formation,  
8 organization or dissolution of corporations or those which fix the  
9 relations, liabilities, responsibilities, or duties of stockholders,  
10 members, or officers of corporations to each other or to the  
11 corporation.

12           SEC. 147. *Amendments to Articles of Incorporation or Bylaws*  
13 *of Foreign Corporations.* – Whenever the articles of incorporation or  
14 bylaws of a foreign corporation authorized to transact business in  
15 the Philippines are amended, such foreign corporation shall, within  
16 sixty (60) days after the amendment becomes effective, file with the  
17 Commission, and in the proper cases, with the appropriate  
18 government agency, a duly authenticated copy of the amended  
19 articles of incorporation or bylaws, indicating clearly in capital  
20 letters or underscoring the change or changes made, duly certified  
21 by the authorized official or officials of the country or state of  
22 incorporation. Such filing shall not in itself enlarge or alter the  
23 purpose or purposes for which such corporation is authorized to  
24 transact business in the Philippines.

25           SEC. 148. *Amended License.* – A foreign corporation  
26 authorized to transact business in the Philippines shall obtain an  
27 amended license in the event it changes its corporate name, or



1 desires to pursue other or additional purposes in the Philippines, by  
2 submitting an application with the Commission, favorably endorsed  
3 by the appropriate government agency in the proper cases.

4       SEC. 149. *Merger or Consolidation Involving a Foreign*  
5 *Corporation Licensed in the Philippines.* – One or more foreign  
6 corporations authorized to transact business in the Philippines may  
7 merge or consolidate with any domestic corporation or corporations  
8 if permitted under Philippine laws and by the law of its  
9 incorporation: *Provided,* That the requirements on merger or  
10 consolidation as provided in this Code are followed.

11       Whenever a foreign corporation authorized to transact  
12 business in the Philippines shall be a party to a merger or  
13 consolidation in its home country or state as permitted by the law  
14 authorizing its incorporation, such foreign corporation shall, within  
15 sixty (60) days after the effectivity of such merger or consolidation,  
16 file with the Commission, and in proper cases, with the appropriate  
17 government agency, a copy of the articles of merger or consolidation  
18 duly authenticated by the proper official or officials of the country or  
19 state under whose laws the merger or consolidation was effected:  
20 *Provided, however,* That if the absorbed corporation is the foreign  
21 corporation doing business in the Philippines, the latter shall at the  
22 same time file a petition for withdrawal of its license in accordance  
23 with this Title.

24       SEC. 150. *Doing Business Without a License.* – No foreign  
25 corporation transacting business in the Philippines without a  
26 license, or its successors or assigns, shall be permitted to maintain  
27 or intervene in any action, suit or proceeding in any court or



1 administrative agency of the Philippines; but such corporation may  
2 be sued or proceeded against before Philippine courts or  
3 administrative tribunals on any valid cause of action recognized  
4 under Philippine laws.

5 SEC. 151. *Revocation of License.* – Without prejudice to other  
6 grounds provided under special laws, the license of a foreign  
7 corporation to transact business in the Philippines may be revoked  
8 or suspended by the Commission upon any of the following grounds:

9 (a) Failure to file its annual report or pay any fees as required  
10 by this Code;

11 (b) Failure to appoint and maintain a resident agent in the  
12 Philippines as required by this Title;

13 (c) Failure, after change of its resident agent or address, to  
14 submit to the Commission a statement of such change as required  
15 by this Title;

16 (d) Failure to submit to the Commission an authenticated  
17 copy of any amendment to its articles of incorporation or bylaws or  
18 of any articles of merger or consolidation within the time prescribed  
19 by this Title;

20 (e) A misrepresentation of any material matter in any  
21 application, report, affidavit or other document submitted by such  
22 corporation pursuant to this Title;

23 (f) Failure to pay any and all taxes, imposts, assessments or  
24 penalties, if any, lawfully due to the Philippine Government or any  
25 of its agencies or political subdivisions;

1 (g) Transacting business in the Philippines outside of the  
2 purpose or purposes for which such corporation is authorized under  
3 its license;

4 (h) Transacting business in the Philippines as agent of or  
5 acting on behalf of any foreign corporation or entity not duly  
6 licensed to do business in the Philippines; or

7 (i) Any other ground as would render it unfit to transact  
8 business in the Philippines.

9 SEC. 152. *Issuance of Certificate of Revocation.* – Upon the  
10 revocation of the license to transact business in the Philippines, the  
11 Commission shall issue a corresponding certificate of revocation,  
12 furnishing a copy thereof to the appropriate government agency in  
13 the proper cases.

14 The Commission shall also mail the notice and copy of the  
15 certificate of revocation to the corporation, at its registered office in  
16 the Philippines.

17 SEC. 153. *Withdrawal of Foreign Corporations.* – Subject to  
18 existing laws and regulations, a foreign corporation licensed to  
19 transact business in the Philippines may be allowed to withdraw  
20 from the Philippines by filing a petition for withdrawal of license.  
21 No certificate of withdrawal shall be issued by the Commission  
22 unless all the following requirements are met:

23 (a) All claims which have accrued in the Philippines have  
24 been paid, compromised or settled;

25 (b) All taxes, imposts, assessments, and penalties, if any,  
26 lawfully due to the Philippine Government or any of its agencies or  
27 political subdivisions, have been paid; and

1 (c) The petition for withdrawal of license has been published  
2 once a week for three (3) consecutive weeks in a newspaper of  
3 general circulation in the Philippines.

4 TITLE XVI

5 INVESTIGATIONS, OFFENSES, AND PENALTIES

6 SEC. 154. *Investigation and Prosecution of Offenses.* – The  
7 Commission may investigate an alleged violation of this Code, rule,  
8 regulation, or order of the Commission.

9 The Commission may publish its findings, orders, opinions,  
10 advisories, or information concerning any such violation, as may be  
11 relevant to the general public or to the parties concerned, subject to  
12 the provisions of Republic Act No. 10173, otherwise known as the  
13 “Data Privacy Act of 2012”, and other pertinent laws.

14 The Commission shall give reasonable notice to and  
15 coordinate with the appropriate regulatory agency prior to any such  
16 publication involving companies under their special regulatory  
17 jurisdiction.

18 SEC. 155. *Administration of Oaths, Subpoena of Witnesses and*  
19 *Documents.* – The Commission, through its designated officer, may  
20 administer oaths and affirmations, issue subpoena and *subpoena*  
21 *duces tecum*, take testimony in any inquiry or investigation, and  
22 may perform other acts necessary to the proceedings or to the  
23 investigation.

24 SEC. 156. *Cease and Desist Orders.* – Whenever the  
25 Commission has reasonable basis to believe that a person has  
26 violated, or is about to violate, this Code, rule, regulation, or order

1 of the Commission, it may direct such person to desist from  
2 committing the act constituting the violation.

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

9 Thereafter, the Commission may proceed administratively  
10 against such person in accordance with Section 158 of this Code,  
11 and/or transmit evidence to the Department of Justice for  
12 preliminary investigation or criminal prosecution and/or initiate  
13 criminal prosecution for any violation of this Code, rule, or  
14 regulation.

15 SEC. 157. *Contempt.* – Any person who, without justifiable  
16 cause, fails or refuses to comply with any lawful order, decision, or  
17 subpoena issued by the Commission shall, after due notice and  
18 hearing, be held in contempt and fined in an amount not exceeding  
19 Thirty thousand pesos (P30,000.00). When the refusal amounts to  
20 clear and open defiance of the Commission's order, decision, or  
21 subpoena, the Commission may impose a daily fine of One thousand  
22 pesos (P1,000.00) until the order, decision, or subpoena is complied  
23 with.

24 SEC. 158. *Administrative Sanctions.* – If, after due notice and  
25 hearing, the Commission finds that any provision of this Code, rules  
26 or regulations, or any of the Commission's orders has been violated,  
27 the Commission may impose any or all of the following sanctions,

1 taking into consideration the extent of participation, nature, effects,  
2 frequency and seriousness of the violation:

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

7 (b) Issuance of a permanent cease and desist order;

8 (c) Suspension or revocation of the certificate of  
9 incorporation; and

10 (d) Dissolution of the corporation and forfeiture of its assets  
11 under the conditions in Title XIV of this Code.

12 SEC. 159. *Unauthorized Use of Corporate Name; Penalties.* –

13 The unauthorized use of a corporate name shall be punished with a  
14 fine ranging from Ten thousand pesos (P10,000.00) to Two hundred  
15 thousand pesos (P200,000.00).

16 SEC. 160. *Violation of Disqualification Provision; Penalties.* –

17 When, despite the knowledge of the existence of a ground for  
18 disqualification as provided in Section 26 of this Code, a director,  
19 trustee or officer willfully holds office, or willfully conceals such  
20 disqualification, such director, trustee or officer shall be punished  
21 by a fine ranging from Ten thousand pesos (P10,000.00) to Two  
22 hundred thousand pesos (P200,000.00) at the discretion of the  
23 court, and shall be permanently disqualified from being a director,  
24 trustee or officer of any corporation. When the violation of this  
25 provision is injurious or detrimental to the public, the penalty shall  
26 be a fine ranging from Twenty thousand pesos (P20,000.00) to Four  
27 hundred thousand pesos (P400,000.00).



1           SEC. 161. *Violation of Duty to Maintain Records, to Allow*  
2 *their Inspection or Reproduction; Penalties.* – The unjustified  
3 failure or refusal by the corporation, or by those responsible for  
4 keeping and maintaining corporate records, to comply with Sections  
5 45, 73, 92, 128, 177 and other pertinent rules and provisions of this  
6 Code on inspection and reproduction of records shall be punished  
7 with a fine ranging from Ten thousand pesos (P10,000.00) to Two  
8 hundred thousand pesos (P200,000.00), at the discretion of the  
9 court, taking into consideration the seriousness of the violation and  
10 its implications. When the violation of this provision is injurious or  
11 detrimental to the public, the penalty is a fine ranging from Twenty  
12 thousand pesos (P20,000.00) to Four hundred thousand pesos  
13 (P400,000.00).

14           The penalties imposed under this section shall be without  
15 prejudice to the Commission's exercise of its contempt powers under  
16 Section 157 hereof.

17           SEC. 162. *Willful Certification of Incomplete, Inaccurate,*  
18 *False, or Misleading Statements or Reports; Penalties.* – Any person  
19 who willfully certifies a report required under this Code, knowing  
20 that the same contains incomplete, inaccurate, false, or misleading  
21 information or statements, shall be punished with a fine ranging  
22 from Twenty thousand pesos (P20,000.00) to Two hundred thousand  
23 pesos (P200,000.00). When the wrongful certification is injurious or  
24 detrimental to the public, the auditor or the responsible person may  
25 also be punished with a fine ranging from Forty thousand pesos  
26 (P40,000.00) to Four hundred thousand pesos (P400,000.00).

1           SEC. 163. *Independent Auditor Collusion; Penalties.* – An  
2 independent auditor who, in collusion with the corporation's  
3 directors or representatives, certifies the corporation's financial  
4 statements despite its incompleteness or inaccuracy, its failure to  
5 give a fair and accurate presentation of the corporation's condition,  
6 or despite containing false or misleading statements, shall be  
7 punished with a fine ranging from Eighty thousand pesos  
8 (P80,000.00) to Five hundred thousand pesos (P500,000.00). When  
9 the statement or report certified is fraudulent, or has the effect of  
10 causing injury to the general public, the auditor or responsible  
11 officer may be punished with a fine ranging from One hundred  
12 thousand pesos (P100,000.00) to Six hundred thousand pesos  
13 (P600,000.00).

14           SEC. 164. *Obtaining Corporate Registration Through Fraud;*  
15 *Penalties.* – Those responsible for the formation of a corporation  
16 through fraud, or who assisted directly or indirectly therein, shall  
17 be punished with a fine ranging from Two hundred thousand pesos  
18 (P200,000.00) to Two million pesos (P2,000,000.00). When the  
19 violation of this provision is injurious or detrimental to the public,  
20 the penalty is a fine ranging from Four hundred thousand pesos  
21 (P400,000.00) to Five million pesos (P5,000,000.00).

22           SEC. 165. *Fraudulent Conduct of Business; Penalties.* – A  
23 corporation that conducts its business through fraud shall be  
24 punished with a fine ranging from Two hundred thousand pesos  
25 (P200,000.00) to Two million pesos (P2,000,000.00). When the  
26 violation of this provision is injurious or detrimental to the public,

1 the penalty is a fine ranging from Four hundred thousand pesos  
2 (P400,000.00) to Five million pesos (P5,000,000.00).

3 SEC. 166. *Acting as Intermediaries for Graft and Corrupt*  
4 *Practices; Penalties.* – A corporation used for fraud, for committing  
5 or concealing graft and corrupt practices shall be liable for a fine  
6 ranging from One hundred thousand pesos (P100,000.00) to Five  
7 million pesos (P5,000,000.00).

8 When coupled with a finding that any of its directors, officers,  
9 employees, agents, or representatives are engaged in graft and  
10 corrupt practices, the corporation's failure to install: (a) safeguards  
11 for the transparent and lawful delivery of services; and (b) policies,  
12 code of ethics, and procedures against graft and corruption shall be  
13 *prima facie* evidence of corporate liability under this section.

14 SEC. 167. *Engaging Intermediaries for Graft and Corrupt*  
15 *Practices; Penalties.* – A corporation that appoints an intermediary  
16 who engages in graft and corrupt practices for the corporation's  
17 benefit or interest shall be punished with a fine ranging from One  
18 hundred thousand pesos (P100,000.00) to One million pesos  
19 (P1,000,000.00).

20 SEC. 168. *Tolerating Graft and Corrupt Practices; Penalties.* –  
21 A director, trustee, or officer who knowingly fails to sanction, report,  
22 or file the appropriate action with proper agencies, allows or  
23 tolerates the graft and corrupt practices or fraudulent acts  
24 committed by a corporation's directors, trustees, officers, or  
25 employees shall be punished with a fine ranging from Five hundred  
26 thousand pesos (P500,000.00) to One million pesos (P1,000,000.00).

1           SEC. 169. *Retaliation Against Whistleblowers.* – A  
2 whistleblower refers to any person who provides truthful  
3 information relating to the commission or possible commission of  
4 any offense or violation under this Code. Any person who,  
5 knowingly and with intent to retaliate, commits acts detrimental to  
6 a whistleblower such as interfering with the lawful employment or  
7 livelihood of the whistleblower, shall, at the discretion of the court,  
8 be punished with a fine ranging from One hundred thousand pesos  
9 (P100,000.00) to One million pesos (P1,000,000.00).

10           SEC. 170. *Other Violations of the Code; Separate Liability.* –  
11 Violations of any of the other provisions of this Code or its  
12 amendments not otherwise specifically penalized therein shall be  
13 punished by a fine of not less than Ten thousand pesos (P10,000.00)  
14 but not more than One million pesos (P1,000,000.00). If the  
15 violation is committed by a corporation, the same may, after notice  
16 and hearing, be dissolved in appropriate proceedings before the  
17 Commission: *Provided*, That such dissolution shall not preclude the  
18 institution of appropriate action against the director, trustee, or  
19 officer of the corporation responsible for said violation: *Provided*,  
20 *further*, That nothing in this section shall be construed to repeal the  
21 other causes for dissolution of a corporation provided in this Code.

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

25           SEC. 171. *Liability of Directors, Trustees, Officers, or Other*  
26 *Employees.* – If the offender is a corporation, the penalty may,  
27 at the discretion of the court, be imposed upon such corporation





1 maintained in a separate account which shall form a fund for its  
2 modernization and to augment its operational expenses such as  
3 capital outlay, increase in compensation and benefits comparable  
4 with prevailing rates in the private sector, reasonable employee  
5 allowance, employee health care services, and other insurance,  
6 employee career advancement and professionalization, legal  
7 assistance, seminars, and other professional fees.

8       SEC. 176. *Nationality and Stock Ownership in Corporations.* –

9 The Commission shall determine the nationality of a corporation in  
10 accordance with the Constitution, jurisprudence, and applicable  
11 laws.

12       The Congress of the Philippines may set maximum limits for  
13 stock ownership of individuals or groups of individuals related to  
14 each other by consanguinity, affinity, or by close business interests,  
15 in corporations declared to be vested with public interest pursuant  
16 to the provisions of this section, or whenever necessary to prevent  
17 anti-competitive practices as provided in Republic Act No. 10667,  
18 otherwise known as the "Philippine Competition Act", or to  
19 implement national economic policies designed to promote general  
20 welfare and economic development, as declared in laws, rules, and  
21 regulations.

22       In recommending to the Congress which corporations,  
23 businesses and industries will be declared as vested with public  
24 interest, and in formulating proposals for limitations on stock  
25 ownership, the National Economic and Development Authority shall  
26 consider the type and nature of the industry, size of the enterprise,  
27 economies of scale, geographic location, extent of Filipino

1 ownership, labor intensity of the activity, export potential, as well  
2 as other factors which are germane to the realization and promotion  
3 of business and industry.

4 SEC. 177. *Reportorial Requirements of Corporations.* – Except  
5 as otherwise provided in this Code or in the rules issued by the  
6 Commission, every corporation, domestic or foreign, doing business  
7 in the Philippines shall submit to the Commission:

8 (a) Annual financial statements audited by an independent  
9 certified public accountant: *Provided*, That if the total assets or  
10 total liabilities of the corporation are less than Six hundred  
11 thousand pesos (P600,000.00), the financial statements shall be  
12 certified under oath by the corporation's treasurer or chief financial  
13 officer; and

14 (b) A general information sheet.

15 Corporations vested with public interest must also submit the  
16 following:

17 (1) A director or trustee compensation report;

18 (2) A director or trustee appraisal or performance report and  
19 the standards or criteria used to assess each director or trustee.

20 The reportorial requirements shall be submitted annually and  
21 within such period as may be prescribed by the Commission.

22 The Commission may place the corporation under delinquent  
23 status in case of failure to submit the reportorial requirements  
24 three (3) times, consecutively or intermittently, within a period of  
25 five (5) years. The Commission shall give reasonable notice to and  
26 coordinate with the appropriate regulatory agency prior to placing

1 under delinquent status companies under their special regulatory  
2 jurisdiction.

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

9 *SEC. 178. Visitorial Power and Confidential Nature of*  
10 *Examination Results.* – The Commission shall exercise visitorial  
11 powers over all corporations, which powers shall include the  
12 examination and inspection of records, regulation and supervision of  
13 activities, enforcement of compliance, and imposition of sanctions in  
14 accordance with this Code.

15 Should the corporation, without justifiable cause, refuse or  
16 obstruct the Commission's exercise of its visitorial powers, the  
17 Commission may revoke its certificate of incorporation, without  
18 prejudice to the imposition of other penalties and sanctions under  
19 this Code.

20 All interrogatories propounded by the Commission and the  
21 answers thereto, as well as the results of any examination made by  
22 the Commission or any other official authorized by law to make an  
23 examination of the operations, books, and records of any  
24 corporation, shall be kept strictly confidential, except when the law  
25 requires the same to be made public, when necessary for the  
26 Commission to take action to protect the public or to issue orders in  
27 the exercise of its powers under this Code, or where such

1 interrogatories, answers or results are necessary to be presented as  
2 evidence before any court.

3 SEC. 179. *Powers, Functions, and Jurisdiction of the*  
4 *Commission.* – The Commission shall have the power and  
5 authority to:

6 (a) Exercise supervision and jurisdiction over all corporations  
7 and persons acting on their behalf, except as otherwise provided  
8 under this Code;

9 (b) Pursuant to Presidential Decree No. 902-A, retain  
10 jurisdiction over pending cases involving intracorporate disputes  
11 submitted for final resolution. The Commission shall retain  
12 jurisdiction over pending suspension of payment/rehabilitation  
13 cases filed as of 30 June 2000 until finally disposed;

14 (c) Impose sanctions for the violation of this Code, its  
15 implementing rules and orders of the Commission;

16 (d) Promote corporate governance and the protection of  
17 minority investors, through, among others, the issuance of rules  
18 and regulations;

19 (e) Issue opinions to clarify the application of laws, rules and  
20 regulations;

21 (f) Issue cease and desist orders *ex parte* to prevent  
22 imminent fraud or injury to the public;

23 (g) Hold corporations in direct and indirect contempt;

24 (h) Order the conduct of stockholders' or members' meetings  
25 under its supervision and determine appropriate details, including  
26 the time and place of the meeting, the record date or dates to

1 determine which stockholders are entitled to notice of the election  
2 and to vote thereat, and the form of notice of such election;

3 (i) Issue *subpoena duces tecum* and summon witnesses to  
4 appear in proceedings before the Commission;

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

10 (k) Suspend or revoke the certificate of incorporation after  
11 proper notice and hearing;

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

17 (m) Issue writs of execution and attachment to enforce  
18 payment of fees, administrative fines, and other dues collectible  
19 under this Code;

20 (n) Prescribe the number of independent directors and the  
21 minimum criteria in determining the independence of a director;

22 (o) Impose or recommend new modes by which a  
23 stockholder, member, director, or trustee may attend meetings or  
24 cast their votes, as technology may allow, taking into account the  
25 company's scale, number of shareholders or members, structure,  
26 and other factors consistent with the basic right of corporate  
27 suffrage;



1 (p) Formulate and enforce standards, guidelines, policies,  
2 rules, and regulations to carry out the provisions of this Code; and

3 (q) Exercise such other powers provided by law or those  
4 which may be necessary or incidental to carrying out the powers  
5 expressly granted to the Commission.

6 In imposing penalties and additional monitoring and  
7 supervision requirements, the Commission shall take into  
8 consideration the size, nature of the business, and capacity of the  
9 corporation.

10 No court below the Court of Appeals shall have jurisdiction to  
11 issue a restraining order, preliminary injunction, or preliminary  
12 mandatory injunction in any case, dispute, or controversy that  
13 directly or indirectly interferes with the exercise of the powers,  
14 duties and responsibilities of the Commission that falls exclusively  
15 within its jurisdiction.

16 SEC. 180. *Development and Implementation of Electronic*  
17 *Filing and Monitoring System.* – The Commission shall develop  
18 and implement an electronic filing and monitoring system. The  
19 Commission shall promulgate rules to facilitate and expedite,  
20 among others, corporate name reservation and registration,  
21 incorporation, submission of reports, notices, and documents  
22 required under this Code, and sharing of pertinent information with  
23 other government agencies.

24 SEC. 181. *Arbitration for Unlisted Corporations.* – An  
25 arbitration agreement may be provided in the articles of  
26 incorporation or bylaws of an unlisted corporation. When such an  
27 agreement is in place, disputes between the corporation, its

1 stockholders or members, which arise from the implementation of  
2 the articles of incorporation or bylaws, or from intracorporate  
3 relations, shall be referred to arbitration. A dispute shall be  
4 non-arbitrable when it involves criminal offenses and interests of  
5 third parties.

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

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

18 The arbitral tribunal shall have the power to rule on its own  
19 jurisdiction and on questions relating to the validity of the  
20 arbitration agreement. When an intracorporate dispute is filed with  
21 a Regional Trial Court, the court shall dismiss the case before the  
22 termination of the pretrial conference, if it determines that an  
23 arbitration agreement is written in the corporation's articles of  
24 incorporation, bylaws, or in a separate agreement.

25 The arbitral tribunal shall have the power to grant interim  
26 measures necessary to ensure enforcement of the award, prevent a  
27 miscarriage of justice, or otherwise protect the rights of the parties.

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

5           The Commission shall formulate the rules and regulations,  
6 which shall govern arbitration under this section, subject to  
7 existing laws on arbitration.

8           SEC. 182. *Jurisdiction over Party-List Organizations.* – The  
9 powers, authorities, and responsibilities of the Commission  
10 involving party-list organizations are transferred to the Commission  
11 on Elections (COMELEC).

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

15           For this purpose, the COMELEC, in coordination with the  
16 Commission, shall promulgate the corresponding implementing  
17 rules for the transfer of jurisdiction over the abovementioned  
18 corporations.

19           SEC. 183. *Applicability of the Code.* – Nothing in this Act  
20 shall be construed as amending existing provisions of special laws  
21 governing the registration, regulation, monitoring and supervision  
22 of special corporations such as banks, nonbank financial  
23 institutions and insurance companies.

24           Notwithstanding any provision to the contrary, regulators  
25 such as the Bangko Sentral ng Pilipinas and the Insurance  
26 Commission shall exercise primary authority over special

1 corporations such as banks, nonbank financial institutions, and  
2 insurance companies under their supervision and regulation.

3 SEC. 184. *Implementing Rules and Regulations.* – The  
4 Commission shall promulgate and/or amend the necessary rules and  
5 regulations for the effective implementation of this Act.

6 SEC. 185. *Applicability to Existing Corporations.* – A  
7 corporation lawfully existing and doing business in the Philippines  
8 affected by the new requirements of this Code shall be given a  
9 period of not more than two (2) years from the effectivity of this Act  
10 within which to comply.

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

15 SEC. 187. *Repealing Clause.* – Batas Pambansa Blg. 68,  
16 otherwise known as “The Corporation Code of the Philippines”, is  
17 hereby repealed. Any law, presidential decree or issuance,  
18 executive order, letter of instruction, administrative order, rule or  
19 regulation contrary to or inconsistent with any provision of this Act  
20 is hereby repealed or modified accordingly.

21 SEC. 188. *Effectivity.* – This Act shall take effect upon  
22 completion of its publication in the *Official Gazette* or in at least two  
23 (2) newspapers of general circulation.

Approved,