

**[ REPUBLIC ACT NO. 6055, August 04, 1969 ]**

**AN ACT TO PROVIDE FOR THE CONVERSION OF EDUCATIONAL INSTITUTIONS FROM STOCK CORPORATIONS TO NON-PROFIT FOUNDATIONS, DIRECTING THE GOVERNMENT SERVICE INSURANCE SYSTEM, THE SOCIAL SECURITY SYSTEM AND THE DEVELOPMENT BANK OF THE PHILIPPINES TO ASSIST IN SUCH CONVERSION, AND FOR OTHER PURPOSES.**

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

SECTION 1. Any educational institution, organized as a stock corporation, which for at least ten years has been conferring baccalaureate degrees and has maintained its good standing as required by Section two, paragraph (b) of this Act, may convert itself into a non-stock non-profit education foundation, under the following conditions:

(a) That the stockholders of the corporation, by two-thirds vote in a stockholders' meeting called for the purpose, agree upon a resolution to convey their shares to the corporation, which is hereby authorized to acquire said shares, at a price fixed by them: *Provided*, That a stockholder who did not vote in favor of the resolution shall enjoy and may exercise the right provided in Section twenty-eight and one half of Act No. 1459, as amended; otherwise, he shall be deemed to have consented to be bound by the resolution;

(b) That the stockholders in said meeting elect the board of trustees for the foundation which shall be organized upon the conveyance of the shares of the stockholders to the corporation;

(c) That a copy of the resolution of the stockholders containing the above matters, certified by the governing board, shall be filed with the Securities and Exchange Commission; and

(d) That the articles of incorporation and the by-laws of the corporation shall be amended to conform to the status of the educational institution as a foundation: *Provided*, That such amendments shall become effective upon the conveyance of all the shares of the stockholders to the corporation, which shall thereafter be known as a foundation: *Provided, further*, That the fact of such conveyance and conversion shall be certified to by the board of trustees of the foundation and the certificate shall be filed with the Securities and Exchange Commission: *And*

*provided, finally,* That the shares conveyed to the corporation cannot be re-issued.

SEC. 2. The Government Service Insurance System and the Social Security System are authorized and directed to grant loans to educational stock corporations desiring to convert themselves into foundations and the Development Bank of the Philippines is authorized and directed to guarantee loans which such corporations may obtain from other sources, domestic or foreign, *Provided:*

(a) That paragraphs (a), (b) and (c) of Section One have been complied with and the amendments of the articles of incorporation and by-laws provided in paragraph (d) of the same section have been made;

(b) That the educational institution is of good standing, from the standpoint of academic standards, plant and equipment, faculty, performance of graduates and other aspects related to its capability to give a high quality of education, as certified by the Secretary of Education;

(c) That the proceeds of the loan shall be used exclusively to pay for the shares of stockholders conveyed to the corporation;

(d) That the assets of the corporation shall be transferred to the foundation, and may be given as collateral for the loan; and

(e) That the foundation shall assume the liabilities of the corporation.

SEC. 3. The loan to be given or guaranteed shall be of long duration, from ten to thirty years, and properly secured by the property of the school in accordance with the credit policy of the financing institution and shall earn interest at the rate of three *per centum, per annum*, subject to yearly amortizations, principal and interest, until such loan shall have been paid in full.

SEC. 4. The management of the Foundation shall be vested in a board of trustees to be known as the "Board of Trustees of the Foundation." The Board of Trustees shall be composed of ten elective members, with a term of five years and the head of the highest student organization as *ex-officio* member: *Provided,* That the first ten elected members of the board shall hold office in a staggered manner, two expiring every year, beginning with the elected members having received the lowest number of votes and successively in the order of the ascending number of votes received. This Board shall elect all subsequent members of the Board for a full term, except to fill a vacancy for the unexpired term.

The elective membership of the Board shall be composed of businessmen, financiers, and well-known educators. A representative of the government financial institution granting or guaranteeing the loan shall sit with the board as an *ex-officio* member until the loan is fully paid.