

# [ Act No. 3518, March 01, 1929 ]

## **AN ACT AMENDING THE CORPORATION LAW ACT NUMBERED FOURTEEN HUNDRED AND FIFTY-NINE, AS AMENDED, AND FOR OTHER PURPOSES.**

*Be it enacted by the Senate and House of Representatives of the Philippines in Legislature assembled and by the authority of the same:*

SECTION 1. Sections four and five of Act Numbered Fourteen hundred and fifty-nine, "The Corporation Law," are hereby reenacted as section four thereof, to read as follows:

"SEC. 4. Corporators of a corporation are those who compose the corporation, whether stockholders or members, or both. Incorporators are those members or stockholders, or both, mentioned in the articles of incorporation as originally forming and composing the corporation.

"The owners of shares in a corporation which has capital stock are called stockholders or shareholders. Corporators of a corporation which has no capital stock and corporators of a corporation who do not own capital stock are members."

SEC. 2. A new paragraph is inserted as section 5 of the Corporation Law, as follows:

"SEC. 5. The shares of any corporation formed under this Act may be divided into classes with such rights, voting powers, preferences, and restrictions as may be provided for in the Articles of Incorporation. Any or all of the shares may have a par value or have no par value, as provided in the Articles of Incorporation: *Provided, however,* That banks, trust companies, insurance companies, and building and loan associations shall not be permitted to issue no-par value shares of stock. Subject to the laws creating and defining the duties of the Public Service Commission, shares of capital stock without par value may be issued from time to time, (a) for such consideration as may be prescribed in the Articles of Incorporation; or (b) in the absence of fraud in the transaction, for such consideration as, from time to time, may be fixed by the board of directors pursuant to authority conferred in the Articles of Incorporation; or (c) for such consideration as shall be consented to or approved by the holders of a majority of the shares entitled to vote at a meeting called in the manner prescribed by the by-laws, provided the call for such meeting shall contain notice of such purpose. Any or all shares so issued shall be deemed fully paid and non-assessable and the holder of such shares shall not be liable to the corporation or to its creditors in respect thereto: *Provided, however,* That shares without par value may not be issued for a consideration less than the value of five pesos per share. Except as otherwise provided by the Articles of Incorporation, and stated in the certificate of stock, each share shall be in all respects equal to every other share.

"Preferred shares of stock issued by any corporation the holders of which are entitled to any preference in the distribution of the assets of the

corporation in case of liquidation may be issued only with a stated par value and, in all certificates for such shares of stock, the amount which the holder of each of such preferred shares shall be entitled to receive from the assets of the corporation in preference to holders of other shares shall be stated.

"The entire consideration received by the corporation for its no-par value shares shall be treated as capital, and shall not be available for distribution as dividends."

SEC. 3. The first paragraph of section six and sub-paragraphs two, seven, and eight thereof are hereby amended to read as follows:

"SEC. 6. Five or more persons, not exceeding fifteen, a majority of whom are residents of the Philippine Islands, may form a private corporation for any lawful purpose or purposes by filing with the Bureau of Commerce and Industry articles of incorporation duly executed and acknowledged before a notary public, setting forth:

"(2) The purpose or purposes for which the corporation is formed: *Provided, however,* That no corporation hereafter formed for the purpose of engaging in the business of transportation, by land or by water, or of maintaining a telephone, telegraph, or wireless communication system, shall, except as otherwise provided by law, exercise any powers other than those necessary or incidental to the accomplishment of its said purpose. The restriction herein provided shall also apply to foreign corporations hereafter licensed to do business in the Philippine Islands. "

"(7) If it be a stock corporation, the amount of its capital stock, in lawful money of the Philippine Islands, and the number of shares into which it is divided, and if such stock be in whole or in part without par value then such fact shall be stated: *Provided, however,* That as to stock without par value the articles of incorporation need only state the number of shares into which said capital stock is divided.

"(8) If it be a stock corporation, the amount of capital stock or number of shares of no par stock actually subscribed, the names and residences of the persons subscribing, the amount or number of shares of no par stock subscribed by each, and the sum paid by each on his subscription."

SEC. 4. Paragraphs second, seventh, and eighth of the form of articles of incorporation embodied in section seven and the form of oath of the treasurer prescribed in the same section are hereby amended so as to read as follows:

"SECOND. That the purpose or purposes for which such corporation is formed \_\_\_\_\_ are

---

(Here insert in full the purposes of the corporation)

"SEVENTH. (In case all of the shares of the corporation have par value.)

"That the capital stock of said corporation is \_\_\_\_\_ pesos and said capital stock is divided into \_\_\_\_\_ shares of the par value of \_\_\_\_\_ pesos each.

"(In case all of the shares of the corporation are without par value.)

"That the capital stock of said corporation is shares without par value.  
"(In case some of the shares of the corporation have par value and some are without par value.) "That the capital stock of said corporation consists of shares of which \_\_\_\_\_ are shares of the par value of \_\_\_\_\_ (P ) each and of which \_\_\_\_\_ shares are without par value.

"(If the shares of stock are to be classified there should be stated herein the number of shares to be included in each class and all of the rights, voting powers, preferences, and restrictions of the shares of each class.)

"EIGHTH. That the amount of said capital stock (or the number of shares without par value) which has been actually subscribed is \_\_\_\_\_ (Here insert the full amount of said capital subscribed or the number of shares without par value) (shares), and the following persons have subscribed for the number of shares and amount of capital stock (or the number of shares without par value) set out after their respective names:

"CITY OR MUNICIPALITY OF  
"PROVINCE OF \_\_\_\_\_ }ss.  
"Philippine Islands \_\_\_\_\_  
"  
(Here insert the name of treasurer)

being duly sworn, deposes and says that on the \_\_\_\_\_ day of \_\_\_\_\_ Anno Domini nineteen hundred and \_\_\_\_\_ , he was duly elected by the subscribers named in the foregoing articles of incorporation as treasurer of the corporation to act as such until his successor has been duly elected and qualified in accordance with the by-laws of the corporation, and that as such treasurer he has been authorized by the subscribers to receive for the corporation all subscriptions paid in by subscribers for the capital stock; that for \_\_\_\_\_ shares of stock \_\_\_\_\_ pesos \_\_\_\_\_ (Here insert the amount) has been actually subscribed and that of said subscription pesos (or if property has been (Here insert the amount) transferred in lieu of cash a description of the property and a statement of its fair valuation) \_\_\_\_\_ has been actually transferred to him in trust and received by him for the benefit and to the credit of the corporation, and that at least twenty per centum of the entire number of authorized shares of capital stock has been subscribed and at least twenty-five per centum of the subscription has been actually paid to him or that property described as follows: \_\_\_\_\_ of the fair valuation of twenty-five per centum of the subscription has been actually transferred to him in trust and received by him for the benefit and to the credit of the corporation.

"Subscribed and sworn to before me this day of Anno Domini nineteen hundred and \_\_\_\_\_

" \_\_\_\_\_ "  
Notary Public

SEC. 5. Section eight is hereby amended by adding a new proviso to the last paragraph thereof, to read as follows: "Provided, however, That if the shares of stock of the corporation are without par value, then for the purposes of fixing the fees prescribed in this section such shares shall be taken to be of the par value of one hundred pesos each: *And provided, further,* That the Director of the Bureau of Commerce and Industry shall collect and receive a fee of twenty-five pesos from every non-stock corporation filing articles of incorporation under the provisions of this Act: And provided, further, That all collections of fees heretofore made by said Director for the said purpose from non-stock corporations are hereby ratified and approved."

SEC. 6. Section nine is hereby amended so as to read as follows:

"SEC. 9. The Director of the Bureau of Commerce and Industry shall not file the articles of incorporation of any stock corporation unless accompanied by a sworn statement of a treasurer elected by the subscribers showing that at least twenty per centum of the entire number of authorized shares of capital stock has been subscribed, and that at least twenty-five per centum of the subscription has been either paid to him in actual cash for the benefit and to the credit of the corporation, or that there has been transferred to him in trust and received by him for the benefit and to the credit of the corporation property the fair valuation of which is equal to twenty-five per centum of the subscription : *Provided,* That it shall be the duty of the Director of the Bureau of Commerce and Industry, immediately after the filing of the articles of incorporation of a corporation, to publish, at the expense of said corporation, the assets and liabilities of the same once in a newspaper of general circulation in the locality where the corporation is domiciled, if any, or in default thereof in a newspaper of general circulation in the City of Manila."

SEC. 7. Subsection five of section thirteen is hereby amended to read as follows:

"(5) To purchase, hold, convey, sell, lease, let, mortgage, encumber, and otherwise deal with such real and personal property as the purposes for which the corporation was formed may permit, and the transaction of the lawful business of the corporation may reasonably and necessarily require unless otherwise prescribed in this Act: Provided, That no corporation shall be authorized to conduct the business of buying and selling public lands or be permitted to hold or own real estate except such as may be reasonably necessary to enable it to carry out the purposes for which it is created, and every corporation authorized to engage in agriculture shall be restricted to the ownership and control of not to exceed one thousand and twenty-four hectares of land; and it shall be unlawful for any corporation organized for the purpose of engaging in agriculture or in mining to be in anywise interested in any other corporation organized for the purpose of engaging in agriculture or in mining; it shall be unlawful for any person owning stock in more than one corporation organized for the purpose of engaging in agriculture or in mining to own more than fifteen per centum of the capital stock then outstanding and entitled to vote of each of such corporations; it shall be unlawful for any corporation to own in excess of fifteen per centum of the capital stock then outstanding and entitled to vote of any corporation

organized for the purpose of engaging in agriculture or in mining; any stockholder of more than one corporation organized for the purpose of engaging in agriculture or in mining may hold his stock in such corporations solely for investment and not for the purpose of bringing about or attempting to bring about a combination to exercise control of such corporations, or to directly or indirectly violate any of the provisions of the Public Land Law, and any corporation holding stock in any corporation organized for the purpose of engaging in agriculture or in mining may hold such stock solely for investment, and not for the purpose of bringing about or attempting to bring about a combination to effect control of such corporation, or to directly or indirectly violate any of the provisions of the Public Land Law. Corporations, however, may loan funds upon real estate security and purchase real estate when necessary for the collection of loans but they shall dispose of real estate so obtained within five years after receiving the title."

SEC. 8. Section thirteen is hereby further amended by inserting a new paragraph as subsection ten thereof, to read as follows:

"(10) Except as in this section otherwise provided, and in order to accomplish its purpose or purposes as stated

in the articles of incorporation, to acquire, hold, mortgage, pledge or dispose of shares, bonds, securities, and other evidences of indebtedness of any domestic or foreign corporation."

SEC. 9. Section sixteen is hereby amended to read as follows:

"SEC. 16. No corporation organized under this Act shall create or issue bills, notes, or other evidence of debt for circulation as money, and no corporation shall issue stock or bonds except in exchange for actual cash paid to the corporation or for: (1) property actually received by it at a fair valuation equal to the par or issued value of the stock or bonds so issued; and in case of disagreement as to their value, the same shall be presumed to be the assessed value or the value appearing in invoices or other commercial documents, as the case may be; and the burden of proof that the real present value of the property is greater than the assessed value or value appearing in invoices or other commercial documents, as the case may be, shall be upon the corporation, or for (2) profits earned by it, but not distributed among its stockholders or members: *Provided, however,* That no stock or bond dividend shall be issued without the approval of stockholders representing not less than two-thirds of all stock then outstanding and entitled to vote at a general meeting of the corporation or at a special meeting duly called for the purpose.

"Any officer of any corporation consenting to the issuance of stock or bonds in exchange for property valued in excess of its real fair cash value, or who, having knowledge thereof, does not forthwith express his disapproval in writing, shall be severally and jointly liable to the corporation and its creditors for the difference between the real present cash value of the property at the time of the issuance of the stock and the issued or par value of the same, as the case may be.