

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



13 NOV 14 24:15

SENATE  
S. No. 1921

RECEIVED

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Introduced by Senator Miriam Defensor Santiago

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#### EXPLANATORY NOTE

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

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

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

*Miriam Defensor Santiago*  
MIRIAM DEFENSOR SANTIAGO


*ms*

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

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

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

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

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

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

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

Approved,