

Title: Alhambra Cigar & Cigarette Manufacturing Company, Inc. vs. Securities and Exchange Commission

Facts:

- Alhambra Cigar & Cigarette Manufacturing Company, Inc. was incorporated on January 15, 1912, with a 50-year corporate term.
- Its term expired on January 15, 1962, and it commenced liquidation. A new corporation, Alhambra Industries, Inc., was formed to continue its business.
- Angel S. Gamboa was named as trustee for Alhambra's liquidation on May 1, 1962.
- On June 20, 1963, Republic Act 3531 was enacted, allowing private corporations to extend their corporate existence by amending their articles of incorporation.
- Alhambra's board, on July 15, 1963, resolved to extend its corporate existence for another 50 years, an act ratified by its stockholders on August 26, 1963.
- The amended articles were filed with the SEC on October 28, 1963.
- On November 1, 1963, the SEC rejected the amendment, stating that Alhambra's term had expired before the new law took effect.
- Alhambra's counsel sought reconsideration but was denied by the SEC on September 8, 1964.
- Alhambra appealed to the Philippine Supreme Court to overturn the decision.

Issues:

1. Whether a corporation can extend its life by amending its articles of incorporation during the three-year statutory period for liquidation after its original term has expired.
2. Whether Republic Act 3531 has a retroactive effect on corporations whose corporate existence had ended prior to its enactment.
3. The proper interpretation of the law in the context of extending or renewing corporate existence.

Court's Decision:

The Supreme Court affirmed the SEC's decision, holding that:

1. Extension of Alhambra's corporate term post-expiration is not allowed since the amendment was attempted after the original corporate term had ended and the company was in the process of liquidation.
2. The law (Republic Act 3531) does not have a retroactive effect and cannot be used to revive a corporation whose life has already expired.
3. The intention of the law, as inferred from its text and historical context, is that an extension must be made before the expiry of the corporate term originally provided.

Alhambra's actions amounted to creating a new corporation, not extending the old one.

Doctrine:

- A corporation's attempt to extend its life by amending its articles of incorporation must be undertaken before the expiration of its original term. Extensions cannot be made retroactively after a corporation's corporate term has lapsed.
- A corporation continues to exist for three years post-expiration for the purpose of liquidation, not for continuation or revival of business operations.

Class Notes:

- Corporate Term Extension: Must be done before original term expires (RA 3531).
- Liquidation Period: 3-year grace period after corporate term ends for settlement of affairs but not for business continuation (Section 77, Corporation Law).
- Retroactivity: Absent clear language, new statutes do not apply retroactively to revive lapsed corporations.
- Renewal vs. Extension: Renewal revives a lapsed corp. and Extension prolongs before it lapses (distinction under corporate law).

Historical Background:

Republic Act 3531 amended existing corporation law in the Philippines and granted private corporations the ability to extend their corporate terms beyond the previously fixed 50-year limit. However, the timing of these extensions is crucial, with the law intending for them to occur before the original term expires. The case of Alhambra Cigar & Cigarette reveals the judiciary's strict approach to statutory interpretation, preventing the revival of corporate entities whose existence had already lapsed before the enactment of the new law, ensuring a consistent application of corporate continuance principles.